

**ITEM 1**  
**COVER PAGE**

**PART 2A OF FORM ADV: FIRM BROCHURE**

**Third Point LLC**

March 30, 2020

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*This brochure provides information about the qualifications and business practices of Third Point LLC. If you have any questions about the contents of this brochure, please contact us at 212-715-3880. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*Additional information about Third Point LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

**ITEM 2****MATERIAL CHANGES**

None.

# ITEM 3

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## ITEM 4

### ADVISORY BUSINESS

Third Point LLC (“Registrant”, “Third Point”, “we”, “Investment Manager”, or “Adviser”) is a Delaware limited liability company established in 1995. Registrant’s principal owner is Daniel S. Loeb. Registrant is registered with the SEC.

Third Point provides discretionary investment advisory services to a variety of domestic and offshore private investment vehicles that trade our primary strategy, including a fund of funds vehicle that invests nearly all of its investible capital in such private investment vehicles (each a “Hedge Fund” and collectively, the “Hedge Funds”), a single private equity-style fund (the “Greek Fund”, and collectively with the Hedge Funds, the “Funds”), several special purpose vehicles, and two separately-managed institutional accounts (“Separately Managed Accounts” and collectively with the Funds, each an “Account” and collectively, the “Accounts”). We pursue an event-driven, value-oriented strategy that spans across a broad range of industries, geographies and asset classes.

For all but the Greek Fund, we employ one strategy for all of our Funds but modify the strategy for certain Accounts to comply with account guidelines.

We manage approximately \$15.9 billion on a discretionary basis as of December 31, 2019. This figure includes February 29, 2020 estimates for several private funds which launched in 2020 as set forth in Part 1A.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **Fees**

For the Hedge Funds, we typically receive an annual management fee of between 1.0 and 2.0% on assets under management depending on the Hedge Fund and share class. For one Hedge Fund, we may receive more than 2% depending on the ratio of its leverage relative to that of another Hedge Fund. In that instance, the management fee is equal to the applicable annual management fee rate (which may be 2.0%, depending on the share class) multiplied by the net assets of the Hedge Fund, multiplied in turn by the ratio of the Hedge Fund's leverage relative to that of the other Hedge Fund. Management fees are payable either monthly or quarterly in advance depending on the Hedge Fund. We also typically receive an annual performance allocation equal to 20% of the net realized and unrealized appreciation in the net asset value of each series of shares (in the case of a limited partnership interest, net capital appreciation of a capital account) in the respective Hedge Funds. Investors in the Hedge Funds may withdraw/redeem their interests or shares in whole or in part from the applicable Hedge Fund in accordance with the withdrawal/redemption terms of the relevant offering documents ("PPM"). Certain of the share classes are subject to a one year "soft" lock (which may be automatically renewing for a certain share class) with a 5% withdrawal/redemption charge. If an investor withdraws/redeems its investment, any unearned fees paid in advance will be refunded in an amount prorated from the date of termination to the end of the relevant period in which the termination date falls.

For the Greek Fund, we receive an incentive fee of between 20 and 25% with a hurdle rate of 10 and 30%. Investors in the Greek Fund may not withdraw/redeem their interests.

The Adviser may offer other products, including co-investment opportunities alongside the Hedge Funds, to third parties selected by the Adviser in its sole discretion, including, without limitation, certain existing investors of the Funds and/or Separately Managed Accounts. Co-investment opportunities may be made available through limited partnerships, limited liability companies or other special-purpose entities formed to make such investments. Fees for such co-investment opportunities have been lower than the fees for the Hedge Funds.

See Item 11 for information regarding the allocation of trades and investment opportunities among the Accounts.

The General Partner may, in its sole discretion, reduce, waive or calculate differently the Management Fee with respect to any partner, member or employee of the Investment Manager, the General Partner or their affiliates, such person's family members and trusts or other entities established for the benefit of such person or his or her family members (each, a "Related Investor"). This may be effected by offering a new share class, tranche of Interests, a rebate of the Management Fee or some other permissible means.

## **Expenses**

Each Account will incur substantial fees and expenses whether or not any profits are realized.

Each Account will directly bear the costs relating to its ongoing existence and investment process, except as set forth below, and some Accounts will indirectly, through their interest in a master fund, pay their attributable share of master fund expenses. Costs which will be borne by each Account include, as applicable, but are not limited to:

### *Investment and Trading*

- trade support services including, but not limited to, pre- and post-trade support software and related support services;
- research (including computer, newswire, quotation services, publications, periodicals, subscriptions, data base services and data processing that are directly related to research activities on behalf of each Account) and consulting, advisory, expert, investment banking, finders and other professional fees relating to investments or contemplated investments, whether charged as fixed fees (such as retainers) and/or performance-based fees and allocations, in the form of cash, options, warrants, stock, stock appreciation rights or otherwise and irrespective of whether (i) there is a contractual obligation to pay such fees or (ii) such third parties are engaged by each Account and/or its affiliates in a dedicated or exclusive capacity; provided that each Account will not bear the costs of any third party who may be retained to provide trade idea generation to the Investment Manager or each Account on an ongoing basis;
- risk analysis and risk reporting by third parties and risk-related and consulting services;
- fees of providers of specialized data and/or analysis related to companies, sectors or asset classes in which each Account has made or intends to make an investment;
- transactional expenses, including fees or costs related to due diligence, investigation and negotiation of potential investments, whether or not such investments are consummated; and
- brokerage commissions and services and similar expenses necessary for each Account to receive, buy, sell, exchange, trade and otherwise deal in and with securities and other property of each Account (including expenses relating to spreads, short dividends, negative rebates, financing charges and currency hedging costs).

For the avoidance of doubt, each Account will bear any costs (including legal costs) associated with contemplated or actual proxy solicitation contests, the preparation of any letters with respect to plans and proposals regarding the management, ownership and capital structure of any portfolio company (and related anti-trust or other regulatory filings) by the Investment Manager in connection with each Account's investments, any compensation paid to individuals considered for nomination, nominated and/or appointed, at each Account's request, to the board of a portfolio company (including any compensation paid in relation to serving in such capacity) and any related expenses (such as all costs incurred in connection with recruiting directors to serve on the board of a portfolio company, proxy solicitors, public relations experts, costs associated with "white papers," lobbying organizations to the extent reasonably determined by the Investment Manager to be employed in connection with investments or prospective investments of each Account and public presentations).

### *Legal and Compliance*

- legal fees and related expenses incurred in connection with Account investments or contemplated potential investments or the ongoing existence of each Account, including legal costs and related expenses of (i) covered persons (such as indemnification and advances on account of indemnification) that may be payable by each Account pursuant to any indemnification obligations of each Account or (ii) any threatened or actual litigation involving each Account, which may include monetary damages, fees, fines and other sanctions, whether as a result of such regulatory authorities or such commercial interests prevailing, or the Investment Manager determining to settle such threatened or actual litigation;
- legal and compliance third-party fees and expenses allocated to each Account to the extent the Investment Manager has reasonably determined that such services are related to, or otherwise benefiting, the organizational, operational, investment or trading activities of each Account including, without limitation, filing and registration fees and expenses (*e.g.*, expenses associated with regulatory filings, audits and inquiries with the Securities and Exchange Commission (as they relate to the offering of shares or interests as well as to assets and liabilities of each Account), the U.S. Commodity Futures Trading Commission, the Federal Trade Commission and other regulatory authorities including foreign regulatory authorities, and any other filings made in connection with or that otherwise relate to or are incidental to each Account's organization (including the offering of shares or interests), administration, investments and operations, including Form PF, but excluding the preparation of Form ADV and other expenses determined by the Investment Manager to be primarily related to other filings to be made, as well as the establishment, implementation and maintenance of internal policies and procedures of the Investment Manager that are intended to facilitate the Investment Manager's compliance with respect to its "own" compliance obligations not directly related to any services provided to its clients (for instance, the Investment Manager's obligation to maintain registration with the SEC or to maintain records such as those specified in Rule 204-2(a) under the Advisers Act are its "own" obligations; but its obligations relating to, without limitation, research, trading, investments and monitoring of investments are not the Investment Manager's "own" obligations), as opposed to the compliance obligations of each Account);

### *Organizational and Operational*

- 80% of the cost of any insurance premiums (other than wrongful employment practices insurance, premises liability insurance and insurance covering similar risks (*e.g.*, covering liabilities of the Investment Manager in its capacity as an employer or landlord/tenant)) including the cost of any insurance covering the potential liabilities of each Account, the Investment Manager, its affiliates or any agent or employee of each Account, as well as the potential liabilities of any individual serving at the request of each Account as a director of a portfolio company (such as directors' and officers' liability or other similar insurance policies and errors and omissions insurance or other similar insurance policies) (for purposes of utmost clarity, any deductibles or retentions pursuant to such insurance policies are liabilities to be borne in accordance with each Account's indemnification obligations);
- third-party valuation services (including fees of pricing, data and exchange services and financial modeling services), fund accounting, auditing and tax preparation (including tax filing fees, the cost of passive foreign investment company reporting, any expenses incurred in order to satisfy tax reporting requirements in an investor's jurisdiction (if applicable) and other professional services and advisors) and expenses related to complying with **Automatic Exchange of Information (AEOI)**;
- Management Fees;

- the cost of the continuous offering of interests in Accounts, as applicable, including the cost of updating each Accounts' offering documents and other relevant documents, the negotiation of side letters and any related costs and legal and regulatory expenses associated with such offerings (e.g., "blue sky" filings and expenses related to the offering and sale of interests in compliance with the Directive 2011/61/EU on Alternative Investment Fund Managers);
- expenses related to the maintenance of each Account's registered office and corporate licensing;
- consultant and other personnel expenses of companies and non-U.S. offices formed for the purpose of facilitating and/or holding investments by any Account ("Facilitation Expenses");
- costs and expenses related to acquisition, installation, servicing of, and consulting with respect to, order, trade, and commission management products and services (including, without limitation, risk management and trading software or database packages);
- fees of the Administrator;
- fees of the Unaffiliated Consultation Committee (as defined in the PPM of certain Hedge Funds), as applicable;
- interest costs and taxes (including entity-level taxes and governmental fees or other charges payable by or with respect to or levied against each Account, its investments, or to federal, state or other governmental agencies, domestic or foreign, including real estate, stamp or other transfer taxes and transfer, capital and other taxes, duties and costs incurred in connection with the making of investments by each Account in a portfolio);
- custodian and transfer agency services (including the costs, fees and expenses associated with the opening, maintaining and closing of bank accounts, custodial accounts and accounts with brokers on behalf of each Account (including the customary fees and charges applicable to transactions in such broker accounts));
- wind-up and liquidation expenses; and
- other similar expenses related to each Account.

Any description of the expenses herein that each Account may bear is not exhaustive. When allocating expenses, the Investment Manager must first determine whether such expenses are each Account's "own" expenses (for example, because they fall within the categories noted above, are similar to such expenses or are extraordinary expenses of each Account) and therefore are to be borne by each Account or whether such expenses are expenses of the Investment Manager to be borne by the Investment Manager. These determinations will necessarily be subjective and may give rise to conflicts of interest between the interests of an Account and the interests of the Investment Manager, who might otherwise bear such expenses.

Subject to certain exceptions such as tax or similar restrictions, all investment-related expenses will generally be shared by each Account *pro rata* to their participation (or expected participation) in that investment, while other covered expenses will generally be borne *pro rata* by each Account based on their relative net asset value. Certain expenses reasonably deemed attributable only to particular Interests will generally be allocated to such Interests and similarly, certain expenses reasonably deemed attributable only to an Account(s) will be allocated to the Account(s) as applicable. However, if such allocation of expenses would result in an outcome that the Investment Manager considers not to be fair or equitable, the Investment Manager may allocate expenses among applicable Accounts in a manner it determines to be fair and equitable.



We engage the services of an independent third party to assist with identifying potential class action recoveries. The service provider is compensated based on a percentage of the proceeds recovered from all Third Point class action filings. As a result, all participating Accounts bear the cost (i.e. receive a reduced amount of the class action proceeds) of the third-party class action recovery services. Third Point credits any class action settlement proceeds received to the Accounts.

For the avoidance of doubt, the Investment Manager is responsible for, and each Account, as applicable, shall not pay, travel expenses of its principals and employees (other than Facilitation Expenses as described above). In addition, for the avoidance of doubt, the Investment Manager is responsible for its own overhead expenses, including salaries, benefits, rent, information technology (other than as described in the previous paragraphs), bonuses and other overhead.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

A description of the fees charged by Adviser is provided above in Item 5.

Compensation arrangements may create an incentive for the Investment Manager to make investments on behalf of the Accounts that are riskier or more speculative than would be the case if such arrangement was not in effect. In addition, because the performance compensation is generally calculated on a basis that includes unrealized appreciation of the Accounts' assets, it may be greater than if such compensation were based solely on realized gains.

We serve primarily as an investment adviser to the Accounts and are not actively seeking other new non-Fund accounts. However, we reserve the right to allow an investor who meets certain criteria to open a separately managed account which may have different and, possibly more favorable, terms regarding, among other things, transparency and liquidity than those of the Accounts.

We receive part of our compensation from the Accounts we advise in the form of performance allocations which are calculated as a percentage of certain net capital appreciation during a period (subject to high watermarks), and allocated at the end of each fiscal year of the relevant Account. We have a fiduciary duty to our clients not to favor the account of one client over that of another, without regard to the types and amounts of fees paid by those accounts. In light of this, we have allocation and other policies and procedures in place to ensure that accounts are treated fairly. We seek to allocate investments among funds with similar strategies on a pro rata basis.

## **ITEM 7**

### **TYPES OF CLIENTS**

Investors in the Accounts we manage typically include corporate and public pensions, sovereign wealth funds, endowments, foundations, fund of funds, and high net worth individuals. The Accounts also include a closed-end feeder fund (LSE:TPOU), a Bermuda-based reinsurance affiliate (NYSE:TPRE), and employee assets.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

**The following discussion relates in its entirety to the Hedge Funds, and only in part to the Greek Fund, Special Purpose Vehicles, and Separately Managed Accounts whose strategies are different from our primary strategy. Please refer to each Fund's PPM or other Account offering memorandums for a more detailed discussion of investment strategy and related risks.**

An investment in an Account will involve a high degree of risk, including the risk of loss of the entire amount invested. The Accounts' investment program may utilize certain investment techniques and strategies, including leverage and short sales, and may purchase certain types of securities, such as derivatives, futures, swaps, options, mortgage-backed and other asset-backed securities or other financial instruments, which can, in certain circumstances, substantially increase the adverse impact to which the Accounts may be subject. There is no assurance that the Accounts' investment objective will be achieved, and results may vary substantially over time. (References to securities herein refer to any and all types of financial instruments, unless the context suggests otherwise.) The following risk factors are not exhaustive and there may be additional risks that may negatively and materially affect the performance of the Accounts.

The risks set forth herein with respect to the Accounts are also applicable to the master fund of such Account, as applicable, and to any special purpose vehicles formed to facilitate such master fund's (and hence, indirectly, such Account's) investments.

#### **Business Risks**

*Overall Investment Risk.* All investments involve the risk of loss of capital. The securities to be purchased and traded by the Accounts will be speculative in nature, and the markets in which the Accounts will transact will be highly competitive. Changes in general domestic and international economic and political situations and conditions, including fluctuations in interest rates, the availability of credit, recession and other factors may adversely affect the Accounts' investments. The investment horizon, and consequently the duration, of many of the Accounts' investments may be longer than the shareholding period of Investors. Consequently, Investors withdrawing/redeeming their Interests may not benefit from potential value embodied in the investments held by each Account at the time of their withdrawal/redemption. The investment techniques and strategies to be employed by the Investment Manager in an effort to meet each Account's investment objective may increase this risk. There can be no assurance the Investment Manager's techniques and strategies will be successful, or that the Accounts will not incur losses, which could be meaningful. Accordingly, any investment should be made only after consulting with independent, qualified sources of investment, legal, tax, accounting and other advice.

