



MANAGED FUNDS ASSOCIATION



2008 Year in Review



MESSAGE FROM THE PRESIDENT AND CEO

Last year, I resigned from Congress, having completed 22-years of service, to join Managed Funds Association as its new President and CEO. I was impressed with the association and the industry, and was looking forward to a year of new and stimulating challenges. Little did I realize just how extraordinary and unforgettable the year would become for the entire financial services industry, the capital markets and the U.S. economy.

When I stepped into my role at MFA in early February, the hedge fund industry had grown to approximately \$2 trillion in assets under management, the financial markets were stable and investors were predominantly confident as they developed and diversified their portfolios.

By the end of 2008, the credit crisis had taken a heavy toll on many asset managers and their investors, and the markets had turned a sharp corner to face a somber reality. As we move into 2009, the landscape of the investment management industry is unlike any that most investors have ever experienced. In these uncertain times, meeting the needs and regaining the confidence of investors is more critical than ever before.

For the alternative investment industry, there is a clear purpose and a fresh opportunity to rebuild investor trust and to help shape a better future for the industry through constructive, forward-looking reforms and strategic vision.

Managed Funds Association is dedicated to the development and sustained growth of the alternative investment industry and its investors around the world. Over the past year, MFA expanded its membership, infrastructure and staff in order to advance its initiatives as the industry voice and the primary source of information for policy makers, regulators, market participants and the media worldwide.

I am proud of our accomplishments and pleased to report that MFA achieved many significant successes that are detailed in this *2008 Year in Review*.

In February 2009, I welcome the opportunity to take an even more significant role at MFA, as I will be able to return to Capitol Hill to speak directly with my former colleagues (following a one year prohibition) to educate them on the many benefits that hedge funds provide to investors, the capital markets and the U.S. economy.

This is an outstanding industry, and MFA is a strong and valuable association. I encourage all industry participants to increase their involvement with MFA as we face the challenges – and opportunities – of the coming year. As always, please let us know how we can assist you, our members.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard H. Baker'. The signature is fluid and cursive.

Richard H. Baker
President and CEO

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W H I L E T H E C A P I T A L M A R K E T S S U F F E R E D through a year characterized by extraordinary volatility, a global credit crisis, breathtaking upheaval and an unprecedented erosion of investor confidence, Managed Funds Association (MFA) continued to grow and gain prominence as the voice of the alternative investment industry. In the face of the many challenges during 2008, alternative investment industry participants came together at MFA to engage in critical dialogue and plan for the future.

As a membership organization, MFA represents the alternative investment industry to political leaders, regulators and other key audiences. Paramount to its mission, MFA depends on its members' participation to construct the association's goals, initiatives and policy positions. The alternative investment industry's many diverse members build consensus at MFA to form a unified industry voice.

This year, more than ever before, MFA became the focal point for interaction with U.S. policy makers, international regulators, global market participants and the media worldwide. From the halls of Capitol Hill and legislative chambers in the states, to London, Europe, India, Japan and China, MFA provided a voice of reason to policy makers and regulators and advocated thoughtful consideration of potential reforms that threatened to imperil investor confidence and impair the free flow of capital. MFA addressed numerous challenges directly with policy makers, regulators and the media, and achieved many significant successes on behalf of its members and their investors.

MFA Built Infrastructure as Membership Flourished

As MFA's membership swelled, the association built its infrastructure and staff in order to expand member initiatives and better meet the needs of its constituents.

In early February, former Congressman Richard H. Baker joined MFA as President and CEO. Mr. Baker

and the Board of Directors embarked on an ambitious mission to grow MFA and energize its communication with policy makers and regulators in advance of the new administration and the increasingly inevitable debate and reform of the U.S. regulatory framework for the financial services industry.

