Name: _____ Copy No._____

FALCONWOOD FUND, LP

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PRIVATE PLACEMENT OF CLASS A INTERESTS AND CLASS B INTERESTS

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CONFIDENTIAL PRIVATE OFFERING MEMORANDUM

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General Partner:

Falconwood Advisors, LLC

Investment Manager:

Falconwood Partners, LLC

May 2014

Confidential Private Offering Memorandum

FALCONWOOD FUND, LP

This Confidential Private Offering Memorandum (this "Memorandum") has been prepared solely for the information of the person to whom it has been delivered on behalf of Falconwood Fund, LP (the "Partnership") and may not be reproduced or used for any other purpose. Each person accepting this Memorandum agrees to return it to Falconwood Advisors, LLC (the "General Partner") promptly upon request. This Memorandum does not constitute an offer or solicitation in any jurisdiction in which such an offer or solicitation is not authorized or permitted.

The Partnership will not be registered as an investment company under the Investment Company Act of 1940, as amended. Falconwood Partners, LLC (the "Investment Manager") is not registered as an investment adviser under the Investment Advisers Act of 1940, as amended, or under the laws of any other jurisdiction, although the Investment Manager may do so in the future.

In making an investment decision, investors must rely upon their own examination of the Partnership and the terms of this offering, including the merits and risks involved. Neither the Securities and Exchange Commission (the "SEC") nor any other state or federal governmental agency or any securities exchange has passed upon the accuracy or adequacy of this Memorandum or the merits of an investment in the limited partnership interests of the Partnership offered hereby. Any representation to the contrary is a criminal offense.

The General Partner will make available to any prospective investor the opportunity to ask questions of and to receive answers from the General Partner and/or its agents concerning the Partnership and the terms and conditions of this offering and to obtain any additional relevant information to the extent the General Partner possesses such information or can obtain it without unreasonable effort or expense.

The contents of this Memorandum should not be considered to be legal or tax advice and each prospective investor should consult with, and rely solely upon, his own counsel and advisers as to all matters concerning an investment in the Partnership. Prospective investors are urged to consult with, and rely solely upon, their legal and tax advisers before investing in the Partnership.

NOTICES

TO ALL INVESTORS:

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATES AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE SECURITIES ARE SUITABLE ONLY FOR SOPHISTICATED INVESTORS FOR WHICH AN INVESTMENT IN THE PARTNERSHIP DOES NOT CONSTITUTE A COMPLETE INVESTMENT PROGRAM AND THAT FULLY UNDERSTAND AND ARE WILLING TO ASSUME THE RISKS INVOLVED IN THE PARTNERSHIP'S TRADING PROGRAM. INVESTMENT IN THE PARTNERSHIP ENTAILS SIGNIFICANT INVESTMENT AND OTHER RISKS, INCLUDING POSSIBLE ADVERSE TAX EFFECTS. PLEASE REFER TO "CERTAIN RISK FACTORS," "OTHER ACTIVITIES OF THE GENERAL PARTNER, INVESTMENT MANAGER; CONFLICTS OF INTEREST" AND "INCOME TAX ASPECTS" SET FORTH IN THIS MEMORANDUM. INVESTORS SHOULD INVEST IN THE PARTNERSHIP ONLY IF THEY HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS AND LACK OF LIQUIDITY THAT ARE CHARACTERISTIC OF INVESTMENTS SUCH AS THIS ONE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM AND THE PARTNERSHIP'S LIMITED PARTNERSHIP AGREEMENT. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR A SUBSTANTIAL PERIOD OF TIME.

AN INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE INVESTOR) MAY DISCLOSE, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF AN INVESTMENT IN THE PARTNERSHIP.

PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS AND TAX CONSEQUENCES WITHIN THE COUNTRIES OF THEIR CITIZENSHIP, RESIDENCE AND DOMICILE FOR THE ACQUISITION, HOLDING OR DISPOSAL OF THE SECURITIES OFFERED HEREBY AND ANY FOREIGN EXCHANGE OR OTHER RESTRICTIONS THAT MAY BE RELEVANT TO THEM.

NEITHER THE INVESTMENT MANAGER NOR THE GENERAL PARTNER PLANS TO REGISTER AS A COMMODITY POOL OPERATOR ("CPO") OR COMMODITY TRADING ADVISOR ("CTA") UNDER THE COMMODITY EXCHANGE ACT ("CEA") AND THE RULES OF THE COMMODITY FUTURES TRADING COMMISSION ("CFTC") PROMULGATED THEREUNDER BY VIRTUE OF THE DE MINIMIS TRADING EXEMPTION PROVIDED UNDER CFTC RULE 4.13(a)(3). THE INVESTMENT MANAGER AND THE GENERAL PARTNER QUALIFY FOR THE EXEMPTION UNDER CFTC RULE 4.13(a)(3) WITH RESPECT TO THE PARTNERSHIP ON THE BASIS THAT, AMONG OTHER THINGS: (I) EACH LIMITED PARTNER IS AN "ACCREDITED INVESTOR" AS DEFINED UNDER SEC RULES; (II) INTERESTS IN THE PARTNERSHIP ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ARE OFFERED AND SOLD WITHOUT MARKETING TO THE PUBLIC IN THE UNITED STATES; AND (III) AT ALL TIMES EITHER (A) THE AGGREGATE INITIAL MARGIN AND PREMIUMS REQUIRED TO ESTABLISH COMMODITY INTEREST POSITIONS WILL NOT EXCEED FIVE PERCENT OF THE LIQUIDATION VALUE OF THE PARTNERSHIP'S PORTFOLIO; OR (B) THE AGGREGATE NET NOTIONAL VALUE OF COMMODITY INTEREST POSITIONS WILL NOT EXCEED ONE HUNDRED PERCENT OF THE LIQUIDATION VALUE OF THE PARTNERSHIP'S PORTFOLIO. AS A RESULT, UNLIKE A REGISTERED CPO OR CTA, THE INVESTMENT MANAGER AND THE GENERAL PARTNER ARE NOT SUBJECT TO MANY OF THE REQUIREMENTS OF THE CEA AND THE RULES OF THE CFTC PROMULGATED THEREUNDER, INCLUDING THE REQUIREMENT TO DELIVER A DISCLOSURE DOCUMENT CONTAINING INFORMATION REQUIRED BY CFTC RULES AND THE REQUIREMENT TO DELIVER A CERTIFIED ANNUAL REPORT TO LIMITED PARTNERS.

FOR FLORIDA RESIDENTS ONLY: THE SALE OF THESE SECURITIES SHALL BE VOIDABLE BY THE PURCHASER WITHIN 3 DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE ISSUER OR WITHIN 3 DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER AS REQUIRED BY SECTION 517.061(11)(a)(5), FLORIDA STATUTES.

FOR NEW HAMPSHIRE RESIDENTS ONLY: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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SUMMARY OF TERMS

The following summary is qualified in its entirety by the more detailed information set forth elsewhere in this Confidential Private Offering Memorandum (this "Memorandum") and the Limited Partnership Agreement (the "Limited Partnership Agreement") of Falconwood Fund, LP (the "Partnership"), which should be reviewed carefully by each prospective investor before investing.

PARTNERSHIP:	The Partnership was organized as a Delaware limited partnership in July 2013.
TRADING PROGRAM:	The Investment Manager (as defined below) seeks to grow capital by delivering absolute returns over an entire market cycle while preserving capital during market downturns. The Investment Manager invests in equities it concludes are trading significantly below their actual value, and also takes short positions in companies the Investment Manager views as overvalued due to company-specific issues. There can be no assurances that the Partnership will achieve its objectives or that it will not incur losses. (See "*Trading Program.*")
GENERAL PARTNER; INVESTMENT MANAGER:	Falconwood Advisors, LLC, a Delaware limited liability company, is the general partner of the Partnership (the "General Partner"). Falconwood Partners, LLC, a Delaware limited liability company, is the investment manager of the Partnership (the "Investment Manager"). The Investment Manager is primarily responsible for making all trading decisions on behalf of the Partnership, while the General Partner will manage the day-to-day affairs of the Partnership and perform certain administrative functions for the Partnership. The principals of both the General Partner and the Investment Manager are Richard C. ten Wolde and Daniel J. Yairi. (See "*General Partner; Investment Manager*" and "*Other Activities of the General Partner, Investment Manager; Conflicts of Interest*.")
TERM:	Perpetual, unless terminated in accordance with the Limited Partnership Agreement. The General Partner may dissolve the Partnership at any time in its discretion.
LIMITED PARTNERS:	Interests (as defined below) will be offered primarily to U.S. investors who qualify as "accredited investors" (within the meaning of Rule 501(a) of the Securities Act of 1933, as amended). Interests may also be offered to non-U.S. investors who qualify as "accredited investors". The General Partner may, in its discretion, decline to admit any investor for any reason or no reason. An investor admitted to the Partnership shall become a limited partner of the Partnership (such admitted investors, "Limited Partners", and together with the General Partner, "Partners").

INITIAL CAPITAL CONTRIBUTIONS:	$500,000 minimum initial capital contribution, subject to the discretion of the General Partner to accept lesser amounts. Capital contributions are accepted as of the first day of any calendar month, subject to the discretion of the General Partner to accept contributions at other times.
ADDITIONAL CAPITAL CONTRIBUTIONS; ADMISSIONS:	The General Partner may, in its discretion, permit a Limited Partner to make an additional capital contribution to the Partnership as of the first day of any calendar month in an amount of at least $100,000 (subject to the discretion of the General Partner to accept lesser amounts or to accept contributions at other times), and new Partners, including general partners, may be admitted to the Partnership at such times at the discretion of the General Partner.
CAPITAL ACCOUNTS:	Upon each Partner's admission to the Partnership, a capital account ("Capital Account") will be established on the books of the Partnership for such Partner in the amount of such Partner's initial capital contribution. A separate Capital Account will be established for each capital contribution made by a Partner to the Partnership for purposes of calculating the Incentive Allocation (as defined below). (See "*Outline of Limited Partnership Agreement – Capital Accounts*.")
CLASSES OF INTERESTS:	Limited Partners making subscriptions to the Partnership will receive "Class A Interests," or "Class B Interests." Class A Interests and Class B Interests, together with such other classes of interests as the General Partner determines in its discretion, shall be referred to herein as the "Interests." While Class B Interests will be offered to all investors, the Class A Interests are "Founders Interests" and the General Partner intends to offer these classes only to select investors, as determined by the General Partner in its sole discretion and described below. Class A Interests will be offered to investors who invest a minimum of $1,500,000 prior to the 6-month anniversary of the launch of the Partnership (the "Founders Class Offering Period"), or such later time and/or in excess of such amount as determined by the General Partner in its sole discretion. A Limited Partner who purchased Class A Interests during the Founders Class Offering Period shall be entitled to purchase additional Class A Interests at any subsequent date. Class A Interests and Class B Interests have the same rights, privileges, preferences and terms, except with respect to the Management Fee Percentage (as defined below) and the Incentive Percentage (as defined below).

The differences between Class A Interests and Class B Interests are summarized below:

	Class A Interests	**Class B Interests**
Management Fee	0.3125% per quarter (approximately 1.25% annually)	0.4375% per quarter (approximately 1.75% annually)
Incentive Allocation	15% per annum	20% per annum
Lock-Up	Two year soft lock-up subject to a 3% early withdrawal charge	One year soft lock-up subject to a 3% early withdrawal charge

ALLOCATION OF GAINS AND LOSSES:

At the end of each accounting period of the Partnership, any net capital appreciation or depreciation (determined after all Partnership expenses are taken into account, and including current income and realized and unrealized appreciation and depreciation) for the accounting period then ended will be tentatively allocated to all Capital Accounts of the Partnership (including the Capital Account of the General Partner) in proportion to their respective Capital Account balances at the beginning of such accounting period. (See "*Incentive Allocation and Loss Recovery Account*" below, and "*Allocation of Gains and Losses*.")

INCENTIVE ALLOCATION AND LOSS RECOVERY ACCOUNT:

At the end of each fiscal year of the Partnership or upon a Limited Partner's withdrawal of all or any portion of a Capital Account, the applicable Incentive Percentage (as defined below) of the aggregate net capital appreciation (determined after all Partnership expenses, including the Management Fee (as defined below), are taken into account) temporarily allocated to each Capital Account of a Limited Partner (or the applicable Capital Account of a withdrawing Limited Partner with respect to the portion withdrawn) for such fiscal year (or elapsed portion thereof) will be reallocated to the Capital Account of the General Partner (the "Incentive Allocation"), subject to the "high water mark" provision discussed below. The "Incentive Percentage" is equal to: (i) fifteen percent (15%) with respect to capital accounts corresponding to Class A Interests, and (ii) twenty percent (20%) with respect to capital accounts corresponding to Class B Interests.

The General Partner shall have the right to fully or partially waive any Incentive Allocation with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners.

The Partnership will maintain a memorandum loss recovery account for each Capital Account (a "Loss Recovery Account") so that, in general, for purposes of calculating the Incentive Allocation, previously unrecouped losses in prior years will be deducted from any gains in succeeding years. Each Loss Recovery Account will be charged with any net capital depreciation allocated to the corresponding Capital Account. Amounts in a Loss Recovery Account will be proportionately

reduced for withdrawals of capital.

FEES AND EXPENSES; MANAGEMENT FEE:

The Partnership will bear its own expenses, including expenses directly related to transactions and positions for the Partnership's account, interest expenses, brokerage commissions, custodial fees, taxes, blue sky fees, costs of borrowing securities to be sold short, research and due diligence fees and expenses (including any research and/or due diligence related travel) and materials (including online news and quotation services, computer hardware and software used for research, Bloomberg service, etc.), initial and periodic legal, audit, administration and accounting fees and expenses, expenses associated with regulatory and statutory filings, investor reporting costs, insurance expenses, withholding or transfer taxes, consulting fees and expenses, professional fees and expenses, expenses or fees related to third party providers of middle-office or back-office services, outsourced risk analytics and advisory services, software and advisory services, market data services, and other similar fees and expenses. The Partnership will also pay, or reimburse the General Partner and/or the Investment Manager for, the Partnership's initial and ongoing offering expenses as well as its organizational fees and expenses. To the extent any Partnership expenses are advanced by the General Partner or the Investment Manager on behalf of the Partnership, such expenses will be promptly reimbursed.

The Investment Manager and the General Partner will bear their own rent and similar overhead expenses, in addition to the salaries and benefits of their employees.

In addition, the Partnership will pay the Investment Manager a management fee (the "Management Fee") payable quarterly in advance on the first day of each calendar quarter at a rate equal to the applicable Management Fee Percentage (as defined below) of the net asset value of each Capital Account as of such day, including any capital contributions made as of such day, but before the accrual of any Incentive Allocation. The "Management Fee Percentage" is equal to (i) one and one-quarter percent (1.25%) per annum (i.e., 0.3125 per quarter), with respect to Class A Interests, and (ii) one and three-quarters percent (1.75%) per annum (i.e., 0.4375 per quarter), with respect to Class B Interests. Once paid, the Management Fee is non-refundable. Capital contributions made as of times other than the first day of a calendar quarter will be assessed a pro rata Management Fee. (See "*Allocation of Gains and Losses*" and "*Management Fee; Fees and Expenses*.") The Investment Manager shall have the right to fully or partially waive the Management Fee with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners.

