

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU HAVE SOLD OR TRANSFERRED ALL YOUR SHARES IN DURHAM OVERSEAS LIMITED, PLEASE FORWARD THIS DOCUMENT TO THE PURCHASER OR TRANSFEREE, OR TO THE STOCKBROKER, BANK MANAGER OR OTHER AGENT THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED. IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ATTORNEY, ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR. WE DO NOT REQUIRE ANY ACTION OR RESPONSE FROM YOU ON THE CHANGES DESCRIBED IN THIS DOCUMENT.**

**DURHAM OVERSEAS LIMITED**  
(Incorporated in Bermuda as a limited liability company)

**Directors:**  
Fabio Tombesi  
John Cogan  
Alberto La Rocca  
Declan Murray  
Paolo Barbieri  
Chris Wetherhill  
John Collis  
David Smith

**Registered Office:**  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM11  
Bermuda

23 December 2008

**Re: Durham Overseas Limited (the "Company")  
Creation of DR Class Fund**

Dear Shareholder,

We are writing to you as the registered holder of Participating Shares in the Durham Overseas Fund (the "**Fund**"), a Class Fund of the Company.

The purpose of this letter is to notify you of an arrangement that the Company has made in respect of the Fund.

We refer to the Prospectus dated 8 October 2008 and the Supplementary Prospectus dated 8 October 2008 (collectively the "**Prospectus**") in respect of the Fund. Capitalised terms used in this letter and not themselves defined shall have the meanings given to them in the Prospectus.

**Side Pockets - Delayed Redemption Class Fund**

Pioneer Alternative Investment Management (Bermuda) Limited ("**PAI Bermuda**"), acts as Administrative Manager of the Fund and Durham Asset Management L.L.C. ("**Durham**"), acts

as Investment Advisor to the Fund. The Fund invests substantially all of its assets in International Durham Ltd. ("**International Durham**"), a BVI corporation which is managed by Durham.

Due to unprecedented market conditions leading to illiquidity and volatility, a portion of the underlying investments in which International Durham is invested consist of illiquid investments (the "**Illiquid Assets**"). As a result, the Fund has been informed by Durham that International Durham has "side pocketed" that portion of their assets which are illiquid and the Company is being issued shares linked to such assets. Such shares represent approximately 30% of the Net Asset Value of the Fund as at year end. In addition, Durham has advised that the creation of a side pocket in International Durham will protect its existing investors from illiquid assets and also protect any potential new investors coming into International Durham.

Durham has therefore recommended that the Fund also "side pocket" its exposure to the Illiquid Assets. The Directors consider it is in the best interests of the Shareholders in the Fund to create a new Class Fund comprising non-redeemable, non-voting participating shares, called the "DR Class Fund", that will hold the shares issued by International Durham linked to the Illiquid Assets.

On 31 December 2008 (the "Effective Date"), the International Durham Shares in the portfolio of the Company will be transferred to the DR Class Fund and shares of the Dr Class Fund are being issued to you, *pro rata*, in kind. Such mandatory conversion will be effected based on valuations as at 31 December 2008 and a Subscription Price of the DR Class Fund set at US\$100 per Share

After the Effective Date, existing Shareholders in the Fund will hold two classes of Shares – the new DR Class Fund Shares in addition to their existing holding in the Fund.

The DR Class Fund Shares will not be redeemable at the option of the holder. We intend to reduce the illiquid investments to cash and as the illiquid investments in DR Class Fund are realized, the related portion of the DR Class Fund Shares will be compulsorily redeemed in accordance with the bye-laws of the Company.

The Directors, consider that the creation of the DR Class Fund and the conversion is in the best interest of all shareholders in the Fund.

### **Fund closed to new subscriptions**

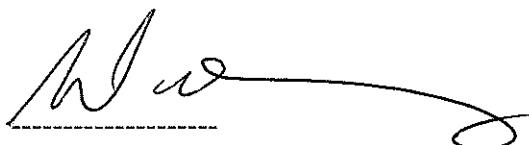
We wish to advise that while the Company is implementing the arrangements described above, the Fund shall be closed to new subscriptions.

### **Exposure to Madoff**

As you may have seen recently in the press, on 11 December 2008, Bernard Madoff, head of Bernard L. Madoff Investment Securities LLC ("**Madoff**"), was arrested by the FBI and appeared before U.S. Magistrate Judge Douglas F. Eaton to face fraud charges and the SEC in the US have also secured an injunction against Mr Madoff and his firm. **We wish to inform you that the Fund does not invest in Madoff.**

**We do not require any action or response from you on the changes described above.** If you have any questions concerning the above, please do not hesitate to contact Michelle Cardwell at Pioneer Alternative Investment Management (Bermuda) Limited on telephone number + 441 296 019 or email address: [michelle.cardwell@pioneeraltinvest.com](mailto:michelle.cardwell@pioneeraltinvest.com).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M Cardwell', with a long horizontal flourish extending to the right. A dashed horizontal line is positioned below the signature.

Director  
Durham Overseas Limited