

---

---

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

**MATRIX CAPITAL MANAGEMENT COMPANY, LP**

March 2021

---

---

Matrix Capital Management Company, LP  
Bay Colony Corporate Center  
1000 Winter Street  
Suite 4500  
Waltham, Massachusetts 02451  
Tel: (781) 522-4974  
Fax: (781) 890-4573

*This brochure (this “Brochure”) provides information about the qualifications and business practices of Matrix Capital Management Company, LP (“Matrix”). If you have any questions about the contents of this Brochure, please contact us at (781) 522-4974 or [jkaleba@matrixlp.com](mailto:jkaleba@matrixlp.com). 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.*

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

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

## **ITEM 2**

### **MATERIAL CHANGES**

Our last annual update to this Brochure was in March 2020. While this Brochure contains changes and updates to certain information since the last update, there have not been material changes to the information herein since that time, and investors should review this Brochure in its entirety.

### ITEM 3 TABLE OF CONTENTS

ITEM 1 COVER PAGE.....	i
ITEM 2 MATERIAL CHANGES .....	ii
ITEM 3 TABLE OF CONTENTS .....	iii
ITEM 4 ADVISORY BUSINESS .....	1
A. <u>General Description of Advisory Firm</u> .....	1
B. <u>Description of Advisory Services</u> .....	1
C. <u>Availability of Customized Services for Individual Clients</u> .....	2
D. <u>Assets Under Management</u> .....	2
ITEM 5.....	3
A. <u>Advisory Fees and Compensation</u> .....	3
B. <u>Payment of Fees</u> .....	4
C. <u>Additional Fees and Expenses</u> .....	4
D. <u>Additional Compensation and Conflicts of Interest</u> .....	4
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	5
ITEM 7 TYPES OF CLIENTS .....	6
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	7
A. <u>Methods of Analysis and Investment Strategies</u> .....	7
B. <u>Material, Significant or Unusual Risks Relating to Investment     Strategies</u> .....	11
C. <u>Risks Associated with Particular Types of Securities</u> .....	17
ITEM 9 DISCIPLINARY INFORMATION .....	27
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	28
A. <u>Broker-Dealer Registration Status</u> .....	28
B. <u>Futures Commission Merchant, Commodity Pool Operator or     Commodity Trading Adviser Registration Status</u> .....	28
C. <u>Material Relationships or Arrangements with Industry Participants</u> .....	28
D. <u>Material Conflicts of Interest Relating to Other Investment Advisers</u> .....	28
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	29
A. <u>Code of Ethics</u> .....	29

B. <u>Securities that Matrix or a Related Person Has a Material Financial Interest</u> .....	29
C. <u>Investing in Securities that Matrix or a Related Person Recommends to Clients</u> .....	29
D. <u>Conflicts of Interest Created by Contemporaneous Trading</u> .....	30
ITEM 12 BROKERAGE PRACTICES.....	31
A. <u>Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions</u> .....	31
B. <u>Order Aggregation</u> .....	32
ITEM 13 REVIEW OF ACCOUNTS.....	33
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	34
A. <u>Economic Benefits for Providing Services to Clients</u> .....	34
B. <u>Compensation to Non-Supervised Persons for Client Referrals</u> .....	34
ITEM 15 CUSTODY .....	35
ITEM 16 INVESTMENT DISCRETION .....	36
ITEM 17 VOTING CLIENT SECURITIES.....	37
ITEM 18 FINANCIAL INFORMATION .....	38

## ITEM 4 ADVISORY BUSINESS

### A. General Description of Advisory Firm.

Matrix Capital Management Company, LP ( "Matrix" ), a Delaware limited partnership, commenced operations in 1999 with an office in Waltham, Massachusetts. David E. Goel and Paul J. Ferri are the founders of Matrix. David E. Goel, the Managing General Partner of Matrix, controls Matrix and maintains ultimate authority over all investment decisions and the business affairs of Matrix. Matrix General Partner, LP (the "General Partner") is an affiliate of Matrix that also provides advisory services to certain Matrix Funds (as defined below) in its capacity as general partner.

Our registration on Form ADV also covers the General Partner. The General Partner's facilities and personnel are provided by us.

### B. Description of Advisory Services.

Matrix serves as the manager or management company, as the case may be, with discretionary trading authority to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis (each, a "Fund" and collectively, the "Funds"). Interest in the Funds are offered to certain Accredited Investors and Qualified Purchasers.

As used herein, the term "client" generally refers to each Fund. The Funds include:

- Matrix Capital Management Fund, L.P., a Delaware limited partnership (the "Domestic Fund");
- Matrix Capital Management Fund (Offshore) Ltd., a Cayman Islands exempted company (the "Offshore Fund", and together with the Domestic Fund, the "Feeder Funds");

Matrix Capital Management Master Fund, L.P., a Cayman Islands exempted limited partnership (the "Master Fund"), which serves as the master fund into which the Feeder Funds invest all of their investable assets through a "master-feeder" structure.

The Feeder Funds seek capital appreciation through investments in the Master Fund which principally invests in publicly-traded equity securities. See Item 8 "Methods of Analysis, Investment Strategies and Risk of Loss".

*This Brochure generally includes information about Matrix and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.*

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and*

*other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be “accredited investors” as defined in Regulation D, “qualified purchasers” as defined in the Investment Company Act, or non-”U.S. Persons” as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

C. Availability of Customized Services for Individual Clients.

The advice that Matrix provides to its clients is tailored according to the investment objectives, guidelines and requirements set forth with respect to each Fund, in its respective Offering Memorandum, Private Placement Memorandum and other applicable governing documents (collectively, “Governing Documents”).

D. Assets Under Management.

Matrix had assets under management of approximately \$10.3 billion (rounded to the nearest \$100 million) as of December 31, 2020, all of which is managed on a discretionary basis.

## ITEM 5 FEES AND COMPENSATION

### A. Advisory Fees and Compensation.

The fees applicable to each Fund are set forth in detail in each Fund's Governing Documents. A brief summary of such fees is provided below.