In response to a significant rise in membership of approximately 25% over the past 18-months, MFA's leadership decided to create two new premier membership classes: (i) the Founders' Council, comprised of leading fund managers who advise the Board on long-range strategic plans, and (ii) Strategic Partners, comprised of select hedge fund service providers committed to the growth of the alternative investment industry. Both new classes are growing their ranks and thriving, in turn helping the Board and staff define MFA's vision and direction at this critical time for the industry.

At the broader membership levels, MFA's committees increased in both size and scope last year due in part to an increasingly active membership. In fact, several committees expanded so significantly that MFA began developing a formalized governance structure to enhance member participation and streamline communication within and outside of the association. MFA committees had a busy year as vital contributors to consensus building and to the further development of new and improved member services. A new Lawyers Advisory Committee was formed, as well as a new Accounting Advisory Committee. In addition, a new Communications Advisory Committee, formed in early

2008, was instrumental in developing and delivering key messages to policy makers, regulators and the media in connection with a number of significant issues that arose during the year.

MFA's staff increased from 14 to 21 professionals at the end of 2008 to accommodate the growing needs of member-driven initiatives. The government relations and legal teams in particular were enhanced by the hiring of Roger Hollingsworth as MFA's new Executive Vice President and Managing Director, Government Relations, and Stuart Kaswell as Executive Vice President and General Counsel. In addition, the Board approved a plan for the next phase of MFA's growth in anticipation of an extremely busy 2009.

MFA Deepened Policy Engagement

As the primary source of information on the alternative investment industry for policy makers and regulators, and as the leading advocate of sound business practices and industry growth, MFA took a proactive and constructive approach to a host of major policy issues during an extraordinary year for the global capital markets.

This past year, MFA's Board of Directors, comprised of a cross-section of leading industry professionals, established aggressive goals for increased policy engagement and participated in numerous dialogues with legislators and regulators. MFA's Board of Directors held meetings with members of the Federal Reserve Board of Governors (Federal Reserve), The U.S. Department of Treasury (Treasury Department), Securities and Exchange Commission (SEC), and the Commodity Futures Trading Commission (CFTC).

MFA submitted more than 40 letters to legislators and federal and state regulators and conducted hundreds of meetings with staff from legislative offices and regulatory agencies. In addition, MFA hosted a variety of educational programs for its members to meet with policy makers, regulators and other officials including such forums as: An MFA-SEC Dialogue; International

Regulator Day; Legislative Day on Capitol Hill; and MFA Agency Day at the SEC.

Strengthening Relationships with Regulators

Early in 2008, issues of regulatory reform resounded as the overarching theme for the alternative investment industry. The Treasury Department provided the backdrop for an intensified focus on best practices for hedge funds, concurrent with the release of MFA's updated 2007 version of *Sound Practices for Hedge Fund Managers*. In March, Treasury introduced its *Blueprint for a Principles-Based Approach to Regulatory Reform*, which was quickly followed by the release of Best Practices Reports by the Asset Managers' and Investors' Committees of the President's Working Group on Financial Markets (PWG). MFA welcomed both announcements and worked diligently to develop and promote principles for industry-wide sound business practices. Throughout the year, MFA maintained a

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APPROACH TO A HOST OF MAJOR POLICY ISSUES

DURING AN EXTRAORDINARY YEAR FOR THE GLOBAL
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regular dialogue and met several times with officials from the Treasury Department, the Federal Reserve, the SEC, the CFTC as well as the PWG to offer recommendations to the ongoing reconsideration of the structure of federal oversight of the financial services industry. MFA stressed that reforms should be designed to help to ensure investor confidence, enhance market integrity and increase liquidity in the capital markets.