WITHDRAWALS: Subject to the conditions described herein, a Limited Partner may make a withdrawal from its Capital Account as of the last day of any calendar quarter or on any other date the General Partner permits, in its sole discretion (a "Withdrawal Date"). Withdrawals will be deemed made on a first-in, first-out basis, unless the General Partner determines otherwise.

A Limited Partner who withdraws any portion of its Capital Account prior to the (i) one-year anniversary of such Limited Partner's admission to the Partnership, with respect to Class B Interests, or (ii) two-year anniversary of such Limited Partner's admission to the Partnership, with respect to Class A Interests, will be subject to a withdrawal charge (retained by the Partnership) equal to 3% of the amount being withdrawn (the "Early Withdrawal Charge"), which will be deducted from the withdrawal proceeds such Limited Partner will receive.

For all classes of Interests, a Limited Partner must provide irrevocable written notice to the General Partner of his desire to make a withdrawal as of a Withdrawal Date at least forty-five (45) days prior to such Withdrawal Date.

Subject to the foregoing, a Limited Partner withdrawing amounts from a Capital Account generally will be paid an amount equal to at least ninety five percent (95%) of the amount to be withdrawn, net of any Incentive Allocation and accrued expenses (including the Early Withdrawal Charge, if applicable) through the Withdrawal Date, by no later than thirty (30) days after the Withdrawal Date, with the balance, if any, settled without interest no later than thirty (30) days after completion of the audit of the Partnership's financial statements for the year of the withdrawal.

The right of any Limited Partner to receive amounts withdrawn is subject to the provision by the General Partner for all Partnership liabilities and for reserves for estimated or accrued expenses and for unknown or contingent liabilities (whether or not required by U.S. generally accepted accounting principles). (See "*Outline of Limited Partnership Agreement - Withdrawals*.") The General Partner, in its discretion, may distribute securities or other property of the Partnership, selected by the General Partner in its discretion, in lieu of, or in addition to, cash.

Any of the conditions relating to withdrawals set out in this Memorandum (including, without limitation, the Withdrawal Dates, notice periods, the lock-up period and/or the Early Withdrawal Charge) may be waived or reduced, as applicable, by the General Partner, in its discretion, from time to time with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners.

KEY MAN PROVISION:	In the event that both Richard C. ten Wolde and Daniel J. Yairi (i) retire from the Investment Manager or the General Partner, (ii) die, (iii) are declared legally incompetent by a recognized court of law, (iv) become disabled due to a mental or physical condition, as determined by a doctor licensed in New York State and selected by the Investment Manager in its sole discretion, such that he is unable to participate materially in the day-to-day management of the Investment Manager and the General Partner in substantially the same manner as immediately before the onset of his incapacity, or (v) otherwise cease to be involved in the day-to-day management of the Investment Manager and the General Partner for more than ninety (90) consecutive days (each, a "Key Man Event"), the Investment Manager will give written notice to the Limited Partners within fifteen (15) days of such occurrence. Following the notification of a Key Man Event, a Limited Partner may withdraw all or any portion of its Capital Accounts as of the last day of the calendar month that is at least forty-five (45) days after such Limited Partner receives such notification, upon the provision of at least thirty (30) days' prior written notice from such Limited Partner to the Partnership, subject to any limitations on withdrawals that may exist at the time. A Limited Partner who withdraws its Interests upon the occurrence of a Key Man Event will not be charged any otherwise applicable Early Withdrawal Charge with respect to such Interest.
REQUIRED WITHDRAWALS:	The General Partner will have the right to require any Limited Partner to fully or partially withdraw from the Partnership at any time and for any reason or no reason upon at least three (3) days prior written notice (which may be given to a Limited Partner by e-mail or otherwise). In such event, withdrawal payments will be made in the same manner as described in the section entitled "Withdrawals" above. A Limited Partner who is required to withdraw its Interests pursuant to a required withdrawal will not be charged any otherwise applicable Early Withdrawal Charge with respect to such Interest. (See "*Outline of Limited Partnership Agreement - Required Withdrawals*.")
FISCAL YEAR:	The Partnership's fiscal year ends on each December 31st.
RISK FACTORS:	The trading program of the Partnership involves significant risks. (See "*Certain Risk Factors*.")
CONFLICTS OF INTEREST:	The General Partner, the Investment Manager and/or their principals may manage and render services to other private investment entities and accounts, some of which may have trading programs that are substantially similar or identical to the Partnership's trading program. As a result, the General Partner, the Investment Manager, their principals and any of their managers, members and employees may need to allocate their time, as well as trading opportunities, between the Partnership and such other entities or accounts. The General Partner, the Investment Manager, their principals and any of their managers, members and employees are required to devote only such amount of time to the

	Partnership as they, in their discretion, deem necessary, and may also devote a substantial portion of their time and attention to other entities, accounts, investments and activities.
BROKERAGE COMMISSIONS:	Portfolio transactions for the Partnership's positions are allocated by the Investment Manager to brokers on the basis of "best execution" and in consideration of such broker's provision and/or payment of the cost of research and/or other services which are of benefit to the Partnership and/or other entities or accounts managed by the General Partner, the Investment Manager or their affiliates. (See "*Brokerage Commissions; Turnover*.")
LIMITED PARTNER REPORTS:	Limited Partners will receive from the Partnership: (i) periodic unaudited reports, no less frequently than quarterly, regarding the Partnership's performance; (ii) annual audited financial statements of the Partnership, within 120 days after the end of the Partnership's fiscal year, or as soon thereafter as is practicable; and (iii) annual tax information for the preparation of their respective U.S. federal income tax returns. (See "*Outline of Limited Partnership Agreement – Reports to Partners*.")
SUBSCRIPTION FOR AN INTEREST:	Persons interested in subscribing for an Interest will be furnished, and be required to complete and return to the Administrator, a Subscription Agreement and certain other documents. (See "*Subscription for an Interest*.")
AUDITOR:	EisnerAmper, LLP One Market Street, Suite 620 San Francisco, California 94105
LEGAL COUNSEL:	Kleinberg, Kaplan, Wolff & Cohen, P.C. 551 Fifth Avenue, 18th Floor New York, New York 10176
INTRODUCING BROKER:	Concept Capital Markets, LLC 1010 Franklin Avenue, Suite 303 Garden City, New York 11530
PRIME BROKER/ CUSTODIAN:	JP Morgan Clearing Corp. One Chase Manhattan Plaza New York, New York 10005
ADMINISTRATOR:	Opus Fund Services 1812 High Grove Lane, STE 101 Naperville, Illinois 60540

USE OF PROCEEDS

Substantially all of the proceeds from the sale of the limited partnership interests (the "Interests") will be available for the trading program of Falconwood Fund, LP (the "Partnership"), provided that the Partnership will reimburse the General Partner and/or the Investment Manager (each as defined below) for the Partnership's organizational expenses (including the cost of preparing this Confidential Private Offering Memorandum (this "Memorandum"), the Partnership's Limited Partnership Agreement (the "Partnership Agreement") and Subscription Agreement). (See "*Management Fee; Fees and Expenses*.")

CLASSES OF INTERESTS

Limited Partners making subscriptions to the Partnership will receive "Class A Interests," or "Class B Interests." Class A Interests and Class B Interests, together with such other classes of interests as the General Partner determines in its discretion, shall be referred to herein as the "Interests."

While Class B Interests will be offered to all investors, the Class A Interests are "Founders Interests" and the General Partner intends to offer these classes only to select investors, as determined by the General Partner in its sole discretion and described below.

Class A Interests will be offered to investors who invest a minimum of $1,500,000 prior to the 6-month anniversary of the launch of the Partnership (the "Founders Class Offering Period"), or such later time and/or in excess of such amount as determined by the General Partner in its sole discretion. A Limited Partner who purchased Class A Interests during the Founders Class Offering Period shall be entitled to purchase additional Class A Interests at any subsequent date.

Class A Interests and Class B Interests have the same rights, privileges, preferences and terms, except with respect to the Management Fee Percentage (as defined below) and the Incentive Percentage (as defined below).

The differences between Class A Interests and Class B Interests are summarized below:

	Class A Interests	**Class B Interests**
Management Fee	0.3125% per quarter (approximately 1.25% annually)	0.4375% per quarter (approximately 1.75% annually)
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Lock-Up	Two year soft lock-up subject to a 3% early withdrawal charge	One year soft lock-up subject to a 3% early withdrawal charge

The Partnership may issue additional classes of limited partnership interests on such terms and with such rights attached thereto as the General Partner determines in its discretion, and which terms and rights may differ from those set forth in this Memorandum. Such classes

may have, among other things, different trading strategies and different Management Fees, Incentive Allocations and/or withdrawal terms than those described herein.

TRADING PROGRAM

General

The Investment Manager seeks to grow capital by delivering absolute returns over an entire market cycle while preserving capital during market downturns. The Investment Manager invests in equities it concludes are trading significantly below its internal estimate of the actual value, and also takes short positions in companies the Investment Manager views as overvalued due to fundamental issues.

The Investment Manager focuses on small-cap and mid-cap companies, as it believes these companies are often overlooked by investors and Wall Street, which can create pricing inefficiencies. Typically, an initial target company has a market capitalization ranging from $200 million to $5 billion. The Investment Manager believes that small- and mid-cap companies historically have delivered higher capital appreciation than other asset classes. For example, since 1970, small-cap value stocks gained nearly 15% annually, while large-caps gained roughly 11%[1]. Studies stretching back to the Great Depression have published results highlighting similar outperformance by small-caps.

The Partnership intends to be fairly concentrated, allowing the Investment Manager to focus on only those positions it considers best ideas. Typically, the Partnership will be comprised of 10 to 25 long positions along with 5 to 20 short positions, but the Investment Manager may elect to hold more or fewer positions in its sole discretion. This concentrated strategy allows for diversification while permitting the Investment Manager to develop a comprehensive profile of each company. Typically, position sizes for longs range from 5% to 15% of assets, and shorts range from 1% to 7%. However, the Investment Manager may exceed those guidelines in its sole discretion.

While the Partnership is long biased, the portfolio does have the capacity to be net short. The combination of long and short positions typically nets to -25% to +75%, excluding cash. The Partnership may use leverage at times when it believes there is a favorable opportunity set, which compels the Investment Manager to take advantage of the environment. Gross exposure is generally less than 150%. Cash is managed to provide the Partnership with liquidity in order to take advantage of discounted prices in current or potential holdings. When the opportunity set is less favorable, the cash reserve of the Partnership may be substantial.

U.S. and Canadian companies will account for the majority of the Partnership's portfolio Investment, but the Investment Manager has the flexibility to make international investments to take advantage of opportunities abroad.

[1] Ibbotson Associates

Investment Philosophy

The Investment Manager's methodology emphasizes company-specific research, identifying those companies with market values significantly below their intrinsic values or, in the case of short positions, companies deemed overvalued relative to their prospects.

The Partnership will generally not engage in rapid turnover of positions and intends to be a long-term holder of the securities in its portfolio. Long holdings, for instance, are expected to deliver significant price appreciation within a three-year period. However, to help curb risk, the Investment Manager carefully considers the downside risk for each position, endeavoring to ensure that there is what is commonly referred to as a "margin of safety." A good deal of time is spent assessing the potential impact of a variety of negative events. Pressures might include increased competition in the industry, lagging customer demand, a general economic downturn, or an act of God. Only when the Investment Manager is comfortable that the current valuation of a company offers attractive risk/reward and some protection from negative scenarios will an investment be initiated.

Generally, the Partnership's goal is to find companies with solid business models, attractive returns on invested capital and free cash flow generation. In addition, we prefer management teams that are incented and behave as owners and stewards of capital, aiming to deliver shareholder value. When a company fits the profile, we then look to take advantage of what we conclude is a temporary mispricing. A stock's downturn might be triggered by a host of reasons -- such as an overreaction to a passing operational problem, a general industry sell off or an indifferent or negative view of the company. Before investing, and as part of its margin-of-safety analysis, the Investment Manager examines the cause of the mispricing and the investment argument that runs counter to its own.

The Partnership's short book is comprised of companies viewed by the Investment Manager as struggling with fundamental issues or suffering from damaged business models. Generally, the Investment Manager is only interested in those companies where it has a view that differs from the supporters, including overly optimistic sell-side and buy-side analysts. Among other factors, the Investment Manager evaluates each potential company's finances and outlook, paying particular attention to companies exhibiting low quality earnings or cash flow, those priced for perfection and those benefiting from unsustainably high margins. Companies with high debt levels but shaky operations, as well as those struggling with acquisitions, are also potential targets for short investments.

As with the portfolio's long positions, the Investment Manager thoroughly evaluates the risk and reward of each potential short position. This process allows us to gauge the potential return, as well as limit losses should our thesis prove wrong or the investment ill-timed. Although short positions provide a hedge to market risk, each position is selected for bottom-up reasons and is expected to deliver an absolute return. The Investment's Manager is cautious with short candidates already indicating high short interest, as this may reflect that the negative view is already well understood. As with any long position, the Investment Manager is interested in only those opportunities in which a variant view can be developed through independent research and analysis.

Each position, long or short, is subjected to a multi-factor scenario analysis, forcing careful consideration of events that could influence the results of our investment.

Investment Process

To name a few sources, the Investment Manager generates investment ideas through proprietary screens, industry knowledge, management changes or actions, broad reading and trusted peers. Those potential investments that pass our preliminary valuation, business strength/weakness and outlook assessment are evaluated further, as we analyze a target's business model, competitive environment, finances, results and prospects. At this time, it is important for us to begin to fully assess the reasons the investment opportunity exists and to examine the consensus view.

The next filter involves rigorous due diligence which revolves around primary research that includes a dissection of public documents, the company's finances, as well as its strategy, products and competitive position. During this phase, the research team works up a comprehensive profile of the company, which typically includes collecting information from company rivals, suppliers, industry experts, former employees, investors and the executives themselves. This process provides the Investment Manager with a thorough understanding of the company, and perhaps, more importantly, uncovers data points not commonly understood by other investors.

Information gathered during this stage provides a clearer understanding of the key business drivers and provides the Investment Manager with what it believes are better inputs for its financial forecasts. During this stage, the Investment Manager identifies a catalyst, such as a new product introduction or failure, which will spur other investors to reevaluate the stock, thus closing the gap between the current price and our target price. This element is a key to improving the timing of an initial position or the management of an existing one. It also helps reduce investments with indeterminate payoff periods.

As mentioned above, each potential position is subjected to scenario analysis, allowing for careful consideration of the potential reward and risk of each investment. This spectrum of outcomes is incorporated into what the Investment Manager calculates as the expected target price and potential return of an investment. This aspect of the process has a direct bearing on position sizing. Each holding is sized based on expected return, conviction and timeliness. However, risk, as well as volatility and liquidity, each play a role in determining the ultimate size of an investment. In general, short positions are typically limited to about half the size of long positions, in accordance with the Partnership's long bias, and as an acknowledgement of the inherent risk and limited upside of short positions.

Finally, position sizing is also done with deliberate attention to sector weightings and market exposure, which are managed to provide diversification and hedging of market risk. The Investment Manager does not adjust its sector exposure with reference to any particular index or preconceived plan. The aim is to deliver a well-diversified portfolio. Once in the Partnership, each position is continuously monitored and re-evaluated as new information emerges.

As a security nears its target price, it is management practice to begin culling the position. This assumes there has not been a significant development prompting a recalibration of the target price.