*Flexible Investment Approach.* The Investment Manager has broad and unfettered investment authority, and may trade in any type of security, issuer or group of related issuers, country, region and sector that it believes will help each Account achieve its investment objective. Additionally, the strategies that the Investment Manager may pursue for each Account are not limited to the strategies described herein; furthermore, such strategies may change and evolve materially over time. The Investment Manager has broad latitude with respect to the management of each Account's risk parameters. Each Account is subject neither to any hard limits regarding diversification of investments nor to formal leverage policies limiting the leverage to be used by each Account. The Investment Manager will opportunistically implement whatever strategies, risk management techniques and discretionary approaches, as well as such other investment tactics, as it believes from time to time may be suited to prevailing market conditions. The Investment Manager may use such leverage, position size, duration and other portfolio management techniques as it believes are appropriate for each Account. Investors must recognize that by investing in each Account, they are placing their capital indirectly under the discretionary management of the Investment Manager and authorizing the Investment

Manager indirectly to trade for each Account using whatever strategies in such manner as the Investment Manager may determine. Any of these new investment strategies, techniques, discretionary approaches and investment tactics may not be thoroughly tested before being employed and may have operational or other shortcomings which could result in unsuccessful investments and, ultimately, losses to each Account. In addition, any new investment strategy, technique and tactic developed by each Account may be more speculative than earlier investment strategies, techniques and tactics and may involve material and as-yet-unanticipated risks that could increase the overall risk associated with an investment in each Account. While Investors will receive monthly reports and quarterly letters describing certain characteristics of each Account's portfolio (but which may exclude certain information, including confidential or proprietary information), Investors generally will not be notified of any changes in the Investment Manager's strategies, techniques, discretionary approach and tactics. There can be no assurance that the Investment Manager will be successful in applying its approach and there is material risk that an Investor may suffer significant impairment or total loss of its capital.

*Macro Strategy.* Each Account's macro investing will consist primarily of investing in global fixed income, currency, commodities and equity markets, and their related derivatives, in order to exploit fundamental, economic, financial and political imbalances that may exist in and among markets throughout the world. The success of the Investment Manager's macro investing depends on the Investment Manager's ability to identify and exploit such perceived imbalances. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that the Investment Manager will be able to locate investment opportunities or to exploit such imbalances. In the event that the theses underlying each Account's positions fail to be borne out in developments expected by the Investment Manager, each Account may incur losses, which could be substantial.

*Distressed Securities.* The Accounts may purchase securities and other obligations of companies that are in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth or facing special competitive or product obsolescence issues or that are involved in bankruptcy or reorganization proceedings, liquidation or other corporate restructuring. Although such purchases may result in significant returns, they involve a substantial degree of risk that can result in substantial or total losses and may not show any return for a considerable period of time (if at all). In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings, and as a result may have to be held for an extended period of time.

The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. Among the problems involved in assessing and making investments in troubled issuers is the fact that it frequently may be difficult to obtain information as to the condition of such issuer. These types of investments require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by the Accounts and/or the Investment Manager. To the extent that such proceedings arise, the Accounts may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, participation in such proceedings may restrict or limit each Account's ability to trade certain securities. There is no assurance that the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which each Account invests, each Account may lose its entire investment or may be required to accept cash or securities with a value less than each Account's original investment.

The market prices of the securities of such issuers are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such securities may be greater than normally expected. It may take a number of years for the market prices of such securities to reflect their intrinsic values. In addition, it is anticipated that some of such securities in the

portfolio of each Account may not be widely traded, and that each Account's position in such securities may be substantial in relation to the market for such securities.

*Fixed Income Securities Generally.* The Accounts may invest in fixed income securities. Investment in these securities may offer opportunities for income and capital appreciation, and may also be used for temporary defensive purposes and to maintain liquidity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bank debt, bonds, notes, and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and other asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity (*i.e.*, market risk), government interference, economic news, and investor sentiment. Each Account's fixed income investments may be subject to early withdrawal/redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by each Account earlier than expected. This may happen when there is a decline in interest rates, or when a borrower's performance allows the refinancing of certain classes of debt with lower cost debt. To the extent such early prepayments increase, they may have a material adverse effect on each Account's investment objectives and the profits on capital invested in fixed income investments. As with other investments made by the Accounts, there may not be a liquid market for any of the debt instruments in which each Account invests, which may limit each Account's ability to sell these debt instruments or to obtain the desired price. The Accounts may also purchase loans as participations from certain financial institutions and each Account may be subject to the credit risk of the selling financial institution as well as that of the underlying borrower.

The Accounts may attempt to take advantage of undervalued fixed income securities or relative mispricings in disrupted credit markets. The identification of attractive investment opportunities in disrupted credit markets is difficult and involves a significant degree of uncertainty. During periods of "credit squeezes" or "flights to quality," the market for fixed income investments can become substantially reduced. This poses a particular risk that leveraged credit instrument positions held by each Account may need to be sold at discounts to fair value in order to meet margin calls. At the same time, the dealers may correspondingly reduce the value of outstanding positions, resulting in additional margin calls as loan to value triggers are hit under prime brokerage and swap agreements.

*Corporate Bonds.* The Accounts may invest in corporate bonds. Corporate bonds are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates decline, the value of each Account's corporate bonds can be expected to rise, and when interest rates rise, the value of those securities can be expected to decline. Bonds with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Many such bonds are unsecured, which makes them less likely to be fully repaid in the event of a bankruptcy.

*High Yield Securities.* The Accounts may invest in "high yield" debt and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields and

prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold and could result in the Accounts being unable to sell such securities for an extended period of time. In addition, adverse publicity and investor perceptions about lower rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. Minor economic downturns could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

*Bank Loans.* The Accounts may invest in loans and loan participations originated by banks and other financial institutions. These investments may include highly-leveraged loans to borrowers with below investment grade credit ratings. Such loans are typically private corporate secured loans that are negotiated by one or more commercial banks or financial institutions and syndicated among a group of commercial banks and financial institutions. In order to induce the lenders to extend credit and to offer a favorable interest rate, the borrower (whose equity may be publicly-traded) often provides the lenders with extensive information about its business that is not generally available to the public. To the extent that Third Point obtains such information and it is material and nonpublic, each Account may be unable to trade in the other securities of the borrower until the information is disclosed to the public or otherwise ceases to be material, nonpublic information. A failure by an Account to advance requested funds to a borrower could result in claims against an Account and in possible assertions of offsets against amounts previously lent. Depending on the way in which an Account acquires its interest in a bank loan, it may be exposed to credit risks of both the borrower and the institution which sold an Account its interest in the loan. Also, bank loan transfers typically require consent of the issuer and agent bank, so the settlement period is longer and creates increased credit and counterparty risk.

*Mortgage and Other Asset-Backed Securities.* The Accounts may invest in mortgage-backed securities and other asset-backed securities, whose investment characteristics differ from corporate debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying mortgage loans or other assets generally may be prepaid at any time. Mortgage-backed securities and asset-backed securities may also be subject to call risk and extension risk. For example, because homeowners have the option to prepay their mortgages, the duration of a security backed by home mortgages can either shorten (*i.e.*, call risk) or lengthen (*i.e.*, extension risk). In general, if interest rates on new mortgage loans fall sufficiently below the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to increase. Conversely, if mortgage loan interest rates rise above the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to decrease. In either case, a change in the prepayment rate can result in losses to investors. If an Account purchases securities that are subordinated to other interests in the same mortgage pool, such Account may only receive payments after the pool's obligations to other investors have been satisfied. Each Account may from time to time invest in structures commonly known as "Re-REMICS," in which case it will purchase an interest in a trust that owns mortgage-backed securities. Re-REMICS issue senior and junior tranches and each Account usually buys the junior, subordinated tranche. An unexpectedly high rate of default on mortgages in the mortgage pools serving as collateral for each Account's securities may limit substantially the applicable pool's ability to make payments to each Account as a holder of securities, which may reduce the value of those securities or render them worthless.

The residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions that may adversely affect the performance of the Accounts. Delinquencies, default and foreclosure rates with respect to residential mortgage loans remain high (compared to pre-crisis



levels), and increases in delinquencies, defaults and foreclosures since 2006 have not been limited to sub-prime mortgage loans. A continued decline or an extended flattening of those values may result in additional increases in delinquencies and losses on residential mortgage loans, particularly with respect to second homes and investor properties and with respect to any residential mortgage loan, the aggregate loan amount of which (including any subordinate liens) is close to or greater than the related property value. Many states and localities have also experienced a significant increase in foreclosures. Foreclosure sales tend to depress home prices, thereby making it more difficult for borrowers to refinance and increasing the rate of defaults.

In response to these circumstances, U.S. federal, state and local authorities have enacted and continue to propose new legislation, rules and regulations relating to the origination, servicing and treatment of mortgage loans in default or in bankruptcy.

These initiatives could result in delayed or reduced returns on mortgage-backed securities. Changes in laws and other regulatory developments relating to mortgage loans may impact each Account's investments in mortgage-backed securities in the future.

Additionally, the exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. Furthermore, there may be circumstances where the Fund will own real estate property as part of a required foreclosure on, or receipt of a deed in lieu of foreclosure from, a defaulted borrower. If the Investment Manager decides to dispose of the property following such foreclosure or receipt of such deed in lieu of foreclosure, it may not be able to find a third-party buyer it deems suitable for such property for an indeterminate amount of time. In certain circumstances, the Fund may also become liable upon taking title to an asset for environmental or structural damage existing at the property. Finally, the holding and managing of real estate property is not part of the Fund's investment strategy and the management and ultimate liquidation of these properties may detract from the Investment Manager's ability to execute the Fund's investment objectives. These circumstances may reduce returns and subject the Fund to unexpected legal and regulatory proceedings.

In addition, numerous residential mortgage loan lenders that originated sub-prime mortgage loans are no longer operating or are otherwise unable to lend in significant amounts. Those difficulties have resulted in part from declining markets for mortgage loans, as well as from claims for repurchases of mortgage loans previously sold under provisions that require repurchase in the event of early payment defaults, or for material breaches of representations and warranties made on the mortgage loans, such as fraud claims. The risk of such defaults is generally higher in the case of mortgage pools that include "sub-prime" mortgages.

Certain of the risks noted above in respect of mortgage-backed securities also apply to other types of asset-backed securities.

Asset-backed securities secured by consumer loans may be subject to additional risks, including increased instances of nonperformance, which may result from over-leverage, the need for rehabilitation of the borrower or poor management by the related servicer. Modifications to nonperforming consumer loans may also adversely affect the performance of such securities as a result of principal or interest reductions on the underlying consumer loans. The secondary market for consumer loan asset-backed securities is limited, as is the market for the sale of consumer loans (whether performing or non-performing) in the event that any trustee of such securities attempts to sell the underlying collateral upon an event of default. Moreover, consumer loan origination may be subject to increasing regulation, which may result in substantial diminution of the market value of related asset-backed securities and the consumer loans themselves.

A 2015 court decision regarding the application of usury laws to non-bank holders of consumer loans may also impact the market for securitized consumer loan products by making such products



less profitable to non-bank holders, which could have an adverse effect on an Account's investment in any consumer loan-backed asset-backed securities.

An Account may also purchase consumer and other loans from an originator or other third party and "warehouse" such loans until it has, along with other Accounts, accumulated a critical mass sufficient to securitize. Each Account will assume the risk of market value and credit quality changes in such warehoused loans from the date such warehoused loans are acquired by such Account to the securitization date. There is a risk that an Account may not be able to accumulate sufficient loans for such securitization purposes, in which case such Account may be required to hold the related loans until maturity. In addition, asset-backed security warehouse facility structures continue to evolve, in part to address new regulatory concerns and in part to react to market preferences. In the event that the warehouse structure adopted by an Account in financing consumer loans becomes a disfavored or regulated structure, this could expose such Account to additional risk (e.g., the failure to syndicate or the increased expense of restructuring to comply with regulation).

An Account may also purchase accounts receivable, and warehouse and/or securitize such accounts receivable. Such accounts receivable are subject to similar risks as those disclosed above for loans. In addition, in certain circumstances an Account may hold a participation interest in accounts receivable or a loan rather than the accounts or loans themselves. In such circumstances, the Accounts may not have the rights to enforce compliance by the account debtor or borrower, may not have the right to object to or vote on changes to the underlying credit documentation, and may not benefit from set-off rights or a senior claim in the bankruptcy of the underlying debtor or borrower. Further, participation interests are subject to comparatively greater liquidity and financing risks than the underlying accounts receivable or loans.

An Account's investments in mortgage and other asset-backed securities may expose it to additional risks arising out of the new "risk retention" rules applicable to such securitizations. Such rules are already in effect for residential mortgage-backed securities and other asset-backed securities. Under these rules, sponsors of securitizations must retain at least 5% of the credit risk of the assets being securitized (via holding an eligible vertical interest, an eligible horizontal residual interest, or some combination of the two). While the Investment Manager has engaged advisors to structure its investments and intends its investments and structure to be compliant with these rules, they are new and untested. The final risk retention rules are silent with respect to the consequences of non-compliance. Whether or not intended, the SEC, the Federal Reserve, the Officer of Comptroller of the Currency or the Federal Deposit Insurance Corporation may determine that an Account or one of its affiliates is a sponsor of one or more of the securitizations in which an Account invests. Potential consequences of non-compliance could include civil monetary penalties, cease-and-desist orders, industry bans, or even rescission of contracts entered into in connection with the applicable securitization transaction, in which case the value of an Account's investments in related securities may be reduced to zero. If any of these consequences or other enforcement methods available to the applicable agencies are applied to the sponsor of a securitization in which an Account invests, partial or complete losses on the related securities may result and adversely affect the performance of such Account.

*Investing in Emerging, Developing and Under-Developed Markets and Foreign Securities.* Each Account's investing in foreign securities may involve heightened risks in comparison to the risks of investing in domestic securities, including unfavorable changes in currency rates and exchange control regulations, reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions, transfer taxes and custody fees, local economic or political instability and greater market risk in general. In particular, investing in securities of issuers located in emerging, developing and under-developed market countries involves additional risks, such as: (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of securities markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation;

(vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental involvement in and control over the economy; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economy; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information, and lack of reliable information, about issuers; (xi) lax regulation of the securities markets and inconsistent enforcement of existing regulations; (xii) less established tax laws and procedures; (xiii) additional taxes (for example, dividend and interest payments from, and capital gains in respect of, certain foreign securities may be subject to foreign taxes that may or may not be reclaimable); (xiv) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (xv) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xvi) certain considerations regarding the maintenance of each Account securities and cash with non-U.S. brokers and securities depositories. Finally, many transactions in these markets are executed as a “total return swap” or other derivative transaction with a financial institution counterparty, and as a result each Account has counterparty credit risk with respect to such counterparty.

*Risk Arbitrage Transactions.* Each Account may also engage in risk arbitrage transactions where it will purchase securities at prices slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the merger, exchange offer, tender offer or other similar transaction. If the proposed merger, exchange offer, tender offer or other similar transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security purchased by an Account may decline sharply and result in losses to such Account. In certain transactions, the Accounts may not be “hedged” against market fluctuations. This can result in losses even if the proposed transaction is consummated. In addition, a security to be issued in a merger or exchange offer may be sold short by an Account in the expectation that the short position will be covered by delivery of such security when issued. If the merger or exchange offer is not consummated, an Account may be forced to cover its short position at a higher price than its short sale price, resulting in a loss.

*Thinly-Traded, Non-Publicly Traded and Illiquid Securities.* Investments held by the Accounts may be thinly-traded or may lack a liquid trading market altogether, which may result in the inability of each Account to sell any such investment (or do so at desirable prices), or to close out a transaction (or do so at desirable prices) or to cover the short sale of an investment, thereby forcing the Accounts to incur potentially unlimited losses.

Investments may be subject to limitations on resale. Limitations on resale may have an adverse effect on the marketability of portfolio investments and each Account might be unable to dispose of investments purchased in private placements or other illiquid securities promptly or at reasonable prices. Each Account might also have to register such restricted investments in order to dispose of them resulting in additional expense and delay. In such circumstances, Accounts may be subject to additional potential liabilities as a seller of such investments under a registration statement or similar document. Adverse market conditions could impede such a public offering of investments.

Moreover, determining the fair value of thinly-traded, non-publicly traded and other illiquid investments is challenging and the values ascribed to such investments is likely to involve certain subjective assumptions.

Finally, since the Accounts do not have a “side pocket” mechanism, if there are substantial withdrawals/redemptions that are not offset by subscriptions and the Accounts need to raise cash by selling investments, withdrawing/redeeming Investors are likely to be paid by Accounts through the sale of more liquid portfolio positions, thereby increasing the portion of the portfolio that is illiquid.