Opposition to Short-Selling Prohibitions

When the mortgage-backed securities markets began to unravel in early 2008, the credit bubble burst with an intensity that resonated around the world. Access

to capital vanished quickly and completely, nervous investors lost confidence in the system and the stock market suffered turbulent volatility. The stock prices of several financial companies plummeted. Without warning, on July 15, the SEC shocked investors by issuing an emergency order imposing a substantial burden on investors' ability to engage in short sales in the stocks of certain financial companies. With members upset by the sudden action undertaken without notice to the industry, MFA sprang into action

MFA STAFF WORKED TIRELESSLY, COMMUNICATING TO POLICY MAKERS THE DAMAGING EFFECTS OF THE ORDERS ON MARKET EFFICIENCY AND RECOMMENDING AMENDMENTS.

and arranged an emergency conference call with SEC staff to request clarity on the scope of the order. The association quickly drafted a letter to SEC Chairman Cox, in collaboration with the Coalition of Private Investment Companies, and launched a proactive public relations campaign to publicly oppose the ban. While the emergency order was extended for 10 more days, MFA stood in firm opposition to the order and worked diligently to analyze its impact on members, market efficiency and the financial stocks to which it applied.

In the weeks following the order, the credit crunch developed into a full-scale economic crisis and continued to wreak havoc on the entire financial services industry. With investors reeling over the collapse of Lehman Brothers, the urgent sale of Merrill Lynch and the bailout of AIG, the SEC stunned the industry again in September with new emergency orders prohibiting investors from engaging in short sales in the publicly traded securities of 799 financial companies and requiring certain investors to disclose short sale information to the SEC on a weekly basis. MFA moved immediately to respond on behalf of its members and to outline strategies and tactics for opposing the new and potentially more disruptive

orders. MFA quickly launched a campaign to meet and hold calls with Members of Congress and their staffs, as well as the SEC and Treasury staffs. MFA held calls with SEC Chairman Cox and the Treasury Department to ask key questions and gain clarity on the intent behind the orders as well as to address technical and interpretive questions to help members understand how to comply with the orders.

MFA staff worked tirelessly, communicating to policy makers the damaging effects of the orders on market efficiency and recommending amendments. In a letter to Chairman Cox, MFA voiced the industry's widespread opposition to the orders and the manner in which they were issued, and outlined the likely unintended consequences to capital markets, investors and the alternative investment industry. Following continued dialogue with SEC Commissioners and staff, MFA was successful in its efforts to prevent short sale information reported to the SEC from being publicly disclosed. The SEC adopted its short sale disclosure order with modifications as an interim final temporary rule. MFA acted to provide immediate interpretive guidance to members on the modifications of the rule and comments to the SEC.

The SEC eventually allowed the emergency order banning short sales of certain financial stocks to expire, in part due to its ineffectiveness in preventing continued downward movement in the prices of these stocks. Among other things, the short selling emergency orders severely damaged the convertible fixed income markets and the ability of companies that rely on convertible bonds to raise needed capital. Other investment strategies that use short selling to hedge long positions were similarly hurt, and many hedge funds suffered significant losses that in some cases led to liquidations. MFA continues to actively educate policy makers and advocate as to the importance of short selling to the efficient functioning of our capital markets, and the essential role it plays as a risk management tool for investors.

Contributions to Over-the-Counter Derivatives Reforms

Focusing on reforms for credit default swaps (CDS) and other over-the-counter (OTC) derivatives instruments, MFA continued to participate with the major dealers and buy-side institutions on the Operations Management Group (OMG), which is committed to achieving derivatives processing scalability through electronic matching on trade dates, backlog reductions and by partnering with electronic service providers to optimize the use and development of electronic services.

For the first time, MFA co-signed three industry letters in March, July and October to U.S. and non-U.S. regulators detailing operational targets and commitments. In June, MFA and other members of the Operations Management Group (OMG) met with Federal Reserve Bank of New York (New York Fed) President Timothy Geithner and other U.S. and international industry regulators to review commitments and progress, as well as to present a comprehensive buy-side implementation plan, which set forth objectives for the broader buy-side trading community.