For its management and administrative services to the Funds, Matrix receives a fee, payable quarterly in advance, with respect to each capital account (the "Management Fee"). The Management Fee is equal to 0.375% (1.5% annualized) of such capital account's balance. The Management Fee is calculated and payable as of the first day of each calendar quarter, giving effect to any contributions on that day. A *pro rata* Management Fee is assessed on any capital contributions accepted as of any date other than the first day of the quarter and charged to the capital account of the contributing investor. If an investor withdraws all or a portion of the balance of a capital account other than on the last business day of a calendar quarter, Matrix will repay to the Fund for disbursement to the withdrawing investor a *pro rata* portion of the Management Fee charged to such capital account. Matrix may in its discretion and from time to time agree to waive all or a portion of the Management Fee with respect to a capital account or, with the consent of the investors, charge a Management Fee on a different basis or at a different rate. Without consent of the investors, the Management Fee may be charged to, and paid by, the Master Fund, instead of the Feeder Funds.

The General Partner may receive annual performance-based compensation equal to a percentage of the realized and unrealized net profits of the Funds as detailed in such Funds' Governing Documents or investment management agreement. Performance-based compensation is generally equal to 20% of realized and unrealized net profits of each respective Fund for each fiscal year; provided, that each Fund maintains a bookkeeping account to determine the high water mark (a "Loss Recovery Account") that must be exceeded before the performance-based compensation with respect to an investor in a Fund is charged at a rate of 20%. The Loss Recovery Account of each investor in a Fund commences at zero. As of each adjustment date, the Loss Recovery Accounts of each Fund is either (i) increased by an amount equal to two and one-half times (250%) of any net loss allocated for such fiscal period or (ii) decreased (but not below zero) by the amount of any net profit allocated for such fiscal period. An investor will bear performance-based compensation equal to 10% of its realized and unrealized net profits until the balance of its Loss Recovery Account is reduced to zero.

In the event that a Fund is terminated or an investor withdraws or redeems other than at the end of a fiscal year, then for purposes of determining the applicable performance-based compensation, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. Performance-based compensation may be waived, reduced or calculated differently with respect to certain investors.

Matrix does not charge its employees, certain affiliates, family members and similar parties performance-based compensation and/or Management Fees.

B. Payment of Fees.

Management Fees and performance-based compensation are generally deducted from the assets of the applicable clients. As discussed above, Management Fees are generally deducted on a quarterly basis and performance-based compensation is generally deducted on an annual basis.

C. Additional Fees and Expenses.

As more fully described in each Fund's respective Governing Documents, the Funds will generally bear expenses in connection with the Master Fund's trading and investment activities, which may include, but are not limited to, ordinary and extraordinary expenses, including (without limitation) the Master Fund's research expenses (including costs of developing data analytics and ongoing diligence of existing investments); the Master Fund's investment expenses (i.e., brokerage and clearing expenses and commissions, dealer spreads, margin interest expenses, and issue and transfer taxes); legal, administration, accounting and auditing services, including the fees of the Fund's independent accountants and Administrator for record keeping and price verification services; expenses associated with regulatory filings related to the Funds and/or the Master Fund and the Master Fund's portfolio; travel expenses incurred by the General Partner and/or Matrix in connection with the investment activities of the Master Fund or meetings with existing or potential investors (including the costs of travel, meals and lodging); taxes and governmental fees; Management Fees; insurance premiums, interest charges and all corporate fees payable by the Funds to federal, state or other governmental agencies; costs of investor notices and reports and the typesetting and printing of its offering memorandum; bookkeeping, custodial, tax reporting and pricing and valuation fees and expenses; fees and disbursements of the Master Fund's Prime Broker(s); consultant fees (including fees of independent contractors used by the Management Company for research and other investment related purposes); all expenses of investors' meetings; and litigation and indemnification expenses, other costs and expenses incurred in connection with the business or operation of the Funds, and other extraordinary expenses not incurred in the ordinary course of the Fund's business.

D. Additional Compensation and Conflicts of Interest.

Neither Matrix nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.



**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Matrix and its affiliates accept performance-based fees from every client. As a result, Matrix and its affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

**ITEM 7**  
**TYPES OF CLIENTS**

Matrix generally provides investment advice to the Feeder Funds, indirectly, through their investment in the Master Fund, and to the Master Fund as described above. Each of the Funds' Governing Documents contains information regarding the minimum investment applicable to the Fund.

## ITEM 8

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

#### A. Methods of Analysis and Investment Strategies.

*The descriptions set forth in this Brochure of specific advisory services that Matrix offers to clients, and investment strategies pursued and investments made by Matrix on behalf of its clients, should not be understood to limit in any way Matrix's investment activities. Matrix may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Matrix considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies Matrix pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved. As the Feeder Funds conduct all of their investing and trading activities through, and invest all of their investable assets in, the Master Fund, references to the term "Master Fund" in this Brochure in the context of the Master Fund's portfolio, investment program and related assets should be understood to mean the Master Fund, any other vehicle through which the Master Fund makes investments or enters into transactions, and, indirectly, through their investments in the Master Fund, the Feeder Funds.*

#### **Investment Strategy**

Matrix's primary goal is to generate an attractive risk-adjusted return by, investing the Master Fund's assets in a concentrated portfolio of long and short positions, following the classic hedge fund model. Matrix's strategy is to achieve this goal through maintaining a concentrated portfolio of long and short investments, over the long term, driven by differentiating research into company fundamentals. The process involves three key aspects: definition, initiation and allocation. Taken as a whole, the process is designed to inform and underpin Matrix's decision when to initiate a position, at what level of conviction, and for what internal rate of return.

**Definition.** Rather than spread Matrix's attentions across the entire investable universe, the investment team focuses on its areas of core competencies to define compelling investment themes and opportunities that will guide its stock picking. Under this aspect of the Master Fund's strategy, its investment professionals bring to bear their deep sector expertise, familiarity with business models, and ability to identify and delineate broad trends that will define markets over the medium and long term. Key elements of the strategy associated with this aspect of the investment strategy include:

**Long Positions.** Matrix's long investments typically consist of three types of companies:

- growth companies, where capital can be invested in the business at a high rate of return for a long period of time;
- highly cash generative businesses, which have modest growth opportunities, but have management teams that aggressively use the cash for the benefit of their shareholders; and

- strong business franchises that had previously been poorly managed but have been taken over by high quality management teams.