*Convertible Securities.* As a result of the conversion feature, convertible securities typically offer lower interest rates than if the securities were not convertible. During periods of rising interest rates, it is possible that the potential for capital gain on convertible securities may be less than that of a common stock equivalent if the yield on the convertible security is at a level that would cause it to sell at a discount. To the extent that convertible securities are rated lower than investment grade or not rated, there would be greater risk as to timely repayment of the principal of, and timely payment of interest or dividends on, those securities. In the absence of adequate anti-dilution provisions in a convertible security, dilution in the value of each Account's holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared, or the issuer enters into another type of corporate transaction which increases its outstanding securities.

## **Risks of Special Techniques**

Each of the special investment techniques that each Account may use is subject to certain risks that are summarized below.

*Leverage.* Each Account is authorized to incur leverage, which could be at times significant. Although the use of borrowed money to purchase securities will permit each Account to make investments in an amount in excess of each Account's capital, it will also increase each Account's exposure to losses. While there is no limit on each Account's use of leverage, each Account will seek to use levels of leverage on a risk-adjusted basis deemed prudent by the Investment Manager. The use of leverage also exposes the Accounts to increased operational and market risks. Among other risks, the use of leverage tends to exacerbate and/or accentuate negative market movements, small hedging errors may be amplified by leverage, price and valuation disputes with counterparties must be resolved to assure collateral maintenance and hedges may at times fail to track investments due to uncorrelated changes in spreads among various instruments.

In certain circumstances, the Board or General Partner, as applicable, by written notice to the Investors, may suspend the payment of withdrawal/redemption proceeds. In these circumstances, because the withdrawal/redemption request itself is not suspended, any amounts actually withdrawn/redeemed will be owed by an Account to the withdrawing/redeeming Investor. Accordingly, if the value of each Account's assets decreases following the implementation of such a suspension, the withdrawal/redemption proceeds payable to such Investors will result in additional leverage for each Account.

*Margin Borrowings.* Each Account could be subject to a "margin call" pursuant to which it must either deposit additional funds or liquidate assets for subsequent deposit with a prime broker, or each Account could suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a drop in the value of each Account's assets, the Investment Manager might not be able to liquidate assets quickly enough to pay off the margin debt. In such a case, the prime broker may liquidate additional assets of each Account to satisfy such margin debt.

*Repurchase Agreements.* Under a repurchase agreement, each Account "sells" securities or other obligations and agrees to repurchase them at a specified date and price. In a reverse repurchase transaction, each Account "buys" securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by each Account, plus interest at a negotiated rate.

The use of repurchase and reverse repurchase agreements by each Account involves a variety of risks. For example, repurchase agreements may involve the risk that the market value of the securities or other obligations purchased with the proceeds of the repurchase agreement by each Account may decline below the price of the securities or other obligations each Account has sold but is obligated to repurchase. If the buyer of securities or other obligations under a repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to

enforce the obligation of each Account to repurchase the securities or other obligations and each Account's use of the proceeds of the repurchase agreement may effectively be restricted pending such decision. To the extent that, in the meantime, the value of the securities or other obligations that each Account has purchased has decreased, such Account could experience a loss.

Further, in relation to reverse repurchase agreements, if the seller of securities to an Account defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, each Account will seek to dispose of such securities, which action could involve costs or delays and each Account may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, each Account's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that each Account may not be able to substantiate its interest in the underlying securities.

*Necessity for Counterparty Trading Relationships; Counterparty Risk.* Each Account has numerous relationships with counterparties used to obtain financing, derivative intermediation and prime brokerage services; however, there can be no assurance that each Account will be able to maintain such relationships or establish new ones. An inability to establish or maintain such relationships would limit each Account's trading activities and could create losses, preclude each Account from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent each Account from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before each Account establishes additional relationships could have a significant impact on each Account's business due to each Account's reliance on such counterparties.

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

Furthermore, there is a risk that any of each Account's counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of each Account's counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the U.S. Securities Investor Protection Act of 1970, as amended or the United States Bankruptcy Code), there exists the risk that the recovery of each Account's securities and other assets from each Account's prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. The insolvency of such prime broker or broker-dealer could seriously damage the operations of each Account, and each Account could lose a substantial portion or all of its assets held with such prime broker or broker-dealer. Securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of each Account, and hence each Account may be exposed to a credit risk with regard to such parties. Assets which are deposited with each Account's brokers as margin will be available to the creditors of the brokers in the event of the bankruptcy or insolvency of the broker. For example, while brokers are required to segregate client assets from their proprietary assets and are required to hold specified amounts of capital in reserve, client assets are normally held in pooled client accounts for the benefit of all clients. The broker may be able to transfer client assets out of such client accounts in the ordinary course of business, or rehypothecate the assets. If the *pro rata* share that each Account receives is less than

100% of what the broker owes it (each Account is entitled as a matter of law to the cash and marked-to-market value of the securities in its prime brokerage account, minus any indebtedness to the relevant broker), each Account could recover cash or securities with a marked-to-market value of up to a specified statutory limit from a fund established under U.S. law to reimburse customers of insolvent brokers. If each Account does not recover all cash and securities, including securities that have been rehypothecated, from its account with a broker after receiving its *pro rata* share of customer property recovered from the insolvent broker's estate, if any, and maximum payment from the customer reimbursement fund established under U.S. law to reimburse customers of insolvent broker-dealers, it will be an unsecured creditor of the insolvent broker with respect to such shortfall and, therefore, may not be able to recover equivalent assets in full, or at all. In addition, while the return of client property is designed to occur on an expedited basis (usually by transfer of the accounts to a solvent broker), each Account may be unable to trade the assets that were held by the insolvent broker during this transfer period. In certain circumstances, the assets of an Account held at a broker could be at risk if other clients of the broker fail to meet margin requirements and the assets of the broker are insufficient to cover any shortfall. Further, there may be practical or timing problems associated with enforcing each Account's rights to its assets in the case of an insolvency of any such party.

In addition, each Account may use counterparties located in jurisdictions outside the United States. Such local counterparties are subject to the laws and regulations in foreign jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to each Account's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on each Account and its assets.

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

*Derivative Instruments in General.* The Investment Manager may use various derivative instruments, including options, futures, forward contracts, swaps and other derivatives, which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value. Derivatives, especially over the counter ("OTC") derivatives engaged as a privately negotiated contract against a principal counterparty, may be subject to adverse valuations reflecting the counterparty's marks (or valuations), which might not correspond to the valuations of other market or exchange-traded instruments. Derivatives used for hedging purposes may not correlate strongly with the underlying investment sought to be hedged. Derivative instruments may not be liquid in all circumstances, so that in volatile markets each Account may not be able to close out a position without incurring a loss. Trading in derivative instruments may permit each Account to incur additional leverage, which may magnify the gains and losses experienced by each Account and could cause each Account's net asset value to be subject to wider fluctuations than would otherwise be the case. While derivatives used for hedging purposes can reduce or eliminate losses, such use can also reduce or eliminate gains. When an Account uses derivatives as an investment vehicle to gain market exposure, rather than for hedging purposes, any loss on the derivative investment will not be offset by gains on another hedged investment. Each Account is therefore directly exposed to the risks of that derivative. Derivatives may not be available to each Account upon acceptable terms. As a result, each Account may be unable to use derivatives for hedging or other purposes. As noted above under "Necessity for Counterparty Trading Relationships; Counterparty Risk" counterparty relationships related to derivatives transactions subject the Account to additional risks.

*Futures.* Futures markets are highly volatile and are influenced by factors such as changing



supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. Because of the low margin deposits normally required in futures trading, a high degree of leverage is typical of a futures trading account, and a relatively small price movement in a futures contract may result in substantial gains or losses to the trader. Futures positions are marked to the market each day and variation margin payments must be paid to or by each Account. Futures trading may also be illiquid, and certain exchanges do not permit trading in particular contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. Should prices fluctuate during a single day's trading beyond those limits, which conditions might last for several days with respect to certain contracts, each Account could be prevented from promptly liquidating unfavorable positions and thus be subjected to substantial losses. The U.S. Commodity Futures Trading Commission and various exchanges impose speculative position limits on the number of positions that each Account may hold or control in particular contracts.

*Options.* Both the purchasing and selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price. Options also involve counterparty risk. However, each Account generally intends for a majority of its trading in option contracts to be standardized options which trade on recognized exchanges. The Investment Manager believes that these options provide greater liquidity and involve less counterparty risk than customized options for which a clearinghouse does not exist.

*Trading in Forward Contracts.* Each Account may engage in the trading of forward contracts. In contrast to futures contracts traded on an exchange, forward contracts are not guaranteed by any exchange or clearing house and are subject to the creditworthiness of the counterparty of the trade. Banks and other dealers with whom each Account may transact in such forwards may require such Account to deposit margin with respect to such trading, although margin requirements may at times be minimal. Each Account's counterparties are not required to continue to make markets in such contracts and these contracts can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the difference between the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. In addition, disruptions can occur in any market traded by each Account due to unusually high trading volume, political intervention, or other factors. Market illiquidity or disruption could result in major losses to the Accounts.

*Hedging Transactions.* Each Account is under no obligation to hedge any risk arising out of its investment program and may elect to not hedge any such risk, or to hedge only specific risks. Such hedging activities may be aimed at preventing changes in the market value of each Account's portfolio resulting from fluctuations in the securities markets and changes in interest rates, protecting each Account's unrealized gains in the value of the portfolio, enhancing or preserving returns, spreads or gains on any investment in each Account's portfolio, protecting each Account against fluctuations in the interest rate or currency exchange rate, protecting each Account against any increase in the price of any securities each Account anticipates purchasing at a later date, or may be done for any other reason that the Investment Manager deems appropriate. The success of each Account's hedging strategy will be subject to the correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of each Account's hedging strategy will also be subject to the Investment Manager's ability to recalculate, readjust and execute hedges in an efficient and timely manner. There is no guarantee that the Investment Manager will be able to do that successfully. While each Account may enter into hedging transactions to seek

to reduce risk, such transactions may result in a poorer overall performance for each Account than if it had not engaged in any such hedging transactions. For a variety of reasons, the Investment Manager may not seek to establish a strong correlation between such hedging instruments and the portfolio holdings being hedged. Such weak correlation may prevent each Account from achieving the intended hedge or expose each Account to risk of loss.

*Swap Agreements.* Swap agreements are privately negotiated OTC derivative products in which two parties agree to exchange actual or contingent payment streams that may be calculated in relation to a rate, index, instrument, or certain securities, and a particular “notional amount.” Swaps may be subject to various types of risks, including market risk, liquidity risk, structuring risk, tax risk, and the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty. Swaps can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swaps may increase or decrease each Account’s exposure to commodity prices, equity or debt securities, long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, mortgage-backed securities, corporate borrowing rates, or other factors such as security prices, baskets of securities, or inflation rates and may increase or decrease the overall volatility of each Account’s portfolio. Swap agreements can take many different forms and are known by a variety of names. Each Account is not limited to any particular form of swap agreement if the Investment Manager determines that other forms are consistent with each Account’s investment objective and policies. A significant factor in the performance of swaps is the change in individual commodity values, specific interest rates, currency values, or other factors that determine the amounts of payments due to and from the counterparties. If a swap calls for payments by each Account, such Account must have sufficient cash availability to make such payments when due. In addition, if a counterparty’s creditworthiness declines, the value of a swap agreement may also decline, potentially resulting in losses to an Account.

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) includes provisions that comprehensively regulate OTC derivatives markets for the first time, including the swap markets.

The Dodd-Frank Act and regulations implementing the Dodd-Frank Act mandate that certain OTC derivatives must be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearing member and clearinghouse, as well as possible SEC or CFTC mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements on holding of customer collateral by OTC derivatives dealers. These requirements may increase the amount of collateral each Account is required to provide and the costs associated with providing it. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for certain “end-users,” each Account does not expect to be able to rely on such exemptions. In addition, the OTC derivative dealers with which each Account executes the majority of its OTC derivatives will be subject to clearing and margin requirements irrespective of whether each Account is subject to such requirements. OTC derivative dealers also will be required to post margin to the clearinghouses through which they clear their customers’ trades instead of using such margin in their operations, as is currently permitted. This will increase the OTC derivative dealers’ costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront margin, less favorable trade pricing, and the possible imposition of new or increased fees.

The SEC and CFTC may also require certain derivative transactions that are currently executed on a bilateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Such requirements may make it more difficult and costly for investment funds, including each Account, to enter into tailored or customized transactions. They may also render certain strategies in which each Account might otherwise engage impossible, or so costly that they will no longer be economically viable to implement.

OTC derivative dealers and major OTC derivatives market participants will be required to register with the SEC and/or CFTC. Although neither the Accounts nor the Investment Manager is required to register as a dealer or major participant in the OTC derivatives markets, it is possible that going forward, each Account and/or the Investment Manager may be required to be registered as a dealer or major participant. Registered OTC derivatives dealers and major participants are subject to a number of regulatory requirements, including minimum capital and margin requirements. These requirements may apply irrespective of whether the OTC derivatives in question are OTC derivatives, exchange-traded or cleared. OTC derivatives dealers will also be subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest and other regulatory burdens. These requirements may further increase the overall costs for OTC derivative dealers, which costs are also likely to be passed along to market participants. The overall impact of the Dodd-Frank Act on the Accounts is highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime.

Although the Dodd-Frank Act will require many OTC derivative transactions previously entered into on a principal-to-principal basis to be submitted for clearing by a regulated clearinghouse, certain of the derivatives that may be traded by each Account may remain OTC or principal-to-principal contracts entered into privately by each Account and third parties. The risk of counterparty nonperformance can be significant in the case of these OTC instruments, and “bid-ask” spreads may be unusually wide in these heretofore substantially unregulated markets. While the Dodd-Frank Act is intended in part to reduce these risks, its success in this respect may not be evident for some time after the Dodd-Frank Act is fully implemented, a process that may take several years or more.

The European Market Infrastructure Regulation similarly seeks to comprehensively regulate the OTC derivatives market in Europe for the first time including, in particular, imposing mandatory central clearing, trade reporting and, for non-centrally cleared trades, risk management obligations on counterparties. Taken together, these regulatory developments will increase the OTC derivative dealers’ costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing and possible new or increased fees.

*Short Sales.* Each Account may engage in short selling of any of the instruments it trades. In selling short, each Account bears the risk of an increase in the value of the instrument sold short above the price at which it was sold. Such an increase could lead to a substantial (theoretically unlimited) loss, as the market price of instruments sold short may increase indefinitely. Under certain market conditions, each Account might have difficulty purchasing instruments to meet its short sale delivery obligations (such as to complete a dealer buy-in of the underlying instrument). Each Account might also have to sell instruments to raise the capital necessary to meet its short sale margin call obligations at a time when fundamental investment considerations would not favor closing out such short position. The Investment Manager’s use of “directional” short-selling has subjected each Account, and may continue to subject each Account, to risk of litigation. Lawsuits can be brought against short sellers of a company’s stock to discourage short selling. Among other claims, these suits may allege libel, conspiracy, and market manipulation and may expose each Account to significant liabilities.

Short-selling activities are subject to restrictions imposed by U.S. and non-U.S. securities laws and the various securities exchanges. Limitations on short-selling have been imposed on an emergency basis in the past during market disruptions. Short-selling may be subject to further regulatory restrictions in the future, including reporting requirements on short-selling, which may prevent each Account from successfully implementing its investment strategies involving short-selling.

*Credit Default Swaps.* Each Account may purchase or sell credit derivatives contracts—primarily CDS—both for hedging and other purposes. The typical CDS contract requires the seller to pay to the buyer, in the event that a particular “Reference Entity” experiences specified credit events, the difference



between the notional amount of the contract and the value of a security or portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. CDS generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions.

Factors that may influence the value of CDS include the contractually specified credit-related events with respect to a Reference Entity that may trigger settlement of the CDS; optionality that a party has under the terms of the CDS, such as the ability to select the obligations of a Reference Entity that will be delivered or valued or to decide whether or not to trigger settlement; market liquidity for a particular type of CDS; interest rates and the amount of any periodic fixed payments required to be made under the CDS; and the time remaining to the maturity of the CDS.