THE ASSOCIATION'S MEMBERS AND STAFF HELD SCORES OF MEETINGS WITH LEGISLATORS, KEY CONGRESSIONAL LEADERS AND CONGRESSIONAL STAFF TO ENSURE SOUND LEGISLATIVE CHANGES

To advance the industry-wide commitments, MFA co-sponsored five educational events with other industry groups over the last year, including one seminar event in New York that drew over 250 professionals from asset management and dealer firms plus more than 325 call-in participants and a radio call that drew over 930 industry professionals and regulators. At these events, MFA members, the major dealers and representatives from other trade associations communicated and answered questions regarding the important goals developed by the OMG to improve the trading and processing of OTC derivatives and reduce operational and systemic risks. In addition, MFA members met with the New York

Fed in October to share the industry's views on how to improve the CDS trading infrastructure and to discuss the policies that will guide the creation and operation of a central counterparty for CDS and/or one or more exchanges for CDS trading. The meeting was held as part of the New York Fed's continuing effort to encourage industry-driven trading solutions for the CDS markets.

A Productive Year on Capitol Hill

MFA's legislative advocacy and outreach continued to make important advances last year. MFA's members and staff held scores of meetings with legislators, key Congressional leaders and Congressional staff to ensure sound legislative changes, consistent with regulatory reform proposals. MFA planned several "Capitol Hill Days" for members to engage with policy makers in constructive dialogue and to provide industry insights and perspective on a wide range of issues.

Early in the year, potential reforms in tax policy were high on MFA's list of initiatives. While a range of tax issues remained on the agenda, the anti-speculation movement took center stage mid-year followed by issues related to mortgage-backed securities, the severity of the credit crisis, the devastating illiquidity in the capital markets, the calls for prohibitions on short selling, and the passage of the Troubled Asset Relief Program (TARP). By the end of the year, five major hedge fund managers, each one an MFA member, were called before the House Oversight and Government Reform Committee for a hearing on "Hedge Funds and the Financial Markets" to discuss the role of the industry in the financial markets.

As the year drew to a close, the election of a new President and a new Congress promised to present fresh opportunities and challenges for MFA to contribute to the legislative process as the financial services industry faces increased scrutiny.

The Anti-Speculation Movement Sparked MFA Educational Campaign

Beginning in early June, MFA spearheaded a campaign to address the legislative and regulatory concerns about rising energy and agricultural commodity prices, and the attendant anti-speculation movement on Capitol Hill. The movement gained momentum as high prices at the gas pump reached further into Americans' already stretched pocketbooks. Policy makers assumed that speculative investors were the cause of the rise in gas prices, rather than supply and demand fundamentals. Gas prices have since plummeted as the U.S. has experienced a recessionary economic climate.

MFA developed a member task force, conducted its own analysis and released its *Analysis and Recommendations: The Investor in a Sound Futures Market*, a report created to assist Hill staff with understanding energy commodity market fundamentals. In the *Analysis*, MFA stressed the valuable role that investors play in the futures markets by absorbing risk from commercial market participants, providing liquidity, reducing volatility and contributing to the price discovery process.

Concurrently, MFA formed The Coalition to Protect Competitive Markets, an MFA-led coalition of eight financial industry trade associations and exchanges, and launched a multi-faceted Public Relations and educational campaign to educate Members of Congress on the role of investors in the commodity markets. The outreach included an educational website, advertising in Capitol Hill-focused media, and a series of news releases and interviews with journalists designed to generate editorial coverage in both print and broadcast news media. These initiatives were further augmented by targeted meetings with Members of Congress and staff to explain that speculative investing does not drive global energy prices, and to provide certain recommendations to Congress toward addressing the issue of rising commodities prices. Additionally, MFA implemented a letter writing campaign to facilitate communication from concerned individuals directly to their Senators and Representatives

voicing opposition to anti-speculation actions. MFA's broad campaign opposing the anti-speculation movement unfolded over several months and eventually all bills in the House and Senate that could have proposed restrictions on speculative investing in the commodity markets were defeated. MFA is poised to continue its work on this issue in 2009.