In summary, the Investment Manager aims to build wealth while managing risk, through a combination of holdings in undervalued long positions and overvalued short positions. The portfolio is a concentrated selection of small- and mid-cap companies, most of which are headquartered in North America. Regardless of where a company is domiciled, the Investment Manager's philosophy and process stresses the importance of deep-dive fundamental research. Each position is vetted for its risk and reward potential and sized accordingly. As a position nears its target price, the holding is trimmed and then eliminated with the assets deployed in opportunities indicating higher expected returns.

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The General Partner, in its sole discretion, may at any time convert the Partnership into a "feeder fund" in a master-feeder fund structure whereby the Partnership's trading program will be carried out by a master trading vehicle in which the Partnership is an equity holder. In such event, the Partnership will bear its pro rata share of such master fund's expenses.

THE PARTNERSHIP'S TRADING PROGRAM ENTAILS SUBSTANTIAL RISKS AND THERE CAN BE NO ASSURANCE THAT THE PARTNERSHIP'S OBJECTIVES WILL BE ACHIEVED. THE PRACTICES OF SHORT SELLING, THE USE OF LEVERAGE AND OTHER TECHNIQUES WHICH THE INVESTMENT MANAGER MAY EMPLOY FROM TIME TO TIME ON BEHALF OF THE PARTNERSHIP CAN, IN CERTAIN CIRCUMSTANCES, INCREASE THE ADVERSE IMPACT TO WHICH THE PARTNERSHIP'S PORTFOLIO MAY BE SUBJECT. (See "*Certain Risk Factors*.")

GENERAL PARTNER; INVESTMENT MANAGER

General Partner

Falconwood Advisors, LLC, a Delaware limited liability company formed in July 2013, will serve as the General Partner of the Partnership (the "General Partner") and will manage the day-to-day affairs of the Partnership as well as perform certain administrative functions for the Partnership.

Investment Manager

Falconwood Partners, LLC, a Delaware limited liability company formed in June 2013, will serve as the Investment Manager of the Partnership (the "Investment Manager") and will be responsible for making all trading decisions on behalf of the Partnership in accordance with an Investment Management Agreement between the Partnership and the Investment Manager (the "Investment Management Agreement").

The Investment Manager is not currently registered as an investment adviser with the Securities and Exchange Commission (the "SEC") under the Advisers Act, but may do so in the future.

The principals of both the General Partner and the Investment Manager are Richard C. ten Wolde and Daniel J. Yairi.

Richard C. ten Wolde

Prior to forming Falconwood Partners, from 2006 to 2013, Mr. ten Wolde was a co-portfolio manager and senior analyst at Glenrock Asset Management, a value-oriented hedge fund with a 20-year history. His responsibilities included generating ideas and initiating positions in undervalued longs with significant upside potential relative to the downside risk, as well as identifying short targets, fundamentally weak companies and those poised to fall short of surrounding hype. In addition, he closely managed positions, incorporating new information; directed exit strategy; and served as the lead analyst on a variety of industries.

Preceding his tenure at Glenrock, Mr. ten Wolde was a top-tier financial journalist for 11 years, mostly employed by Dow Jones & Co. While at Dow Jones, he researched and wrote in-depth features, investigative articles and made investment recommendations, which appeared in The Wall Street Journal, Barron's, Fortune and other publications.

From 2004 to 2006, Mr. ten Wolde attended Columbia Business School, concentrating on investment management, as part of the Knight-Bagehot Fellowship. Mr. ten Wolde graduated with a BS in Journalism from the University of Maryland in 1992.

Daniel J. Yairi

Mr. Yairi has been a portfolio manager or analyst at value-oriented long/short hedge funds since 2004. From 2008-2013 Mr. Yairi was a co-portfolio manager and senior analyst at Glenrock Asset Management. While there, his focus was primarily on the short side where he sought out ideas with significant downside potential. Additionally, he opportunistically invested in special situations such as rights offerings and distressed debt, as well as other undervalued long ideas. He also built portfolio analytical tools and worked closely with back office operations.

Prior to Glenrock, Mr. Yairi was the first analyst at both Litmus Capital and Praesidium Investment Management, each fundamental long/short hedge funds. While at Litmus he built the fund's highly successful short book including several short ideas in housing and financials leading up to and during the economic collapse of 2008. At Praesidium, his focus was on building detailed financial models to quantify the normal earning power of potential investments.

From 2000-2003, Mr. Yairi worked as an analyst at the management consulting firm McKinsey and Co. and from 1995-1998 he was an analyst at CCI, Inc., the private equity arm of Chicago's Crown Family. He earned a B.A. in Economics from the University of Illinois in 1995, as well as a M.B.A. from Stanford Graduate School of Business in 2000.

INVESTOR SUITABILITY

The purchase of Interests should be considered as a long-term investment. A prospective investor, in determining whether Interests are a suitable investment, should consider carefully that there will be a limited number of Interests sold, the transferability thereof will be limited and

no public or secondary market will develop for Interests. The Interests have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and accordingly cannot be resold unless each is so registered or an exemption from such registration requirement is available, state securities laws are complied with and the consent of the General Partner is obtained. Investors will be required to acknowledge in writing to the Partnership that they understand that the Limited Partnership Agreement will indicate such restrictions and that their Interests may not be resold except in compliance with such provisions. A registration statement relating to the Interests has not and will not be filed with the securities department of any state or with the SEC. (See "*Certain Risk Factors"* and *"Outline of Limited Partnership Agreement*.")

In addition, the Limited Partnership Agreement provides for other restrictions on the transfer of Interests. Accordingly, Interests are suitable investments only for selected qualified investors who fully understand, are willing to assume, and who have the financial resources necessary to understand the risks involved in the Partnership's trading program and to bear the potential loss of their entire investment in the Partnership. Each prospective investor is urged to consult with his own professional advisers to determine the suitability of an investment in the Partnership, and the relationship of such an investment to such prospect's overall investment program and financial and tax position. Each investor is required to further represent that, after all necessary advice and analysis, an investment in the Partnership is suitable and appropriate for him in light of the foregoing considerations.

The General Partner reserves the right, in its discretion, to accept or reject any subscription to purchase an Interest for any reason or no reason. Subscription monies will be returned without interest if a subscription is rejected by the General Partner.

The Partnership will sell Interests primarily to U.S. persons and, potentially, to non-U.S. persons, who, in all cases, qualify as "accredited investors" within the meaning of Rule 501(a) of the Securities Act (for the qualifying criteria of an "accredited investor" see the Partnership's Subscription Agreement).

If the General Partner determines that any Partner (as defined below) satisfies the suitability requirements of another investment fund managed by the General Partner, the Investment Manager or one of their affiliates that has substantially the same trading strategy, portfolio and investment terms (including, fees and withdrawal provisions that are substantially the same or more favorable than those of the Partnership) as the Partnership (an "Affiliated Investment Fund"), the General Partner may, in its discretion, cause such Partner to withdraw and transfer the value of its Capital Accounts (as defined below) to such Affiliated Investment Fund.

PROSPECTIVE INVESTORS ARE CAUTIONED TO REFER TO THIS MEMORANDUM FOR A DISCUSSION OF THE PROVISIONS OF THIS OFFERING AND RISKS AND OTHER FACTORS RELATIVE TO AN INVESTMENT IN THE PARTNERSHIP.

FISCAL YEAR

The Partnership's fiscal year ends on December 31st of each calendar year.

ALLOCATION OF GAINS AND LOSSES

Capital Accounts

Upon each Partner's admission to the Partnership, a capital account ("Capital Account") will be established on the books of the Partnership for such Partner in the amount of such Partner's initial capital contribution. A separate Capital Account will be established for each capital contribution made by a Partner to the Partnership for purposes of calculating the Incentive Allocation (as defined below). An investor admitted to the Partnership shall become a limited partner of the Partnership (such admitted investors, "Limited Partners", and together with the General Partner, "Partners").

Incentive Allocation

At the end of each accounting period of the Partnership, any net capital appreciation[2] or net capital depreciation[3] for the accounting period then ended will be tentatively allocated to all Capital Accounts of the Partnership (including the Capital Account of the General Partner) in proportion to their respective Capital Account balances at the beginning of such accounting period. At the end of each fiscal year of the Partnership or upon a Limited Partner's withdrawal of all or any portion of a Capital Account, the applicable Incentive Percentage (as defined below) of the aggregate net capital appreciation (determined after all Partnership expenses, including the Management Fee (as defined below), are taken into account) temporarily allocated to each Capital Account of a Limited Partner (or the applicable Capital Account of a withdrawing Limited Partner with respect to the portion withdrawn) for such fiscal year (or elapsed portion thereof) will be reallocated to the Capital Account of the General Partner (the "Incentive Allocation"), subject to the "high water mark" provision discussed below. The "Incentive Percentage" is equal to: (i) fifteen percent (15%) with respect to capital accounts corresponding to Class A Interests, and (ii) twenty percent (20%) with respect to capital accounts corresponding to Class B Interests.

For purposes of calculating the Incentive Allocation, net capital appreciation with respect to a Capital Account will be deemed reduced by the unrecovered balance, if any, in such Capital

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[2] "Net capital appreciation" refers to the excess, if any, of the value of the Partnership's net assets at the end of each accounting period (without taking into account withdrawals of capital at the end of the accounting period and determined after taking all Partnership expenses into account) over the value of the Partnership's net assets at the beginning of such accounting period (determined after giving effect to capital contributions made effective as of the beginning of such accounting period).

[3] "Net capital depreciation" refers to the excess, if any, of the value of the Partnership's net assets at the beginning of each accounting period (determined after giving effect to capital contributions made effective as of the beginning of such accounting period) over the value of the Partnership's net assets at the end of such accounting period (without taking into account withdrawals of capital at the end of the accounting period and determined after taking all Partnership expenses into account).

Account's corresponding Loss Recovery Account. The "Loss Recovery Account" is a memorandum account, established by the Partnership for each Capital Account upon the establishment of such Capital Account, the opening balance of which is zero. At each date that an Incentive Allocation is to be determined, the balance in each Loss Recovery Account will be charged with aggregate net capital depreciation allocated to the corresponding Capital Account since the last date on which a calculation of the Incentive Allocation was made (or in the case of the first such calculation for a Capital Account, since the establishment of such Capital Account) and credited, but not above zero, by aggregate net capital appreciation allocated to such Capital Account since such date. In the event that a Limited Partner with an unrecovered balance in a Loss Recovery Account withdraws a portion of his capital from the corresponding Capital Account, the unrecovered balance in such Loss Recovery Account will be proportionately reduced. Additional capital contributions will not affect any Loss Recovery Account. The effect of having the Loss Recovery Account is to reduce, only for purposes of calculating the Incentive Allocation, the amount of net gain for a particular period by any net loss for prior periods, and thereby to reduce the Incentive Allocation otherwise allocable during the later period.

The Limited Partnership Agreement provides that the General Partner may amend the provisions of the Limited Partnership Agreement relating to the Incentive Allocation so that it conforms to any applicable requirements of the SEC and other regulatory authorities, so long as such amendment does not increase the Incentive Allocation to more than twenty percent (20%) of the net capital appreciation allocated to a Limited Partner without such Limited Partner's consent. Moreover, the Limited Partnership Agreement provides that the General Partner may declare distributions from the Partnership to the Partners at any time.

The General Partner shall have the right to fully or partially waive any Incentive Allocation with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners. The Partnership, with the consent of the General Partner, may also allocate a portion of the Incentive Allocation to one or more third parties (including affiliates of the General Partner and the Investment Manager) who refer investors to the Partnership or perform other services for the General Partner and/or the Investment Manager.

Separate Memorandum Accounts; New Issues

In the event the General Partner determines that, based upon tax or regulatory reasons, or any other reasons as to which the General Partner and a Limited Partner agree, such Limited Partner should not participate in the net capital appreciation or net capital depreciation, if any, attributable to trading in any security, type of security or to any other transaction, the Limited Partnership Agreement permits the General Partner to allocate such net capital appreciation and net capital depreciation only to the Capital Accounts of the Partners to whom such reasons do not apply. In addition, if for any of the reasons described above or below, the General Partner determines that a Limited Partner should have no interest whatsoever in a particular security, type of security or transaction, the Limited Partnership Agreement permits the General Partner, without the consent of the Limited Partners, to set forth the interests in any such security in a separate memorandum account and the net capital appreciation and net capital depreciation for each such memorandum account shall be separately calculated.

Without limiting the reasons for establishing a separate memorandum account, one reason may be restrictions upon certain Limited Partners participating in so-called "new issues" — initial public offerings of equity securities. The General Partner may, in its discretion, establish a separate memorandum account so that the following Limited Partners will not be allocated any share (or, if applicable, a reduced share) of the Partnership's investments in "new issues": (i) Limited Partners who are not permitted, or who may not be permitted under certain circumstances, to participate in profits resulting from "new issue" securities under rules and regulations of the Financial Industry Regulatory Authority, Inc. ("FINRA"), (ii) Limited Partners who fail to provide the Partnership with sufficient information to establish that they are eligible to participate in such profits, and (iii) Limited Partners who indicate that they wish not to be allocated such profits. For the avoidance of doubt, the General Partner may, in its discretion, fully or partially restrict a Limited Partner's participation in the Partnership's "new issues" profits (if any), even if such restriction is not required by FINRA rules.

MANAGEMENT FEE; FEES AND EXPENSES

Pursuant to the Investment Management Agreement, the Partnership will pay the Investment Manager a management fee (the "Management Fee") payable quarterly in advance on the first day of each calendar quarter at a rate equal to the applicable Management Fee Percentage (as defined below) of the net asset value of each Capital Account as of such day, including any capital contributions made as of such day, but before the accrual of any Incentive Allocation. The "Management Fee Percentage" is equal to (i) one and one-quarter percent (1.25%) per annum (i.e., 0.3125 per quarter), with respect to Class A Interests, and (ii) one and three-quarters percent (1.75%) per annum (i.e., 0.4375 per quarter), with respect to Class B Interests. Capital contributions made as of times other than the first day of a calendar quarter will be assessed a pro rata Management Fee. Once paid, the Management Fee is not refundable.

The Investment Manager shall have the right to fully or partially waive the Management Fee with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners. The Partnership, with the consent of the Investment Manager, may also pay a portion of the Management Fees due to the Investment Manager to one or more third parties (including affiliates of the Investment Manager and the General Partner) who refer investors to the Partnership or perform other services for the Investment Manager and/or the General Partner.

The Partnership will bear its own expenses, including expenses directly relating to transactions and positions for the Partnership's account, interest expenses, brokerage commissions, custodial fees, taxes, blue sky fees, costs of borrowing securities to be sold short, research and due diligence fees (including any research and/or due diligence related travel) and materials (including online news and quotation services, computer hardware and software used for research, Bloomberg service, etc.), initial and periodic legal, audit, administration and accounting fees and expenses, expenses associated with regulatory and statutory filings, investor reporting costs, withholding and transfer taxes, consulting fees and expenses, professional fees and expenses, expenses or fees related to third party providers of middle-office or back-office services, outsourced risk analytics and advisory services, software and advisory services, market data services, and other similar fees and expenses. The General Partner may also cause the Partnership to purchase liability and other insurance for the benefit of the Partnership, the General Partner, the Investment Manager and their principals, members, managers and

employees. The General Partner and the Investment Manager will be responsible for paying their rent and similar overhead expenses, in addition to the compensation and benefits of their employees. To the extent that any Partnership expenses are advanced by the General Partner or the Investment Manager on behalf of the Partnership, such expenses will be promptly reimbursed. To the extent any expenses are incurred by the General Partner or the Investment Manager on behalf of the Partnership and one or more other investment vehicles or accounts managed by the General Partner, the Investment Manager or their respective affiliates, the General Partner will allocate such expenses in a reasonable manner among the Partnership and such other investment vehicles and accounts.