Companies in which the Master Fund invests long generally exhibit some or all of these five characteristics: (1) an investment idea where the Master Fund, using the full extent of its research capacity, may delineate a variant perspective on the asset providing the Master Fund with an edge in understanding the idea better than other investors; (2) a strong management team that is focused upon increasing shareholder value and one that owns a meaningful amount of the company's shares outstanding; (3) barriers to competitive pressures; (4) a discounted market valuation that reflects near-term market uncertainty and presents an attractive entry point; and (5) an ability and opportunity to compound equity return over many years through earnings growth, capital deployment, or a new high growth market opportunity that will span many years. However, as determined by Matrix, not every investment will necessarily meet all four of these characteristics.

Short Positions. Matrix views short positions as opportunities to generate profit for the Master Fund as well as a means of providing a degree of protection against a declining market. Characteristics of potential short candidates include (but are not limited to) companies that:

- are subject to significant misperceptions about the economics of their businesses or the sustainability of their growth;
- face long-term problems with the competitive landscape or their own balance sheets; or
- have reported results in what Matrix believes is a questionable (rather than merely aggressive) manner, causing a material difference between reported numbers and economic reality.

Matrix remains cognizant that: 1) a very high valuation is not *by itself* a sufficient reason to initiate a short position; and 2) aggressive accounting (*e.g.*, capitalizing items that should be expensed, manipulating reserves) is also not *by itself* a sufficient reason to initiate a short position.

Types of Investments. Within the broad set of possible investments, the Master Fund invests primarily in equity securities, which are expected to be principally in the form of common stocks but may also include preferred stocks, convertible securities, warrants, stock purchase rights, depositary receipts, shares of investment companies, and other equity-related interests. Matrix focuses on equities within the sectors where its investment professionals have tested expertise, and further focuses on companies affected by the broad market themes the investment team is able to identify. Whenever a company is found to match any of these indications, the research team will begin conducting thorough due diligence into the company's fundamentals. The team's findings will fuel discussions to decide whether or not it is the kind of company Matrix wants in either its long or short portfolios.

However, market conditions and other factors may present appropriately compelling opportunities for the fund to pursue non-equity investments, and the Master

Fund may also invest in debt securities, without restriction as to any minimum rating criteria. The Master Fund may purchase and write (sell) options on stocks, bonds, currencies, or market indices, thereby allowing the Master Fund to leverage its returns from specific securities and engage in a wide range of transactions designed to enhance the Master Fund's returns, such as securities lending and repurchase agreements. The Master Fund may employ active portfolio management strategies both as a hedge against volatility and as a possible source of additional income and capital appreciation. Although it may in the future, the Master Fund does not currently intend to engage in the use of commodity futures contracts and related options, nor does it currently purchase or sell other commodities.

**Initiation.** The research process is designed to harness the research team's talent and develop powerful investment theses, ultimately converting each idea into an entry point where the Master Fund can initiate a position. The research process is attuned to discovering differences between a company's current market value and its intrinsic value, so the Master Fund may delineate a variant perspective and initiate a position during that moment of uncertainty. The research team delves into a company's fundamentals and performs a "bottom-up" analysis to assess its intrinsic value, at the same time identifying any discrepancies between what the market thinks about a company's future trajectory and Matrix's better-informed view of that trajectory. The Master Fund owns undervalued companies that face have significant opportunities to grow or reinvent their earnings, and sells short overvalued companies facing unappreciated and systemic obstacles, until they reach target prices that reflect their intrinsic values. Considerations brought on by this aspect of the strategy include:

**Temporary Defensive Investments.** Under adverse market conditions, the Master Fund may temporarily invest, at the sole discretion of Matrix, all or substantially all of its assets in investment grade debt securities, cash, and cash equivalents. These investments may include, but are not limited to, money market securities and U.S. treasury securities. The Master Fund is not required to do so and may not achieve its investment objective while it is so invested.

**Allocation.** Matrix reaches a certain level of conviction in each thesis and marks it with the appropriate level of capital allocation based on Matrix's expected return. The sizing of each position is determined by Matrix's conviction in the research team's investment thesis, as well as his judgment about how closely the idea aligns with the trends the Master Fund has delineated as investment themes. The timeframe is typically long-term. The combination of long and short positions is intended to make the Master Fund less susceptible to general market movements and to emphasize Matrix's stock selection. Considerations brought on by this aspect of the strategy include:

**Diversification: Global Investing and Industry Exposure.** Matrix invests globally; within its areas of expertise, the investment team searches for investment ideas both in the U.S. and abroad. Although the majority of the Master Fund's capital is invested in U.S. stocks, Matrix anticipates that between 10% and 40% of the Master Fund's gross exposure may be to non-U.S. investments from time to time.

Matrix monitors the balance of the Master Fund's long and short exposures by both industry and country, diversifying along these dimensions to minimize the

volatility of the Master Fund's returns. Although Matrix anticipates that, under normal market conditions, the Master Fund will generally be comprised of a diversified portfolio of long and short positions, the Master Fund does not have fixed guidelines for the diversification of its portfolio holdings.

Above all, investment decisions are made position by position in accordance with the results of the investment team's fundamental analysis. Matrix seeks to minimize the Master Fund's volatility and control risk through diversification, but also wants every position to impact overall portfolio performance meaningfully. Historically, the 20 largest long equity positions have generally represented a majority of fund equity and Matrix currently anticipates that long positions in the Master Fund's portfolio will typically represent between 3% and 15% of net asset value each, and short positions will typically represent between 0.50% and 5% of net asset value each, although these percentages may change over time. The number and size of the positions reflect the depth of Matrix's analysis, the level of conviction, and the risk involved in the positions. Matrix also expects the Master Fund's diversification to evolve as appropriate based on long-term growth trends or transformative market changes. As the research team continues to develop sector expertise over time, it may define new investment themes or identify important dynamics among business models across industries and geographies.

