

assure investors that litigation costs will not exceed expected amounts or that adverse publicity won't be obtained. If an issuer fails to meet its contractual obligations, in addition to the possibility of being involved in costly litigation, an Underlying Fund may be unable to dispose of the Securities at appropriate prices, if at all, or may experience substantial delays in doing so, and thus the Underlying Fund may not be able to realize the anticipated profit with respect to such investment for a substantial period of time, if ever. There can be no assurances that any issuer will succeed in registering for public resale the Securities held by the Underlying Fund or that registration of Securities pursuant to any such arrangement will create liquidity.

In connection with its sales of Securities purchased pursuant to Regulation D or otherwise exempt from registration, an Underlying Fund could be deemed to be a "statutory underwriter" based on the method and timing of such sales. If an Underlying Fund were deemed to be a "statutory underwriter," it could have an adverse effect on the transaction(s) in respect of which such determination is made and, possibly, on the Underlying Fund's ability to continue to effectively pursue this investment strategy. An Underlying Fund could be held jointly and severally liable with the issuer to the persons purchasing Securities from it for damages based upon misstatements or omissions of material facts in a prospectus or oral communication delivered or made in connection with such offer or sale. An Underlying Fund relies on certain exemptions from the SEC's registration requirements to sell its restricted securities, including Rule 144 of the Securities Act. Under Rule 144, before selling any restricted securities, an Underlying Fund may be obligated to hold them for at least six months, provided that the issuer is subject to, and has complied with, the reporting requirements of the Securities Act. If the issuer is not subject to the reporting requirements of the Securities Act, then an Underlying Fund may be required to hold the restricted securities for at least one year before they can be sold in the market. There may be circumstances where restricted securities will never become freely tradeable (*i.e.*, if the issuer was a "shell" company and is not complying with the reporting requirements). The law regarding the resale of restricted securities can change, and in the past has changed. There can be no assurance that future changes will not adversely affect an Underlying Fund's ability to resell its restricted securities.

An Underlying Fund may purchase Securities alongside other third party investors, and may coordinate efforts with such third parties in negotiating the terms of such Securities. Although an Underlying Fund will generally take actions designed to prevent it from being deemed a member of a "group" with such other investors for purposes of Sections 13 and 16 of the Exchange Act and related provisions, there is no guarantee that a regulatory body will not deem the parties negotiating such terms to constitute a "group." In the event that an Underlying Fund's conduct in these situations gives rise to such "group" status, it may be deemed to beneficially own all equity securities of the issuer beneficially owned by the other group members. Such beneficial ownership may, in turn, trigger certain regulatory filings and may cause the Underlying Fund to be deemed an "affiliate" of the issuer pursuant to Rule 144 of the Securities Act, which, as described above, would subject the Underlying Fund to, among other things, certain limitations on the amount of Securities it can sell in such issuer's Securities. In situations where the Underlying Fund does not deem itself to be a member of a "group," but a regulator takes a different view, it could lead to regulatory action against the Underlying Fund for violation of the applicable provisions of the Exchange Act.