The Partnership will pay, or reimburse the General Partner and/or the Investment Manager for, the Partnership's initial and ongoing offering expenses as well as its organizational fees and expenses (including the costs of preparing this Memorandum and the Limited Partnership Agreement). Organizational costs may be amortized by the Partnership for tax purposes over 180 months under Section 709 of the Internal Revenue Code of 1986, as amended (the "Code"), and for accounting purposes may be amortized over 60 months or such other period deemed appropriate by the General Partner. U.S. generally accepted accounting principles ("GAAP") may require that such costs be expensed when incurred for accounting purposes. Even if GAAP requires expensing when incurred, for purposes of determining the Partnership's net asset value such costs may be amortized over 60 months or such other period deemed appropriate by the General Partner in its discretion, and the net asset value determination therefore may differ from GAAP. Amortization of organizational expenses may, in certain circumstances, result in a qualification of the Partnership's annual audited financial statements.

(See "*Allocation of Gains and Losses*" for a description of the General Partner's Incentive Allocation.)

CERTAIN RISK FACTORS

An investment in the Partnership involves substantial risks, and prospective investors should carefully consider, among other factors, the risks described below. These risk factors are not intended to be an exhaustive listing of all potential risks associated with an investment in the Partnership:

Limited Operating History. The Partnership has a limited operating history upon which investors can evaluate the likely performance of the Partnership. The prior performance of any other entity or account managed by the General Partner, the Investment Manager, Mr. ten Wolde or Mr. Yairi, or any other entity with which Mr. ten Wolde or Mr. Yairi has been affiliated, should not be relied upon to predict the future performance of the Partnership.

Business Dependent Upon Key Individuals. The Limited Partners will have no authority to make decisions or to exercise business discretion on behalf of the Partnership. The authority for all such decisions is delegated to the General Partner and the Investment Manager. The success of the Partnership, therefore, is expected to be significantly dependent upon the expertise and efforts of the General Partner and the Investment Manager and, more particularly, of Mr. ten Wolde and Mr. Yairi. (See "*General Partner; Investment Manager*.") The ownership and

control of one or both of the General Partner and the Investment Manager may change without the approval of any particular Limited Partner.

Concentration of Investments. The Partnership is not restricted in the amount of its capital that it may commit to any single security, geographic region, industry, sector or market, and at times the Partnership may hold a relatively large concentration in a particular security, geographic region, industry, sector or market. Losses incurred in those positions could have a material adverse effect on the Partnership's overall financial condition. This is because the value of Interests will be more susceptible to any single occurrence affecting one or more of those issuers, geographic regions, industries, sectors or markets than would be the case with a more diversified investment portfolio.

Absence of Regulatory Oversight. While the Partnership may be considered similar to an investment company, it is not registered as such under the Investment Company Act of 1940, as amended (the "1940 Act"), in reliance upon an exemption available to privately offered investment companies and, accordingly, the provisions of the 1940 Act (which, among other things, require investment companies to have a majority of disinterested directors, require securities held in custody to be individually segregated at all times from the securities of any other person and to be marked to clearly identify such securities as the property of such investment company, and regulate the relationship between the advisor and the investment company) are not applicable. Because securities of the Partnership held by brokers are generally not held in the Partnership's name, a failure of any such broker is likely to have a greater adverse impact on the Partnership than if such securities were registered in the Partnership's name.

The Investment Manager is not currently registered as an investment adviser with the SEC or with any other jurisdiction, although it may do so in the future. It is anticipated that the activities of the Partnership will be such that neither the Investment Manager nor the General Partner will be (or be required to be) registered under the Commodity Exchange Act as either a commodity pool operator or commodity trading advisor.

Limited Liquidity; No Secondary Market. An investment in the Partnership is suitable only for sophisticated investors who have no need for current liquidity. An investment in the Partnership provides limited liquidity since Interests are not freely transferable and Limited Partners generally are permitted to make withdrawals of capital from the Partnership only on a quarterly basis, subject to the limitations and charges described herein, including, but not limited to, the one-year soft lock-up with respect to Class B Interests, the two-year soft lock-up with respect to Class A Interests and the Early Withdrawal Charge. Substantial withdrawals by Limited Partners within a short period of time could also require the Partnership to liquidate positions more rapidly than would otherwise be desirable, possibly reducing the value of the Partnership's assets and/or disrupting the Partnership's trading program. There is no secondary market for Interests and none is likely to develop in the future. The Partnership may invest a portion of its assets in illiquid securities. The Partnership may not be able to readily dispose of such illiquid securities and, in some cases, may be contractually prohibited from disposing of such securities for a specified or indefinite period of time. Withdrawal distributions may be made in kind. (See "*Allocation of Gains and Losses*," "*Certain Risk Factors — In-Kind Distributions*" and "*Investor Suitability*.")

Certain Investors. Certain prospective Limited Partners may be subject to laws, rules and regulations which may regulate their participation in the Partnership, or their engaging directly, or indirectly through an investment in the Partnership, in trading strategies of the types which the Partnership may utilize from time to time. Prospective Limited Partners are strongly urged to consult with their legal and tax advisors prior to investing in the Partnership.

Indemnification; Trade Errors. Subject to applicable law, the Limited Partnership Agreement and the Investment Management Agreement contain broad indemnification provisions that require the Partnership to indemnify and hold the General Partner, the Investment Manager and their respective principals, members and managers, as applicable, harmless from any losses or costs incurred by them except in certain limited circumstances. (See "*Outline of Limited Partnership Agreement – Indemnification*.") The Partnership has also agreed to indemnify the Administrator in certain limited circumstances described in the Administration Agreement (each as defined below).

The Partnership (and, to the extent permitted by applicable law, not the General Partner, the Investment Manager or their respective affiliates or personnel) shall (i) be responsible for any losses resulting from trading errors and similar human errors, absent bad faith, gross negligence or willful misconduct in the performance of the obligations and duties of the General Partner, the Investment Manager or their respective affiliates or personnel in respect of the Partnership, as the case may be, or (ii) receive the gain from such trading errors, as the case may be. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements.

Side Letter Agreements. The Partnership, the General Partner and the Investment Manager may enter into "side letter" agreements with certain Limited Partners pursuant to which they may provide such Limited Partners with preferential terms with respect to their investment in the Partnership, including, without limitation, with respect to Management Fees, Incentive Allocations, withdrawal terms (including the frequency of withdrawals and/or required notice periods) and/or transparency (including portfolio transparency). It is anticipated that such side letter agreements may be provided to Limited Partners that make commitments (in amount and/or period of time) to the Partnership in excess of thresholds established by the General Partner in its discretion, however, the Partnership, the General Partner or the Investment Manager may also provide side letter agreements to other Limited Partners in its discretion. As a result of the terms provided in such side letter agreements, certain Limited Partners may be better able to assess the prospects and performance of the Partnership than other Limited Partners, and may be able to withdraw capital from the Partnership at times when other Limited Partners may not. Subject to applicable law and contractual requirements, the Partnership, the General Partner and the Investment Manager do not intend to disclose the terms of such side letter agreements and do not intend to disclose the identities of the Limited Partners that have entered into such agreements with the Partnership, the General Partner or the Investment Manager.

Access to Information. The Investment Manager may provide certain additional information to any Limited Partner or prospective Limited Partner who requests such information. This information may be provided in response to questions and requests and in connection with due diligence meetings and other communications, but will not be distributed to

other Limited Partners and prospective Limited Partners who do not request such information. Such information may affect a prospective Limited Partner's decision to invest in the Partnership, and Limited Partners (which may include personnel and affiliates of the Investment Manager) may be able to act on such additional information and withdraw their Interests potentially at higher values than other Limited Partners. Any such withdrawals may result in reduced liquidity for other Limited Partners and, in order to meet larger or more frequent redemptions, the Partnership may need to maintain a greater amount of cash and cash-equivalent investments than it would otherwise maintain, which may reduce the overall performance of the Partnership. Each Limited Partner is responsible for asking such questions as it believes are necessary in order to make its own investment decisions, must decide for itself whether the limited information provided by the Investment Manager is sufficient for its needs, and must accept the foregoing risks.

Separately Managed Accounts. The Investment Manager and/or its affiliates may render advice to one or more separately managed accounts. Such accounts may invest on a pari passu basis with the Partnership and have portfolios that are substantially similar to the Partnership's portfolio. The investors in such separately managed accounts may have the right to withdraw all or a portion of their capital from such managed accounts on shorter notice and/or with more frequency than the terms described in this Memorandum. In addition, since a managed account investor directly owns the investments held in its separately managed account, such investor may have full, real-time transparency as to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that is substantially similar to the Partnership's portfolio. Limited Partners may not be provided with comparable transparency.

As a result of the foregoing, the Investment Manager and/or its affiliates may be required to withdraw from investments on behalf of such managed accounts in order to satisfy withdrawals from such managed accounts. The Investment Manager is under no obligation to withdraw from an investment on behalf of the Partnership at such time, and may determine to hold such positions for the Partnership for an indefinite period of time. The Investment Manager may determine to add to the Partnership's positions that are being withdrawn by such managed accounts. Withdrawals from investments for the benefit of such managed accounts may have an adverse effect on the value of the Partnership's investment. In addition, the value realized by such managed account in connection with such withdrawals may differ from the value realized by the Partnership when it disposes of the same positions at a later time. (See "Conflicts of Interest.")

Investment and Trading Risks. All investments risk the loss of capital. The Investment Manager believes that the Partnership's trading program and the Investment Manager's trading techniques will moderate this risk. However, no guarantee or representation is made that the Partnership's trading program will be successful or that the Partnership will not incur losses. The Partnership's trading program may utilize techniques including, but not limited to, the use of leverage and short sales, which in practice can, in certain circumstances, increase the adverse impact to which the Partnership may be subject.

The Partnership will attempt to assess the foregoing risk factors, and others, in determining the extent of the position it will take in the relevant positions and the price it is willing to pay for such positions. However, such risks cannot be eliminated.

Herding Risk. The substantial growth of the hedge fund industry, including banks and investment banks trading large, highly-leveraged positions of the same nature as those held by hedge funds, has augmented herding risks. While the Investment Manager typically may not invest in companies that are broadly followed by other funds or investment banks, such funds or investment banks may later discover opportunities in the same companies in which the Partnership has already invested. Whatever the "fair price" of a security or a relationship, its trading price is sometimes radically altered or influenced by the market activity of traders executing parallel trading programs. This factor may provide surprising and sudden losses at unpredictable times, even after long periods of calm. The negative impact of herding is greatest when markets are under stress and traders holding large leveraged positions (a strategy not pursued by the Partnership) seek to liquidate or cover positions simultaneously.

Risk of Default or Bankruptcy of Third Parties. The Partnership intends to engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, the Partnership could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid. In addition, the Partnership could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Partnership does business, or to which securities have been entrusted for custodial purposes. For example, if one of the Partnership's prime brokers or custodians were to become insolvent or file for bankruptcy, the Partnership could suffer significant losses with respect to any securities held by such firm.

Equity Securities. The Partnership may from time to time trade in both listed securities that are traded on a securities exchange and unlisted securities that are traded over-the-counter. The volume of trading in unlisted securities is generally less than that found on securities exchanges. Therefore, it may be more difficult to buy and sell these securities, which increases the volatility of their share prices. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of issuers, the market in which such companies compete as well as market conditions and general economic environments.

Short Sales. A short sale involves the sale of a security that the Partnership does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Partnership must borrow the security and the Partnership is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the Partnership. When the Partnership makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss to the Partnership. The extent to which the Partnership will engage in short sales will depend upon the Investment Manager's trading strategy and perception of market direction.

Small to Medium Capitalization Companies. The Partnership may invest a material portion of its assets in the stocks of companies with small- to medium-sized market capitalizations. While the Investment Manager believes these investments often provide

significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some of such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks. Such companies may also not be covered or followed by as many financial analysts as companies with larger market capitalizations, and therefore, there may be less information available to the Investment Manager with respect to the finances, operations and prospects of such small and mid-cap companies. The lack of such information could lead to riskier investments by the Partnership.

Convertible Securities. The market value of convertible securities, as with all fixed income securities, tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus, may not decline in price to the same extent as the underlying common stock. If a convertible security held by the Partnership is called for redemption, the Partnership will be required to permit the issuer to redeem the security, convert it into the underlying stock or sell it to a third party. Any of these actions could have an adverse effect on the Partnership's ability to achieve its objectives.

Securities of Non-U.S. Companies. Investments in securities of non-U.S. issuers (including non-U.S. governments) and securities denominated in, or the prices of which are quoted in, non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks which could include expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. issuers. Transaction costs of investing in non-U.S. securities markets are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers outside the United States than there is in the United States. The Partnership might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which, in some markets, could at times fail to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Partnership's performance.

Exchange Traded Funds ("ETFs"). The Partnership may trade in ETFs. ETFs are generally structured to invest in all or a representative sample of the securities that generally replicate the price and yield performance of an underlying market index or sector such as a broad stock market, industry sector, domestic or international equity or fixed income, or U.S. or foreign government bond. ETF shares are traded on stock exchanges and markets at open market prices that generally track the net asset value per share of the ETF. Direct issuances and redemption of ETF shares at the ETF's net asset value per share only occur in large blocks (or creation units) transacted between the ETF and authorized institutional purchasers on an in-kind basis. An exchange traded sector fund may be adversely affected by the performance of that specific sector

or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic, political instability in other nations and/or other factors. Although index-based ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indices, ETFs may not be able to replicate exactly the performance of the indices because of their expenses and other factors. ETF shares may trade at either a discount or premium to their underlying net asset value. The purchase or sale of ETF shares on the secondary market involves the payment of brokerage commissions, and the purchase and redemption of creation units involves other transaction costs and brokerage commissions. Investors in ETFs also directly bear the ETF's costs associated with its payment of investment management fees and fees for administrative, custodial or other services and thus the Limited Partners will indirectly incur an additional layer of fees and expenses.

Hedging Transactions. The Investment Manager is not required to attempt to hedge portfolio positions in the Partnership and, for various reasons, may determine not to do so. Furthermore, the Investment Manager may not anticipate a particular risk so as to hedge against it. While the Partnership may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Partnership than if it had not engaged in any such hedging transaction. For a variety of reasons, the Investment Manager may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Partnership from achieving the intended hedge or expose the Partnership to risk of loss. The success of the Partnership's hedging strategies is subject to the Investment Manager's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the positions in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Partnership's hedging strategy is also subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner.

Foreign Investments. The Partnership may trade in non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the United States. Such transactions require consideration of certain risks not typically associated with investing in United States securities or property. Such risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the United States or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

Currency Risks. The Partnership may invest in financial instruments denominated in currencies other than the U.S. Dollar or in financial instruments which are determined with references to currencies other than the U.S. Dollar. The Partnership, however, will generally value its assets in U.S. Dollars. To the extent unhedged, the value of the Partnership's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes of its investments in the

various local markets and currencies. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which the Partnership may make investments will reduce the effect of increases and magnify the U.S. Dollar equivalent of the effect of decreases in the prices of the Partnership's financial instruments in their local markets. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Partnership's non-U.S. Dollar financial instruments.

