

Generally, an Underlying Fund will not be restricted from dealing with any particular counterparty. The Management Company's evaluation of the creditworthiness of a counterparty may not prove sufficient, and the lack of a complete and "foolproof" evaluation of the financial capabilities of a counterparty, and the absence of a regulated market to facilitate settlement, may increase the potential for losses by the Partnership.

Some of the markets in which the Underlying Fund may effect transactions are not "exchange-based", such as "over-the-counter" or "interdealer" markets. The stability and liquidity of "over-the-counter" derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the "over-the-counter" markets, the Underlying Fund enters into a contract directly with dealer counterparties which may expose the Underlying Fund to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty which failure would likely result in a loss to the Underlying Fund. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). These "counterparty risks" are accentuated for contracts with longer maturities, where events may intervene to prevent settlement. In addition, the Underlying Fund may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the Underlying Fund had entered into contracts with multiple counterparties. Certain "over-the-counter" derivative contracts require that the Underlying Fund post collateral and a counterparty may breach its obligation to return that collateral.

If there is a default by a counterparty, the Underlying Fund under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Underlying Fund being less than if the Underlying Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Underlying Fund's assets from such counterparty or the payment of claims therefor may be significantly delayed and the Underlying Fund may recover substantially less than the full value of the assets entrusted to such counterparty. In addition, there are often changes to the bankruptcy laws, custody and dealer rules and legal interpretations applied by courts that may impact insolvency proceedings and may impact whether the Underlying Fund may terminate its agreement with an insolvent counterparty or the timing of that termination.

Collateral that the Underlying Fund posts to its counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the Underlying Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, the Underlying Fund may use counterparties including sub-custodians located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to the Underlying Fund's assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large