

CLIFFWATER^{LLC}

INVESTMENT ADVISORY SERVICES

Los Angeles • New York

Hedge Fund Operations Due Diligence Report
Elliott Associates, L.P
Elliott International Limited

May 2011

Investment Due Diligence Report provided under separate cover.

Hedge Fund Operations Due Diligence Report

Firm Name:	Elliott Management Corporation		
Fund Name:	Elliott Associates, L.P Elliott International Limited		
Style:	Event Driven	Location:	New York, NY (Elliott headquarters)
Review Date:	May 3, 2011	Reviewer:	[REDACTED]

Operations Score: [REDACTED]			
1. Business Management	[REDACTED]	4. Valuation	[REDACTED]
2. Trading and Investment Operations	[REDACTED]	5. Risk Management	[REDACTED]
3. Financing and Counterparty Risk	[REDACTED]	6. Investor Related Practices	[REDACTED]

Summary and Recent Changes

Since Cliffwater's last review in February 2010, Elliott's middle and back office processes have remained stable, although the manager has implemented several operational improvements. Specifically, Elliott started to perform daily reconciliations of cash and margin balances to enhance the reconciliation process. Elliott has also added 13 members to the middle and back office to specifically assist in the SEC registration process. Grant Thornton LLP currently conducts full audits on a quarterly basis to give investors increased confidence in the existence and valuation of the portfolio. Additionally, Elliott has increased their internal compliance procedures related to the usage of network consultants. [REDACTED] insurance [REDACTED]

Elliott's team of 135 non-investment professionals effectively manages all trading and business operations and meets almost all industry operational best practices. Elliott could bring its procedures fully in line with best practices by excluding investment professionals from the valuation committee and reconciling over-the-counter positions on a daily basis. Notwithstanding this departure from best practices, Elliott has made a substantial investment in its middle and back office operations and has a non-investment team with significant industry experience.

Section 1: Business Management

Score: [REDACTED]

Elliott meets all best practices which assess firm organization, compliance, investor protections and disaster recovery.

Mr. Ed Joel is the Chief Compliance Officer, and has primary responsibility for the maintenance of the firm's compliance and control infrastructure. Mr. Joel has over 24 years of regulatory and compliance experience. The investment manager is not currently registered with the SEC although it is planning to do so by the July 2011 deadline. The firm's affiliates are registered with the Financial Services Authority in the United Kingdom, the Securities and Futures Commission in Hong Kong, and the Kanto Local Financial Bureau in Japan. The personal trading policy is very restrictive and personal trading is strongly discouraged. Other than the liquidation of positions acquired prior to their employment with Elliott, which require pre-approval, employees are prohibited from effecting transactions in stocks, options, bonds, currencies and many other products. Duplicates of brokerage account statements and confirmations must be sent to the compliance department. Its anti-money laundering procedures confirm to the standards set out in Title III of the US PATRIOT Act of 2001 and HSBC Trustee (Cayman) Limited runs additional anti-money laundering screens on offshore investors. Employees must certify annually compliance with the manager's compliance policies.

This report reflects information only through the date hereof. Our reporting relies upon the accuracy and completeness of financial and other information publicly available or provided to us by the fund manager, its professional staff, and through other references we have contacted. We have not conducted an independent verification of the information provided other than as described in this report. Our conclusions do not reflect an audit of the investment nor should they be construed as providing legal advice. Past performance does not guarantee future performance. The information contained herein is confidential commercial or financial information, the disclosure of which would cause substantial competitive harm to you, Cliffwater LLC, or the person or entity from whom the information was obtained, and may be protected from disclosure by applicable law.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The firm maintains a comprehensive professional liability insurance policy that is capped at \$50 million, which is an increase of [REDACTED] since the last review. The firm also has a comprehensive disaster recovery and business continuity plan for all its offices. There is a back-up facility in [REDACTED] for the New York office and a [REDACTED] for the London office. All information is backed up to the duplicate servers at these sites during the day and [REDACTED] is retained to back up physical documents.