Derivatives Generally. Derivative instruments, or "derivatives," include options, futures, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, financial assets, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, financial asset, currency or index at a fraction of the cost of investing in the underlying asset. There is no assurance that derivatives that the Investment Manager may trade, directly or indirectly, on behalf of the Partnership will be available at any particular times upon satisfactory terms or at all.

The value of a derivative is frequently difficult to determine and depends largely upon price movements of the underlying asset. Therefore, many of the risks applicable to trading an underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement in the underlying asset can not only result in the loss of the entire investment, but may also expose the Partnership to the possibility of a loss exceeding the original amount it invested. Over-the-counter derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for derivatives is relatively illiquid. In the case of over-the-counter derivatives contracts, the Partnership is subject to the credit risk of the counterparty.

The Investment Manager may take advantage, directly or indirectly, of opportunities for the Partnership with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the trading objective of the Partnership and legally permissible. Special risks may apply to instruments that are traded by the Partnership in the future that cannot be determined at this time or until such instruments are developed or traded by the Partnership.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), certain over-the-counter derivatives contracts will be subject to regulation through registered clearing houses and regulated by the SEC and the CFTC. Once this occurs, such contracts will be traded more like futures and options contracts, and parties to such transactions will trade standardized contracts and will face clearing corporations as contractual counterparties, rather than facing the credit risk of counterparties under individually negotiated over-the-counter agreements.

In addition, swap dealers and major swap participants (entities that are not swap dealers, but are subject to rules governing certain dealers due to their levels of activity) will be subject to regulatory oversight and requirements with respect to over-the-counter derivatives, which will include business conduct requirements, such as know-your-customer rules, increased risk disclosure and rules requiring trades to be documented within certain timeframes. Derivative contracts, whether cleared or traded over-the-counter, will have to be reported to the CFTC and/or the SEC. Despite these pending changes, parties to over-the-counter derivative trades (i.e., those not yet subject to the new clearing requirements) will continue to bear counterparty credit risk.

Many Dodd-Frank Act rules relating to swaps and securities-based swaps that will be promulgated by the SEC have not been finalized, and the CFTC and SEC are both expected to conduct further rulemaking and/or provide further guidance with respect to the Dodd-Frank Act. The effect that the foregoing regulatory changes will have on the price of derivative contracts, liquidity and administrative costs and effects resulting from increased transparency, among other things, remains unclear.

Credit Default Swaps. The Partnership may purchase and sell credit derivatives contracts – primarily credit default swaps – both for hedging and other purposes. The typical credit default contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. In addition, the parties may be required to post collateral to secure their obligations, which can reduce the amount of collateral or funds available for other purposes.

The Partnership may also purchase and sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Partnership is subject to certain risks. In circumstances in which the Partnership does not own the debt securities that are deliverable under a credit default swap, the Partnership is exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. In either of these cases, the Partnership would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Partnership incurs leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Partnership will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Partnership following a credit event and will likely choose the obligations with the lowest market value in

order to maximize the payment obligations of the Partnership. See "Certain Risk Factors—Derivatives Generally" for a description of the regulatory implications of the Dodd-Frank Act.

Interest Rate Risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The Partnership may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Partnership will be successful in fully mitigating the impact of interest rate changes.

Purchase of Distressed Securities, Etc. The Partnership may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy, reorganization or other liquidation proceedings. Although such investments may produce significant returns to the Partnership, they involve a high degree of risk over a potentially lengthy period of time, and may provide less liquidity than many other investments. Investment in these types of securities requires sophisticated analysis and there can be no assurance that the Partnership will accurately predict various factors that could affect the prospects of a successful restructuring. Many of these investments ordinarily remain stagnant until the applicable company reorganizes and/or emerges from bankruptcy proceedings, and, as a result, may have to be held for an extended period of time.

The Dodd-Frank Act established the Orderly Liquidation Authority (the "OLA"), an insolvency regime for large, interconnected financial companies, including broker-dealers, whose failure poses a significant risk to the financial stability of the United States. The Partnership may invest in such large, interconnected financial companies and therefore may face losses if such financial companies are put into receivership and then liquidated upon a determination by the U.S. Federal Deposit Insurance Corporation and the board of governors of the U.S. Federal Reserve. If a financial company becomes liquidated by the OLA, the Partnership's investments in such a financial company could be adversely affected. Unlike in bankruptcy proceedings, creditors, shareholders and contract counterparties will not have any input into, or advanced notice about, the liquidation or reorganization of the applicable financial company. Many of the procedural rules for the OLA have not yet been written, and it is unclear how financial companies that become subject to liquidation proceedings would be affected.

Put Options. The Partnership may trade, directly or indirectly, in put options on individual securities. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline

in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing his entire investment in the call option.

Forward Trading. The Partnership may engage, directly or indirectly, in forward trading. Forward contracts (including foreign exchange) and options thereon are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on a an individual basis. Forward and "cash" trading is substantially unregulated -- there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration, which could result in substantial losses to the Partnership.

Futures Trading. The Partnership may trade, directly or indirectly, futures. The Investment Manager is not registered with the CFTC as a commodity pool operator or commodity trading advisor. However, the Investment Manager may trade, directly or indirectly, a limited amount of futures contracts for the Partnership without so registering in reliance on an exemption from registration under CFTC Rule 4.13(a)(3). As a result, the Investment Manager, unlike a registered commodity pool operator or commodity trading advisor, will not be required to deliver a disclosure document and annual report to Limited Partners, and will not be subject to certain other disclosure and recordkeeping rules applicable to registered entities.

Futures trading is very speculative, largely due to the traditional volatility of futures prices. Futures prices are affected by and may respond rapidly to a variety of factors, including, without limitation, market and news reports, interest rates, national and international political or economic events, and domestic or foreign trade, monetary or fiscal policies or programs. Such rapid response might include an opening price on an affected futures contract sharply higher or lower than the previous day's close. In such an instance, the Partnership might be unable to adjust its positions in time to avoid a loss.

Commodity futures prices are highly volatile. Price movements of futures contracts are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies, and national and international political and economic events.

Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Partnership from promptly liquidating unfavorable positions and subject the Partnership to substantial losses. In addition, pursuant to the Dodd-Frank Act, the CFTC has published final rules setting forth position limits which could adversely affect the Partnership's trading. The status of these position limits is currently in doubt. On September 28, 2012, the federal district court in the District of Columbia declared the limits invalid.

Options on Futures. Trading options on futures involves a high degree of risk. The risks of trading options on futures are similar to the risks of trading securities options, but often involve even greater leverage and risks. In addition, if the purchaser of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks as are attendant to futures trading.

Fixed Income Securities. The Partnership may trade, directly or indirectly, in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations, or debt securities issued or guaranteed by a sovereign government or one of its agencies or instrumentalities. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

The Partnership may trade, directly or indirectly, in fixed income securities which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Leverage. Leverage is the use of borrowed funds for investment. Such borrowed funds would generally be obtained by using securities the Partnership owns as collateral. Leverage may also be obtained through other means including the use of derivative instruments. To the extent the Partnership purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Partnership's use of leverage would result in a lower rate of return than if the Partnership were not leveraged. If the amount of borrowings which the Partnership may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Partnership's portfolio will have a disproportionately large effect in relation to its capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains

made with the additional monies borrowed will generally cause the value of the Partnership's assets to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies fails to cover their cost to the Partnership, the value of the Partnership's assets will generally decline faster than would otherwise be the case.

The amount of any borrowing may also be limited by regulations imposed by the Federal Reserve Board or by the availability and cost of credit. If, due to market fluctuations or other reasons, the value of the Partnership's assets should fall below required regulatory levels, the Partnership will be required to reduce its debt by selling securities in its long portfolio.

Competition. The securities industry and the varied strategies and techniques to be engaged in by the Investment Manager are extremely competitive and each involves a degree of risk. The Partnership will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

In-Kind Distributions. Although the General Partner expects to liquidate all of the Partnership's positions prior to the dissolution of the Partnership and distribute only cash to the Partners, there can be no assurance that the General Partner will meet this objective. In addition, if significant withdrawals are requested, the General Partner may be unable to liquidate the Partnership's investments at the time such withdrawals are requested or may be able to do so only at prices which the Investment Manager believes do not reflect the true value of such investments and which would adversely affect the Partners. Under the foregoing circumstances, the Limited Partners may receive in-kind distributions, if permitted by law or by contract, which in-kind distributions may include financial instruments, equity securities and other assets or instruments held by the Partnership as well as equity interests in subsidiaries of the Partnership, interests in special purpose vehicles holding assets owned by the Partnership or participation interests in assets owned by the Partnership. Such securities and instruments, which will be selected by the Investment Manager in its discretion, need not represent a pro rata portion of each position held by the Partnership, may not be readily marketable or saleable and may have to be held by the Limited Partner, or by the General Partner in trust for the Limited Partner, for an indefinite period of time. In addition, in-kind distributions may be made when the General Partner or the Investment Manager deems it advisable for tax purposes.

For the purpose of determining the value to be ascribed to any assets of the Partnership used for an in-kind distribution, the value ascribed to such assets will be the value of such assets on the relevant Withdrawal Date. The risk of a decline in the value of such assets in the period from the relevant Withdrawal Date to the date upon which such assets are distributed to the withdrawing Limited Partner, and the risk of any loss or delay in liquidating such assets, will be borne by the withdrawing Limited Partner.

Incentive Allocation. The allocation of the Incentive Allocation to the General Partner, an affiliate of the Investment Manager, may create an incentive for the Investment Manager to cause the Partnership to make trades that are riskier or more speculative than would be the case if such allocation were not made. The Incentive Allocation was set by the General Partner without negotiations with any third party.

Valuation. To the extent that the Partnership trades in securities or instruments for which market quotations are not readily available, the valuation of such securities and instruments will be determined by the General Partner, in its discretion, the determination of which will be final and conclusive as to all parties. The General Partner may, but is not required to, obtain independent market quotations for or appraisals of, such assets at the expense of the Partnership. As the Incentive Allocation made to the General Partner and the Management Fee paid to the Investment Manager are based directly or indirectly on the Partnership's net asset value, the General Partner will have a conflict of interest in valuing these assets.

Price Risk. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Partnership invests may decline or rise substantially. In particular, purchasing assets at prices that may appear to be "undervalued" levels is no guarantee that such assets will not be trading at even more "undervalued" levels at the time of valuation or at the time of sale. Similarly, shorting assets at prices that may appear to be "overvalued" levels is no guarantee that such assets will not be trading at even more "overvalued" levels at the time of valuation or at the time of sale.

Counterparty Risk. Many of the markets in which the Partnership effects its transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This exposes the Partnership to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. The Investment Manager is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of the Partnership to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership.

The Partnership's investment strategy requires extensive use of transactions that expose the Partnership to the credit of its counterparties, and vice versa. For example, the Partnership will seek to borrow against long positions, to borrow securities intending to sell them short and to enter into long and short derivative positions. All of these transactions, and transactions similar to them, are governed by documents, industry standards, market custom and practice, the parties' prior course of dealing and by the covenant of good faith and fair dealing. At times, and especially in times of market stress, these credit exposures may come under stress, normal business conduct may be interrupted and normal legal protections may prove inadequate or may fail to provide timely relief. Should it become necessary to remove or reduce exposure to a particular counterparty, there can be no guarantee that a satisfactory alternative will be available, or even if one is available, that the Partnership will be able to avail itself of that alternative. As a consequence, it is possible that any unwinding of the credit exposure may prove costly and thereby damage the Partnership.

Contingency Reserves. The Partnership, at any time, in the discretion of the General Partner may establish holdbacks for liabilities and reserves for contingencies, whether or not required by U.S. GAAP. The establishment of such reserves or holdbacks will not insulate any portion of the Partnership's assets from being at risk, and such assets may still be traded by the Partnership. A pro rata portion of any holdback or reserve may be withheld from distribution to a withdrawing Limited Partner.

Accounting for Uncertainty in Income Taxes. ASC 740, "Income Taxes" (in part formerly known as "FIN 48"), which is part of GAAP, provides guidance on the recognition of uncertain tax positions. ASC 740 may require an entity reporting in accordance with GAAP to reserve a liability for income taxes on its books. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on recognition, measurement, classification and interest and penalties with respect to tax positions. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the net asset value of the Partnership, including reducing the net asset value of the Partnership to reflect reserves for income taxes that may be payable in respect of current and/or prior periods by the Partnership. This could cause benefits or detriments to certain Limited Partners, depending upon the timing of their entry and exit from the Partnership.

Changes and Uncertainty in U.S. and International Regulation. The Partnership may be adversely affected by uncertainties such as international and domestic political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries to which the Partnership is exposed through its investments or investor base. The tax and regulatory environment for hedge funds is evolving, and changes in the regulation or tax treatment of hedge funds and their investments may adversely affect the value of positions held by the Partnership, and may impair its ability to pursue its trading strategy. During this period of uncertainty, market participants may react quickly to unconfirmed reports or information and as a result there may be increased market volatility. This unpredictability could cause the Investment Manager to alter investment and trading plans, including the holding period of positions and the nature of instruments used to achieve the Partnership's trading objective.

In the U.S., the Partnership, the Investment Manager and the General Partner may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the Financial Stability Oversight Council, and other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. In addition, the securities and futures markets are subject to comprehensive statutes and regulations including margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The Dodd–Frank Act and the rules promulgated thereunder could result in the Partnership, the Investment Manager and the General Partner becoming subject to additional regulatory compliance burdens and trade reporting, which may add significant cost to the Partnership. The Dodd-Frank Act endows the SEC, the CFTC, and other regulators with discretionary authority to write and interpret new rules. The ultimate impact of the Dodd-Frank Act on the Partnership, the Investment Manager and the General Partner is unclear and will depend in large part on the regulations that the CFTC and SEC

promulgate. None of the Investment Manager, the General Partner or the Partnership undertakes to update Limited Partners upon finalization of any such regulations.

No Separate Legal Counsel. Kleinberg, Kaplan, Wolff, & Cohen P.C. ("KKWC") acts as U.S. legal counsel to the Partnership, the General Partner, the Investment Manager and their respective affiliates. The Partnership does not have legal counsel separate and independent from legal counsel to the Investment Manager and the General Partner. KKWC does not represent Limited Partners in the Partnership, and no independent counsel has been retained to represent Limited Partners in the Partnership.

KKWC's representation of the Partnership, the General Partner, the Investment Manager and their respective affiliates is limited to specific matters as to which it has been consulted by the General Partner and/or the Investment Manager. There may exist other matters that could have a bearing on the Partnership as to which it has not been consulted. In addition, KKWC does not undertake (nor does it intend) to monitor the compliance of the General Partner, the Investment Manager and their respective affiliates with the trading program, valuation procedures and other guidelines set forth in this Memorandum, nor does it monitor compliance with applicable laws. In preparing this Memorandum, KKWC relied upon information furnished to it by the General Partner, the Investment Manager and/or their respective principals, and did not investigate or verify the accuracy and completeness of information set forth herein.

OTHER ACTIVITIES OF THE GENERAL PARTNER, INVESTMENT MANAGER; CONFLICTS OF INTEREST

The Limited Partnership Agreement and the Investment Management Agreement do not require the General Partner, the Investment Manager, their principals or any of their affiliates, members, managers or officers (including Mr. ten Wolde and Mr. Yairi), to devote all or any specified portion of its or their time to managing the Partnership's affairs, but only to devote so much time to such affairs as it or they reasonably believes is necessary in good faith. The General Partner, the Investment Manager, their principals and their respective members, managers and officers are not prohibited from engaging in any other existing or future business nor are they prohibited from investing on their own behalf or for the accounts of others as long as each of them acts in good faith with respect to the Partnership at all times.