Tax Reform Debates Continued

MFA continued to work on several key federal and state tax issues that arose during 2007, most significantly policy makers' calls to change the rules that govern deferred compensation and carried interest. The association's attention to tax issues over the past two years has achieved significant results — including the addition of several technical corrections and transitional relief that were added to the legislation amending the tax treatment of certain offshore deferred compensation plans — in protecting the industry from unfair tax legislation.

MFA and its Tax Committee also monitored and worked on several tax and accounting proposals, submitted several comment letters to Treasury, the IRS and the Financial Accounting Standards Board and continued to forge a lobbying initiative that included building coalitions with other industry organizations. MFA strengthened its relationships with staff of the House Ways & Means Committee, Senate Finance Committee and the Joint Committee on Taxation. In addition, MFA held meetings with Treasury and the IRS to promote clarity on rules regarding tax exempt entities, hedge fund lending activities and the tax treatment of CDS.

Preparing Members for Accounting Changes

Accounting issues are of critical importance to industry participants, and MFA has developed a working group tasked with creating guidance on FAS 157 in order to help generate greater consensus regarding some of the challenges that have been identified as firms have implemented FAS 157.

With a wide array of accounting challenges on the horizon, MFA recently formed a new Accounting Advisory Committee which, in 2009, will begin to focus on technical accounting issues and keep members abreast of critical developments and guidance.

Advocating Due Diligence by Pension Plans

MFA has long promoted the assurance of safety and soundness in the retirement funds of American workers. As evidenced by the creation of its *Due Diligence Questionnaire for Institutional Investors*, included in the revised *Sound Practices* (2007 version), MFA encourages all investors to conduct appropriate initial diligence and ongoing monitoring of their investments. The GAO report, *Defined Benefit Pension Plans*, released in September 2008, called for guidance to better inform plans of the challenges and risks of investing in hedge funds and private equity funds. With millions of current and future retirees depending on pension plans for income, prudent investment portfolios need to preserve wealth and build returns over time through diversification. Because hedge funds provide vital diversification and risk management tools, MFA sought to collaborate with the Department of Labor and the PWG Investor's Committee to help construct one set of industry best practices.

MFA in the States

In addition to working on Federal issues, MFA has been involved in a number of state-specific initiatives, representing the industry for both regulatory and legislative issues. MFA anticipates increased activity with state issues in the coming years.

The growth and prosperity of the hedge fund industry often draws attention from individual state legislatures, attorneys general and regulatory agencies. MFA actively and strategically responds to state legislative and regulatory proposals that could negatively affect its members' businesses in those states.

In New York, MFA has recently worked to ensure that New York City does not enact an amendment to its unincorporated business tax that would allow the City to tax carried interest.

MFA also submitted a written statement to the New York State Assembly's Committee on Insurance in connection with its hearing regarding the state's proposed regulation of the CDS market, which was held on December 5.

In New Jersey, MFA began its advocacy in 2007 in response to two proposed bills in the state legislature that would have adverse effects on the hedge fund industry. The two bills would (1) bring the advertisement and sale of hedge funds and other alternative investment products within the scope of activities covered by the state's Consumer Fraud Act, and (2) require advisers with a place of business in New Jersey to register with the state (unless already registered with the SEC). In early 2008, MFA hosted a meeting with hedge fund managers from across the state to discuss the proposed bills and to meet with legislators to discuss the bills. Later in 2008, a series of securities industry-related bills were introduced in New Jersey, including the adviser registration bill. MFA has continued its advocacy efforts in the state in response to these legislative initiatives.

MFA's Global Reach

MFA's international presence increased significantly last year as President Emeritus John G. Gaine moved into a special role to expand outreach with regulators, policy makers and market participants across the globe.

Early in the year, MFA entered into an alliance with its European counterpart, the Alternative Investment Management Association (AIMA). This alliance was created to allow both organizations to work together more closely and to collaborate on key industry initiatives. Throughout the year, MFA and AIMA collaborated on a number of issues.