Best Practices Comparison

Organization and Governance		Yes	No
1	[REDACTED]		
2			
3			
4			
Compliance			
5	[REDACTED]		
6			
7			
8			
9			
10			
11			
12			
13			
14			
Investor Protections			
15	[REDACTED]		
16			
17			
18			
19			
20			
21			
22			
23			
24			
Disaster Recovery			
25	[REDACTED]		
26			
27			

Background

Criteria	Cliffwater Comments
Firm structure: [REDACTED]	[REDACTED]
Fund structure and domicile [REDACTED]	[REDACTED]
Compliance policies: [REDACTED]	[REDACTED]
Specific policies: [REDACTED]	[REDACTED]

	[REDACTED]
Legal proceedings	[REDACTED]
Regulatory authorities:	[REDACTED]
Systems and platforms:	[REDACTED]
IT staff size and turnover:	[REDACTED]
Backup procedures:	[REDACTED]
Business continuity and disaster recovery plan:	[REDACTED]
Insurance coverage:	[REDACTED]

Section 2: Trading and Investment Operations

Score:

Elliott meets all trading and investment operations best practices which assess outside service providers, infrastructure, trading and accounting processes, counterparty monitoring, and cash management except that it does not reconcile over-the-counter trades on a daily basis. However, the frequency of over-the-counter reconciliation does not seem to materially increase operational risk because all non-over-the-counter positions are reconciled on a daily basis. Beginning in 2010, Elliott has implemented a process to reconcile cash and margin balances on a daily basis.

The manager self-administers some accounting functions although the [REDACTED] serves as the independent administrator for the purpose of providing position validation and price verification services on a quarterly basis. In addition, [REDACTED] serves as the share registrar and transfer agent for Elliott International Limited. [REDACTED] are the primary prime brokers but [REDACTED] are also used. In 2011, Elliott added [REDACTED] a subsidiary of [REDACTED] as an additional prime brokerage relationship.

The manager executes [REDACTED] trades a day, the vast majority of which are executed electronically. Trade confirmations are required to be sent to a centralized email address which is monitored by both trading assistants and back office professionals to ensure no unauthorized trading takes place. The manager utilizes [REDACTED] as their order management system to record all equity trades. [REDACTED] was implemented in 2011 to enhance the electronic trade allocation and confirmation process.