Net Portfolio Exposure. The Master Fund's net portfolio exposure (long exposure less short exposure, divided by equity) typically ranges between 40% and 70%. The level of net portfolio exposure is driven by the number of individual long and short positions that the Master Fund should hold, as well as Matrix's convictions in those ideas. Net portfolio exposure is a measure of how much risk a portfolio bears in relation to the general direction of the stock market. The Master Fund's portfolio will typically not be net short or 100% net long.

Liquidity. The Management Company closely monitors the overall portfolio liquidity of the Master Fund. The Master Fund's portfolio consists primarily of liquid, publicly-traded equity securities. At the time of investment, Matrix expects the Master Fund's investment in non-publicly traded securities (such securities, "Private Securities") to comprise less than 10% of assets at cost.

Leverage. The Master Fund is not subject to any specific limitations on the amount of borrowings or other forms of leverage that it may employ. However, Matrix currently anticipates that the Master Fund's ratio of total assets to capital generally will not exceed 2.5:1. Matrix expects that the Master Fund's gross portfolio exposure (long exposure plus short exposure, divided by equity) will typically be between 100% and 170%. Matrix seeks to maintain the Master Fund's gross exposure at 100% of equity or higher, unless Matrix feels that there is an insufficient number of compelling investment opportunities that warrant maintaining exposure at that level. Matrix does not want the Master Fund to be leveraged to the extent that a period of poor performance forces Matrix to sell securities or cover positions at inappropriate prices. Any use of leverage exposes the Master Fund to the risk of loss.

Currency Exposure. Matrix may seek to hedge currency exposure in emerging markets. Matrix will seek to find natural hedges – offsetting longs or shorts – to minimize exposure to any single emerging market currency. However, when natural

hedges are not available, Matrix may seek to hedge using derivative contracts, including, but not limited to, currency forwards and options.

These three aspects – definition, initiation and allocation – are not discrete and separate phases; rather, they proceed simultaneously, clarifying and strengthening each other. For instance, Matrix's research into one company's fundamentals may reveal great insights into the broader industry in which the company operates, helping to define an important investment theme that touches the entire industry, which in turn guides further stock picking.

In making investment decisions, the Master Fund will rely on the advice of Matrix rather than on any specific, objective criteria. In light of the Partnership's investment objective as well as the Master Fund's actual and anticipated portfolio, the Partnership should be considered as a vehicle for aggressive capital growth and not as a balanced investment program.

The Master Fund's investment program is speculative and entails substantial risks. There can be no assurance that the Partnership investment objective will be achieved, and its investment results may vary substantially on a monthly, quarterly or annual basis.

**B. Material, Significant or Unusual Risks Relating to Investment Strategies.**

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by Matrix. These risk factors include only those risks Matrix believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by Matrix. For a complete listing of risks associated with investment in a particular Fund, please review that Fund's confidential private placement memorandum.*

Highly Volatile Markets. The prices of financial instruments in which the Master Fund may invest can be highly volatile. Price movements of equity and other securities and instruments in which the Master Fund's assets are invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of government, and national and international political and economic events and policies. The Master Fund is also subject to the risk of failure of any of the exchanges on which its positions trade or the failure of the clearinghouses.

Small- and Mid-Capitalization Issuers. Investing in the securities of companies with small- or mid-capitalization can involve greater risk and the possibility of greater portfolio price volatility than is typically associated with equity investments in larger, more established issuers. Historically, stocks of small or mid-capitalization companies and recently organized companies have been more volatile in price than those of the larger market capitalization companies. Among the reasons for greater price volatility of the stocks of these smaller or medium-sized companies and the lower degree of liquidity in the markets for such stocks. Further, smaller or medium-sized companies and unseasoned companies may have limited product lines, markets or financial resources, and they may depend upon a limited or less experienced management group. The securities of small capitalization companies may be traded only on the over-the-

counter markets or on a regional securities exchange and may not be traded daily or in the volume typical of trading on a national securities exchange.

Leverage. Leveraging the Master Fund creates an opportunity for increased net income or capital appreciation but, at the same time, creates special risk considerations. Although the principal of borrowings underlying any leverage will be fixed, the Master Fund's assets may change in value during the time the borrowing is outstanding. Because any decline in value of the Master Fund's investments will be borne entirely by the Master Fund (and not by those persons providing the leverage to the Master Fund), the effect of leverage in a declining market would be a greater decrease in the value of the Master Fund's portfolio investments than if the Master Fund were not so leveraged. Leveraging will create interest expenses for the Master Fund, which can exceed the investment return from the borrowed funds. To the extent the investment return derived from securities purchased with borrowed funds exceeds the interest the Master Fund will have to pay, the Master Fund's investment return will be greater than if leverage were not used. Conversely, if the investment return from the assets acquired with borrowed funds is not sufficient to cover the cost of leveraging, the investment return of the Master Fund will be less than if leverage were not used.

Leverage may include borrowing and also the use of margin. Other borrowings take the form of, or are embedded in, margined option premiums, repurchase agreements, bank or dealer credit lines or the notional principal amounts of swap transactions. There can be no assurance that the Master Fund will be able to maintain adequate financing arrangements under all market circumstances.

As a general matter, the banks and dealers that provide financing to the Master Fund can apply discretionary margin, haircut, financing and valuation policies, or impose other credit limitations or restrictions, whether due to market circumstances or government regulation or judicial action. Such application or losses may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel the Master Fund to liquidate all or part of its portfolio at disadvantageous prices, perhaps leading to a loss of the Master Fund's equity.

The use of leverage may also result in the recognition of "unrelated business taxable income" for tax-exempt investors in the Funds.

Liquidation of Securities. Matrix is responsible for determining the timing and manner of disposition of securities. Matrix seeks to attain the Master Fund's primary investment objective of appreciation of capital in determining the manner and timing of the sale of securities, although sales may also be made in order to harvest profits, to pay distributions, to reduce leverage, to pay expenses, to pay redemptions, to reduce the Master Fund's exposure to losses or significant risks, or, in the case of debt securities, to adjust the risk, rate or maturity profile of the debt securities portfolio.

Dispositions of securities may be effected through, among other methods, open market sales, inclusion in public offerings in which insiders may liquidate their



holdings, or divestiture through privately negotiated sales to private sector buyers. Timing of the disposition of securities is critical to realizing optimal returns on the Master Fund's investments, and depends on the issuer's performance, the judgment of controlling investors as to value, financial market conditions and opportunities, and governmental restrictions or incentives, some or all of which may influence the possibility or profitability of such disposition. There can be no assurance that there will be a market for the Master Fund's holdings when Matrix believes it appropriate to dispose of them.