As the credit crisis rippled across the nation and traversed oceans to take its toll on economies around the world, it became crystal clear just how inextricably the financial markets connect all nations and financial markets. The bankruptcy of Lehman Brothers, in September, and the subsequent freeze on client assets at Lehman Brothers International Europe (LBIE)

in London, drove home that message with appalling intensity. MFA, whose member firms were concerned to learn that \$40-70 billion of client assets were frozen due to the Lehman insolvency, leapt into action with a letter to the Bank of England outlining recommendations for the expedient release of assets. MFA staff and member firms immediately traveled to London to discuss with the UK tripartite authorities and the LBIE administrators the systemic risk concerns arising from the lock-up of client assets. The following week, MFA hosted a forum with the LBIE administrator for a dialogue and Q&A session with members in an effort to facilitate communication and transparency of the UK administration process. Later in the year, MFA arranged an LBIE hedge fund creditors call to elect a hedge fund representative onto the creditors' committee. While the process of recovering assets from LBIE may prove lengthy, MFA continues to urge expediency and has helped construct progressive solutions to the problem. Due in part to MFA's advocacy efforts before the UK tripartite authorities, the UK government has proposed amending its bankruptcy framework as it relates to investment firms which hold client assets and money.

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MFA activities in India, which began in 2007, continued this past year. MFA addressed the Federation of India Chamber of Commerce and Industry's Fifth Annual Conference on Capital Markets in Mumbai, India to speak on the regulatory and investment landscape in the Indian equity markets from the perspective of U.S.-based hedge fund managers. While in India, MFA met with officials from the Securities and Exchange Board of India, the Reserve Bank of India and the U.S. Consulate General. Later in the year, MFA submitted comments

to the International Swaps and Derivatives Association (ISDA) regarding a proposal that would affect hedge funds and other buy-side market participants' ability to access the Indian markets indirectly by investing in offshore derivative instruments.

Earlier in the year, MFA staff met with Treasury and CFTC officials to discuss SEBI's amendment to the eligibility standards of foreign institutional investors (FII) to invest in the Indian capital markets. At these meetings, MFA explained the importance of the FII eligibility standards applicable to hedge funds and the reasons why those standards should take into account the various types of regulatory regimes to which they are subject in different jurisdictions. Following these meetings and subsequent discussions, the CFTC sent a letter to SEBI, advocating for clarification of the standards and citing issues raised by MFA during our meetings with Treasury and the CFTC.

MFA hosted 14 senior-level securities regulators and exchange officials from developing markets, including China, India, Brazil, Vietnam, Croatia and Ghana, as part of a two-week SEC program in Washington, D.C. MFA members presented the basics of hedge fund operations and regulation, MFA's *Sound Practices* and the global reach of the industry.

In early June, MFA and CME Group, a Strategic Partner member, co-sponsored a conference in Tianjin, China, with the Tianjin Municipal People's Government and China Foreign Exchange Administration Magazine entitled, "Global Markets and the Role of Alternative Investments." MFA and several member firms met with Chinese government officials, policy makers and financial services representatives while visiting China for several days.

MFA also participated in several international conferences including providing the keynote address at the International Bar Association's 19th Annual Conference on the Globalisation of Investment Funds in Hamilton, Bermuda; contributing on a panel about global hedge fund self-regulation at the GAIM International Conference in Monte Carlo, Monaco; and participating

on a panel on regulation at the Society for Worldwide Interbank Financial Telecommunication's (SWIFT's) annual Sibos conference in Vienna, Austria. MFA also traveled to Japan to meet with the Director General of the Japanese Ministry of Economy, Trade, and Industry.

In addition, MFA met with the International Institute of Finance to discuss issues of mutual interest and concern, such as FAS 157, counterparty credit risk and funding liquidity risk management.