Decisions made by industry-appointed Credit Derivatives Determinations Committees (“Determinations Committees”) may affect each Account’s rights and obligations under a CDS. If so provided under the terms of a CDS, a Determinations Committee will have the power to make binding decisions on critical issues, such as whether a “credit event” with respect to the Reference Entity has occurred, which obligations of the Reference Entity are deliverable and whether an auction to determine the settlement price for related CDS should take place. The institutions serving on the Determinations Committees or any external reviewers do not owe any duty to each Account in such capacity and each Account may be prevented from pursuing claims with respect to actions taken by such persons.

There can be no assurance that each Account will achieve its hedging, investment or other objectives. Credit events that trigger CDS are expressly defined under the terms of a CDS transaction and may not encompass all of the circumstances in which each Account may suffer credit-related losses on an obligation of a Reference Entity. Similarly, some entities that experience credit difficulties do not file for bankruptcy or default on payments on all of their obligations. Instead, they may enter into work-out or restructuring arrangements with their creditors. Unless a CDS expressly provides for a “restructuring” credit event—and the actual event falls within the agreed definition of that credit event—the protection buyer under a CDS may not receive any compensation if such a workout or other restructuring occurs.

CDS transactions can be more operationally intensive than other transactions. CDS transactions may require that certain notices be given in order to exercise rights, realize value or protect and preserve interests under the transaction. Failure to act within the requisite time periods could adversely affect each Account’s interests under a CDS agreement.

The ultimate outcome of a CDS transaction (following the occurrence of a credit event and satisfaction of all conditions to settlement, if applicable) will be affected by the settlement method applicable to the transaction.

If so provided, a CDS transaction may be cash settled by reference to the price of certain deliverable obligations of the Reference Entity determined in an auction conducted pursuant to terms published by the Determinations Committee (“auction settlement”). Although auctions generally can be expected to be held for CDS of Reference Entities that are widely traded in the credit markets, there can be no assurance that an auction will be held for future credit events or that, if held, the auction will result in the determination of a final price. If an auction is not held or fails to result in the determination of a final price, generally either physical settlement or cash settlement will apply.

If “physical settlement” applies to a CDS transaction, the protection buyer must select (if the terms of the CDS transaction provide the protection buyer a choice) an obligation or obligations of the reference entity that satisfies specified deliverability criteria and deliver those obligations to the protection seller in the amount specified in the CDS transaction. In such cases, it is likely that the portfolio of obligations

selected by the protection buyer will be obligations of the Reference Entity with the lowest market value (“cheapest-to-deliver”) that are eligible for selection pursuant to the terms of the CDS transaction. Alternatively, physical settlement may not be possible to accomplish under some circumstances, such as inability to procure a deliverable obligation due to market dislocations or prior withdrawals/redemptions or refinancing by the Reference Entity. In such event, the protection buyer may receive no recovery if it is unable to make a required delivery.

If “cash settlement” applies, one of the parties may be required to seek quotations for selected obligations of the Reference Entity. Such quotations may not be available, or the level of such quotations may be substantially reduced as a result of illiquidity in the relevant markets or as a result of factors other than the credit risk of the Reference Entity (for example, liquidity constraints affecting market dealers). Moreover, the market value of a Reference Entity’s obligations may be highly volatile in the period following a credit event. Accordingly, any quotations so obtained may differ significantly from the value of the relevant obligation that would be determined by reference to the present value of related cash flows, or the value that a party to a CDS transaction could obtain if it controlled the disposition of the obligations.

Actions of Reference Entities (for example, merger or demerger or the repayment or transfer of indebtedness) may adversely affect the value of related CDS. No Reference Entity has any obligation to consider each Account’s interest (as a party to a CDS) as to any corporate or sovereign actions that might affect the value of the CDS. A Reference Entity may have an incentive to structure a corporate transaction to produce a particular result under CDS, in order to induce holders of its debt obligations to take certain actions. In some instances, a Reference Entity may repay its outstanding liabilities or assign them to a different entity, in which case a CDS with respect to that Reference Entity may no longer have deliverable obligations that could be considered for purposes of settlement of the CDS (a circumstance commonly referred to as an “orphan” credit transaction), which may result in losses for the protection buyer.

A protection seller under a CDS generally will not have rights equivalent to those of a holder of debt obligations of the relevant Reference Entity, such as voting rights or rights to receive consent fees or other distributions from the Reference Entity. Consequently, entering into a CDS transaction as protection seller may be riskier than a direct investment in the obligations of a reference entity.

*Enhanced Regulation of Short Sales and Credit Default Swaps.* Since November 2012, short sales and CDS are subject to the provisions of the EU Regulation on Short Selling and certain aspects of CDS (the “Short Selling Regulation”), which was published in the Official Journal of the European Union on March 24, 2012. The Short Selling Regulation introduces restrictions and disclosure requirements for persons taking short positions in EU shares and sovereign bonds, and prohibits entering into uncovered CDS in relation to EU sovereign debt (*i.e.*, where the investor does not have an exposure that it is seeking to hedge either to the sovereign debt itself or to assets or liabilities whose value is correlated to the sovereign debt). In addition, the Short Selling Regulation permits the competent authorities of EU Member States to prohibit or restrict short sales, limit sovereign CDS and impose emergency disclosure requirements, among other things, during times of stressed markets. Competent authorities may also restrict short sales of individual securities which have suffered a significant fall in price in a single day.

The provisions of the SEC rules and the Short Selling Regulation may hinder each Account’s investment program by preventing it from taking positions that the Investment Manager considers favorable. They may also result in overvaluations of certain securities due to restrictions on market efficiency. In addition, the SEC’s “Circuit Breaker Uptick Rule” and the emergency powers granted under the Short Selling Regulation to competent authorities during times of stressed markets and with respect to individual securities, may adversely affect each Account by preventing it from taking hedging positions or other positions that the Investment Manager considers to be in each Account’s best interests. The imposition of emergency measures under the Short Selling Regulation could, therefore, result in substantial losses to each Account.

*Investments in Certain Metals and Commodities.* Each Account may invest directly or indirectly, long or short, in metals, commodities and similar materials. Since ownership of such investments does not generate any income, the sole source of return would be from gains realized on sales of the investments, and a negative return would be realized to the extent such investments are sold at a loss. Certain metals, commodities and similar materials may incur storage or insurance costs that are higher than the custody fees paid on traditional financial assets. Prices of such metals, commodities and materials are affected by factors such as cyclical economic conditions, political events, and monetary policies of various governments and countries. Certain metals, commodities and similar materials are also subject to governmental action for political reasons. Markets for physical commodities are at times volatile, and there may be sharp fluctuations in prices even during periods of rising prices. There is also a risk that such metals, commodities or similar investments could be lost, suffer damage or deterioration if not adequately stored, or stolen, or that access to such investments could be restricted by natural events (e.g., force majeure) or tortious human actions. Such risks are increased to the extent each Account takes possession of a physical commodity. The storage costs for physical commodities are higher than the custody fees paid on financial assets, although each Account will contract with internationally recognized custodians to hold any of its owned physical commodities. However, these custodians, consistent with market practice, may not have insurance adequate to cover any such loss. Finally, it is complicated to leverage positions in physical commodities, and to the extent an Account needs to raise cash on an expedited basis, such commodities may not be available to borrow against on commercial terms.

*Exchange Traded Funds (ETFs).* Each Account may invest in shares of ETFs, including for hedging purposes. ETFs may be passively or actively managed. Passively managed ETFs generally seek to track the performance of a particular market index, including broad-based market indexes, as well as indexes relating to particular sectors, markets, regions or industries. Actively managed ETFs do not seek to track the performance of a particular market index and instead actively make investment decisions regarding the securities to be included in an investment portfolio. As an investor in ETFs, each Account will bear its ratable share of various fees, allocations and expenses of the ETF, all of which are embedded in the net asset value of the ETF. ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments, which, in the case of passively managed ETFs, are designed to generally correspond to the price and yield performance of an underlying index. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although passively managed ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of their expenses and other factors.

*Interest Rates.* Each Account may be adversely affected by changes in interest rates. Interest rates are determined by factors of supply and demand in the international money markets and can be influenced by macro-economic factors, speculation and other forms of government intervention. Each Account may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

*Currency.* Each Account's accounts will be denominated in U.S. dollars unless otherwise noted in an Account's offering materials or investment management agreement. Investors bear all risks of exchange rate fluctuations in respect of any purchase of Interests using currencies other than U.S. dollars. Also, certain of the investments of each Account may be in currencies other than U.S. dollars. Each Account intends to typically hedge against currency exchange rate fluctuations, but may not do so in the discretion of the Investment Manager. Unless an Account hedges against fluctuations in exchange rates between the U.S. dollar and the currencies in which Account investments are denominated in foreign markets, any profits which such Account might realize in such trading could be eliminated as a result of adverse changes in exchange

rates, and such Account could even incur losses as a result of any such changes. Even if each Account hedges against such fluctuations, there is no guarantee such hedges will eliminate or reduce such losses. In addition to hedging transactions, each Account may take speculative positions in currency. Such positions may be leveraged and be subject to significant volatility based on a wide variety of factors which could subject each Account to significant loss.

*Effects of Speculative Position Limits.* The CFTC and the U.S. commodities exchanges impose limits, referred to as “speculative position limits,” on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on U.S. commodities exchanges. The Dodd-Frank Act significantly expands the CFTC’s authority to impose position limits with respect to futures contracts, options on futures contracts, swaps that are economically equivalent to futures or options on futures, swaps that are traded on a regulated exchange and certain swaps that perform a significant price discovery function. In addition, the Dodd-Frank Act requires the SEC to set position limits on security-based swaps. The Investment Manager could be required to liquidate positions held for each Account, or may not be able to fully implement trading ideas, in order to comply with such limits. Any such liquidation or limited implementation could result in substantial costs to each Account.

*Turnover.* A substantial portion of the Accounts’ capital may be invested on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions and fees. These commissions and fees will reduce the Accounts’ net profits.

*Concentration Risk; Non-Diversified Investment Program.* Each Account is not subject to any hard limits regarding diversification of investments to reduce its risk of loss. Each Account may at certain times hold large positions in a relatively limited number of investments. Each Account could be subject to significant losses if it holds a relatively large position in a single issuer, industry, market or a particular type of investment that declines in value, and the losses could increase even further if the investments cannot be liquidated without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances. Each Account’s investments could potentially be concentrated (and not hedged) in relatively few strategies, issuers, industries or markets.

*Market Risks and Lack of Liquidity.* The success of each Account’s investment program depends to a great extent upon the ability of the Investment Manager to assess correctly the future course of price movements of stocks, bonds, and foreign currencies. There can be no assurance that the Investment Manager will accurately predict such movements. In addition, certain of the securities in which each Account’s capital is invested, from time to time, have limited liquidity. During periods of stress in the markets, prices for securities with less liquidity typically suffer significantly more than more liquid, exchange-traded equities. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the market value of Account investments from time to time.

*Volatility Risk.* Each Account’s investment program may involve the purchase and sale of relatively volatile instruments such as derivatives, which are frequently valued based on implied volatilities of such derivatives compared to the historical volatility of underlying securities. Fluctuations or prolonged changes in the volatility of such instruments, therefore, can adversely affect the value of investments held by each Account. In addition, many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, price volatility may be higher for each Account’s investments.

*Governmental Intervention.* Pervasive and fundamental disruptions undergone by global financial markets may lead to extensive and unprecedented governmental intervention, including conservatorship and the suspensions of short selling with respect to certain companies. Such intervention may be 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, some

of these interventions may be unclear in scope and application, resulting in market uncertainty that may negatively affect the efficient functioning of the markets, as well as previously successful investment strategies. It is impossible to predict whether and when such governmental intervention may occur and any such governmental intervention may affect the success of each Account's investment strategy and may cause each Account to sustain significant loss.

Certain legislation proposing greater regulation or taxation of the hedge fund industry periodically is considered by Congress, as well as the governing bodies in non-U.S. jurisdictions. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on each Account's strategies. Any such regulation could also require increased transparency as to the identity of the Investors.

*Trading on Foreign Exchanges.* Each Account may trade on exchanges located outside the United States. Trading on such exchanges is not regulated by the SEC and may, therefore, be subject to more risks than trading on domestic exchanges such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events.

*Loans of Portfolio Securities.* Each Account may lend its portfolio securities. By doing so, such Account attempts to increase income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, such Account could experience delays in recovering the loaned securities. To the extent that the value of the securities an Account lent has increased, such Account could experience a loss if such securities are not recovered.

*Reliance on Third Parties.* The Investment Manager will rely on third parties to provide it with different types of data, including real time, raw, and calculated, data via the Internet. Each Account could be adversely affected if its or its data providers' computer systems or infrastructure cannot properly process and calculate the information needed for the Investment Manager to conduct its trading strategies or if such information provided is incorrect or incomplete.

*Investment Analysis.* When assessing investment opportunities, the Investment Manager relies on resources that may have limited or incomplete information. In particular, the Investment Manager relies on publicly available information and data filed with various government regulators. Although the Investment Manager expects that it will evaluate information and data as it deems appropriate and will seek independent corroboration when reasonably available, the Investment Manager will not evaluate all publicly available information and data and is not in a position to confirm the completeness, genuineness or accuracy of the information and data that it evaluates.

As a result, there can be no assurance that the due diligence exercise carried out by the Investment Manager will reveal or highlight all relevant facts that may be necessary or helpful in evaluating investment opportunities. Any failure to have identified the relevant facts may result in an inappropriate investment decision, which may have a material adverse effect on the value of any investment in the Fund.

*Fraud.* In making certain investments, the Investment Manager often relies upon the accuracy and completeness of representations made by the issuer of such investment, but cannot guarantee the accuracy or completeness of such representations. Of concern in purchasing investments is the possibility of material misrepresentation or omission on the part of an issuer. Such inaccuracy or incompleteness may adversely affect the valuation of any investment. Instances of fraud and other deceptive practices committed by senior management of certain companies in which each Account may invest may undermine the ability of the Investment Manager to conduct effective due diligence on, or successfully exit investments made in, such companies and may result in each Account incurring losses. In addition, financial fraud may contribute to overall market volatility, which can negatively impact each Account's investment program. Under certain circumstances, payments to each Account may be reclaimed if they are later determined to have been made



with an intent to defraud creditors or make a preferential payment.

*Exposure to Material Non-Public and Other Restricting Information.* From time to time, the Investment Manager may receive material non-public information (or certain other information) with respect to an issuer of publicly-traded securities or other securities. In such circumstances, each Account may be prohibited, by law, policy or contract, for a period of time from (i) selling all or a portion of a position in such issuer; (ii) establishing an initial position or taking any greater position in such issuer; and (iii) pursuing other investment opportunities related to such issuer.

*Engaged Investor.* From time to time, each Account may pursue an active role in effectuating corporate, managerial or similar change with respect to an investment.

The costs in time, resources and capital involved in such investments depend on the circumstances, which are only in part within the Investment Manager's control, and may be significant, particularly if litigation against each Account and/or the Investment Manager ensues or if the Accounts and/or the Investment Manager commence(s) litigation in furtherance of the Accounts' investment strategy. The expenses associated with such investment strategy, including potential litigation or other transactional costs, such as the costs associated with proxy contests, SEC (or similar regulatory authority) filings, audits and inquiries, and the costs (including incentive compensation (which may amount to significant sums upon the occurrence of certain events) and potential indemnification costs) of having certain individuals be the nominees for or serve on the boards of directors of the "portfolio companies," at the Accounts' request, in which the Accounts invests, will be borne by each such Account.<sup>1</sup>

The success of each Account's engaged investment strategy with respect to any specific investment may require, among other things: (i) that the Investment Manager properly identify portfolio companies whose equity prices can be improved through corporate and/or strategic action; (ii) that each Account acquire sufficient shares of the securities of such portfolio companies at a sufficiently attractive price; (iii) a positive response by the management of portfolio companies to shareholder engagement; (iv) a positive response by other shareholders to shareholder engagement and each Account's proposals (such shareholders may include types of shareholders believed by some to not be inclined to support any side in corporate governance disputes); and (v) a positive response by the markets to any actions taken by "portfolio companies" in response to shareholder engagement. No assurances are given that any of the foregoing will succeed.