Concentration of Holdings. Although it is the Matrix's policy to diversify the Master Fund's assets among different investments, if Matrix believes that one or a few investments or a group or groups of related investments than is usually held in the portfolio have significant profit potential, Matrix may concentrate the Master Fund's assets in those areas to the exclusion of all else. Thus, at certain times, the Master Fund may hold a few, relatively large (in relation to its capital) investment positions in the same or similar financial instruments, markets or industries or that individually or in the aggregate exhibit substantial price volatility, with the result that a loss in any such position could have a material adverse impact on the net asset value of the Master Fund. To the extent Matrix makes such concentrated investments, the exposure to credit and market risks associated with such financial instruments, markets or industries will be increased.

Hedging Strategies. Matrix is not required to attempt to hedge portfolio positions in the Master Fund and, for various reasons, may determine not to do so. Furthermore, Matrix may not anticipate a particular risk so as to hedge against it. The Master Fund may utilize financial instruments, both for investment purposes and for risk management purposes, in order to (i) protect against possible changes in the market value of the Master Fund's investment portfolio resulting from fluctuations in the securities market, (ii) protect the unrealized gains in the value of the Master Fund's investment portfolio, (iii) facilitate the sale of any such investments, (iv) enhance or preserve returns, spreads or gains on any investment in the Master Fund's portfolio, (v) hedge the interest rate or currency exchange rate on any of the Master Fund's liabilities or assets, (vi) protect against any increase in the price of any securities the Master Fund anticipates purchasing at a later date or (vii) for any other reason that Matrix deems appropriate.

Long and Short Fundamental Investments. The identification of investment opportunities in undervalued and overvalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived mispricings underlying the Master Fund's positions were to fail to converge toward, or were to diverge further from relationships expected by Matrix, the Master Fund may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Master Fund to close out one or more positions. Such disruptions have in the past resulted in substantial losses for funds employing long and short fundamental strategies. Furthermore, the valuation models used to determine whether a position is mispriced may become outdated and inaccurate as market conditions change.

Short Selling. Short selling involves selling securities which are not owned by the short seller, and borrowing them for delivery to the purchaser, with an obligation to

replace the borrowed securities at a later date. Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Master Fund engages in short sales will depend upon Matrix's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Master Fund of buying those securities to cover the short position. There can be no assurance that the Master Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Master Fund can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Non-Investment Grade Securities. The Master Fund may invest without limitation in non-investment grade debt securities, also known as "junk" bonds. Although such securities have higher yields, they also have a high degree of risk. The rating agencies consider non-investment grade debt securities, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation and generally such securities involve more credit risk than investment grade debt securities. Non-investment grade debt securities in the lowest rating categories may involve a substantial risk of default or may be in default. Changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade debt securities to make principal and interest payments than in the case for higher grade debt securities. An economic downturn affecting an issuer of non-investment grade debt securities may result in an increased incidence of default. In addition, the market for lower grade debt securities may be thinner and less active than for higher grade debt securities.

Lending of Portfolio Securities. The Master Fund may lend portfolio securities to third parties. By doing so, the Master Fund attempts to increase income through the receipt of interest on the loan. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially. The Master Fund could experience losses if the institution with which it has engaged in a portfolio loan transaction breaches its agreement with the Master Fund.

Inability to Establish Positions. Some of the stocks that may be selected pursuant to Matrix's investment strategy for purchase or sale by the Master Fund may have insufficient market liquidity to allow the Master Fund to purchase such stocks in such amounts or at such prices as Matrix may deem reasonable for investment under such strategy. A substitute stock that may not meet all of Matrix's criteria for investment would then have to be purchased, which substitution may materially affect overall performance of the Master Fund.

Investments in Regulated Industries. The Master Fund may invest in industries that are subject to greater amounts of regulation than other industries generally. Investments in companies that are subject to greater amounts of governmental

regulation pose additional risks relative to investments in other companies generally. Changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in increased compliance costs or the need for additional capital expenditures. If the Master Fund or one of its investments fails to comply with these requirements, the Master Fund or such investment could also be subject to civil or criminal liability and the imposition of fines. The Master Fund or one of its investments could also be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such an investment. Governments have considerable discretion in implementing regulations that could impact the Master Fund or its investments, and governments may be influenced by political considerations and may make decisions that adversely affect the Master Fund or its investments.

Competition; Availability of Investments. Certain markets in which the Master Fund may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that Matrix will be able to identify or successfully pursue attractive investment opportunities in such environments.

Significant Positions in Securities; Regulatory Requirements. In the event the Master Fund acquires a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Master Fund may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Master Fund and Matrix. Any such requirements may impose additional costs on the Master Fund and may delay the acquisition or disposition of the securities or the Master Fund's ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit the Master Fund's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Master Fund's position limits were aggregated with an affiliate's position limits, the effect on the Master Fund and resulting restriction on its investment activities may be significant. If at any time positions managed by Matrix were to exceed applicable position limits, Matrix would be required to liquidate positions, which might include positions of the Master Fund, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Master Fund might have to forego or modify certain of its contemplated trades.

In addition, if the Master Fund, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Master Fund may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances the Master Fund will be prohibited from entering into a short position in such issuer's securities, and therefore limited in its

ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

Exposure to Material Non-Public Information. From time to time, Matrix may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Master Fund may be prohibited, by law, policy or contract, for a period of time from (i) unwinding 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. These restrictions will limit Matrix's flexibility to manage the Master Fund's investments and could result in significant losses.

Necessity for Counterparty Trading Relationships; Counterparty Risk. The Master Fund expects to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Master Fund to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Master Fund will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Master Fund's trading activities, could create losses, preclude the Master Fund from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent the Master Fund 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 the Master Fund establishes additional relationships could have a significant impact on the Master Fund's business due to the Master Fund's reliance on such counterparties.