In late November, Chairman Cox, in his role as Chairman of the Technical Committee of the International Organization of Securities Commissions (IOSCO), announced the creation of three task forces to develop coordinated regulatory solutions to deal with the financial crisis and prepare reports for the next G-20 meeting in early 2009. The task forces are considering (i) short selling, (ii) unregulated financial markets and products, and (iii) unregulated financial entities. On December 23, MFA sent a letter to the Hong Kong Securities and Futures Commission, chair of the short selling task force, providing recommendations as it considers regulatory approaches to short selling. MFA expects to engage in dialogue with each task force as they consider issues related to the hedge fund industry.

MFA's Sound Practices Evolution

The importance of adopting best practices has never been more essential as the industry plays an increasingly vital role in the capital markets and the global economy. In a significant educational outreach effort, MFA and its members presented seminars on MFA's *Sound Practices for Hedge Fund Managers* in cities across the United States for both members and non-members. The *Sound Practices* road show was well attended in Boston, Chicago, Dallas, Denver, Houston, Los Angeles, Minneapolis, San Francisco and Seattle.

On the international front, MFA collaborated with AIMA and other groups to develop a user-friendly website comparing existing sound practices guidelines worldwide. The website allows users to compare the various guidelines side-by-side, and is a first step toward increasing harmonization of these guidelines.

In the meantime, MFA is working hard on a comprehensive update and revision to *Sound Practices*, scheduled to be completed in early 2009, incorporating recommendations from the PWG Committee Reports. The tenets of *Sound Practices*, particularly the guidance on disclosure and other responsibilities to investors, and the critical importance of both initial and ongoing due diligence, are particularly relevant in light of the Madoff fraud and the increased regulatory scrutiny of hedge funds. MFA continues its commitment to advocating the highest standards of excellence in professional conduct and business ethics.

MFA's Enhanced Communications

MFA continued to improve its outreach to members, policy makers, regulators and the media using a variety of communications tools – from emails and publications, to educational forums, news releases and press conferences. The Communications Advisory Committee was formed in early 2008 and met monthly to discuss and coordinate communication throughout the industry. MFA's public relations team was fully engaged on all association matters to assist, complement and support government relations initiatives and to promote MFA news and events.

Media Relations

Understanding and working with the media is a vital component of MFA's ability to extend the reach of its voice and communicate industry positions on key issues. The association strives to improve the accuracy and balance of media coverage on hedge funds and other alternatives by building relationships with journalists and sharing industry viewpoints and insights with the global press.

Last year, MFA was more vocal than ever before, contributing to hundreds of articles and broadcast interviews on a wide range of topics. The association's public relations team disseminated dozens of news releases, developed issue-specific PR campaigns, orchestrated numerous pro-active press events, and handled hundreds of press inquiries.

As a firm believer in the power of communication, Mr. Baker personally conducted several press tours and met privately with dozens of high profile journalists in Washington, New York and China. He also held several press briefings, both in person and by conference call; made regular appearances on CNBC, CNN, Bloomberg, CBS, PBS and other broadcast outlets; and conducted scores of telephone interviews with print journalists each month.

MFA welcomed the media at its conferences and provided complimentary passes to all events in order to encourage further education on alternative investment issues, developments and news.

Educational and Networking Conferences & Seminars

MFA's *Network* and *Forum* conferences are popular annual events for members, investors and services providers to congregate for a two- to three-day event. *Network 2008* took place in Key Biscayne during February, and *Forum 2008* unfolded in Chicago during June. Each conference attracted over 500 delegates for an educational agenda, networking events, exhibitions and business meetings.

MFA seminars are half-day events that focus on topical issues that impact members and industry participants. While some events are open to non-members, many of MFA's seminars are private, members-only events that provide exclusive opportunities to meet with regulators and political leaders. During 2008 those events included a *PWG-MFA Best Practices Dialogue*, an *MFA-SEC Dialogue*, and a *Forum on the Lehman Brothers International Europe (LBIE) Insolvency*.

Also, MFA seminars hit the road last year on a nationwide tour on *Sound Practices* which included stops in Boston, Dallas, Houston, San Francisco, Los Angeles, Seattle, Minneapolis and Chicago.

