



October 22, 2012

Dear Limited Partner,

I am writing to let you know about a leadership change that is taking place at Farallon. At year end, Andrew Spokes will become our sole Managing Partner.

I left New York twenty-seven years ago to start an investment firm in California with the help of the partners of Hellman & Friedman. I was joined by an exceptional group of partners and ran the firm with their help for the last twenty-two years. For the past five years -- even as we have continued building the team and our capability -- Andrew Spokes has been co-managing partner. He joined us in 1997 to open and run our London office and he has hired and supervised all of the investment professionals leading our international offices. He has been intimately involved with our US Value team for the past 3 years. He has done a superb job at every task he's undertaken.

As my role has shrunk over time, his has grown, and rightfully so. The transfer to Andrew has proceeded steadily and deliberately for five years. Now it is time for him to take the reins alone. This announcement is the natural next step, is accepted internally and won't change our mode of operation. We have built a great team here at Farallon and Andrew, having played a huge role in that, has the luxury of a tremendous amount of investment acumen and experience in his coworkers. As a team, they have been carrying the ball together for years--and the playbook won't change when I leave. More than that, he embodies values in which I believe and which distinguish our firm.

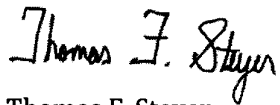
I have been lucky -- in the country of my birth, in my family, in my friends and coworkers, and in my professional career. Now it's time to focus full-time on giving back. I want my life to revolve around service in one form or another, including continuing participation in our community bank, in encouraging the advanced energy economy and in specific public policy initiatives here in California.

I can't do that and even pretend to take the kind of responsibility implied by a continuing management role. I will not have any official role or responsibilities at Farallon going forward and my partners are buying out my profit share. As a result, Farallon will still be run by the people that own the partnership. This is as it should be.

I have enormous respect for Andrew and our team and will be leaving the overwhelming bulk of my capital with them to manage on the same fee basis as an outside limited partner. I can conceive of no more sincere vote of confidence. It has been an honor for me to work with such high quality and intelligent people. I have great pride in our team and the record we've built. I fully expect Farallon's best days are yet to come.

And finally, it has also been a privilege to work for you all. Your trust and support has been tremendous and consistent – thank you. I have a huge number of friends in the Farallon ecosystem, and I hope you all won't disappear when I'm not running the show anymore. I have every intention of keeping in touch.

Onward and upward,

A handwritten signature in black ink that reads "Thomas F. Steyer". The signature is written in a cursive, slightly slanted style.

Thomas F. Steyer
Senior Managing Member



October 22, 2012

Dear Limited Partner,

Today, we announce that Tom Steyer, our Co-Managing Partner, will step down at the end of this year, a remarkable twenty-seven years after founding Farallon. I will become the sole Managing Partner of Farallon. I am honored to assume this responsibility and eager to continue our work for you.

I have worked for over 15 years, the majority of my professional career, at this firm, and the values for which it stands are ones I hold dear. Tom has provided a clear model for what really matters in business - excellence and integrity. Those ideals are now in the DNA of Farallon and visible in practical ways each day. It is gratifying to see how readily the values of our firm are embraced by the employees who join us.

During the last five years when Tom and I have shared the leadership of Farallon, I have progressively been given full responsibility for the portfolio and the day-to-day running of the firm. In turn, I have come to rely increasingly on the 19 experienced and accomplished individuals whom I am honored to call my partners; their tenure here averages over 11 years.

Our vision is very simple: we aspire to be the investment firm of which we, ourselves, would want to be clients. No great effort of imagination is required here, since the partners and employees of Farallon are collectively the largest investor in the Farallon funds today and will remain among the two largest - the other being Tom, who has committed to leave his capital with us to manage. To achieve our vision, we must provide extraordinary risk-adjusted returns to investors, and much else besides.

You should not expect any dramatic changes in the strategy or operations of the Firm. We will stay the course, but rest assured that we won't stand still. Since our early days, Farallon has been focused on building capability, both in the US and globally. Taking stock, the current team is more capable and better resourced than ever. We believe in continually adapting our organization to the investing opportunities that we see in the markets. We will try to maximize the advantages we gain from our superior global network and the wholly exceptional investment professionals we are able to recruit and retain.

Farallon today is in excellent shape. The funds have continued to appreciate steadily throughout the year. This is particularly pleasing in light of the lower risk position implied by the recent above-average cash balance in the funds, arising primarily from what we expect to be a temporary shortage of large investments in our arbitrage portfolio.

Each of our main investment strategies and geographies has been performing profitably and has able and experienced leadership. [REDACTED]

I look forward to meeting with many of you next week. Our relationship with you, our investors, is the cornerstone of our success and our first priority. We are grateful for your support and confidence and seek it moving forward. In the years to come, I promise we will work tirelessly for you in pursuit of extraordinary risk-adjusted returns.

I am sure you join me in wishing Tom all the best in his new endeavors.

Sincerely,



Andrew J.M. Spokes
Senior Managing Member