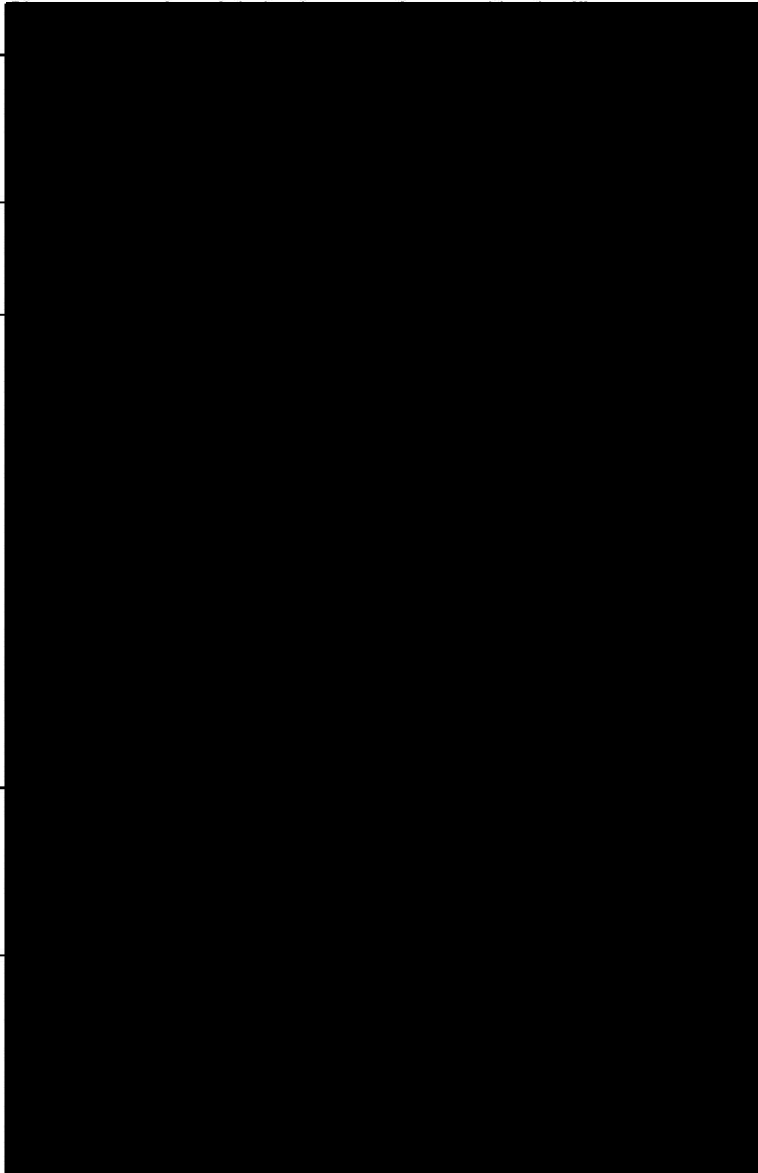


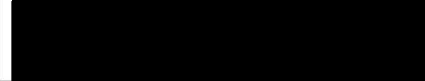
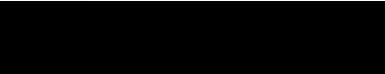
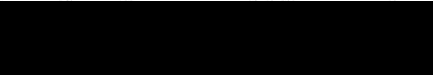
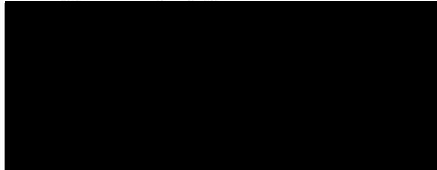
Best Practices Comparison

Outside Service Providers		Yes	No
28	[REDACTED]		
29	[REDACTED]		
30	[REDACTED]		
Infrastructure			
31	[REDACTED]		
32	[REDACTED]		
33	[REDACTED]		
34	[REDACTED]		
35	[REDACTED]		
36	[REDACTED]		
Trading Practices			
37	[REDACTED]		
38	[REDACTED]		
39	[REDACTED]		
40	[REDACTED]		
41	[REDACTED]		
42	[REDACTED]		
43	[REDACTED]		
44	[REDACTED]		
45	[REDACTED]		
Core Accounting Processes			
46	[REDACTED]		

47	
48	
49	
50	
51	
Cash, Margin, and Collateral Management	
52	
53	
54	
55	
56	

Entity and Contact	Onshore	Offshore
Prime Broker		
Administrator		
Audit		
Legal		
Tax		
Other (including custodian if not PB)		
Changes in providers (3 yrs)		

Entity and Contact	Onshore	Offshore
Any issues encountered in audit of firm or its products?		

Criteria	Cliffwater Comments
Organizational Structure: 	
Control structure and oversight 	
Trading team: 	
Types of securities traded 	
Trading practices: 	
Trade flow process: 	
Trade confirmation and reconciliation: 	

Specialized groups █ [REDACTED]	
Reconciliation process with administrator: █ [REDACTED]	
Cash movements: █ [REDACTED]	

Section 3: Financing and Counterparty Risk

Score: █

Elliott meets all financing and counterparty monitoring best practices which assess how the manager finances its portfolio and manages its cash.

The manager has several key sources of financing [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Best Practices Comparison

Financing and Counterparty Risk		Yes	No
57	[REDACTED]		
58			
59			
60			
61			
62			
63			
64			
65			

Background

Criteria	Cliffwater Comments
Sources of financing: Prime broker [REDACTED]	[REDACTED]
Counterparties and terms of arrangements: [REDACTED]	
Prime broker financing: [REDACTED]	
Repo agreements [REDACTED]	
ISDAs [REDACTED]	

<ul style="list-style-type: none"> • Types of derivatives • Collateral support annexes (Y/N) • Break provisions (Y/N) • 3rd party valuation agent (Y/N) • Bilateral arrangements (Y/N) • Where is collateral held? • Frequency of settlement 	
Other (i.e. CDOs, debt offerings, etc.)	

Section 4: Valuation

Score:

Elliott meets all valuation best practices except that it allows its portfolio managers to be part of its valuation committee. However, this does not seem to materially increase valuation risk because the majority of the committee includes non-investment professionals.

The [REDACTED] serves as independent administrator for the purpose of providing position validation and price verification services on a quarterly basis. At the end of each quarter, [REDACTED] independently verifies the prices used to determine the value of the portfolios by consulting with available pricing sources such as market data vendors, pricing services, over-the-counter dealers, and independent valuation experts. Additionally, the [REDACTED] validates the existence of the positions by confirming the size and terms of the positions by reconciling holdings to the prime brokers, custodians, and over-the-counter counterparties.