An Account, either alone or together with others (including any Affiliated Fund), may secure the appointment of persons to a portfolio company's board of directors. It is the policy of the Investment Manager that any cash or other compensation paid, or benefits accrued, in either case, to the Investment Manager's employees (net of any taxes owed by the employee) for their service to a portfolio company's management team or board of directors are treated as an offset against the Management Fee (with such compensation allocated among an Account and the Affiliated Funds in such proportion as the Investment Manager deems fair and equitable to reflect their respective interests in the portfolio company), and any such compensation that is in excess of the Management Fee will be donated to a charity selected by the Investment Manager. In doing so, individual(s) (including members, partners, officers, managers, employees or affiliates of the General Partner, the Investment Manager and their respective affiliates or designees) serving on the board of directors of a portfolio company at an Account's request may acquire fiduciary duties to such portfolio company and to such portfolio company's shareholders, members, unitholders, partners or other owners of such portfolio company, in addition to the duties it owes an Account. Such fiduciary duties may require such individuals to take actions that are in the best interests of a portfolio company or the shareholders, members, unitholders, partners or other owners of such portfolio company. Accordingly, situations may arise where members, partners, officers, managers, employees or affiliates of the General Partner, the Investment

Manager and their respective affiliates or designees may have conflicts of interest between any duties that they owe to a portfolio company and the shareholders, members, unitholders, partners or other owners of such portfolio company, on the one hand, and any duties that they owe to an Account, on the other hand.

It should also be noted that any individual serving on the board of directors of a “portfolio company” at each Account’s request will have fiduciary duties to all shareholders of such company, which at times may not be consistent with the short-term needs of the Accounts.

Corporate governance strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or shareholders of the subject company, which may result in litigation and may erode, rather than increase, shareholder value; (ii) intervention of one or more governmental agencies; (iii) efforts by the subject company to pursue a “defensive” strategy; (iv) market conditions resulting in material changes in securities prices; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or each Account and such regulatory agencies may independently investigate the participants in a transaction, including each Account and/or the Investment Manager, as to compliance with securities or other law. Furthermore, successful execution of a corporate governance strategy may depend on the active cooperation of shareholders and others with an interest in the subject company. Some shareholders may have interests which diverge significantly from those of each Account and some of those parties may be indifferent to the proposed changes. Additionally, due to the proliferation of exchange traded funds, there may be a greater proportion of outstanding shares of a target issuer that will not participate in voting on shareholder matters relating to the target issuer, which may make it more difficult for the Investment Manager to obtain the necessary shareholder approvals to implement its strategy. Moreover, securities that the Investment Manager believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Investment Manager anticipates, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company’s securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow each Account to dispose of all or any of its securities therein or to realize any increase in the price of such securities.

In addition, as a result of an Account’s engaged strategy (including, without limitation, in circumstances where an individual, at such Account’s request, is appointed to a board of directors), the Accounts may become privy to information (including material non-public information), which may subject each Account to trading restrictions (including prohibiting each Account from trading in certain securities or only permitting each Account to trade in certain securities during certain periods) pursuant to the internal trading policies of the Investment Manager or applicable law or regulations. Such restrictions on the purchasing or selling of securities may have an adverse effect on each Account.

*Section 16 and Hart-Scott-Rodino Obligations.* In connection with any acquisition of beneficial ownership by the Accounts of more than 5% of any class of the equity securities of a company registered under the Exchange Act, each Account may be required to make certain filings with the SEC. Generally, these filings require disclosure of the identity and background of the purchasers, the source and amount of funds used to acquire the securities, the purpose of the transaction, the purchaser’s interest in the securities and any contracts, arrangements or undertakings regarding the securities. In certain circumstances, an Account may be required to aggregate certain investments in a given company with the beneficial ownership of that company’s securities held by or on behalf of the Investment Manager and its affiliates, which could require an Account, together with such other parties, to make certain disclosure filings or otherwise restrict an Account’s activities with respect to such company’s securities. If an Account, alone or as part of a group acting together for certain purposes, becomes the beneficial owner of more than 10% of certain classes of securities of a public company or places a director on the board of directors of such a company, such Account may be subject to certain additional reporting requirements, to liability for short-

swing profits under Section 16 of the Exchange Act and to certain restrictions on its ability to hedge its exposure to such issuer. In addition, each Account may be required to make filings under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended, the “HSR Act”) with respect to its ownership of certain voting securities, and possibly be subject to certain fees, penalties or sanctions, if it fails to do so. Each Account and the Investment Manager are currently subject to a Federal Trade Commission consent order which prohibits them from relying on the investment-only exemption under the HSR Act in certain circumstances. A copy of such consent order is available to any Investor upon request.

*Litigation Risk.* In the ordinary course of business, each Account and/or the Investment Manager (and its affiliates) may become a party(ies) to threatened and actual litigation. Such litigation may involve regulatory authorities and commercial interests. Litigation may arise in the course of engaged investment activities (such as, but not limited to, proxy contests, direct shorts, breach of contract and service on credit and ad-hoc committees), may result from the nature of each Account’s holdings (such as, but not limited to, controlling shareholder or lender liability claims) or could be driven by increased or changing interests by regulators in fund activities. The outcome of any legal proceedings, which may materially adversely affect the value of each Account, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Investment Manager’s time and attention and involve significant expense (which each Account will ordinarily bear), and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

The outcome of any such threatened or actual litigation, which may include monetary damages, fees, fines and other sanctions, whether as a result of such regulatory authorities or such commercial interests prevailing, or each Account determining after consultation with the Investment Manager to settle such threatened or actual litigation, will ordinarily be borne by each Account.

*Co-Investments with Third Parties.* Each Account may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of each Account or may be in a position to take (or block) action in a manner contrary to each Account’s investment objective. In certain circumstances, such third parties may enter into compensation arrangements with an Account and other investors and participants relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments and create potential conflicts of interest between such parties and such Accounts. Determinations made by the Investment Manager regarding the capacity of an Account with respect to certain investments will be based on a subjective analysis.

*Reliance on Experts.* The Investment Manager expects to engage and retain, on each Account’s behalf and at each Account’s expense, strategic advisors, consultants, senior advisors and other similar professionals, including members of “expert networks” who are not employees or affiliates of the Investment Manager or General Partner, 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 provide the Investment Manager with industry- or jurisdiction-specific insights and feedback on investment themes, assist in transaction due diligence, and make introductions to and provide reference checks on management teams. In other cases, they take on more extensive roles and contribute to the origination of new investment opportunities. In certain instances the Investment Manager expects to 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.

The Investment Manager has broad discretion to determine how to structure compensation



arrangements for third parties retained on each Account's behalf and, when making such a determination, may take into account various factors such as, but not limited to, expertise, availability and quality of service, the value any such third party places on his/her own time, the competitiveness of compensation rates in comparison with other service providers satisfying the Investment Manager's service provider selection criteria and the value of any research and brokerage services and other products and/or services provided by such persons. Such arrangements may include payments such as hourly rates, retainers, "success fees" and a combination thereof in the form of cash, options, warrants, stocks, stock appreciation rights or otherwise and irrespective of whether (i) there is a contractual obligation to pay such fees or (ii) such third parties are engaged by each Account and/or its affiliates in a dedicated or exclusive capacity. In certain instances, the Investment Manager expects to have formal arrangements with these third parties (which may or may not be terminable upon notice by any party), and in other cases the relationships may be more informal. Such compensation arrangements may include retainers and/or success fees. Each Account will bear the expenses associated with such arrangements.

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 each Account. Further, in the event that material non-public information is obtained by such persons, an Account 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 securities, which prohibition may have an adverse effect on such Account. The Accounts 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 or other action.

## **Fund Risks**

*Dependence on Daniel S. Loeb and the Investment Manager.* All investment decisions with respect to the Accounts are made by the Investment Manager, under the general supervision of Daniel S. Loeb; Investors have no right or power to take part in the management of the Accounts. As a result, the success of the Accounts depend largely upon the abilities of Mr. Loeb, and no assurance can be given that a suitable replacement could be found for him in the event of his death, disability or withdrawal from the Investment Manager. In the event Mr. Loeb is no longer actively engaged in formulating the investment philosophy of the Investment Manager, whether by death, disability, ceasing to directly or indirectly control the Investment Manager or otherwise, Investors will be entitled to special notice and withdrawal/redemption rights as described in the applicable Account's offering memorandum.

*Investment Manager and its Member and Principals.* The Investment Manager currently serves as the investment manager to the Accounts, and will not devote its resources exclusively to one Account's business. Furthermore, the Investment Manager may in the future manage additional funds or accounts which may require significant attention. In addition, Mr. Loeb will continue to have significant involvement with non-Account businesses and while he devotes a substantial and appropriate amount of his time to Third Point business, he has substantial philanthropic and other business interests to which he attends from time to time.

*Fees.* An Account will incur substantial fees and expenses whether or not any profits are realized.

*Limited Transferability of Shares/Interests.* The Shares/Interests are subject to significant restrictions on transfers, including the requirement that the Board or General Partner, as applicable, consent to any such transfer. Investors should have no expectation that the Board or General Partner, as applicable, will consent to any sale, assignment, transfer, conveyance or disposition of Shares/Interests. Prospective Investors are required to represent that they will be acquiring their Shares/Interests for investment purposes only and not with a view to resale or distribution. The Shares/Interests have not been registered under the Securities Act, or any other securities laws, and therefore are subject to restrictions on transfer under the

Securities Act and under other jurisdictions' securities laws. It is not anticipated that a market for the Shares/Interests will ever develop.

*Limited Liquidity.* Investors will be subject to limited liquidity and Shares/Interests are generally not transferable.

Investors will only be entitled to redemption at limited times (as described in the applicable Account's offering documents).

*In-Kind Distributions.* Distributions of proceeds upon an Investor's redemption/withdrawal may be limited, in the Board's or General Partner's discretion, as applicable. There can be no assurance that the Account will have sufficient cash to satisfy redemption requests, or that it will be able to liquidate investments at the time of such redemption/withdrawal requests at favorable prices. Under the foregoing circumstances, and under other circumstances deemed appropriate by the Board or General Partner, on the advice of the Investment Manager, an Investor may receive in-kind distributions from the Account's portfolio, including, but not limited to, a distribution of interests in a liquidating entity or similar special purpose vehicle which may be subject to management fees comparable to those applicable to the Shares/Interests being redeemed/withdrawn. For the purpose of determining the value to be ascribed to any assets or liabilities of the Account used for an in-kind distribution, the value ascribed to such assets or liabilities shall be the value of such assets or liabilities on the relevant Redemption/Withdrawal Date. The risk of a decline in the value of such assets or liabilities in the period from the relevant Redemption/Withdrawal Date to the date upon which such assets or liabilities are distributed to the redeeming Investor, and the risk of any loss or delay in liquidating such securities, will be borne by the redeeming Investor, with the result that such Investor may receive less (or no) cash than it would have received if it had been paid in cash. The redeeming Investor will incur transaction costs in connection with the sale of any proceeds distributed in-kind, and, in the case of interests in trading vehicles or special purpose vehicles, also a proportionate portion of the operating and other expenses borne by such vehicle. Investments so distributed may not be readily marketable or saleable and may have to be held by such Investor for an indefinite period of time. Furthermore, to the extent that a redeeming Investor receives interests in one or more trading vehicles or special purpose vehicles, such redeeming Investor will generally have no control over when and at what price the securities in which such vehicles have an interest are sold. In addition, payment to such redeeming Investor of that portion of its redemption proceeds attributable to securities held by one or more trading vehicles or special purpose vehicles will be delayed until such time as such vehicles elect to liquidate such securities.

To the extent that trading vehicles or special purpose vehicles are established for the purpose of distributing interests to redeeming Investors, such vehicles will generally be managed towards liquidation. The portfolio strategies employed by the Investment Manager for the Account could conflict with the transactions and strategies employed by the Investment Manager in managing the liquidation of the assets of such vehicles and may affect the prices of the securities that such vehicles hold or to which they are exposed.

*No Protection Under the U.S. Investment Company Act.* In reliance upon a statutory exemption for privately offered investment companies, the Accounts have not registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), or the laws of any country or jurisdiction. Therefore the protections afforded by the 1940 Act (among other things, the 1940 Act generally requires investment companies to have a majority of disinterested directors, requires securities held in custody to be individually segregated at all times from the securities of any other person and to be clearly marked to identify such securities as the property of such investment company, and regulates the relationship between the investment adviser and the investment company) will not be applicable to the Accounts.

*Effects of Substantial Redemptions.* Substantial redemptions/withdrawals of Shares/Interests by Investors within a limited period of time could require an Account to liquidate its securities positions more rapidly than would otherwise be desirable, which could adversely affect the value of both the Shares/Interests

being redeemed and the remaining Shares/Interests remaining in an Account. In addition, regardless of the period of time in which redemptions occur, the resulting reduction in an Account's Net Asset Value, and thus in its equity base, could make it more difficult for an Account to generate trading profits or recoup losses, and could even cause an Account to liquidate positions prematurely. Some Account investments may be subject to required assets under management provisions, such as standard swap agreements, that may be triggered by substantial redemptions, which triggers could result in further adverse effects for an Account. Redemptions/withdrawals from an Account are subject to the imposition, at the Board's or General Partner's discretion, of the Fund-Level Gate, if applicable, which if imposed may diminish the effects of substantial redemptions/withdrawals (but at the same time, reduce Investors already limited redemption rights). Furthermore, with regard to the Investor-Level Gate Shares/Interests only, if applicable, Investors are subject to the Investor-Level Gate in addition to the applicable Fund-Level Gate. Under certain circumstances, the Board or the General Partner may suspend or limit redemptions/withdrawals.

*Employee Benefit Plans.* An investment in an Account by an employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") or an Individual Retirement Account or Keogh Plan which is not otherwise subject to Title I of ERISA may subject such plans to certain taxes and other risks. Consequently, fiduciaries of such plans are cautioned that investment in an Account should not be undertaken without consulting legal counsel concerning the matters discussed below under "*Certain ERISA Considerations.*"

*Increases In Assets Under Management.* While the Investment Manager believes that greater assets under management by an Account and/or the Investment Manager is generally an advantage to the Accounts, there is also the risk that the greater the amount of assets the Investment Manager manages, the more difficult it may be for it to invest profitably for an Account because of the difficulty of trading larger positions without adversely affecting prices and managing risks associated with larger positions. In addition, there can be no assurance that there will be appropriate investment opportunities to accommodate future increase in assets under management, which may force the Investment Manager to modify its investment decisions for an Account because it cannot deploy all the assets in a manner it desires. Furthermore, due to the overlap of strategies and investments across many of the Accounts, an Account may be adversely affected in the event of rapid or large liquidations of investment positions held by an Account due to a lack of liquidity resulting from large position sizes in the same investments held by the other accounts.

*Competition; Availability of Investments.* The markets in which an Account may invest are competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Investment Manager will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities. Competitive investment activity by other firms and institutions will reduce an Account's opportunity for profit by generally increasing price pressure on desired assets, reducing mispricings in the market as well as the margins available on those mispricings that can still be identified.

*Execution Risks and Investment Manager Error.* The execution of the trading and investment strategies employed by the Investment Manager for the Accounts can often require time sensitive trades, complex trades, difficult to execute trades, use of negotiated terms with counterparties such as in the use of derivatives and the execution of trades involving less common or novel instruments. In each case, the Investment Manager seeks best execution and has trained execution and operational staff devoted to supervising the execution, settlement and clearing of such trades. However, in light of the time pressures and complexity involved, some slippage, errors and miscommunications with brokers and counterparties are inevitable and may result in losses to the Accounts. Such losses may be caused by the Accounts' brokers and counterparties or by the Investment Manager or by a combination of the broker or counterparty and the Investment Manager. The Investment Manager may, but is not required to, attempt to recover losses from

brokers or counterparties. The Investment Manager is not liable for losses caused by brokers or counterparties, provided that such broker or counterparty was selected, engaged or retained by the Investment Manager with reasonable care and provided further that no action or failure to act by the Investment Manager constitutes fraud, bad faith, willful misconduct or gross negligence. The Investment Manager will also not be liable for a mistake of judgment or action or inaction taken by the Investment Manager honestly and in good faith and which the Investment Manager reasonably believed to be in the best interests of the Accounts, provided that such action or failure to act by the Investment Manager does not constitute fraud, bad faith, willful misconduct or gross negligence. Generally, in determining whether the Investment Manager was grossly negligent, the Board or the General Partner, as applicable will evaluate and consider, among other things, the adequacy of the supervisory procedures in place to prevent such errors from recurring with any frequency.