The General Partner, the Investment Manager, their principals and their respective members, managers and officers may determine, in their discretion, to participate in investments with persons not affiliated with the Partnership.

The compensation earned by the General Partner, the Investment Manager, their principals and their respective members, managers and officers, if any, from such other activities may differ from the compensation and other amounts earned by the General Partner and the Investment Manager from the Partnership.

The General Partner, the Investment Manager, their principals and any of their members, managers and officers may manage and render services to other private investment entities and accounts, as a result of which they may need to allocate time, as well as trading opportunities, among the Partnership and such other entities and accounts. Certain of those entities and/or

accounts may have trading programs that are substantially similar or identical to the Partnership's trading program. When the Investment Manager determines that a particular trading opportunity would be desirable for the Partnership and any other entities or accounts managed by the Investment Manager or its affiliates, it will seek to allocate such opportunity between the Partnership and such other entities or accounts in a manner that it deems fair and equitable under the circumstances existing at such time. The factors that the Investment Manager may consider in making such determination include (but are not limited to): the relative amounts of capital in each entity and account available for new investments of the type at issue; the Investment Manager's perception of the appropriate risk/reward ratio for each entity and account; the intended trading strategy of each entity and account; the liquidity of each entity and account at the time of investment and thereafter; and the overall portfolio composition of each entity and account.

To the extent legally permissible, orders may be combined for the Partnership and all other entities and accounts managed by the Investment Manager and its affiliates, and if any order is not filled at a single price, the order may be allocated among such entities and accounts on an average price basis or on another permitted basis.

The Management Fee and the Incentive Allocation are based directly on the net asset value of the Partnership. In most circumstances, the valuations of the Partnership's assets will be based on independent market quotations from relevant counterparties, but obtaining such valuations is not required in each instance. To the extent that the Partnership trades in securities or other financial instruments which are not traded on an organized or liquid market, the valuation of such assets will be determined by the General Partner in its discretion. As a result, there will be a conflict of interest for the General Partner.

BROKERAGE COMMISSIONS; TURNOVER

In selecting brokers to effect portfolio transactions for the Partnership, the Investment Manager considers such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility and the provision or payment (or the rebate to the Partnership for payment) of the costs of property or services (e.g., short term custodial services, research services, news and quotation services, publications and other research and brokerage products or services). Accordingly, if the Investment Manager determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, the Partnership may pay commissions to such broker in an amount greater than the amount another broker might charge.

Soft dollar arrangements generally arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for an adviser in that such arrangements allow the adviser to pay certain expenses with client commissions that would otherwise be borne by the adviser.

It is expected that the use by the Investment Manager of commission or "soft" dollars to pay for research products or services will generally fall within the safe harbor for "soft" dollars created by Section 28(e) of the Securities Exchange Act of 1934, as amended. Such research services may include, without limitation: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial publications; statistical and pricing services along with software, databases and other technical and telecommunication services, lines and equipment utilized in the investment management process. Under Section 28(e), research obtained with "soft" dollars generated by the Partnership may be used by the Investment Manager to service accounts other than the Partnership. Generally, where a product or service obtained with commission dollars provides both research and non-research assistance to the Investment Manager, the Investment Manager will make a reasonable allocation of the cost which may be paid for with Partnership commission dollars.

The Investment Manager may also use soft dollars for expenses outside of the Section 28(e) "safe harbor" (although it currently does not intend to do so) including, without limitation, (i) investment related consultants which may include, fund administration, outsourced risk analytics and advisory services, outsourced compliance advisor(s), outsourced middle/back office services and/or software, portfolio construction and analysis services, and any other service providers expenses related to the Partnership achieving its stated objective; (ii) third party research services, quotation services, pricing services, trade execution services, middle/back office services and/or software and market data services; (iii) expenses associated with investment or research conferences or seminars, including travel lodging and other expenses; (iv) computer hardware or software, high-speed internet and intranet connection services, subscriptions to investment related publications, telephone charges, and cellular telephone charges.

With respect to those items which do not qualify for the 28(e) safe harbor, a potential conflict of interest may result from the fact that such non-safe harbor items may benefit the Investment Manager or other clients other than the Partnership. Additionally, if such items were not paid for with client commissions, then some or all of such items would be the obligation of the Investment Manager. Notwithstanding such conflict of interest, the Investment Manager will use such non-safe harbor items, if any, in good faith and further believes that these items will provide benefit to the Partnership.

In exercising its discretionary authority to select or arrange for the selection of brokers for execution of transactions for the Partnership, and, subject to its duty to obtain best execution, the Investment Manager may consider the value of research and brokerage products and services provided by such brokers and/or its affiliates. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research products may include, among other things, computer databases and quotation services, in each case, to access research or which provide research directly. Research services may include, among other things, research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic market quotations; performance measurement services; analyses concerning specific securities, companies, industries or sectors; market, economic and financial studies and forecasts; appraisal services; invitations to attend conferences or meetings

with management or industry consultants; and outsourced risk analytics, software and advisory services.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. A broker is not excluded from receiving business because it has not been identified as providing research services. The trading information received from various brokers may be used by the Investment Manager in servicing all its accounts and not all such information may be used by the Investment Manager in connection with the Partnership. Nonetheless, the Investment Manager believes that such trading information provides the Partnership with benefits by supplementing the research otherwise available to the Partnership.

The Investment Manager's trading approach may emphasize active management of the Partnership's portfolio. Consequently, the Partnership's portfolio turnover and brokerage commission expenses may from time to time be greater than for other types of investment vehicles.

The Investment Manager may also direct brokerage commissions on purchases or sales of securities to broker-dealers who advance the sale of Interests, consistent with best execution.

The General Partner may add additional brokers and custodians and/or replace one or more brokers and custodians from time to time in its discretion without notice to, or the consent of, the Limited Partners.

THE ADMINISTRATOR

The Partnership has entered into an agreement with Opus Fund Services (the "Administrator") to perform general administrative tasks for the Partnership. The fee payable to the Administrator will be based on its standard schedule of fees charged by the Administrator for similar services. The Administrator will, subject to the overall supervision of the General Partner, be responsible for the day-to-day administration of the Partnership, including the issue and withdrawal of partnership interests and the calculation of the Partnership's net asset value. The Administrator is responsible for, among other things:

(a) establishing and maintaining the register of Interests of the Partnership and generally performing all actions related to the issuance and transfer of Interests;

(b) performing due diligence on prospective investors and ensuring compliance with applicable anti-money laundering laws;

(c) performing all acts related to the withdrawal and/or subscription for the Interests; and

(d) performing all other incidental services necessary to its duties under the Administration Agreement.

The Administrator has delegated certain duties under the Administration Agreement to its affiliate, Opus Partnership Services (USA) LLC (the "Sub-Administrator"). Unless otherwise indicated, references in this Memorandum to the Administrator shall include the Sub-Administrator.

The Administrator and each of its affiliates, directors, officers, employees, agents or shareholders or any of them is entitled to indemnification from the Partnership in respect of the execution of the Administrator's duties under the Administration Agreement except in the case of willful misconduct or gross negligence by the Administrator of its obligations under the Administration Agreement.

The Administrator does not provide any investment advisory or management services to the Partnership and will not be in any way responsible for the Partnership's performance. The Administrator makes no representations or warranties and is not responsible for the accuracy of this Memorandum.

THE CUSTODIAN

The Partnership will maintain an account with J.P. Morgan Clearing Corp., which is a division of J.P. Morgan Chase & Co. ("JPM"), through which the Partnership may execute trades, borrow securities, clear and settle its securities transactions and maintain custody of its securities. The Investment Manager, at its sole discretion, may add or change prime broker(s) or custodian(s) relationships to attain the Partnership's objectives.

Concept Capital Markets, LLC ("CCM"), an introducing broker that has a correspondent relationship with JPM, provides brokerage services to the Partnership. CCM will also execute transactions for the Partnership. The provision by CCM to the Partnership of services and items (on terms that may or may not be more favorable than current market rates) may be a factor in the Investment Manager's selection of the broker on the execution of portfolio transactions for the Partnership. While CCM offers competitive commission rates, it is possible that by utilizing CCM, the Partnership may be charged a higher commission rate than may be available from other brokers for a particular transaction.

An affiliate of CCM provides the Partnership with middle and back office services along with risk analytics and advisory services.

OUTLINE OF LIMITED PARTNERSHIP AGREEMENT

The following outline summarizes the material provisions of the Limited Partnership Agreement that are not discussed elsewhere in this Memorandum. This outline is not definitive, and each prospective Limited Partner should carefully read the Limited Partnership Agreement, annexed hereto as Exhibit A, in its entirety.

Limited Liability. A Limited Partner is liable for debts and obligations of the Partnership only to the extent of his Interest in the Partnership in the fiscal year (or portion thereof) to which such debts and obligations are attributable. In order to meet a particular debt or obligation, a Limited Partner or former Limited Partner shall, to the extent required by applicable law, be required to make additional contributions or payments up to, but in no event in excess of, the

aggregate amount of returns of capital and other amounts actually received by him from the Partnership during or after the fiscal year to which such debt or obligation is attributable.

Term. The Partnership will have a perpetual life, unless a determination is made by the General Partner that the Partnership should be dissolved. The General Partner may dissolve the Partnership at any time in its discretion.

Capital Accounts. Upon admission to the Partnership, each Partner will have a Capital Account established on the books of the Partnership in the amount of such Partner's initial capital contribution. A separate Capital Account will be established for each capital contribution made by a Partner to the Partnership for the purposes of calculating the Incentive Allocation. At the end of each accounting period, each Capital Account will be (i) increased or decreased by its share of any net capital appreciation or depreciation for such accounting period (determined after taking all Partnership expenses into account); and (ii) decreased by any withdrawals or distributions from such Capital Account as of the end of such accounting period. At the end of each fiscal year, each Capital Account will be adjusted by any net capital appreciation which is not allocated to the General Partner as an Incentive Allocation. (See "*Allocation of Gains and Losses*.")

A partnership percentage will be determined for each Capital Account for each accounting period by dividing the value of such Capital Account as of the beginning of such accounting period by the aggregate value of all Capital Accounts as of the beginning of such accounting period ("Partnership Percentage").

Capital Contributions. The minimum initial capital contribution in the Partnership is $500,000, subject to the discretion of the General Partner to accept lesser amounts. With the prior approval of the General Partner, Limited Partners may make additional capital contributions to the Partnership as of the first day of any calendar month in an amount of at least $100,000, subject to the discretion of the General Partner to accept lesser amounts or to accept contributions at other times. The General Partner may, in its discretion, decline to accept all or any portion of an initial or additional contribution for any reason or no reason.

Management. The management of the Partnership is vested exclusively in the General Partner and the Investment Manager. The Limited Partners will have no part in the management of the Partnership and will have no authority or right to act on behalf of the Partnership in connection with any matter. The General Partner, and its principals, affiliates, members, managers and officers, may engage in any other business venture, whether or not such business is similar to the business of the Partnership, and neither the Partnership nor any Limited Partner will have any rights in or to such ventures or the income or profits derived therefrom.

Valuation of Partnership Assets. The Partnership's securities and other assets will be valued by the General Partner in accordance with the terms of the Limited Partnership Agreement and in accordance with GAAP. If market quotations are not readily available for certain securities and/or assets held by the Partnership, the valuation of such securities and assets will be determined by the General Partner in its discretion. All matters concerning valuation of securities, allocations among the Partners and accounting procedures, not expressly provided for in the Limited Partnership Agreement, will be determined by the General Partner, whose

determination is final and conclusive as to all Partners, absent manifest error. The General Partner may, from time to time, also establish or abolish reserves for estimated or accrued expenses and for unknown or contingent liabilities (whether or not required by GAAP).

Withdrawals. Subject to the conditions described herein, a Limited Partner may make a withdrawal from its Capital Account as of the last day of any calendar quarter or on any other date the General Partner permits, in its sole discretion (a "Withdrawal Date"). Withdrawals will be deemed made on a first-in, first-out basis, unless the General Partner determines otherwise.

A Limited Partner who withdraws any portion of its Capital Account prior to the (i) one-year anniversary of such Limited Partner's admission to the Partnership, with respect to Class B Interests, or (ii) two-year anniversary of such Limited Partner's admission to the Partnership, with respect to Class A Interests will be subject to a withdrawal charge (retained by the Partnership) equal to 3% of the amount being withdrawn (the "Early Withdrawal Charge"), which will be deducted from the withdrawal proceeds such Limited Partner will receive.

For all classes of Interests, a Limited Partner must provide irrevocable written notice to the General Partner of his desire to make a withdrawal as of a Withdrawal Date at least forty-five (45) days prior to such Withdrawal Date.

Any of the conditions relating to withdrawals set out in this Memorandum (including, without limitation, the Withdrawal Dates, notice periods, the lock-up period and/or the Early Withdrawal Charge) may be waived or reduced, as applicable, by the General Partner, in its discretion, from time to time with respect to one or more Limited Partners without notice to, or the consent of, the other Limited Partners.

The General Partner shall be entitled to make a withdrawal from its Capital Account at any time, whether or not on a Withdrawal Date, without notice to the Limited Partners.

Key Man Provision. In the event that both Richard C. ten Wolde and Daniel J. Yairi (i) retire from the Investment Manager or the General Partner, (ii) die, (iii) are declared legally incompetent by a recognized court of law, (iv) become disabled due to a mental or physical condition, as determined by a doctor licensed in New York State and selected by the Investment Manager in its sole discretion, such that he is unable to participate materially in the day-to-day management of the Investment Manager and the General Partner in substantially the same manner as immediately before the onset of his incapacity, or (v) otherwise cease to be involved in the day-to-day management of the Investment Manager and the General Partner for more than ninety (90) consecutive days (each, a "Key Man Event"), the Investment Manager will give written notice to the Limited Partners within fifteen (15) days of such occurrence. Following the notification of a Key Man Event, a Limited Partner may withdraw all or any portion of its Capital Accounts as of the last day of the calendar month that is at least forty-five (45) days after such Limited Partner receives such notification, upon the provision of at least thirty (30) days' prior written notice from such Limited Partner to the Partnership, subject to any limitations on withdrawals that may exist at the time. A Limited Partner who withdraws its Interests upon the occurrence of a Key Man Event will not be charged any otherwise applicable Early Withdrawal Charge with respect to such Interest.

Payment of Amounts Withdrawn. Subject to the foregoing, a Limited Partner withdrawing amounts from a Capital Account generally will be paid an amount equal to at least ninety five percent (95%) of the amount to be withdrawn, net of any Incentive Allocation and accrued expenses (including the Early Withdrawal Charge, if applicable) through the Withdrawal Date, by no later than thirty (30) days after the Withdrawal Date, with the balance, if any, settled without interest no later than thirty (30) days after completion of the audit of the Partnership's financial statements for the year of the withdrawal. The right of any Limited Partner to receive amounts withdrawn (whether voluntary or involuntary) is subject to the provision by the General Partner for all Partnership liabilities and reserves for contingencies whether or not required by U.S. generally accepted accounting principles.

The right of any Limited Partner to receive amounts withdrawn is subject to the provision by the General Partner for all Partnership liabilities and for reserves for estimated or accrued expenses and for unknown or contingent liabilities (whether or not required by U.S. generally accepted accounting principles).