As of March 31, 2011 approximately [REDACTED] of the portfolio was considered Level 3 assets under FAS 157. [REDACTED] provides independent price verification as to the structured product, energy trading, private equity and other less liquid positions. The services of both the [REDACTED] [REDACTED] are regularly monitored by the Valuation Committee.

On a monthly basis the manager will strike a NAV. On the last business day of every month, each execution trader will price the portfolio by submitting pricing and support to the accounting group. The accounting team subsequently builds a matrix that has tolerances based on product type. Any deviations from the allowed tolerances are reviewed by the Valuation Committee, which consists of nine senior investment and non-investment professionals at Elliott and a representative from the [REDACTED]


Best Practices Comparison

Valuation Personnel		Yes	No
66	[REDACTED]		
67	[REDACTED]		
Valuation Policy			
68	[REDACTED]		
69	[REDACTED]		
70	[REDACTED]		
71	[REDACTED]		
72	[REDACTED]		
73	[REDACTED]		
74	[REDACTED]		
75	[REDACTED]		
76	[REDACTED]		
77	[REDACTED]		

78	[REDACTED]
Pricing Sources and FAS 157 Companies	
79	[REDACTED]
80	[REDACTED]
81	[REDACTED]
82	[REDACTED]
83	[REDACTED]
84	[REDACTED]
85	[REDACTED]
86	[REDACTED]
87	[REDACTED]
88	[REDACTED]
Positions with No Readily Ascertainable Market Value	
89	[REDACTED]
90	[REDACTED]
91	[REDACTED]
92	[REDACTED]
93	[REDACTED]
94	[REDACTED]
Valuation Committee	
95	[REDACTED]
96	[REDACTED]
97	[REDACTED]
98	[REDACTED]
99	[REDACTED]
100	[REDACTED]
101	[REDACTED]
102	[REDACTED]
103	[REDACTED]
104	[REDACTED]
105	[REDACTED]
106	[REDACTED]
107	[REDACTED]
108	[REDACTED]
109	[REDACTED]




Background

Criteria	Cliffwater Comments
Month end closing process	[REDACTED]
Valuation of exchange traded (level 1) assets:	[REDACTED]

<p>Valuation of OTC / illiquid instruments / private placement (level 2 and 3) assets</p>	
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Section 5: Risk Management

Score: 

Elliott meets all risk management best practices. Paul Singer, Brian Miller and Jonathan Pollock are the members of Risk Management Committee. The committee is responsible for monitoring all aspects of the funds' exposures, diversification, sizing and hedging. The firm places significant value on diversification across products, assets and strategies. The manager has developed several internal proprietary systems to monitor risk. The manager reports risk information to  so that investors can have additional risk information.  software was also recently implemented to enhance the internal risk management process. .

Best Practices Comparison

Structure		Yes	No
110			
111			
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Risk Manager			
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125			
Risk Limits and Testing			
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Leverage and Liquidity Risk	
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134	
135	
136	

Background

Criteria	Cliffwater Comments
Structure of risk management group:	
Liquidity risk and funding:	

Section 6: Investor Related Practices

Score:

Elliott meets all disclosure and investor terms best practices. The PPM details the investment terms, fees, and conditions. The fees are calculated based on the audited financial statements and based on the dollar of value added. The lock-up and gate provisions protect the fund from having to liquidate the portfolio at a discount to meet investors redemptions.

On a monthly basis, investors receive a performance estimate and a performance attribution report. On a quarterly basis, investors receive capital account statements and a detailed letter from the manager. On an annual basis, investors receive audited financial statements. Since the first quarter of 2010, investors receive audited financial statements on a quarterly basis.

Elliott's financial statements are audited by [REDACTED] and audited financial statements are sent to investors within 120 calendar days of year end, which is in line with the industry standard.