In addition, MFA executives participated in numerous industry-wide conferences and seminars in the U.S. and around the world last year to represent the views of its members.

Members-Only Forums

In addition to its members-only seminars mentioned previously, MFA continued to host private, members-only forums to encourage a constructive dialogue among its largest members. These events are specific to job functions, pulling together chief compliance officers, chief financial officers, chief operations officers, general counsel and chief risk officers of the association's single-manager, sustaining member firms.

MFA's membership committees also met with regularity and experienced a busy and productive year.

MFA's advisory committees include:

- Hedge Fund Advisory Committee
- Chief Compliance Officer Forum
- Chief Financial Officer Forum
- Chief Operating Officer Forum
- Chief Risk Officer Forum
- General Council Forum
- CTA & CPO Advisory Committee
- Fund of Funds Advisory Committee
- Accounting Advisory Committee
- Communications Advisory Committee
- International Advisory Committee
- Lawyers Advisory Committee
- Taxation Advisory Committee

MFA's operational committees include:

- Conference Committee
- Membership Committee
- Newsletter Committee

Member Communication

MFA's frequent communication with its members aims to keep association participants up-to-date on industry news and key issues. The weekly publication, *Inside the Beltway*, updates members on legislative and regulatory events, proposed bills and rulemakings, MFA policy initiatives and association meetings and events. *The MFA Reporter* is a bi-monthly newsletter that publishes a Message from the President, articles by industry participants, news reports and updates on issues and events. MFA also provides email alerts to members on breaking news and association actions.

MFA-PAC

MFA's Political Action Committee, MFA-PAC, is an indispensable tool for raising the visibility of the hedge fund industry with political leaders in Washington.

MFA works diligently to grow the industry's political action committee because a robust PAC gives MFA the opportunity to support elected officials who understand the industry and the role it plays in our capital markets. Without a well-funded PAC, MFA will not have the tools it needs to be the most effective advocate for its members.

The goal of MFA-PAC is to contribute in a nonpartisan way to candidates who support the hedge fund industry's views on key issues. Generally, this means MFA-PAC will support candidates who serve on the key congressional committees that focus on issues related to the hedge fund industry, such as the U.S. Senate Banking, Finance and Agriculture Committees and the U.S. House of Representatives Financial Services, Ways and Means and Agriculture Committees.

Facts About Contributing to MFA-PAC

- » An individual member of MFA may contribute personal funds of any amount up to \$5,000 per calendar year to MFA-PAC. A member's spouse may also contribute personal funds of any amount up to \$5,000 per calendar year.

- » Contributions to MFA-PAC can be made by personal check or credit card.
- » MFA-PAC may accept only voluntary contributions from MFA Members and their spouses. Members are never required to contribute to MFA-PAC, and MFA will neither favor nor disadvantage its members by reason of a contribution amount or a decision not to contribute.
- » MFA-PAC may accept contributions only from U.S. citizens or permanent legal residents living in the U.S.
- » Corporate contributions to MFA-PAC are prohibited.

Looking Ahead to 2009

MFA's dedicated Board of Directors, committee members, conference sponsors, members and staff all contributed greatly to the growth and success of the association last year. We achieved many victories and accomplished many of our stated goals and objectives.

Looking ahead, MFA has set an aggressive agenda for growing the association, enhancing its regulatory engagement and advancing the dialogue with key congressional committees. This will be a critical year, and MFA is focused on facilitating an effective transition from the outgoing administration to the Obama administration and the new Congress.

As always, MFA will rely on the strength and collective voice of its members to guide the process as the association seeks to ensure sound legislative changes that are consistent with regulatory reform proposals. We pledge to enhance our leadership role in government relations, public relations and international outreach. Please join us as we expand our initiatives to advance MFA's role as a meaningful participant in shaping the regulatory proposals and policy that will shape the future for the continued success of our industry and the investors who count on us.

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MANAGED FUNDS ASSOCIATION
2008 Year in Review