*Suspensions of Trading and Failure of Exchanges.* Each securities exchange typically has the right to suspend or limit trading in all securities which it lists. Such a suspension involving securities owned by each Account would render it impossible for each Account to liquidate positions and, accordingly, could expose each Account to losses. Each Account also is subject to the risk of the failure of any exchanges on which the positions of each Account trade or of their clearinghouses.

*Systems Risk and Cybersecurity.* The Accounts depend on the Investment Manager to develop and implement appropriate systems for the Accounts' activities. The Accounts rely extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes including, without limitation, trading, clearing and settling transactions, evaluating certain securities, monitoring its portfolio and net capital, and generating risk management and other reports that are critical to oversight of the Accounts' activities. Certain of the Accounts' and the Investment Manager's operations interfaces are dependent upon systems operated by third parties, including prime broker(s), International Fund Services (N.A.), L.L.C. (the "Administrator" or "IFS"), market counterparties and their sub-custodians and other service providers. The Accounts' service providers may also depend on information technology systems and, notwithstanding the diligence that the Account may perform on its service providers, the Account may not be in a position to verify the risks or reliability of such information technology systems.

The Accounts, the Investment Manager and their service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. For example, information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Such damage or interruptions to information technology systems may cause losses to an Account or individual investor by interfering with the processing of investor transactions, affecting an Account's ability to calculate net asset value or impeding or sabotaging trading.

An Account may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose both an Account and the Investment Manager (which in turn may be indemnified by the Account) to civil liability as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial redemptions from an Account. Investors could also be exposed to losses resulting from unauthorized use of their personal information. While the Investment Manager has implemented various measures to manage risks associated with cybersecurity breaches, including establishing business continuity plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that

certain risks have not been identified. Similar types of cybersecurity risks also are present for issuers of securities in which the Account invests, which could affect their business and financial performance, resulting in material adverse consequences for such issuers, and causing an Account's investment in such securities to lose value.

*Incentive Allocation.* The General Partner, an affiliate of the Investment Manager, is entitled to receive an Incentive Allocation. Such a compensation arrangement may create an incentive for the Investment Manager to make investments on behalf of an Account that are riskier or more speculative than would be the case if such arrangement was not in effect. In addition, because the Incentive Allocation is calculated on a basis that includes unrealized appreciation of an Account's assets, it may be greater than if such compensation were based solely on realized gains.

*Enhanced Scrutiny and Regulations of the Private Investment Fund and Financial Services Industries.* In response to the global financial crisis of 2008, there have been unprecedented legislative and regulatory actions taken by numerous governments and their agencies, including the enactment of the Dodd-Frank Act. The Dodd-Frank Act is comprehensive in scope (including the so-called "Volcker Rule," providing significant changes to the structure of federal financial regulation and new substantive requirements that apply to a broad range of market participants, including private investment funds). Significantly, the Dodd-Frank Act also mandates significant changes to the authority of the Federal Reserve, the CFTC and the SEC, as well as enhanced oversight and regulation of investment advisors, banks and non-bank financial institutions. This enhanced oversight and regulation, and the need for significant additional rule-making by various governmental bodies, is creating uncertainty in the financial markets and, in particular, in the private funds industry. Among other things, such uncertainty may result in enhanced compliance risks. While it will likely be quite some time until the full extent of the Dodd-Frank Act reforms are implemented and the direct and indirect impact of this legislation is fully understood, industry observers generally agree that most advisers to private investment funds and other private pools of capital have been affected.

Many of the regulators to which an Account, the Investment Manager or their respective affiliates are expected to be subject globally, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction or the sanctions imposed against an Account, the Investment Manager or their respective affiliates were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm such Account, the Investment Manager or their respective affiliates' reputations which may adversely affect such Account's investment performance by hindering its ability to obtain favorable financing or consummate a potentially profitable investment. As the U.S. and the global economy continue to struggle to improve, there is a material risk that regulatory agencies in the U.S. and beyond will continue to adopt burdensome new laws or regulations (including tax laws or regulations), or change existing laws or regulations, or enhance the interpretation or enforcement of existing laws and regulations. Any such events or changes could occur during an Account's term and may adversely affect an Account and its ability to operate and/or pursue its investment strategies. Such risks are often difficult or impossible to predict, avoid or mitigate in advance.

Additional legislative and regulatory action is likely, as growth of the private funds industry, and the increasing size and reach of transactions, as well as the increased attention to private funds, have prompted governmental and public attention to the private funds industry and its practices. Changes to various laws and regulations (including tax laws) could occur during the term of an Account and may adversely affect an Account and its ability to operate and/or pursue its trading strategies. Such risks are often difficult or impossible to predict, avoid or mitigate in advance. The effect on an Account of any such regulatory or legal changes could be substantial and adverse. For example, rule 4.27 under the CEA and the Advisers Act rule 204(b)-1 implement Sections 404 and 406 of the Dodd-Frank Act requiring advisors to hedge funds and other



private funds to report information for use by the Financial Stability Oversight Council in monitoring risk to the U.S. financial system. Among other things, certain large private fund advisors are required to file a Form PF on a quarterly basis reporting on matters such as exposures by asset class, geographical concentration, turnover and, in certain cases, leverage, risk profile and liquidity. In addition, non-U.S. jurisdictions, including many European jurisdictions, have proposed modernizing financial regulations that have called for, among other things, increased regulation of and disclosure with respect to, and possibly registration of, hedge funds and private equity funds.

Furthermore, the private funds industry has been subject to criticism by some politicians, regulators and market commentators as a result of alternative asset managers becoming more influential participants in the U.S. and global financial markets and economy, generally. As of the date of this disclosure, various U.S. federal, state and local agencies have been examining the role of placement agents, finders and other similar private investment fund service providers in the context of investments by public pension plans and other similar entities, including investigations and requests for information. Moreover, as a result of highly publicized financial scandals, investors have exhibited concerns over the integrity of the U.S. financial markets. There has been an active debate both nationally and internationally over the appropriate extent of regulation and oversight of private investment funds and their managers. Any changes in the regulatory framework applicable to an Account may impose additional expenses, require the attention of senior management or result in limitations in the manner in which an Account's business is conducted.

It is impossible to predict what, if any, changes in regulation applicable to an Account, the Investment Manager, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. The effect of any future regulatory change on an Account could be substantial and adverse.

Investors should understand that an Account's business is dynamic and is expected to change over time. The Investment Manager may maintain multiple business lines in multiple jurisdictions that are governed by a multitude of legal systems and regulatory regimes, some of which are new and evolving. Therefore, an Account may be subject to new or additional regulatory constraints in the future. This disclosure cannot address or anticipate every possible current or future regulation that may affect the Investment Manager, an Account or their respective businesses. Such regulations may have a significant impact on the Investors or the operations of an Account, including, without limitation, restricting the types of investments an Account may make, preventing an Account from exercising its voting rights with regard to certain securities, requiring an Account to disclose the identity of its investors, its positions or otherwise. The Investment Manager may, in its sole discretion, cause an Account to be subject to such regulations if it believes that an investment or business activity is in an Account's interests, even if such regulations may have a detrimental effect on one or more Investors. Prospective Investors are encouraged to consult their own advisors regarding an investment in an Account.

*Rule 506(d).* Effective September 23, 2013, the SEC adopted amendments to Rules 501 and 506 of Regulation D promulgated under the Securities Act barring issuers deemed to be "bad actors" from relying on Rule 506 of Regulation D ("Rule 506") in connection with private placements. Specifically, an issuer will be precluded from conducting offerings that rely on the exemption from registration under the Securities Act provided by Rule 506 if a "covered person" of the issuer has been the subject of any disqualifying event as described in Rule 506(d)(1) of the Securities Act. "Covered persons" include, among others, the issuer, affiliated issuers, any Investment Manager or solicitor of the issuer, any director, executive officer or other officer participating in the offering of the issuer, any general partner or managing member of the foregoing entities, any promoter of the issuer and any beneficial owner of 20% or more of the issuer's outstanding voting equity securities, calculated on the basis of voting power. If any covered persons of the Fund, including the Fund's affiliated issuers, are subject to a disqualifying event, the Fund could lose the ability to raise capital in a Rule 506 offering for a significant period of time.

*European Union Regulation of Alternative Investment Managers.* The Directive 2011/61/EU on Alternative Investment Fund Managers (collectively, “AIFMD”) became law in the European Union (the “EU”) in 2011. The AIFMD introduces a regulatory and supervisory framework for registration and supervision of the managers of alternative investment funds. The AIFMD applies to the managers of alternative investment funds established in the EU, as well as to managers of alternative investment funds established outside of the EU that offer fund interests in the EU or manage fund interests in the EU. Certain Third Point LLC managed funds have registered in certain EU jurisdictions and are subject to certain provisions of the AIFMD. It is possible that an Account will become subject to further regulation at an additional cost to investors in the future.

*Uncertain Geopolitical Events.* International and/or local geopolitical events may influence the issuers of, and markets for, financial instruments traded by an Account. Geopolitical events, including, without limitation, national referenda, political elections, international violent and non-violent conflicts and political movements, may affect monetary policy, fiscal policy, international relations, currency valuations, legal systems and regulatory regimes, among numerous other things, in ways that may impact an Account and/or its ability to operate and/or pursue its investment strategy.

*Brexit.* On June 23, 2016, the United Kingdom voted, via referendum, to exit from the EU, triggering political, economic and legal uncertainty. While such uncertainty most directly affects the United Kingdom and the EU, global markets suffered immediate and significant disruption. Market disruption can negatively impact funds such as the Fund. On March 29, 2017, the United Kingdom made a formal notification to the European Council under Article 50 of the Treaty on European Union. Effective January 31, 2020, the United Kingdom officially separated from the EU. There is now a transition period until the end of 2020 while the United Kingdom and EU negotiate additional arrangements. The current rules on trade, travel, and business for the UK and EU will continue to apply during the transition period. New rules are planned to take effect on January 1, 2021.

The United Kingdom and the EU are therefore in a period of legal, regulatory and political uncertainty. An exit by the United Kingdom from the EU will impact the Accounts and the Accounts’ investments (and their underlying issuers) in a variety of ways, not all of which are currently readily apparent. An Account may invest in portfolio investments the issuers of which have significant operations and/or assets in the United Kingdom. Such issuers could be adversely impacted by any new legal, tax and regulatory environment, whether by increased costs or impediments to the implementation of their business plan or investment strategy. The Investment Manager may be limited or restricted from managing or marketing an Account. The vote by the United Kingdom to leave the EU led to concerns that there would be similar referenda in other member states of the EU, resulting in additional departures from the EU, as well as concerns that steps would be taken by countries within the United Kingdom to leave the United Kingdom. While these events have not materialized, independence movements have gained momentum within certain European countries, including most notably Spain. If such independence movements were to be successful, it would have a destabilizing effect on the relevant country and potentially the EU and the Euro as a whole, at least in the short term. The uncertainty resulting from any such developments, or the possibility of such developments, would also be likely to cause significant market disruption in the EU and the United Kingdom (including with respect to currency exchange rates) and more broadly across the global economy, as well as introduce further legal, tax and regulatory uncertainty in the EU and the United Kingdom.

The nature and extent of the impact of such events on an Account is difficult to predict but they may adversely affect the return of an Account and its investments. There may be detrimental implications for the value of certain of an Account’s investments, their ability to enter into transactions or to value or realize such investments or otherwise to implement its investment program. This may be due to, among other things: (i) increased uncertainty and volatility in the United Kingdom and EU financial markets; (ii) fluctuations in the market value of sterling and of United Kingdom and EU assets; (iii) fluctuations in exchange rates between

sterling, the Euro and other currencies; (iv) increased illiquidity of investments located or listed within the United Kingdom or the EU; (v) changes in the willingness or ability of financial and other counterparties to enter into transactions, or the price at which and terms on which they are prepared to transact; and/or (vi) changes in legal and regulatory regimes to which an Account and/or certain of an Account's assets are or become subject.

Once the position of the United Kingdom and the arrangements which will apply to its relationships with the EU and other countries have been established, or if the United Kingdom ceases to be a member of the EU without having agreed on such arrangements or before such arrangements become effective, it is possible that certain of the Accounts' investments may need to be restructured to enable the Accounts' objectives fully to be pursued. This may increase costs or make it more difficult for an Account to pursue its objectives.

*Pay-to-Play Laws, Regulations and Policies.* A number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for a period of up to two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. If the Investment Manager, its employees or affiliates or any service providers acting on their behalf, including, without limitation, a placement agent, fails to comply with such pay-to-play laws, regulations or policies such non-compliance could have an adverse effect on an Account by, for example, providing the basis for the redemption of the affected public pension fund investor.

*Accounting.* 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 net asset value of an Account, including reducing the net asset value of an Account to reflect reserves for income taxes, such as U.S. and foreign withholding taxes and income taxes payable on income effectively connected with a trade or business, that may be payable by an Account. This could cause benefits or detriments to certain investors, depending upon the timing of their entry and exit from an Account.

*New Issues and Non-Pro Rata Allocations.* In the event that an Account determines, in its sole discretion, that due to tax, regulatory (including U.S. Financial Industry Regulatory Authority, Inc. ("FINRA") Rules 5130 and/or 5131, each, as amended, supplemented and interpreted from time to time (the "FINRA Rules")) or any other reasons as to which an Account and any Investor agree (including in order to comply with certain investment restrictions relating to socially responsible investing considerations of an Investor), one or more of an Investor's Classes/Tranches or series of Shares/Tranches should not participate in (or should be limited in their participation in) the net capital appreciation or depreciation, if any, attributable to any investment, type of investment or any other transaction, an Account may allocate such net capital appreciation or depreciation only to Investors' Shares/Interests to which such considerations or reasons do not apply (such Shares/Interests, the "Non-Limited Participation Shares/Interests") (or may allocate to the Limited Participation Shares/Interests, the portion of such net capital appreciation or depreciation allowed or agreed to be allocated to them). Consequently, the Non-Limited Participation Shares/Interests will be exposed to a greater extent to certain investments, types of investments or other transactions than they would otherwise be exposed to. If such investments, types of investments or other transactions generate net capital depreciation, the Non-Limited Participation Shares/Interests will be allocated a greater portion of such net capital depreciation than if such net capital depreciation were also allocated to Limited Participation Shares/Interests.



*Classes and Series of Shares Are Not Separate Legal Entities.* A Fund may issue one or more series within each Class. Each Fund's Articles provide for the manner in which the liabilities are to be attributed across the various Classes or series. However, each Fund is a single legal entity. Shareholders of one or more Classes or series of Shares may be compelled to bear the liabilities incurred in respect of other Classes or series which such Shareholders do not themselves own if there are insufficient assets in that other Class or series to satisfy those liabilities. Accordingly, there is a risk that liabilities of one Class or series may not be limited to that particular Class or series and may be required to be paid out of one or more other Class or series.

*Disclosure of Information Regarding Investors.* An Account, the Investment Manager and/or their service providers or agents may from time to time be required or may, in their sole discretion, determine that it is advisable to disclose certain information about an Account and the Investors, including, but not limited to, investments held by an Account and the names and level of beneficial ownership of Investors to (i) regulatory authorities of certain jurisdictions, which have or assert jurisdiction over the disclosing party or in which an Account directly or indirectly invests; or (ii) any counterparty of, or service provider to, the Investment Manager or an Account. By virtue of entering into the subscription agreement and becoming an Investor, each Investor consents to any such disclosure relating to such Investor. An Account and the Investment Manager will use commercially reasonable efforts to maintain the confidentiality of all Account and Investor information.

*Affiliated Accounts; Certain Trading and Investment Arrangements.* The Investment Manager (and affiliates of the Investment Manager) may determine to organize and/or manage other funds or accounts (including separately managed accounts) other than the Funds and account it currently manages, that share substantially similar investment strategies and objectives from time to time. The Funds, Separately Managed Accounts, and any future other accounts may offer certain investors benefits that other investors will not receive in relation to their investments such as increased liquidity, heightened transparency (including with respect to portfolio composition information), the right to impose investment restrictions or guidelines, heightened reporting and reduced managed fees and performance allocations or fees. For example, an Account may contain terms that are materially different than the terms of a Fund, including the ability of investors to make significant withdrawals with relatively short notice and without being subject to a "gate" or a mechanism for the Investment Manager to suspend withdrawals. In such a situation, it is possible that significant withdrawals by investors in an Account would have an adverse effect on the value of the Fund's investments.