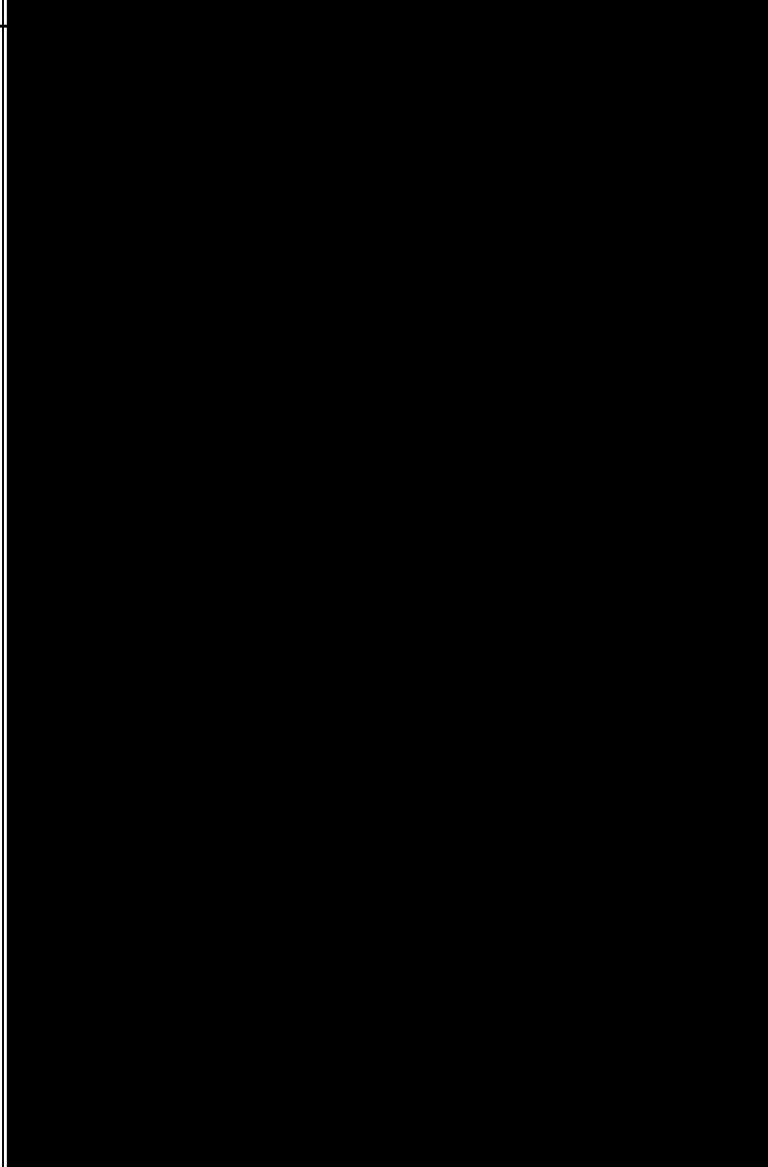
Best Practices Comparison

Initial Disclosures	Yes	No
137		
138		
139		
140		

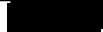
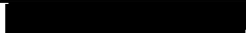
141	
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Fees and Expenses	
146	
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Ongoing Information Provided to Investors	
152	
153	
154	
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Financial Statement and Tax	
161	
162	
163	
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166	
Investor Terms	
167	
168	
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Background

Criteria	Cliffwater Comments
<ul style="list-style-type: none"> Quality and frequency of reporting 	

Criteria	Cliffwater Comments
Fund financial and tax statements: 	

Meeting History

Date	Location	Cliffwater Attendees	Manager Attendees
February 23, 2010	New York, NY		Josh Nadell (CFO), Elliot Greenberg (Director of Operations), Matt Morrison (IR)
May 3, 2011	New York, NY		Josh Nadell (CFO), Elliot Greenberg (Director of Operations), Edward Joel (CCO), Jessica Segal (IR)

Appendix: Glossary

Administrator	A service provider such as Citco or International Fund Services that handles administrative responsibilities such as calculating the fund's NAV on a monthly basis, sending the investors performance reports, and maintaining the official books and records of the fund.
Fair Value (FAS 157)	FASB Statement No. 157, Fair Value Measurements ("FAS 157"), defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly

	<i>transaction between market participants at the measurement date.</i> Cliffwater reviews valuations according to the Fair Value hierarchy established by FAS 157, the three levels of which are described below.
Level 1 assets	Liquid assets with readily observable prices, and therefore a reliable market value. Level 1 assets typically include stocks, bonds, mutual funds, and any other assets that have a regular “mark to market” pricing mechanism.
Level 2 assets	Assets with a value based on market inputs that are not directly observable on a central exchange. These assets are often priced via quotations from dealers. An example of a level 2 asset is a credit default swap which is typically priced via indicative quotations from broker dealers.
Level 3 assets	Illiquid assets with a value that cannot be determined by observable measures. The fair value of a level 3 asset can only be estimated by using significant assumptions as inputs to the valuation model. Mortgage-backed securities are an example of this type of asset.
Leverage	<p>The use of explicit debt (i.e. borrowing) or implicit debt (i.e. derivatives) to achieve investment positions that exceed invested capital (NAV), thereby amplifying return but also increasing risk. A common leverage calculation is the ratio of gross notional exposure to invested capital. For example, a \$100 investment in BP stock coupled with a \$100 short sale of Exxon stock yields gross notional exposure of \$200. Leverage in this example can be described in at least two ways:</p> <ol style="list-style-type: none"> The portfolio has 200% gross exposure (equal to \$200 gross notional exposure divided by \$100 NAV) The portfolio is one time (1x) levered (equal to \$100 in debt divided by \$100 NAV) <p>As illustrated in the example, the \$200 gross notional exposure equals the absolute value total of both \$100 long (“gross long”) and \$100 short (“gross short”) asset exposures. The measurement of gross notional exposure varies by asset class:</p> <ul style="list-style-type: none"> <i>Equities</i> – the market value of long and short positions <i>Corporate Debt and Municipal Bonds</i> – the market value of long and short positions <i>US Treasuries (and other highly rated government debt)</i> – the market value of long and short positions, adjusted to a 10 year bond equivalent maturity (approximate 9 year duration), so that a \$100 exposure to a 2 year duration bond is recognized as a lower risk compared to a \$100 20 year duration bond. The \$100 3 year duration bond is said to have a \$33 10 year bond equivalent exposure (\$100 times 3, divided by 9) while the \$100 20 year duration bond is said to have a \$222 10 year bond equivalent exposure (\$100 times 20, divided by 9) <i>Options</i> – the delta adjusted exposure rather than the total notional value of the underlying reference asset. Delta adjusted exposure represents the implied shares/holdings necessary to hedge the options position <i>Credit Default Swaps</i> – total notional exposure of the underlying reference credit <i>Interest Rate Swaps</i> – total notional exposure (expressed as 10-year bond equivalent, per the duration adjustment process described above) to reference security or index <i>Futures/Forwards</i> – total notional exposure to reference security or index
Net Asset Value (NAV)	A fund’s total assets less total liabilities.
Notional Exposure	The total dollar exposure represented by a position. Due to leverage, this amount may be greater than the equity in the position. For example, a CDS contract offering \$1 million of protection has a notional value of \$1 million even though the cost of the contract itself is likely to be a small fraction of that amount.
Gross Long	The total notional exposure of all long positions in a portfolio. Long positions benefit from increases in securities prices.
Gross Short	The total notional exposure of all short positions in a portfolio. Short positions benefit from decreases in securities prices.
Net	The difference between a portfolio’s gross long and gross short exposures. A net long position indicates a higher portion of long positions in the portfolio, and that the portfolio should generally benefit from an increase in asset prices. A net short position indicates the opposite.
Total Gross	The sum of a portfolio’s gross long and gross short exposures.
Operations Score	A measure of how well the firm meets best practice standards on a scale of A (meets all best practice standards) to F (does not meet several best practice standards). A rating of “C” or lower indicates Cliffwater believes the firm’s departure from best practices could hurt returns or lead to the misappropriation of firm assets.
Prime Broker	A prime broker custodies assets, provides settlement services, facilitates the borrowing of

	securities for short positions, and may provide performance reporting for hedge funds. JPMorgan, Goldman Sachs, Morgan Stanley and UBS are large prime brokers.
Side Pocket	A segregated portion of a portfolio that may be used to hold illiquid, less frequently priced securities. Once a holding is placed in a side pocket, only current investors participate in its performance. Subsequent investors do not share in the gains/losses associated with assets previously placed in side pockets. Performance fees are paid when side pocket investments are realized. Assets placed into side pockets are not available for withdrawal until the investments are realized.
Soft Dollars	Commission credits from trading securities that can be used to pay for research or other services that brokers provide to hedge funds and that are intended for the benefit of investors. Most funds operate under the SEC 28e safe harbor rules that restrict soft dollar use to research only.
Unencumbered Cash	Unencumbered cash is equal to cash holdings less margin requirements.