Some of the markets in which the Master Fund may effect transactions are not "exchange-based", including "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes the Master Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Master Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Fund has concentrated its transactions with a single or small group of counterparties. Generally, the Master Fund will not be restricted from dealing with any particular counterparties. Matrix's evaluation of the creditworthiness of the Master Fund's counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Master Fund's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Master Fund.

Counterparty Insolvency. The Master Fund's assets may be held in one or more accounts maintained for the Master Fund by counterparties, including its prime brokers. There is a risk that any of such counterparties could become insolvent and/or subject to insolvency proceedings. The insolvency of the Master Fund's counterparties is likely to impair the operational capabilities or the assets of the Master Fund. Although Matrix will regularly monitor the financial condition of the counterparties they use, if one or more of the Master Fund's counterparties were to become insolvent or the subject of

insolvency proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Master Fund's instruments and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the instruments or assets originally entrusted to such prime broker or broker-dealer.

In addition, the Master Fund 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 the Master Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of its insolvency on the Master Fund and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Master Fund, which could be material.

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

#### C. Risks Associated with Particular Types of Securities

Equity Securities. The Master Fund may invest in equity securities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Master Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from Matrix's expectations or if equity markets generally move in a single direction and the Master Fund has not hedged against such a general move. The Master Fund also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Preferred Stock. Preferred stock generally has a preference as to dividends and upon the event of liquidation over an issuer's common stock, but it ranks junior to debt securities in an issuer's capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

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

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

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

Non-U.S. Investments. The Master Fund may invest a portion of its assets in securities of non-U.S. companies, which are traded in non-U.S. markets. Investing in the securities of companies in non-U.S. countries may involve certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain, other income or gross sale or disposition proceeds; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Master Fund’s investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in such countries than there is in the U.S.

The Master Fund may trade futures, options and forward contracts in markets located outside the United States where CFTC regulations do not apply. Some non-

U.S. exchanges, in contrast to U.S. exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has entered into a contract and not of an exchange or clearing corporation. In such a case, the Master Fund is subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts. In addition, the trading of forward contracts on certain non-U.S. commodity exchanges may be subject to price fluctuation limits.

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.

Debt Securities Generally. The Master Fund may invest in private and government debt securities and instruments. The Master Fund may invest in debt instruments that are unrated, and whether or not rated, the debt instruments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer’s ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions.

Derivatives; Swaps. The Master Fund may purchase and sell derivatives. “Derivatives” are financial instruments or contractual arrangements whose economic results depend upon, or are derived by reference to, other securities (equity or fixed income), commodities, currencies, interest rates, indices, or other assets, the relative values of two or more items or assets, economic or other activities, or other items. Some derivatives are standardized instruments, such as futures contracts or options traded on recognized exchanges. Other derivatives are directly negotiated contractual arrangements with one or more counterparties. Terms, conditions and characteristics of derivatives vary widely, and new structures and products are developed continually. Such products are often complex, involve significant leverage, and are dependent upon credit and other considerations affecting the ability or willingness of the counterparties with which the Master Fund deals to perform as anticipated. In general, derivatives involve a high degree of risk (including the possibility of total loss) as well as the opportunity for gain.

Swap transactions are privately negotiated, non-standardized derivative agreements between the Master Fund and a counterparty to exchange or swap investment cash flows or assets at specified intervals in the future measured by different commodities or other items, indices, or prices, with payments generally calculated by reference to a principal (“notional”) amount or quantity. Swap trading is similar to the spot and forward markets in that banks, broker-dealers or their affiliates generally act as principals in the swap markets, and the Master Fund is subject to risks similar to those described in the discussion of the spot and forward markets, below.

Other Derivative Instruments. The Master Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to

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

Regulation in the Derivatives Industry. There are many rules related to derivatives that may negatively impact the Master Fund, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter (“OTC”) instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional “know your counterparty” obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of Matrix and the Master Fund, and increase the amount of time that Matrix spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Master Fund.

These rules are operationally and technologically burdensome for Matrix and the Master Fund. These compliance obligations require employee training and use of technology, and there are operational risks borne by the Master Fund in implementing procedures to comply with many of these additional obligations.

These regulations may also result in the Master Fund forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants (“FCMs”)), as the use of other parties may be more efficient for the Master Fund from a regulatory perspective. However, this could limit the Master Fund’s trading activities, create losses, preclude the Master Fund from engaging in certain transactions or prevent the Master Fund from trading at optimal rates and terms.

Many of these requirements were implemented pursuant to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation, or “EMIR”) and similar regulations globally. In the United States, the Dodd-Frank Act divides the regulatory responsibility for derivatives between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The SEC has regulatory authority over “security-based swaps” and the CFTC has regulatory authority over “swaps”. EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC



regulations with respect to security-based swaps and EMIR regulations, that are still in the proposal stage or are expected to be introduced in the future.

Options. The Master Fund may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

The Master Fund may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Options may be exchange traded or traded over-the-counter (off the exchange markets) directly with dealers. To the extent an over-the-counter option is a tailored investment for the Master Fund, it may be less liquid than an exchange-traded option. Further, as with other derivative investments, over-the-counter options are subject to counterparty risk. The Master Fund will have the credit risk that the seller of an over-the-counter option will not perform its obligations under the option agreement if the Master Fund exercises the option. Options purchased on futures contracts on foreign exchanges are exposed to the risk of foreign currency fluctuations against the U.S. dollar.

Stock Index Options. The Master Fund may purchase and sell call and put options on stock indices listed on securities exchanges or traded in the OTC market. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Master Fund will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Master Fund of options on stock indices will be subject to Matrix's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Repurchase and Reverse Repurchase Agreements. The Master Fund may enter into repurchase and reverse repurchase agreements. When the Master Fund enters into a repurchase agreement, the Master Fund “sells” securities issued by the U.S. or a non-U.S. government, or agencies thereof, to a broker-dealer or financial institution, and agree to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the Master Fund “buys” securities issued by the U.S. or a non-U.S. government, or agencies thereof, from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Master Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Master Fund involves certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such cases may involve costs to the Master Fund.

Futures Contracts. The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Master Fund’s positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Master Fund from promptly liquidating unfavorable positions and subject the Master Fund to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Master Fund also is subject to Matrix’s ability to correctly predict movements in the direction of the market.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors.