The Investment Manager is not required to notify Investors of the terms applicable to the other Funds, Managed Accounts and any future other accounts, and such increased liquidity and/or heightened transparency may have an adverse effect on an Account.

An Account may participate in nominee and other arrangements with the affiliated Accounts through which bank debt, trade claims, private investments and investments held for tax purposes (and a limited number of other difficult to transfer securities) are held, while the economic benefits and risks of those investments are shared by an Account and one or more affiliated Accounts. An Account and one or more Affiliated Accounts may also engage in swap transactions, upon the approval of an independent party engaged to approve such transactions on behalf of an Account. Furthermore, an Account may gain exposure to certain investments through trading and investment vehicles including alongside Affiliated Accounts. Such nominee or other arrangements, swaps or manner of gaining exposure may give rise to certain risks, such as the risk of cross liabilities between an Account, on the one hand, and one or more Affiliated Accounts, on the other hand.

*Investments in Affiliated Accounts.* An Account may invest in existing or newly-formed Affiliated Funds, if the Investment Manager determines that investing in such affiliated Funds would enable an Account to access desirable investment opportunities. Such investment activity may subject an Account to additional risks. For example, in some circumstances, Affiliated Funds that have received significant redemption or withdrawal requests may suspend or limit redemptions or withdrawals, including redemptions

or withdrawals by an Account, potentially obligating an Account to limit or suspend redemptions from the Account. Furthermore, Affiliated Accounts may invest on the basis of certain short-term market considerations. As a result, the turnover rate with such Affiliated Accounts may be significant, potentially involving substantial brokerage commissions, fees and other transactions costs. In addition, an Account will bear its *pro rata* share of the expenses of such Affiliated Accounts, all of which could adversely affect an Account's returns. An Account will not pay any additional fees or be subject to any incentive allocation relating to any investments made by it in any Affiliated Fund.

*Side Letters; Different Terms.* A Fund may enter into agreements ("Side Letters") with certain investors formalizing requests for, among other things, incremental information (including transparency (on a delayed basis) into the Fund's portfolio and/or notifications and reporting relating to certain specific events), confidentiality terms, additional representations and warranties from the Fund and/or Investment Manager and specific transfer rights, limited mandatory redemption rights and general "most favored nation" rights. Additionally, certain Regulated Investors (as defined below) may be permitted to redeem on different notice or without redemption charges if, and only if, they are required by law or regulation to do so.

A Fund may enter into Side Letters without providing prior notice to, or receiving consent from, other Investors. As described above, under such Side Letters, certain Investors may receive notification with respect to the occurrence of certain events and/or circumstances. To the extent deemed material by the Fund, all Investors will be notified of such events and/or circumstances.

Furthermore, the Funds are authorized, without providing prior notice to, or receiving consent from, existing Investors, to issue additional classes of shares/tranches which may differ in terms of, among other things, the Incentive Allocation, Management Fees, denomination of currency, the fees charged, minimum and additional subscription amounts, redemption rights, portfolios, informational rights and other rights. The terms of such new classes/tranches will be determined by the Board or General Partner, as applicable.

*Valuation of Securities.* The Board or General Partner, as applicable, is responsible for the valuation of investments held by the Fund, and the Board has delegated that responsibility to the Investment Manager. The Investment Manager is responsible for the initial valuation of all positions, and coordinates with the Administrator in determining net asset value. The Investment Manager values the securities and other instruments comprising the assets and liabilities of the Fund pursuant to a written valuation policy, which has been approved by the Board or General Partner. Valuations assigned to securities are not necessarily equivalent to the value that can be realized by an Account on the sale of those securities and other instruments. In addition, there is a risk that the valuations of a security made pursuant to GAAP may differ from the price at which the security may actually be sold.

As Accounts are allowed to trade in thinly-traded, non-publicly traded and other illiquid securities, a certain portion (which may be material) may be ascribed values that are based on a subjective analysis. There can be no guarantee that the values ascribed to such securities (or otherwise) will reflect the price realized by an Account. Since the Accounts do not have a "side pocket" mechanism, subscriptions, redemptions and the determination of the Incentive Allocation will all be based on such valuations.

*Uncertain Exit Strategies.* Due to the illiquid nature of certain of the positions which an Account is expected to acquire, as well as the uncertainties of the reorganization and active management process, the Investment Manager is unable to predict with confidence what the exit strategy will ultimately be for any given investment, or that one will definitely be available. Exit strategies that appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

*Location and Infrastructure.* Most of the key personnel of the Investment Manager are

located in one building in midtown Manhattan. Loss of the building and/or key personnel, whether through fire, terrorist action, earthquake or some other catastrophic event, could adversely affect our operations and the investment returns of an Account. A serious impairment to the infrastructure of the building such as extended loss of power or a prolonged restriction of physical access to the building by governmental authorities also could adversely affect the Investment Manager's operations and investment returns of an Account. The Investment Manager has contracted for offsite data back-up and recovery and has a disaster recovery plan for offsite operation, but the risk of disruption of operations remains. Similar risks may apply to the brokers, dealers and other custodians of an Account's assets.

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

*Force Majeure Risks.* An Account will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various 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 infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes). Natural disasters, epidemics and other acts of God, which are beyond the control of the Investment Manager, may negatively affect the economy, infrastructure and livelihood of people throughout the world.

Disease outbreaks have occurred in Asia in the past (including severe acute respiratory syndrome, or SARS, avian flu, H1N1/09 flu and the novel Coronavirus) and any prolonged occurrence of infectious disease, or other adverse public health developments or natural disasters in any country in which the Fund targets investments may have an adverse effect on the Fund's investments. The outbreak of the novel Coronavirus in 2019 and 2020 in many countries continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving, and as cases of the virus have continued to be identified in additional countries, many countries have reacted by instituting quarantines and restrictions on travel. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the novel Coronavirus. Nevertheless, the novel Coronavirus presents material uncertainty and risk with respect to an Account's performance and financial results. Resulting catastrophic losses may either be uninsurable or insurable at such high rates as to make such coverage impracticable. If such a major uninsured loss were to occur with respect to any of an Account's investments, an Account could lose both invested capital and anticipated profits.

Some force majeure events may negatively affect the ability of a party (including an Account, the General Partner, the Investment Manager (and their respective affiliates), the Administrator, a company in which an Account invests or a counterparty to either an Account or a company in which an Account invests) to perform its obligations until such force majeure event is no longer existent. In addition, the cost to an Account of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events (such as war or an outbreak of infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which an Account invests specifically. Additionally, a major governmental intervention into

industry, including the nationalization of an industry or the assertion of control over one or more companies or assets, could result in a loss to an Account, including if its investment in such company or asset is canceled, unwound or acquired (which could be without what an Account considers to be adequate compensation). Any of the foregoing may therefore negatively affect the performance of an Account and its investments.

*Employee and Service Provider Misconduct.* The Investment Manager's reputation is critical to maintaining and developing relationships with existing and prospective investors, as well as with the numerous third parties with which the Investment Manager and the Accounts do business. In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest or other misconduct by individuals in the financial services industry, and there is a risk that an employee of, or contractor to, the Investment Manager or its affiliates could engage in misconduct that adversely affects the investment strategies implemented by the Investment Manager. It is not always possible to deter such misconduct, and the precautions the Investment Manager takes to detect and prevent such misconduct may not be effective in all cases. Misconduct by an employee of, or contractor to, the Investment Manager or one of its affiliates, or even unsubstantiated allegations of such misconduct, could result in direct financial harm both to the Investment Manager and the Accounts as well as harm the Investment Manager's reputation, which would have a materially adverse effect on an Account.

Similar risks may arise from employee misconduct of a service provider to an Account or the Investment Manager.

*No Independent Legal Review.* Investors should note that the Accounts are represented by legal counsel. To the extent that investors and this offering would benefit by an independent review, such benefit is not available. Investors are encouraged to seek the advice of independent legal counsel in evaluating the relative risks of the offering.

## **Tax Risks**

*General Tax Considerations.* An investment in an Account involves complex tax considerations that will differ for each investor depending on the investor's particular circumstances. The investment decisions of the Investment Manager will be based primarily upon economic, not tax, considerations, and could result, from time to time, in adverse tax consequences to some or all investors. There can be no assurance that the structure of an Account or of any investment will be tax-efficient for any particular investor. In addition, the tax considerations relevant to an investor may depend on whether such investor invests in an offshore fund as opposed to any of the onshore funds managed by the Investment Manager. Prospective investors are urged to consult their own tax advisors with reference to their specific tax situations.

*Certain Tax Positions May be Successfully Challenged.* The Accounts may be audited by U.S. federal, state or other tax authorities. An income tax audit may result in an increased tax liability of an Account including with respect to years when an investor was not an Investor, which could reduce the net asset value of an Account and affect the return of all Investors. In addition, under certain circumstances, generally for taxable years beginning in or after 2018, a master fund itself may be subject to audit adjustments assessed at the level of the master fund with respect to tax returns it has filed. The General Partner (or one of its affiliates) may make an election to cause any such audit adjustments assessed a master fund (together with interest and penalties) to be assessed instead against the partners of the master fund, including any applicable feeder fund. Prospective Investors are urged to consult with their own tax advisors regarding the new partnership audit rules.

*FATCA Withholding on U.S.-Source Interest, Dividends and Certain Other Types of Income and Certain Information Reporting.* Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (the "Code") (together with (i) any regulations promulgated thereunder or official administrative

interpretations thereof; (ii) intergovernmental agreements entered in respect of the foregoing; and (iii) legislation, regulations or guidance enacted in non-U.S. jurisdictions that seek to implement the foregoing, “U.S. FATCA”) impose a withholding tax of 30% on certain U.S. source payments made to foreign financial institutions, their affiliates and certain other foreign entities, unless the payee institution agrees to comply with reporting requirements for foreign accounts owned by U.S. individuals or U.S.-owned foreign entities. In general, withholding currently applies to U.S.-source interest, dividends and certain other types of income.

In order to avoid the imposition of this tax, the Accounts will be required to comply with (i) the intergovernmental agreement between the British Virgin Islands and the U.S. and certain British Virgin Islands legislation; and (ii) the intergovernmental agreement between the Cayman Islands and the U.S. and certain Cayman Islands legislation, pursuant to which they will be required to identify and report on certain direct and indirect U.S. owners or investors. The Accounts expect to comply with these reporting requirements by providing the British Virgin Islands taxing authority and the Cayman Islands Tax Information Authority, respectively, certain required information relating to an Account’s U.S. owners and any non-U.S. owners that have one or more “substantial United States owners” (as defined in section 1473(2) of the Code). Prospective Investors are urged to consult their own tax advisors with respect to the withholding and reporting regime imposed by U.S. FATCA.

*Non-U.S. Taxation.* With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of an Account, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other.

Changes or modifications in existing judicial decisions or in the current positions of the Service or any other Tax Authority and the passage of new legislation could substantially modify the tax treatment described in this disclosure, possibly on a retroactive basis. An Account cannot predict whether the U.S. Congress or any other legislative body will enact new tax legislation or whether the Service or any other Tax Authority will enact new regulations or other guidance, nor can it predict what effect such legislation or regulations might have. There can be no assurance that new legislation or regulations, including changes to existing laws and regulations, will not have an adverse effect on an Account’s investment performance. In addition, new U.S. federal tax legislation enacted into law on December 22, 2017 (the “2017 Tax Act”) has made many major changes to the taxation of individuals and businesses. There are a number of technical issues and uncertainties in the 2017 Tax Act, which may be clarified by future guidance. It is not possible to predict whether such clarifications will result in adverse consequences to the Fund.

### **ERISA Plan Assets Risks**

The Funds intend to restrict the acquisition of investments by Benefit Plan Investors (as defined below) in the Funds in order to avoid the treatment of assets of a Fund, and where applicable, Master Fund, as “plan assets”. However, there can be no assurance that a Fund will be treated as not holding “plan assets” of investing Plans (as defined below).

If the assets of the Fund or the Master Fund were deemed to constitute the assets of an investing Benefit Plan Investor, the operation and administration of the Fund and the Master Fund, and the duties, obligations and liabilities of the Investment Manager, would be subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code. Specifically, in such circumstances, certain investments by the Fund or the Master Fund may not be permitted, and transactions between the Fund, the Master Fund and the Investment Manager or their respective affiliates may be prohibited transactions or need to be restructured. Moreover, the fiduciary causing the Benefit Plan

Investor to make an investment in Shares could be deemed to have delegated its responsibility to manage the assets of the Benefit Plan Investor to the Investment Manager, and, to the extent such delegation was improper, the fiduciary could be liable, either directly or under the co-fiduciary rules of ERISA, for the acts of the Investment Manager. See “*Certain ERISA Considerations*” for a further discussion of these issues.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in each Account or the application of the investment strategy. Each Account's Offering Memorandum or other supplemental disclosure document contains additional information with respect to the risks to which each Account will be subject. In addition, the Investment Manager maintains, on behalf of each Account, a due diligence questionnaire that may include more current information concerning certain risks and other information relating to each Account, including specific litigation and regulatory information. Each Account's then-current due diligence questionnaire is available to all Investors upon request.**



## ITEM 9

### DISCIPLINARY INFORMATION

From time to time the firm and/or its principals are or may be subject to civil litigation. No such litigation has or is expected to result in an adverse disposition. On December 18, 2015, the United States District Court for the District of Columbia entered a final judgment (“2015 Final Judgment”), to which the parties had stipulated and consented, that specifies circumstances when Third Point must file a notification under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (“HSR Act”), requires Third Point to maintain an HSR Act compliance program and designate a compliance officer to achieve compliance with the 2015 Final Judgment, and allows the DOJ certain access and inspection rights for the purpose of determining compliance with the 2015 Final Judgment. The 2015 Final Judgment does not include a monetary fine or, in the Adviser’s judgment, place Third Point under any material limitations in its present or future investment activities.

The Hellenic Capital Markets Commission (“HCMC”) identified that TP Lux Holdco SARL sold short shares of publicly traded securities that were not yet approved to be listed for trading by the Athens Exchange during the period May 2, 2014, through May 9, 2014. As a result, the HCMC issued a decision against TP Lux Holdco SARL, imposing a fine of EUR87,200 on Lux Holdco on the basis that it sold the Shares in breach of article 12 (1.b) of EU Regulation 236/2012 on short selling and of recital 8 and article 5 (1.e) of EU Regulation 827/2012 (the “Regulations”). The issue was finalized on November 19, 2018.

On December 10, 2019, the United States District Court for the District of Columbia entered a final judgment (“2019 Final Judgment”), to which the parties had stipulated and consented, that imposes a monetary civil penalty of \$609,810 against Third Point, specifies circumstances when Third Point must file a notification under the HSR Act, and allows the DOJ certain access and inspection rights for the purpose of determining compliance with the 2019 Final Judgment. On December 18, 2019, Third Point LLC, also a defendant in the action resolved by the 2019 Final Judgment, paid the \$609,810 single civil penalty ordered against Third Point Offshore Fund, Ltd., Third Point Ultra Ltd., and Third Point Partners Qualified L.P.

The DOJ had alleged in its Complaint that three funds controlled by Third Point acquired the voting securities of Dow Inc. prior to its merger with E.I. du Pont de Nemours & Company. In connection with the acquisition of the Dow shares, the three funds made the required HSR filings. Once the merger was finalized on August 31, 2017, the Dow shares converted to shares of the newly formed DowDuPont Inc. According to the FTC’s position, as a result of that conversion, the Third Point funds were required to make another HSR filing for the shares of the newly formed company. The three Third Point funds made corrective filings with the federal antitrust authorities on November 8, 2017, and the waiting period for those corrective filings expired on December 8, 2017.

Third Point is required to comply with the terms of the 2019 Final Judgment during the five years starting on December 10, 2019, unless either (a) after three years from the date of entry, the 2019 Final Judgment is terminated upon notice by the DOJ to the Court and to Third Point that the civil penalty has been paid and that the continuation of the Final Judgment is no longer necessary or in the public interest, or (b) a specified event occurs before the expiration of such five-year period, in which case the 2019 Final Judgment may be terminated upon the occurrence of such event and upon notice by the DOJ, to be provided in DOJ’s sole discretion after receiving a request from Third Point to do so, to the Court that the continuation of the 2019 Final Judgment is no longer necessary or in the public interest. The 2019 Final Judgment does not, in the Adviser’s judgment, place Third Point under any material limitations in its present or future investment activities.

