THIRD POINT

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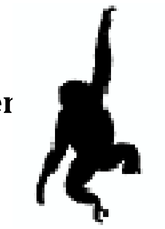
February 7th, 2011



Fourth Quarter 2010 Investor Letter

Review and Outlook

Last year was an extraordinary one for Third Point and its investors, with strong returns generated from profitable investments across all strategies. The year was further distinguished by a dearth of losers in the portfolio, with no single position costing us more than ~20 basis points. Extensive detail on last year's results is available to investors on our private website.

We entered 2011 positioned for a continued global recovery, sharp price increases in commodities, and the view that undervalued companies would either appreciate or be acquired. During the first month of the year, two of our holdings each announced agreements to be acquired at premiums. We remain constructive on equities in general and on the US and European economies. Our greatest concern is the growing consensus around the bullish view we have held since April 2009. Therefore, we welcome sharp corrections like the two we had last month, the first a decline based on worries about Chinese inflation and the second, a sell-off due to the Egyptian political crisis, each of which we used to increase certain positions.

The extraordinary turn of events in Egypt, and market movements generally during the month of January, point to two important observations about financial markets today. First, the world has become hyperconnected, resulting in instantaneous transmission of information globally or across particular affinity groups. Second, we have more information and data at our fingertips than ever before. This widely accessible information glut along with market participants' routine overreaction to single data points has created a unique opportunity for us as investors to employ a dispassionate analytical framework which allows us to capitalize on the irrational fluctuations of the herd.

In order to keep our views proprietary and maximize time spent on investing, I am relinquishing authorship of our Quarterly Letter, which will now focus on analysis of portfolio positions, and business developments. I will share my market observations and outlook on our Investor Quarterly Calls. In addition, I may send out investment memos on an ad-hoc basis should it be in the interest of our investors.

Sincerely,

Daniel S. Loeb

Fourth Quarter 2010 Results

Set forth below are our results through December 31st, 2010 and a discussion of selected positions that impacted the portfolio during the quarter.

	Q4 2010 Performance	2010 Yearly Performance
Third Point Offshore Fund, Ltd.	12.1%	33.7%
S&P 500	10.8%	15.1%
CS Event Driven	5.9%	12.6%

The top winners for the quarter were Chrysler, Delphi Corp, Lyondell, Dana Holding Corp and NXP Semiconductor NV. The top losers for the quarter were Airgas Inc, Fortis, State Bank of India, Short A and Icelandic Bank Debt.

Firm assets under management at December 31th, 2010 were $4.6 billion.

Distressed Positions: Paper Companies

During the Fourth Quarter, we focused on the paper industry as an outgrowth of a position we initiated in NewPage, a performing credit under distressed pressure. We now also hold positions in Bowater, a distressed company that recently emerged from bankruptcy and will soon be a post-reorganization equity, and Smurfit-Stone, a post-reorganization public equity.

On January 24th, RockTenn announced an agreement to acquire Smurfit-Stone for $35 per share, with the consideration consisting of 50% cash and 50% RockTenn stock. RockTenn recognized that Smurfit-Stone is a significantly undermanaged asset and was further attracted to its ability to use virgin fiber (a more extensive discussion of this paper input is below). While the price represents a significant premium to our cost, it does appear that RockTenn may still be getting a bargain as its stock has appreciated over 15% since the announcement of the transaction. We have voiced our displeasure with the premium to the Smurfit-Stone Board, and hope the terms of the transaction will ultimately improve.

Our interest is the paper industry stems from the tremendous upheaval that has occurred in the space during last few years due primarily to four factors:

1. **The Black Liquor Tax Credit**: A Federal law passed in 2005 provides a tax credit for using biofuels, and an extension of the law in 2007 allowed paper companies to qualify. Paper companies were already using "black liquor" (a manufacturing by-

product) and could qualify for a tax credit by blending diesel with their black liquor. This tax incentive prompted paper companies to continue to produce even when they were losing money on the actual paper production, as they could still make money on the tax credit. The Black Liquor tax credit ended on December 31st, 2009, but left behind inventory channels stuffed from excess production, which in turn depressed paper pricing and delayed many mill closures. The combination of over production due to the tax credit and the economic downturn of 2008-2009 was a perfect pricing storm for the paper industry. The expiration of the tax credit caused the closure of many marginal paper plants and led to much higher paper pricing for the survivors in 2010-11.

2. **OCC vs. Virgin Fiber**: Most new paper plants (and nearly all of those in Asia, the strongest growth market) use OCC, which is recycled paper. Powerful growth trends in those markets have led to much higher OCC prices, giving an advantage to paper producers that can use virgin fiber. Further, paper can be recycled only a limited number of times before the fiber wears out, further increasing OCC pricing.

3. **Softwood vs. Hardwood Pulp**: Much of the new pulp capacity in the world has been developed in South America, which grows hard wood. Hardwood pulp has shorter fibers and is lower quality than softwood pulp. Most pulp manufacturers can use a blend of softwood and hardwood, but many have reached the limits of their ability to blend hardwood pulp. As a result, softwood pulp producers or those who are vertically integrated with their own softwood pulp enjoy a substantial cost advantage.

4. **Industry Consolidation and Capacity Rationalization**. The combination of industry consolidation and capacity reduction has led to many paper grades currently running at +90% utilization, a level that gives them the flexibility to raise prices. It is interesting that supplies are tight even though the US economy is hardly at full tilt. Although our thesis doesn't require it, continued acceleration in GDP growth could lead to explosive growth in paper company profitability.

Private Positions: Chrysler

In late December, Chrysler Financial agreed to be sold to Toronto-Dominion Bank. The deal, which should close in April 2011, represents a 67% cash recovery. Upon completion of the sale, the Cerberus led-investor group will retain $1.5B in assets mainly comprised of restricted cash, commercial loans, and a small insurance business, and so we will still own a small private portion of equity in the remaining entity. The $1.5B represents at least an additional 18 cents recovery, but the timing of cash distributions from these assets is uncertain. Together, we anticipate a total recovery of ~85-90%. The completion of this sale will reduce our private securities portfolio to approximately 3-5% of total assets, based on current AUM.

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Please feel free to contact Investor Relations with questions or thoughts at 212.224.7416 or ir@thirdpoint.com.

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All P&L or performance results are based on the net asset value of fee-paying investors only and are presented net of management fees, brokerage commissions, administrative expenses, and accrued performance allocation, if any, and include the reinvestment of all dividends, interest, and capital gains. The performance above represents fund-level returns, and is not an estimate of any specific investor's actual performance, which may be materially different from such performance depending on numerous factors. All performance results are estimates and should not be regarded as final until audited financial statements are issued.

While the performances of the Funds have been compared here with the performance of a well-known and widely recognized index, the index has not been selected to represent an appropriate benchmark for the Funds whose holdings, performance and volatility may differ significantly from the securities that comprise the index. Investors cannot invest directly in an index (although one can invest in an index fund designed to closely track such index).

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