Investment in Private Securities. An amount equal to up to 10% (determined at cost at the time of investment) of the Master Fund’s net assets may be invested in Private Securities. Accordingly, such investments may be illiquid and involve a high degree of business and financial risk which can result in substantial losses. Because of the absence of active or regulated trading markets for Private Securities, and because of the difficulties in determining market values accurately, it may take the Master Fund longer to be able to liquidate these positions (if they can be liquidated) than would be the case for more liquid securities. The prices realized on the resale of Private Securities could be less than those originally paid by the Master Fund. Further, companies whose securities are not publicly listed may not be subject to public disclosure and other investor protection requirements applicable to issuers of publicly traded securities.

Investment in Investment Companies. The Master Fund may from time to time invest a portion of its assets in investment companies and entities excluded from the definition of investment company (*i.e.*, hedge funds). The Shareholders will indirectly bear the Master Fund’s proportionate share of any management fees and other expenses paid by such investment companies in which the Master Fund invests in addition to the Management Fee and other fees paid by the Master Fund, as well as the Performance Allocation.

General Economic and Market Conditions. The success of the Master Fund’s activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Master Fund’s investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of financial instruments’ prices and the liquidity of the Master Fund’s investments. Volatility or illiquidity could impair the Master Fund’s profitability or result in losses. The Master Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets – the larger the positions, the greater the potential for loss.

The economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain non-U.S. economies are heavily dependent upon

international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Cybersecurity Risks. As part of its business, Matrix processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Partnership and personally identifiable information of the Limited Partners. Similarly, service providers of Matrix, the Funds and the Master Fund, especially the Administrator, may process, store and transmit such information. Matrix has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to Matrix may be susceptible to compromise, leading to a breach of Matrix's network. Matrix's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by Matrix to the Limited Partners may also be susceptible to compromise. Breach of Matrix's information systems may cause information relating to the transactions of the Funds or the Master Fund and personally identifiable information of the Limited Partners to be lost or improperly accessed, used or disclosed.

The service providers of Matrix, the Funds and the Master Fund are subject to the same electronic information security threats as Matrix. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Funds or the Master Fund and personally identifiable information of the Limited Partners may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Matrix's or the Funds' proprietary information may cause Matrix or the Funds or the Master Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Funds and the Limited Partners' investments therein.

Brexit. The United Kingdom formally withdrew from the European Union on January 31, 2020. On December 24, 2020, the European Union and the United Kingdom concluded a trade agreement intended to apply following the end of the transition period on December 31, 2020. The withdrawal process has led to an extended period of market volatility and disruption, not just in the United Kingdom, but throughout the European Union, the European Economic Area and globally. Prospective investors should be aware that any future negotiations between the United Kingdom and the European Union with respect to their trading relationship may introduce new uncertainties and instabilities in the financial markets that may be significant. It is not possible to ascertain the precise impact these events may have on the Master Fund or

Matrix from an economic, financial or regulatory perspective but any such impact could have material consequences for the Master Fund.

MiFID II. The package of European Union market infrastructure reforms known as “MiFID II”, in effect from January 3, 2018, is expected to have a significant impact on the European capital markets.

MiFID II increases regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II has brought in: (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, as some of the sources of liquidity exit European markets, and may result in significant increases in transaction costs.

Other regulatory changes, such as an increase in the scope of commodities and commodity derivatives regulation, including position limits and position management powers could similarly lead to liquidity reduction and/or an increase in costs and spreads in the European commodities markets.

Although the full impact of these reforms is difficult to assess at present, it is possible that the resulting changes in the available trading liquidity options and increases in transactional costs may have an adverse effect on the ability of Matrix to execute the investment program.

New rules requiring unbundling the costs of research and other services from dealing commission and further restrictions on Matrix’s ability to receive certain types of goods and services from brokers may also result in an increase in the investment-related expenditure of the Master Fund.

Exchange Rate Fluctuations; Currency Considerations. The Master Fund may invest a portion of its assets in the securities of non-U.S. issuers and instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The Master Fund, however, values its assets in U.S. dollars. The Master Fund may hedge its non-U.S. currency exposure, but it may not always be practicable or economical to do so. Moreover, Matrix may choose not to enter into hedging transactions in order to obtain the non-U.S. currency exposure associated with such investments. To the extent unhedged, the value of the Master Fund’s positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Master Fund makes its investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Master Fund’s investments in their local markets and may result in a loss to the Master Fund. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Master Fund’s non-U.S. dollar investments.

Furthermore, the Master Fund may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Master Fund at one rate, while offering a lesser rate of exchange should the Master Fund desire immediately to resell that currency to the dealer. The Master Fund will conduct its currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-U.S. currencies. It is anticipated that most of the Master Fund's currency exchange transactions will occur at the time non-U.S. investments are purchased and will be executed through the local broker or custodian acting for the Master Fund.

The Master Fund may seek to protect the value of some portion or all of its portfolio holdings against currency fluctuations by engaging in hedging transactions, but there can be no assurance that such hedging transactions will be effective. The Master Fund may enter into forward contracts on currencies, as well as purchase put or call options on currencies, in U.S. or non-U.S. markets. In order to hedge against adverse market shifts, the Master Fund may purchase put and call options on stocks, and write covered call options on stocks. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when the Master Fund wishes to use them or will be able to be liquidated when the Master Fund wishes to do so. Moreover, in most emerging countries the markets for certain of these hedging instruments are not highly developed and in many emerging countries no such markets currently exist. Many emerging markets have hyper-inflationary economies where the risks associated with holding currency are significantly greater than in other, less inflationary markets. In addition, the Master Fund may choose not to enter into hedging transactions with respect to some or all of its positions.

Coronavirus Risks. In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, surfaced in Wuhan, China. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and remote working and “shelter-in-place” or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. Such disruptions continue to be felt, as many countries and U.S. states struggle to contain the virus and its variants. The short-term and long-term impact of COVID-19 on the operations of Matrix and the performance of the Master Fund is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Master Fund.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

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

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

A. Broker-Dealer Registration Status.

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

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

Matrix and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Relationships or Arrangements with Industry Participants

Matrix and the General Partner provide discretionary investment management services to the Funds. Matrix General Partner, LP is a special purpose vehicle that serves as the General Partner of clients organized as limited partnerships.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

Matrix does not recommend or select other investment advisers for its clients.



**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS  
AND PERSONAL TRADING**

**A. Code of Ethics.**

Matrix is committed to fostering a culture of compliance. Matrix has adopted a Code of Ethics, (“the Code”) consistent with the requirements of Rule 204A-1, which, among other things:

- sets forth the standards of professional conduct for all of our employees;
- governs the treatment and forbids the misuse of material nonpublic information by our employees;
- governs our employees’ personal securities transactions and holdings; and
- requires all supervised persons to report violations of the Code our chief compliance officer (the “CCO”).

Matrix actively encourages its employees to contact the CCO for compliance and regulatory matters. Employees receive Code of Ethics training and are required, both initially upon the commencement of their employment and on annual basis thereafter, to acknowledge and certify that they have reviewed, understand and will comply with the policies and procedures as set forth in the Code of Ethics.

Clients, investors and prospective investors may request a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

**B. Securities that Matrix or a Related Person Has a Material Financial Interest.**

While all of our clients’ trading is currently conducted through the Master Fund, Matrix may in the future manage investments directly on behalf of a number of clients. If necessary, Matrix may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a “Cross Trade”) for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. If Matrix decides to engage in a Cross Trade, Matrix will determine that the trade is in the best interests of each client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients.

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a client by Matrix and other related persons, Matrix will comply with the requirements of Section 206(3) of the Advisers Act.

**C. Investing in Securities that Matrix or a Related Person Recommends to Clients.**

The Code places restrictions on personal securities trades by employees. Employees are only permitted to trade in mutual funds, exchange traded funds, government issued

securities, fixed income instruments, and limited offerings. No individual equity securities or corporate bonds of publicly traded companies may be purchased by the employees in their personal accounts. The Code also requires that employees disclose their personal securities holdings and transactions to Matrix on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Subject to the Code, Matrix's employees may engage in personal securities trading.

The restrictions of the Code do not preclude purchases of interests in the Funds by employees of Matrix. Employees may be investors in the Funds and some key personnel of Matrix may have substantial interests in the Funds.

Matrix, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that Matrix and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

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

#### D. Conflicts of Interest Created by Contemporaneous Trading.

While all of our clients' trading is currently conducted through the Master Fund, Matrix may in the future manage investments directly on behalf of a number of clients. Our clients' investment programs may be similar and may overlap. Therefore, all of our clients may participate with each other in investments. It is our policy to allocate investment opportunities among all clients fairly, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time. Matrix will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because Matrix purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in our reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

Generally, all of our clients will be traded in parallel and all trades are allocated on a *pro rata* basis based on the percentage total of the assets under management of each client. Matrix will never allocate trades based on an account's performance or fee structure. Allocations, and conformance to allocation policies, are reviewed on an ongoing basis.

## **ITEM 12**

### **BROKERAGE PRACTICES**

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

As noted previously, Matrix has full discretionary authority to manage the Master Fund, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Matrix's authority is limited by its own internal policies and procedures and the Master Fund's investment guidelines.

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to Matrix and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, Matrix may consider, among other things, the following:

- price;
- the ability of the brokers and dealers to effect the transactions;
- the ability of the brokers and dealers to provide Matrix with access to public company contacts through conferences, meetings and similar events;
- the brokers' and dealers' facilities; and
- reliability and financial responsibility and in consideration of such brokers' and dealers' provision or payment (or the rebate to the Master Fund for payment) of the cost of brokerage and research services that are of benefit to the clients.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Master Fund by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. Matrix need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither Matrix nor the Master Fund separately compensate any broker or dealer for any of these other services.

If Matrix decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another:

- the ease of use;
- the flexibility of the ECN compared to other ECNs; and
- the level of care and attention that will be given to smaller orders.

Matrix maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

Matrix does not have any formal soft-dollar arrangements with any broker or dealer but does receive research from brokers or dealers with which it trades.

Neither Matrix nor any related person receives client referrals from any broker-dealer or third party.

Matrix does not recommend, request or require that a client direct Matrix to execute transactions through a specified broker-dealer.

B. Order Aggregation.

All investing and trading activity is currently conducted through the Master Fund.

**ITEM 13**  
**REVIEW OF ACCOUNTS**

Matrix performs reviews of client accounts on a daily basis and conducts a formal review of client accounts at least monthly.

On an annual basis, each investor in a Fund will receive audited fiscal year-end financial statements of the applicable Fund. Each investor in a Fund will also receive unaudited performance reports of such Fund on a monthly basis.

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

A. Economic Benefits for Providing Services to Clients.

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

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither Matrix nor any of our related persons directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

## **ITEM 15**

### **CUSTODY**

Matrix is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to Matrix.

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

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

Matrix serves as the management company with discretionary trading authority to the Master Fund.

Matrix's investment decisions and advice with respect to the Master Fund are subject to its investment objectives and guidelines, as set forth in the Funds' Governing Documents.

Matrix or an affiliate of Matrix entered into an investment management agreement with the Master Fund pursuant to which Matrix or an affiliate of Matrix was granted discretionary trading authority.



## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In compliance with Advisers Act Rule 206(4)-6, Matrix has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, “Proxies”) in a prudent and diligent manner that will serve the applicable client’s best interests and is in line with each client’s investment objectives.

If Matrix detects a conflict of interest in connection with a proxy solicitation, it will, at its own expense, engage an outside proxy voting service or consultant to make a recommendation. Matrix’s employees have been instructed to retain documentation of the proxy voting service or consultant’s recommendation and Matrix will vote clients’ proxies in accordance with that recommendation.

Matrix will not neglect its proxy voting responsibilities, but it may abstain from voting if it deems that abstinence is in its clients’ best interests. For example, it may be unable to vote securities that have been lent by a custodian. Matrix’s employees have been instructed to prepare and maintain memoranda describing the rationale for any instance in which Matrix does not vote a client’s proxy.

The Funds and investors may obtain a copy of Matrix’s proxy voting policy and voting records upon request.

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

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