The Investment Manager is not aware of any other material administrative, civil or criminal actions against the Investment Manager or the Accounts.

**ITEM 10****OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

We do not have an affiliated broker-dealer. Nevertheless, we may have certain relationships with, and receive certain benefits from, non-affiliated broker-dealers that may pose a conflict of interest when selecting and using broker-dealers. Examples of such relationships and benefits include, but are not limited to: (i) referral or recommendation of investors; (ii) personal investments by a registered representative of a broker-dealer in funds we manage; (iii) access to an electronic communication network for order entry and account information; (iv) receipt of proprietary research; and (v) participation in broker-dealer sponsored research and capital introduction conferences.

Certain members or employees of the Investment Manager may make, and have made, private investments. Such private investments include investments in investment advisory businesses and other related businesses that may be competing with the Accounts.

Before Third Point considers engaging a third-party service provider on behalf of the Accounts, all employees must notify the Chief Compliance Officer of any conflicts or relationships that employees or family members of employees have with the service provider under consideration. If any employee(s) has a relationship with any service provider prospect, that potential conflict is taken into consideration in determining the merits of engaging such service provider. Notwithstanding the foregoing, the Investment Manager's policy is to generally allocate service providers for the Accounts on the basis of best execution, or otherwise in the best interest of the Accounts.

We serve as an adviser to private investment funds and certain other accounts. We are also a related person to the general partners of certain funds.

**General Partners**

Third Point Advisors L.L.C.

Third Point Advisors II L.L.C.

Third Point Advisors III L.L.C.

Third Point Investment I GP LLC

Third Point Investment II GP LLC

Third Point Investment III GP LLC

**Advisers**

Third Point LLC

**Separately Managed Accounts**

Third Point Reinsurance Company Ltd

Third Point Reinsurance (USA) Ltd.

**Domestic Funds**

Third Point Partners, L.P.

Third Point Partners Qualified, L.P.

Third Point Insurance Dedicated Fund LP

Third Point Ultra Onshore LP

**Offshore Funds**

Third Point Enhanced LP

Third Point Hellenic Recovery Fund, L.P.

Third Point Hellenic Recovery Offshore Feeder Fund, L.P.

Third Point Hellenic Recovery Offshore Upper-Tier Feeder Fund, L.P.

Third Point Hellenic Recovery US Feeder Fund, L.P.

Third Point Hellenic Recovery US Upper-Tier Feeder Fund, L.P.

Third Point Investment I Master LP

Third Point Investment I Offshore LP

Third Point Investment I Ultra Master LP

Third Point Investment II Master LP

Third Point Investment III Master LP

Third Point Investment III Offshore LP

Third Point Offshore Fund, Ltd.

Third Point Offshore Investors Limited

Third Point Offshore Master Fund L.P.

Third Point Ultra Ltd.

Third Point Ultra Master Fund L.P.

TP ETP II Master LP

TP ETP II Offshore LP

TP ETP III Master LP

ETP III Offshore LP

TP ETP Master LP

TP ETP Offshore LP

TP P III Master LP

## ITEM 11

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### Code of Ethics

We have adopted a code of ethics (“Code of Ethics”) which is designed to foster compliance with the applicable federal statutes and regulatory requirements, prevent circumstances that may lead to or give the appearance of conflicts of interest with clients, insider trading or unethical business conduct as well as promote a culture of high ethical standards. Among other things, the Code of Ethics governs personal securities trading by our employees. Generally, no employee may personally trade or own any security (with the exception of certain securities such as U.S. government obligations, cash equivalents, money market funds, open-end mutual funds, unit investment trust, investment grade corporate bonds, investment grade preferred securities, limited mortgage bonds, master limited partnerships, private investments, etc. (“Exempt Security” or “Exempt Transaction”). For some of the Exempt Securities or Exempt Transactions, Employees must pre-clear any trades. In limited exception situations (primarily due to economic hardship), employees may trade in other securities but only subject to compliance pre-approval.

The Code of Ethics also requires employees 1) to report personal transactions on a quarterly basis, 2) to file annual personal account disclosures and report securities holdings; and 3) to certify their compliance with the Code of Ethics on a quarterly basis.

#### **Restrictions Due to Insider Information**

We forbid employees from trading, either personally or on behalf of others (including client accounts managed by Third Point), on material non-public information or communicating material non-public information (“inside information”) to others in violation of the federal securities laws. This conduct is frequently referred to as “insider trading”. We have designed and implemented policies and controls in order to monitor the flow of inside information as well as prevent trading on the basis of inside information.

A copy of the Code of Ethics is available upon request.

#### **Participation or Interest in Client Transactions**

Third Point, its affiliates and their respective personnel may invest in the Accounts and in securities or other assets in which the Accounts or other clients invest subject to applicable law and the firm’s Code of Ethics.

Third Point, its related persons and employees may have financial interests in one or more of the Accounts either as direct investments, carried interests, indirectly through intermediaries or through the rights of deferred compensation under a deferred incentive fee agreement that Third Point or its related person may have with certain of its Accounts (all such interests will be referred to herein as “proprietary interests”). In some cases, such proprietary interests may exceed 25% of each total Account so that such Account may be deemed to be a proprietary account.

For purposes of rebalancing Account portfolios with similar investment strategies, we periodically, through unaffiliated broker-dealers and at the market price, may dispose of a particular security from one Account and acquire it for another by crossing the trade of one or more Accounts to one or more other Accounts in order to minimize transaction and market impact costs (“Rebalancing”). Additionally, there may be circumstances in which it may be advantageous to enter into transactions whereby certain investments may be held by only certain of Registrant’s Accounts, while the economic benefits and risks of those investments are shared with other Accounts (“Shared Transactions”). Such Shared Transactions may entail the creation

of special purpose vehicles, derivative contracts and other mechanisms for sharing in the risk and reward of each participating Client. Whenever such Rebalancing or Shared Transactions are effected between Clients that include a proprietary account, such transactions are reviewed by an independent party, which may include independent directors of any incorporated Account to approve such transactions in order to address potential conflicts of interests.

## **ITEM 12**

### **BROKERAGE PRACTICES**

The primary consideration in placing portfolio securities transactions with broker-dealers for execution is to obtain, and maintain the availability of, execution at the best net price available and in the most effective manner possible. In selecting broker-dealers to execute transactions and evaluating the reasonableness of the brokerage commissions paid to them, consideration will be given to the following: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution; the financial strength, integrity and stability of the broker dealer; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of research services available through the broker-dealer; and the competitiveness of commission rates in comparison with other broker-dealers satisfying Third Point's other selection criteria. We generally seek competitive commission rates, but we will not necessarily pay the lowest commission available. Trading costs are measured and monitored by the Brokerage Committee which reviews, among other things, the costs and quality of executing brokers.

#### **Research and Other Soft Dollar Benefits**

We have entered into soft dollar arrangements where brokerage commissions executed through certain broker-dealers are used to generate "soft dollars" to pay for brokerage and research services used by Third Point on behalf of the Accounts. In accumulating soft dollars, we "pay up" or more than the lowest available commission. Our intention is for the soft dollar arrangements to be within the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934. These arrangements may be with Soft Dollar Brokers that provide proprietary research directly or through third party arrangements where the Soft Dollar Services are developed by third parties and the Soft Dollar Broker participates in effecting the transaction. Some of the Soft Dollar Services include: newswire and quotation systems; research reports and information on companies, industries and securities; economic, financial and market data; economic surveys and analyses; recommendations as to specific securities; and consultants that provide specialized data or analysis to specific companies or sectors.

If less than 100% of a product or service is used for assistance in our decision-making process, we will consider the product as a "mixed-use" product. With mixed-use products, we will make a good-faith allocation between the research and non-research benefits and will use commissions to pay for only that portion of the product used to formulate investment decision and will pay for the remainder in hard dollars. With mixed-use products, we may have a conflict of interest when determining the allocation of good faith allocation of costs between research and non-research benefits particularly in circumstances where the non-research benefits are not expenses paid for by the Accounts.

These services or products would otherwise only be available to us for a cash payment. To the extent we utilize commissions to obtain items that would otherwise be an expense of the Registrant (and not payable by the Accounts), such use of commissions could be viewed as additional compensation to Third Point. This may create a potential conflict of interest between our fiduciary duty to operate the Accounts in their best interest and the desire to receive or direct these soft dollar benefits. As a result of receiving such services or products, there is an incentive for us to use, and continue to use, such brokers and dealers to effect transactions for the Accounts over which we exercise trading discretion so long as such brokers and dealers continue to provide us with such soft dollars credits.

We have adopted procedures to monitor all soft dollar activities and maintain effective controls. Brokerage and research services paid by one Account may be used to benefit all the Accounts. We do not allocate the relative costs or benefits of research among the accounts because we believe that the research received is



fulfilling our overall responsibilities to our clients.

We also have commission sharing arrangements whereby soft dollars, which have been generated, are paid to brokers who have provided research services in the past, in lieu of trading with those brokers.

On some occasions, we may separate orders and send them to different executing brokers. This may result in two separate batch or block trades at approximately the same time for the same securities, which may be executed at different prices or at different brokerage commission rates from one another. This may result in less favorable pricing or commission rates than if they had been executed using block or batch trades.

Our personnel may receive or give certain gifts from or to broker-dealers or other persons with whom we do business. This may include such things as tickets to sporting events, meals and other entertainment, transportation, attendance at seminars or other educational training or informational events, logo items and other items of small value, gifts associated with life events such as birthdays, weddings, anniversaries, and other gifts of more substantial value. The receipt of such gifts and gratuities might be viewed as causing a conflict of interest for us in selecting brokers and dealers and other service providers. Our policy prohibits employees from accepting valuable gifts or entertainment that is not reasonable under the circumstances from any person or entity that does or seeks to do business with or on behalf of Third Point or its clients. Employees are prohibited from accepting gifts of cash or cash equivalents. Employees are also required to pre-clear gifts exceeding certain thresholds, as well as report, on a quarterly basis, the receipt of gifts and entertainment exceeding minimum reporting requirements.

From time to time we may participate in certain broker-dealer's charity day programs. We may elect, on a specified day, to execute certain trades through the sponsoring broker-dealer and permit it to use a portion of the commissions for charitable purposes, including donations to other broker-dealers that may need assistance in natural disaster recovery efforts. However, under such circumstances, we use our best efforts to insure that commissions paid are consistent with best execution.

On occasion, we may engage in a "step-out" transaction in which we may send part or all of a commission in respect of a transaction to one broker while the transaction is executed by a different broker.

### **Trade Error Policy**

Gains and losses occasioned by trade errors, whether due to the Adviser, an Account's brokers or counterparties or a combination thereof, will be income or expense of the Accounts, provided the Adviser, in connection with such trade error, acted with the standard of care necessary for exculpation and indemnification of the Adviser under the respective investment management agreement or offering memorandum.

### **Directed Brokerage**

A managed account client may direct us to utilize a particular broker-dealer to execute some or all transactions for the client's account. In such circumstances, the managed account client is responsible for negotiating the terms and arrangements for the account with that broker-dealer. We will not seek better execution services or prices from other broker-dealers or be able to aggregate the managed account client's transactions, for execution through other brokers-dealers, with orders for the Accounts or the other managed account we manage. As a result, we may not obtain best execution on behalf of such directing managed account client, who may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case.

### **Allocation of Investment Opportunities**

We seek to allocate investment opportunities among Clients in the fairest possible way taking into account Clients' best interests and investment objectives/restrictions. We will follow procedures to help ensure that allocations do not reflect a practice of favoring or discriminating against any Client or group of Clients. Account performance is never a factor in trade allocations.

Excluding the Greek Fund, Special Purpose Vehicles and Separately Managed Accounts, we generally manage our Accounts on a parallel pro rata basis, employing primarily the same investment strategies subject, but not limited, to each Client's varying stated investment objectives including the amount of leverage used, restrictions and tax considerations. Consequently, when possible, Client orders in the same security are generally placed on an aggregated basis and typically allocated proportionately to each participating Client Account. We may, however, increase or decrease the amount of securities allocated to an Account to avoid, among other things, holding odd-lot shares for particular Clients. Each Client that participates in an aggregated order will generally participate at the average share price for all the transactions in that security on a given day, and transaction costs generally will be shared pro-rata based on each Client's participation in the transaction.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

**Position Reviews:** We perform various daily, weekly, monthly and quarterly reviews of all Accounts. Our investment and business teams conduct reviews on a regular basis for, among other things, exposures, trade allocations, execution and commissions paid on security transactions, performance comparisons, investment objectives, guidelines and restrictions.

In addition, the Hedge Funds' third-party administrator ("Administrator") provides daily reviews and reconciliations of cash, positions, and activity to prime brokers to validate that all transactions were executed as initiated and accounted for in a proper manner. Daily profits and losses are reconciled by Adviser back to the Administrator. On a daily basis, the Administrator reports reconciliation breaks for resolution by our Operations group. The monthly net asset value calculations are prepared by the Administrator and reviewed by our accounting group.

Investors receive monthly capital account statements for their investment in each Account as well as monthly and quarterly written updates of activity in their Account and the relevant markets. Investors also receive annual audited financial statements of the Account in which they are invested.

**ITEM 14****CLIENT REFERRALS AND OTHER COMPENSATION**

We may receive certain economic benefits from broker-dealers and prime brokers whom we conduct business with that might not be received otherwise. These benefits may include: access to an electronic communication network for order entry and account information; proprietary research; and participation in sponsored research and capital introduction services. While these services are generally provided at no additional cost, we may select certain broker-dealers due to receipt of such services. We understand that the benefits received through these relationships generally do not depend upon the amount of transactions directed to or the amount of assets custodied.

We compensate certain third parties that refer certain clients to us. Compensation is based upon a percentage of the management and/or incentive fees. We do not charge any portion of the compensation paid to the third parties to clients. Any of such clients placed with the firm by one of such third parties may pay fees to the third party (and not to us) that are separate and in addition to an Account's management and incentive fees.

**ITEM 15****CUSTODY**

We may be deemed to have constructive custody of certain client assets as a result of fee payments or the service of certain affiliates as general partners to certain Accounts. Actual custody of client assets, however, is at a broker-dealer, bank or trust company, not with us. Accounts are reconciled, via statements provided by the counterparties and internal proprietary systems, at least weekly between us, the Account administrator (IFS) and each counterparty. Any breaks are resolved as soon as possible. Currently, client assets are principally custodied at Bank of America Merrill Lynch, Bank of New York Mellon, Barclays, Citigroup, Credit Suisse, Goldman Sachs, ING Luxembourg, JPMorgan Chase, Morgan Stanley, Northern Trust, State Street, UBS, US Bank National, Wilmington Trust and their respective affiliates. We review our use of prime brokers periodically and may change them without notice. As such, investors receive capital account statements on a monthly basis directly from the Accounts' Administrator. Investors should carefully review all account statements.

**ITEM 16****INVESTMENT DISCRETION**

We provide investment advisory services to our clients on a discretionary basis in a manner consistent with each Account's investment objectives and restrictions, as set forth in the governing agreements and documents. In providing discretionary investment advisory services, we generally supervise and manage the Account's portfolio and make investment decisions, without consulting the investors.



**ITEM 17****VOTING CLIENT SECURITIES**

Our written policies and procedures require us to vote the Account's proxies in the interest of maximizing shareholder value. Votes on all matters are determined on a case-by-case basis. We may choose not to participate in a particular proxy, to take no action or not vote if we conclude that the effect on investors' economic interest or the value of the portfolio holding is indeterminable or insignificant, the potential benefit of voting is outweighed by the cost, or when it is not in the Account's best interest to vote. Our Analysts are responsible for the recommendation, the CEO or COO, or in limited circumstances their designee, approves the recommendation and the Operations group executes the vote.

Our proxy voting policies and procedures also include guidelines which Registrant follows if a material conflict arises between the Registrant and the company that is the subject of the proxy or a proponent of a proxy proposal.

Records of proxy materials and votes are maintained in our offices. A complete copy of our proxy voting policies, procedures and prior voting history are available to investors upon request.

**ITEM 18****FINANCIAL INFORMATION**

This section is not applicable to the Adviser.