The General Partner, in its discretion, may distribute securities or other property of the Partnership, selected by the General Partner in its discretion, in lieu of, or in addition to, cash. However, Limited Partners do not have the right to request to receive withdrawal proceeds in kind. In kind distributions may be effected by means of the issuance of interests in a liquidating entity. (See "*Certain Risk Factors – In-Kind Distributions.*")

Required Withdrawals. The General Partner will have the right to require any Limited Partner to fully or partially withdraw from the Partnership at any time and for any reason upon at least three (3) days prior written notice (which may be given to such Limited Partner by e-mail or otherwise). In such event, withdrawal payments will be made in the same manner as described in the section entitled "Payment of Amounts Withdrawn" above. A Limited Partner who is required to withdraw its Interests pursuant to a required withdrawal will not be charged any otherwise applicable Early Withdrawal Charge with respect to such Interest.

Suspension of Withdrawals. The General Partner may suspend the determination of net asset value of the Partnership and/or may suspend the right of any Limited Partner to withdraw capital from the Partnership and/or to receive a distribution from the Partnership upon the occurrence of any of the following circumstances:

(a) when any such determination of net asset value, withdrawal or distribution would result in a violation by the Partnership, the General Partner or the Investment Manager of the securities or commodities laws of the United States or any other jurisdiction or the rules of any self-regulatory organization applicable to the Partnership, the General Partner or the Investment Manager;

(b) when any securities exchange or organized interdealer market on which a significant portion of the Partnership's portfolio securities or other assets is regularly traded or quoted is closed (other than for holidays) or trading thereon has been suspended or restricted;

(c) when there exists any state of affairs as a result of which (i) disposal of a substantial part of the positions held by the Partnership would not be reasonably practicable and might seriously prejudice the Partners, or (ii) it is not reasonably practicable for the General Partner to determine fairly the value of the Partnership's net assets;

(d) when there exists a breakdown in the means of communication normally employed in determining the price of any of the Partnership's investments or the current prices on any market or exchange on which such investments are quoted;

(e) when the Partnership is unable to repatriate funds required for the purpose of making payments due on withdrawal or during any period in which any transfer of funds involved in the realization or acquisition of investments or payments due on withdrawals cannot be effected at normal rates of exchange;

(f) when the General Partner determines that such suspension is in the best interests of the Partnership; or

(g) when any event has occurred which calls for the termination of the Partnership.

Notice of any suspension will be given to any Limited Partner who has submitted a withdrawal request and to whom full payment of the withdrawal proceeds has not yet been remitted. If a withdrawal request is not rescinded by a Limited Partner following notification of a suspension, the withdrawal will generally be effected as of the last day of the calendar month in which the suspension is lifted, on the basis of the net asset value of the Partnership's assets at that time.

Death, Disability, etc. of a Limited Partner. In the event of the death, disability, incapacity, incompetency, termination, bankruptcy, insolvency or dissolution of a Limited Partner, the Interest of such Limited Partner in the Partnership will continue at the risk of the Partnership's business (*i.e.*, will continue to receive the Partnership's return) unless and until the Interest is withdrawn, whether voluntarily or involuntarily.

Assignability of Limited Partner's Interest. A Limited Partner may not assign his Interest in the Partnership in whole or in part, except by operation of law, nor substitute any other person as a Limited Partner, without the prior written consent of the General Partner, which may be withheld in its discretion.

Assignability of General Partner's Interest. The General Partner shall have the right to assign its interest in the Partnership to one or more other entities without the prior consent of the Limited Partners, provided that any assignee is under common "control" (as such term is defined in the federal securities laws) with the General Partner.

Admission of New Partners. New Partners, including general partners, may be admitted to the Partnership at such times as the General Partner determines. Each new Partner will be required to execute an agreement pursuant to which it becomes bound by the terms of the Limited Partnership Agreement.

Amendments to Limited Partnership Agreement. The Limited Partnership Agreement may be modified or amended at any time with the Consent of the Partnership (as defined below). Without the Consent of the Partnership, however, the General Partner may amend the Limited Partnership Agreement in order to effect any change that does not adversely affect the non-consenting Limited Partners in any material respect. For the avoidance of doubt, the extension of a benefit or waiver to one Limited Partner will not be deemed to adversely affect the other Limited Partners in any material respect. Each Partner, however, has the right to approve any amendment that would (a) reduce his Capital Account or rights of withdrawal therefrom; (b) increase the Incentive Allocation or the Management Fee; or (c) amend the provisions of the Limited Partnership Agreement relating to amendments.

"Consent of the Partnership" means the consent of the General Partner and a majority-in-interest of the Limited Partners (excluding non-voting Limited Partners) with respect to a particular action, it being understood that a Limited Partner will be deemed to have affirmatively consented to such action if it fails to notify the Partnership in writing of its objection to such action within thirty (30) days after receiving notice thereof. For these purposes, if a Limited Partner withdraws or is required to withdraw its entire investment in the Partnership prior to the implementation of a particular action for which the Consent of the Partnership is being sought, such Limited Partner will not be considered when determining whether a majority-in-interest of the Limited Partners has consented to such action.

Reports to Partners. The Partnership's independent accountants (selected by the General Partner) audit the Partnership's financial statements as of the end of each fiscal year. The first audit of the Partnership's financial statements is expected to be performed as of December 31, 2014, with such audit covering the period from the commencement of the Fund's trading operations through December 31, 2014, though the General Partner in its discretion may elect to have an audit performed at an earlier time.

The Partnership's initial auditors will be EisnerAmper, although the General Partner may appoint different auditors for the Partnership from time to time in its discretion. Within 120 days after the end of the fiscal year, or as soon thereafter as is practicable, the General Partner shall mail or cause to be mailed to each Partner such Partner's closing Capital Account, as well as audited financial statements of the Partnership, including a statement of financial condition and annual U.S. federal income tax information. The Partnership also provides periodic unaudited performance reports, no less frequently than quarterly, to the Limited Partners.

Exculpation. The Limited Partnership Agreement provides that the General Partner shall not be liable to the Limited Partners or the Partnership for any loss, damage, liability or expense except to the extent caused by the General Partner's bad faith, gross negligence or willful misconduct. The General Partner shall not be liable for any act or omission of its agents (including securities broker-dealers) who were selected, retained or engaged by the General Partner in good faith. The Investment Management Agreement contains substantially identical terms with respect to the Investment Manager.

Indemnification. The Limited Partnership Agreement provides that the Partnership is to indemnify the General Partner, and any employee, principal, officer, member, manager or agent of the General Partner, to the fullest extent permitted by law, from and against losses and

expenses, including judgments, settlements, attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or any threatened claim, action, suit or proceeding actually and reasonably incurred by such indemnified person, except to the extent that such losses or expenses result from such indemnified person's bad faith, gross negligence or willful misconduct. The Partnership shall, at the request of the General Partner, advance amounts and/or pay expenses as incurred in connection with the indemnification obligation. The Investment Management Agreement contains substantially identical obligations with respect to the Investment Manager. Nothing herein or in the Limited Partnership Agreement or the Investment Management Agreement is intended to limit, or will in any way limit, the rights available to the Partnership or Limited Partners in any manner that contravenes applicable securities laws.

INCOME TAX ASPECTS

Introduction

The following is a summary of certain material aspects of the U.S. federal income taxation of the Partnership and its Partners which should be considered by a potential purchaser of an Interest in the Partnership. A complete discussion of all tax aspects of an investment in the Partnership is beyond the scope of this Memorandum. The following summary is only intended to identify and discuss certain salient tax issues. This summary of certain tax considerations applicable to the Partnership is considered to be a correct interpretation of existing laws and regulations in force on the date of this Memorandum. No assurance can be given that changes in existing laws or regulations or in their interpretation will not occur after the date of this Memorandum or that such changes will not be applied retroactively.

This summary generally only discusses tax aspects that are applicable to individuals who are residents of the United States. This summary does not discuss tax considerations that may be applicable to other types of persons.

IRS Circular 230 Notice. To ensure compliance with requirements imposed by IRS Circular 230, prospective investors are informed that (A) any U.S. federal tax advice contained in this Memorandum is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code, (B) any such discussion herein is written in connection with the promotion or marketing (within the meaning of Circular 230) of the offering addressed herein, and (C) each prospective investor should consult with his own tax advisor concerning his particular circumstances.

In view of the complexities of U.S. federal and other income tax laws applicable to partnerships and securities transactions, a prospective investor is urged to consult with and rely solely upon his tax advisors to understand fully the federal, state, local and foreign tax consequences to that investor of such an investment based on that investor's particular facts and circumstances.

Classification of the Partnership

Under the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder (the "Regulations"), as in effect on the date of this Memorandum, including the "check the box" entity classification Regulations, so long as the Partnership complies with the Limited Partnership Agreement, the Partnership should be classified for U.S. federal income tax purposes as a partnership and not as an association taxable as a corporation. If it were determined that the Partnership should be classified as an association taxable as a corporation (as a result of changed interpretations or administrative positions by the Internal Revenue Service (the "Service") or otherwise), the taxable income of the Partnership would be subject to corporate income taxation when recognized by the Partnership, and distributions from the Partnership to the Partners, other than in certain redemptions of Interests in the Partnership, would be treated as dividend income when received by the Partners to the extent of the current or accumulated earnings and profits of the Partnership.

Even with the "check the box" Regulations, certain partnerships may be taxable as corporations for U.S. federal income tax purposes under the publicly traded partnership ("PTP") rules set forth in the Code and the Regulations. Interests in the Partnership will not be traded on an established securities market and will be offered only in transactions that are not required to be registered under the Securities Act. Under the private placement safe harbor set forth in the PTP Regulations, Interests in the Partnership will not be considered to be readily tradable on a secondary market or the substantial equivalent of a secondary market and thus the Partnership will not be classified as a PTP if:

> all Interests in the Partnership are issued in a transaction (or transactions) that is not required to be registered under the Securities Act; and
>
> the Partnership does not have more than 100 partners at any time during the taxable year of the Partnership (counting each beneficial owner of a partnership, grantor trust or S corporation (a "flow-through entity") as a partner if substantially all of the value of such owner's interest in the flow-through entity is attributable to the flow-through entity's interest (direct or indirect) in the Partnership and a "principal purpose" of the use of a tiered arrangement is to permit the Partnership to satisfy the above-mentioned 100-partner limitation).

In the event that the Partnership has more than 100 partners it will not satisfy the 100-partner safe harbor. The Partnership believes that, even if it does not satisfy a safe harbor, it would not be determined to be publicly traded under a facts and circumstances test and that even it were determined that the Partnership was a publicly traded partnership, the Partnership might be entitled to rely upon an exemption from treatment as a corporation for federal income tax purposes if 90% or more of the Partnership's gross income consisted of passive type "qualifying income." There can be no assurance, however, that the Partnership will be able to meet the conditions of an exemption.

It is assumed in the following discussion of tax considerations that the Partnership will be taxed as a partnership for U.S. federal income tax purposes.

Taxation of Partnership Operations

As a partnership, the Partnership is not itself subject to U.S. federal income tax but is required to file an annual partnership information return with the Service. Each Limited Partner is required to report separately on his income tax return his distributive share of the Partnership's net long-term and short-term capital gains or losses, ordinary income or loss, deductions and credits. The Partnership may utilize a variety of trading strategies which produce short-term and long-term capital gains (or losses), as well as ordinary income (or loss). As promptly as practicable after the end of each year, the Partnership will send annually to each Limited Partner a form showing his distributive share of the Partnership's items of income, gains, losses, deductions and credits.

A Limited Partner will be required to take such items of income and loss into account in the taxable year of the Limited Partner in which or with which the taxable year of the Partnership ends. Each Limited Partner will be subject to tax, and liable for such tax, on his distributive share of the Partnership's taxable income regardless of whether the Limited Partner has received or will receive any distribution of cash from the Partnership. Thus, in any particular year, a Limited Partner's distributive share of taxable income from the Partnership (and, possibly, the taxes imposed on that income) could exceed the amount of cash, if any, such Limited Partner receives or is entitled to withdraw from the Partnership.

Under Section 704 of the Code, a Limited Partner's distributive share of any Partnership item of income, gain, loss, deduction or credit is governed by the Limited Partnership Agreement unless the allocations provided by the Limited Partnership Agreement do not have "substantial economic effect." The Regulations promulgated under Section 704(b) of the Code provide certain "safe harbors" with respect to allocations which, under the Regulations, will be deemed to have substantial economic effect. The validity of an allocation which does not satisfy any of the "safe harbors" of these Regulations is determined by taking into account all facts and circumstances relating to the economic arrangements among the partners. While no assurance can be given, it is intended that the allocations provided by the Limited Partnership Agreement should have substantial economic effect. However, if it were determined by the Service or otherwise that the allocations provided in the Limited Partnership Agreement with respect to a particular item (or items) do not have substantial economic effect, each Limited Partner's distributive share of that item (or items) would be determined for tax purposes in accordance with that Limited Partner's interest in the Partnership, taking into account all facts and circumstances.

Cash distributions and withdrawals, to the extent they do not exceed a Limited Partner's basis in his interest in the Partnership, should not result in taxable income to that Limited Partner, but will reduce the Limited Partner's tax basis in the Partnership interest by the amount distributed or withdrawn. Cash distributed to a Limited Partner in excess of the basis in his Partnership interest is generally taxable as capital gain, but may be ordinary income in certain circumstances. A distribution of property other than cash generally will not result in taxable income or loss to the Limited Partner to whom it is distributed.

The Limited Partnership Agreement provides that the General Partner may specially allocate items of Partnership income (or loss) to a Partner who makes a full or partial withdrawal from his Capital Account to the extent such Capital Account would otherwise exceed (or be less than) his adjusted tax basis in his Interest. Such a special allocation may result in the withdrawing Partner recognizing income, which may include short-term capital gain and ordinary income, in a taxable year in which a withdrawal occurs, thereby potentially reducing the amount of long-term capital gain recognized during the tax year in which he receives a distribution upon withdrawal. If the General Partner causes such a special allocation to be made, the Service might not accept such allocation for tax purposes; if the allocation is successfully challenged by the Service, the Partnership's income or losses allocable to the remaining Partners would be increased.

For financial statement presentation and capital account maintenance purposes, all securities held by the Partnership will be marked to market at the end of each accounting period and the net gain or loss from marking to market will be reported as income or loss. This treatment is inconsistent with the general tax rule applicable to many securities transactions that a transaction does not result in gain or loss until it is closed by an actual sale or other disposition. The divergence between such accounting and tax treatment frequently may result in substantial variation between financial statement income (or loss) and taxable income (or loss) reported by the Partnership.

Tax shelter reporting Regulations may require the Partnership and/or the Partners to file certain disclosures with the Service with respect to certain transactions engaged in by the Partnership or with respect to certain redemptions of Interests in the Partnership. The Partnership does not consider itself, nor should it be considered, a tax shelter, but if the Partnership were to have a substantial loss on certain transactions, such loss may be subject to the tax shelter reporting requirements even if such transactions were not considered tax shelters. The Partnership intends to provide disclosure information, to the extent required, with the annual tax information provided to the Partners.

The character and timing of the Partnership's taxable gains and losses may be affected by various Code provisions, including those applicable to Section 1256 contracts, notional principal contracts, foreign currency transactions, straddles, wash sales and short sales.

