

or otherwise including a voluntary termination of the financing by the Levered Feeder Fund.

Alternatively, the Management Company may direct an Underlying Fund to borrow additional capital from its current credit providers solely on behalf of a Levered Feeder Fund. In such case, an Underlying Fund would allocate any returns (and associated costs) attributable to that additional leverage only to the Levered Feeder Fund and, unless the lenders agree to ring-fence the collateral in connection with such borrowing (so that it includes only the assets attributable to the Levered Feeder Fund), a cross-collateralization risk will exist with respect to all borrowings of the Underlying Fund. The amount of leverage attributable to a Levered Feeder Fund (and any other Feeder Funds) will be determined by the Management Company in good faith and may change from time to time.

In addition, certain of the structures described above may diminish the amount of capital that can be borrowed from credit providers for the benefit of the investors in the other Feeder Funds (other than a Levered Feeder Fund) or the Partnership.

### **Liability of the Partnership and the Underlying Funds**

Each of the Partnership and each Underlying Fund is a single legal entity and there is no limited recourse protection for any class, tranche, series or sub-series of interests or shares, as applicable. Generally, creditors of the Partnership may enforce claims against all assets of the Partnership, but not against assets of an Underlying Fund, and creditors of an Underlying Fund may enforce claims against all assets of such Underlying Fund, but not against assets of the Partnership. However, all assets of the Partnership, including its interest/shares in an Underlying Fund, may be available to meet all liabilities of the Partnership, and all assets of an Underlying Fund may be available to meet all liabilities of such Underlying Fund, even if, in either case, the liability relates to a particular Feeder Fund or Capital Account, class, tranche, series or sub-series of interests or shares of the Partnership or an Underlying Fund, as the case may be (e.g., new issues and any corresponding hedge positions). Thus, for example, in the event that the assets attributable to Capital Accounts participating in a security were completely depleted by losses or liabilities, a creditor could enforce a claim against the assets of the Partnership which would be borne by the other Capital Accounts that did not participate in the investment or transaction. In addition, in order to facilitate investments or financing, the Partnership may guarantee certain obligations of the Master Fund or one or more of its affiliates. In such circumstances all of the assets of the guarantor generally will be available to satisfy the guaranty obligation. A similar risk could arise if another Feeder Fund which invests in the Underlying Fund does so with more leverage than the Partnership. Such arrangements may expose the Partnership to an increased risk of loss.

### **Legal and Regulatory Environment for Private Investment Funds and their Managers**

The legal, tax and regulatory environment worldwide for private investment funds (such as the Partnership) and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Underlying Funds to pursue their investment program and the value of investments held by the Underlying Funds. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Underlying Funds to