

customer property recovered from the insolvent broker-dealer's estate, if any, and maximum payment from the customer reimbursement fund established under US law to reimburse customers of insolvent broker-dealers, it will be an unsecured creditor of the insolvent broker-dealer with respect to such shortfall and, therefore, may not be able to recover equivalent assets in full, or at all.

Any securities of the Master Fund held by the Prime Brokers may be held in a general client or "omnibus" account together with the securities of other clients. The use of an omnibus account could result in the Master Fund bearing losses as a result of a shortfall in the omnibus account that would not have ensued had its securities been held in a designated client account. Moreover, under contractual arrangements relating to the operation of the omnibus account, the Master Fund may be restricted from voting its securities as it wishes under arrangements relating to the operation of the omnibus account.

Moreover, the Master Fund is subject to the risk that a Prime Broker may be unable to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. In addition, the nature of commercial arrangements made in the normal course of business between many prime brokers and/or custodians means that in the case of any one Prime Broker defaulting on its obligations to the Master Fund, the effects of such a default may have consequential negative effects on other prime brokers and/or custodians with whom the Master Fund deals. The Master Fund and, by extension, the Partnership may, therefore, be exposed to systemic risk when the Master Fund deals with prime brokers and/or custodians whose creditworthiness may be interlinked.

Where a Prime Broker delegates the safe custody of the Master Fund's securities held by it pursuant to the relevant agreement to a sub-custodian located outside of the United States, as the case may be, the settlement, legal and regulatory requirements in the relevant overseas jurisdiction may be different from those in the United States, and there may be different practices for the separate identification of the Master Fund's securities. Where the Master Fund's securities are registered or recorded in the name of a Prime Broker or a sub-custodian, they may not be segregated and hence may not be as well protected as if they were registered or recorded in the name of the Master Fund.

**Prime Broker Conflicts of Interest** From time to time, the Investment Manager's personnel may speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by the Prime Brokers or other prime brokers. These conferences and programs may be a means by which the Investment Manager may be introduced to potential investors in the Partnership. Currently, none of the Investment Manager, the Partnership or the Master Fund intends to compensate the Prime Brokers or other prime brokers for organising such "capital introduction" events or for any investments ultimately made by prospective investors attending such events (although they may do so in the future). While such events and other services provided by the Prime Brokers or other prime brokers may influence the Investment

Manager in deciding whether to recommend the use of such Prime Broker or other prime broker to the Master Fund in connection with brokerage, financing and other activities of the Master Fund, the Investment Manager will not commit to allocate a particular amount of brokerage to a broker-dealer in any such situation.

#### 10. **Annual Report**

On page 37 of the Memorandum, under the section headed "OTHER PROVISIONS OF THE LIMITED PARTNERSHIP AGREEMENT; Reports to Partners", the following paragraph shall be inserted as the second paragraph of the sub-section: