

to increased governmental and self-regulatory scrutiny of the “hedge fund” industry in general. It is impossible to predict what, if any, future changes in regulation applicable to the Partnership, the Underlying Funds, the General Partner, the Management Company, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse impact on the profit potential of the Partnership, as well as require increased transparency as to the identity of the Limited Partners.

Government Involvement in the Private Sector

Government involvement in the private sector varies in degrees among the countries in which an Underlying Fund may invest. Such involvement may include government ownership, wage and price controls or imposition of trade barriers or other protectionist measures.

Regulatory Actions

From time to time, in the ordinary course of operations, certain of the Management Company’s businesses are subject to regulatory inquiries, investigations and enforcement proceedings from U.S. and non-U.S. governmental agencies, regulatory bodies and securities commissions, which can be costly and occupy significant staff time and resources. Any such inquiry, investigation or enforcement proceeding could include civil or criminal proceedings resulting in a censure, fine, penalty and/or other sanction, including asset freezes, the issuance of a cease and desist order or the suspension or expulsion of an individual. Any such inquiry, investigation or enforcement proceeding could have a material adverse impact on the Partnership.

Securities Law Compliance Risks

The U.S. and non-U.S. laws and regulations governing trading in the securities markets (and governing investing in other kinds of markets) are often complex and difficult to interpret, implement and monitor, and are subject to re-interpretation, which could expose the Partnership, the General Partner and their respective affiliates to liability. (See “Litigation,” below.)

Litigation

With regard to certain of an Underlying Fund’s investments, the Management Company, the Partnership and/or the Underlying Fund may be plaintiffs or defendants in private civil proceedings. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Partnership and the Underlying Funds and would reduce net assets or may, pursuant to applicable law, require Partners to return to the Partnership distributed capital and earnings.

In the ordinary course of business, the Partnership or an Underlying Fund will be subject to litigation from time to time as litigation is a material component of certain of its strategies. In addition, an Underlying Fund may accumulate substantial positions in the Securities of issuers that become involved in proxy contests or other litigation. As a result of such investments, an Underlying Fund could be named as a defendant in a lawsuit or regulatory action. The outcome of such proceedings, which may materially adversely affect the value of the Partnership, may be impossible to anticipate, and such proceedings may continue without resolution for long periods