Taxation of Partnership Interests - Limitations on Losses and Deductions

The Code provides several limitations on a Limited Partner's ability to deduct his share of Partnership losses and deductions. Certain of these limitations, such as the "passive activity loss" rules, likely will not be applicable to the Partnership's operations. To the extent that the Partnership has interest expense, a noncorporate Limited Partner will be subject to the "investment interest expense" limitations of Section 163(d). Investment interest expense is interest paid or accrued on indebtedness incurred or continued to purchase or carry property held for investment. The deduction for investment interest expense is limited to net investment income, which is the excess of investment income over investment expenses and is determined at the partner level. Excess investment interest expense that is disallowed under these rules is not lost permanently, but may be carried forward to succeeding years subject to the Section 163(d) limitations. Net long-term capital gains on property held for investment and qualified dividend

income are only included in investment income to the extent the taxpayer elects to subject such income to taxation at ordinary rates. If the Partnership is considered a trader in securities, which is a question of fact that depends on future activities and may vary from year to year, investment interest expense deductible by noncorporate Limited Partners under the above rules would be deductible above the line on Schedule E as a partnership expense, based on current IRS instructions, rather than on Schedule A as an itemized deduction.

Section 265(a)(2) of the Code disallows any deduction for interest paid by a taxpayer on indebtedness incurred or continued for the purpose of purchasing or carrying tax-exempt obligations. The Service has announced that such purpose will be deemed to exist with respect to indebtedness incurred to finance a "portfolio investment," and that a limited partnership interest will be regarded as a "portfolio investment." Therefore, in the case of a Limited Partner owning tax-exempt obligations, the Service might take the position that all or a part of the interest paid by such Limited Partner in connection with the purchase of his Partnership Interest should be viewed as incurred to enable such Limited Partner to continue carrying tax-exempt obligations, and that such Limited Partner should not be allowed to deduct all or a portion of such interest.

Under Section 67 of the Code, for noncorporate Limited Partners certain miscellaneous itemized deductions are allowable only to the extent they in the aggregate exceed a "floor" amount equal to 2% of adjusted gross income. If the Partnership's activities of trading securities constitute a trade or business for federal income tax purposes (i.e., buying and selling securities for short-term profits), Section 67 limitations would generally not be applicable to noncorporate Limited Partners. If or to the extent that the Partnership's operations do not constitute a trade or business within the meaning of Section 162 and other provisions of the Code, a noncorporate Limited Partner's distributive share of the Partnership's investment expenses, other than investment interest expense, would be deductible only as miscellaneous itemized deductions, subject to such 2% floor. Also, if or to the extent that the Partnership's operations do not constitute a trade or business, and all or a portion of the Incentive Allocation to the General Partner is recharacterized for tax purposes as an expense of the Partnership, each noncorporate Limited Partner's share of such expense may be subject to such 2% floor. In addition, the Code further restricts the ability of an individual with an adjusted gross income in excess of a specified threshold amount to deduct such itemized deductions. Under such provision, investment expenses in excess of 2% of adjusted gross income may only be deducted to the extent such excess expenses (along with certain other itemized deductions not including investment interest expense) exceed the lesser of (i) 3% of the excess of the individual's adjusted gross income over the specified amount or (ii) 80% of the amount of certain itemized deductions otherwise allowable for the taxable year. Also, such investment expenses are miscellaneous itemized deductions which are not deductible by an individual taxpayer in calculating his alternative minimum tax liability.

Capital losses generally may be deducted only to the extent of capital gains, except for noncorporate taxpayers who are allowed to deduct $3,000 of excess capital losses per year against ordinary income. Corporate taxpayers may carry back unused capital losses for three years and may carry forward such losses for five years; noncorporate taxpayers may not carry back unused capital losses but may carry forward unused capital losses indefinitely.

Medicare Contribution Tax

For years beginning after 2012, there is a 3.8% tax imposed on net investment income on individuals and estates with adjusted gross income in excess of certain amounts.

Taxation of Partnership Interests - Other Taxes

The Partnership and its Partners may be subject to other taxes, such as the alternative minimum tax, state and local income taxes, and estate, inheritance or intangible property taxes that may be imposed by various jurisdictions. (See "*State and Local Taxation*" below.) Each prospective investor should consider the potential consequences of such taxes on an investment in the Partnership. It is the responsibility of each prospective investor (i) to become satisfied as to, among other things, the legal and tax consequences of an investment in the Partnership under state law, including the laws of the state(s) of his domicile and residence, by obtaining advice from one's own tax advisors, and (ii) to file all appropriate tax returns that may be required.

Tax Elections; Returns; Tax Audits

The Code provides for optional adjustments to the basis of partnership property upon distributions of partnership property to a partner and transfers of partnership interests (including by reason of death) provided that a partnership election has been made pursuant to Section 754. In certain circumstances, the Code requires basis adjustments even without a Section 754 election. Under the Limited Partnership Agreement, the General Partner, in its discretion, may cause the Partnership to make a Section 754 election or to make other tax elections including a mark-to-market election under Section 475. Any such election, once made, generally cannot be revoked without the Service's consent. Because of accounting and tax complexities in implementing a Section 754 election, it is not intended that a Section 754 election will be made.

The General Partner will decide how to report partnership items on the Partnership's tax returns, and all Partners are required to treat the items consistently on their own returns. Since the Partnership may engage in transactions whose treatment for tax purposes is not clear, there is a risk that a claim of tax liability could be asserted against the Partnership or its Partners. In the event the income tax returns of the Partnership are audited by the Service, the tax treatment of Partnership income and deductions generally is determined at the partnership level in a single proceeding rather than by individual audits of the Partners. The General Partner, as the "Tax Matters Partner," has considerable authority to make decisions affecting the tax treatment and procedural rights of all Partners. In addition, the Tax Matters Partner has the authority to bind certain Partners to settlement agreements and the right on behalf of all Partners to extend the statute of limitations relating to the Partners' tax liabilities with respect to Partnership items. Any adjustments resulting from an audit of the Partnership may require each Limited Partner to file an amended tax return and pay additional income taxes, interest and penalties and might result in an audit of the Limited Partner's own returns.

Electronic Furnishing of K-1s

The Partnership, in the General Partner's discretion, may furnish Schedule K-1s ("K-1s") to Partners electronically. The Subscription Agreement provides for each Partner's consent to receiving K-1s electronically and includes disclosure guidelines pursuant to the applicable

Internal Revenue Service revenue procedure regarding furnishing K-1s electronically. The disclosure guidelines discuss what consent means, how long consent lasts, how to withdraw consent and other information. If a Partner indicates that it does not consent to receiving its K-1 electronically, its K-1 will sent by mail.

Taxation of Partnership Interests - Other Matters

A Limited Partner may, with the consent of the General Partner, contribute securities to the capital of the Partnership. However, a Limited Partner's contribution of appreciated securities may be taxable under Section 721(b) of the Code.

Foreign Taxes

The Partnership may invest in foreign securities. It is possible that certain dividends, interest or other income received by the Partnership from sources within foreign countries will be subject to withholding or other taxes imposed by such countries. In addition, the Partnership may also be subject to foreign taxes on gains on foreign securities in some foreign countries. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. The Partnership may structure investments in foreign securities through other entities in order to reduce foreign taxes. It is impossible to predict the rate of foreign tax the Partnership will pay in advance since the amount of the Partnership's assets to be invested in various countries is not known.

The Partners will be informed by the Partnership as to their proportionate share of the foreign taxes paid by the Partnership. The Partners generally will be entitled to claim either a credit (subject to limitations) or, if they itemize their deductions, a deduction for their share of such foreign taxes in computing their federal income taxes.

State and Local Taxation

In addition to the federal income tax consequences described above, prospective investors should consider potential state and local tax consequences of an investment in the Partnership. No attempt is made herein to provide an in-depth discussion of such state or local tax consequences. State and local laws may often differ from federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. A Partner's distributive share of the taxable income or loss of the Partnership generally will be required to be included in determining his income for state and local tax purposes in the jurisdiction(s) in which he is a resident.

New York

The Partnership should not be subject to the New York City unincorporated business tax ("UBT") because UBT is not imposed on a partnership which solely buys and sells securities for its own account, unless its activities cause it to be characterized as a "dealer" in securities. A Partner who is an individual that is not a resident of New York State is not subject to New York State tax solely as a result of being a partner in a partnership that buys and sells securities for its own account. New York City does not tax individuals who are not residents of New York City. A Partner which is a non-New York corporation is not be subject to New York State or New

York City tax solely as a result of being a limited partner in a partnership that qualifies as a portfolio investment partnership, which is determined on a year by year basis.

Each prospective Limited Partner must consult with, and rely solely upon, his own tax advisors regarding such state and local tax consequences.

Tax-Exempt Partners

If the Partnership derives income which would be considered "unrelated business taxable income" ("UBTI") as defined in Section 512 of the Code if derived directly by a Limited Partner which is an organization exempt from tax under Section 501(a) of the Code or an individual retirement account (an "IRA"), such Limited Partner's allocable share of the Partnership's income would be subject to tax. A tax-exempt organization which is subject to tax on its allocable share of the Partnership's unrelated business taxable income, including an IRA, may also be subject to the alternative minimum tax with respect to items of tax preference which enter into the computation of unrelated business taxable income.

While UBTI itself is taxable, the receipt of UBTI by a tax-exempt entity generally has no effect upon that entity's tax-exempt status or upon the exemption from tax of its other income. UBTI is generally the excess of gross income from any unrelated trade or business conducted by an exempt organization (or by a partnership of which the exempt organization is a member) over the deductions attributable to such trade or business. UBTI generally does not include dividends, interest, annuities, royalties and gain or loss from the disposition of property other than stock in trade or property held for sale in the ordinary course of the trade or business.

A tax-exempt organization under Section 501(a) of the Code (and an IRA), however, also includes in its UBTI its "unrelated debt-financed income" (and its allocable share of the "unrelated debt-financed income" of any partnership in which it invests) pursuant to Section 514 of the Code. In general, unrelated debt-financed income consists of: (i) income derived by a tax-exempt organization (directly or through a partnership) from income producing property with respect to which there is "acquisition indebtedness," and (ii) gains derived by a tax-exempt organization (directly or through a partnership) from the disposition of property with respect to which there is "acquisition indebtedness." Such income and gains derived by a tax-exempt organization from the ownership and sale of debt-financed property are taxable in the proportion to which such property is financed by "acquisition indebtedness" during the relevant period of time.

A Limited Partner which is a tax-exempt organization should expect to be subject to tax on the proportion of its distributive share of the Partnership's income which is unrelated debt-financed income. In addition, to the extent a tax-exempt organization borrows money to finance its investment in the Partnership, such organization would be subject to tax on the portion of its income which is unrelated debt-financed income even though such income may constitute an item otherwise excludable from UBTI, such as dividends.

Foreign Partners

Special additional considerations may apply to Limited Partners who are not United States citizens or resident aliens, United States corporations or partnerships, or other United States entities. Foreign Limited Partners should not be considered to be doing business in the United States for United States federal income tax purposes if the Partnership is not considered doing business in the United States for such purposes. The Partnership would not be considered doing business for such purposes if it qualifies for an exception for buying and selling stocks, securities and certain commodities for one's own account.

Even if the Partnership were not considered to be doing business in the United States for United States federal income tax, foreign Limited Partners would be subject to United States withholding tax on certain fixed or determinable annual or periodical ("FDAP") income, generally U.S. source dividend income and certain interest income, at the rate of 30% or, if applicable, a lower rate pursuant to an income tax treaty with the United States. Generally, capital gains and qualified interest, such as portfolio interest (as defined in Section 871(h) of the Code), should not be subject to U.S. withholding tax. Although capital gains from the sale of securities should generally not be subject to U.S. withholding tax, the sale of certain securities classified as United States real property interests within the meaning of Section 897 of the Code may be subject to U.S. income and withholding taxes. For example, if the Partnership owns greater than five (5%) of the stock in certain U.S. utilities and other U.S. corporations which are United States real property interests, sales of such stock may be subject to U.S. income and withholding taxes.

Foreign Limited Partners may be required to provide certain information to the Partnership in order to avoid or reduce certain withholding taxes. A foreign person or entity considering acquiring an interest in the Partnership is urged to consult with, and rely solely upon, his own tax advisors as to the United States federal, state and local income and estate tax consequences of an investment in the Partnership, as well as with respect to the treatment of income or gain received from the Partnership under the laws of his countries of citizenship, residence and/or formation.

Future Tax Legislation, Necessity of Obtaining Professional Advice

Future amendments to the Code, other legislation, new or amended Treasury Regulations, administrative rulings or decisions by the Service, or judicial decisions may adversely affect the federal income tax or other tax aspects of an investment in the Partnership, with or without advance notice, retroactively or prospectively. The foregoing analysis is not intended as a substitute for careful tax planning. The tax matters relating to the Partnership are complex and are subject to varying interpretations. Moreover, the effect of existing income tax laws and of proposed changes in income tax laws on Partners will vary with the particular circumstances of each investor and, in reviewing this Memorandum and any exhibits hereto, these matters should be considered.

Accordingly, each prospective Limited Partner must consult with and rely solely upon his own professional tax advisors with respect to the tax results to him of an investment in the Partnership based on his particular facts and circumstances. In no event will the General Partner, the Investment Manager or their principals, affiliates, members, officers, counsel or other professional advisors be liable to any Limited Partner for any federal, state, local or foreign tax consequences of an investment in the Partnership, whether or not such consequences are as described above.

EMPLOYEE BENEFIT PLANS

Fiduciaries and other persons investing in Interests of the Partnership on behalf of employee benefit plans, employee retirement plans, individual retirement arrangements and other plans (together "Plans") covered by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), should be aware that the assets of Plans are required to be held in trust and that persons who are fiduciaries with respect to the Plans are subject to the prudence, diversification, prohibited transactions and other standards set forth in ERISA and the Code. (IRAs are subject to certain similar rules and standards under Section 4975 the Code.) Any such person should also be aware of the risks that ERISA or Code prohibited transaction questions and fiduciary responsibility issues may arise if the underlying assets of the Partnership are determined to constitute "plan assets" which is discussed below.

Regulations under ERISA generally treat the assets of certain pooled investment vehicles such as the Partnership in which Plans invest as plan assets unless an exception applies. Under the regulations, where a Plan invests in such an entity, the Plan's assets are considered to include an undivided interest in each of the underlying assets of the entity for purposes of the reporting, disclosure, prohibited transaction and fiduciary responsibility provisions of ERISA and the Code. The regulations set forth certain general exceptions, however, including an exception for Plan investments in entities in which there is no "significant investment" by benefit plan investors. The Partnership would be considered to have no significant investment by benefit plan investors if, immediately after the acquisition of an interest in the Partnership by an investor (whether or not a benefit plan investor), benefit plan investors (*i.e.*, plans subject to part 4 of Title 1 of ERISA, such as U.S. corporate pension plans, plans subject to Section 4975 of the Code, such as IRAs and Keogh plans, and entities which themselves are considered plan assets, but only to the extent owned by benefit plan investors) own less than 25% of the value of each class of the outstanding interests in the Partnership. For purposes of this test, a redemption by an investor may be treated as the acquisition of an equity interest by the remaining investors. Non-benefit plan Interests in the Partnership held by a person who would be a "fiduciary" if the Partnership's assets constituted plan assets, and certain affiliates thereof, must be excluded from the total outstanding interests in the Partnership in determining whether benefit plan investors own less than 25% of the value of the outstanding interests in the Partnership.

In order to prevent the assets of the Partnership from being treated as plan assets under ERISA, the General Partner may prohibit the acquisition of Interests in the Partnership by any investor, whether or not a Plan, unless, after giving effect to such acquisition, benefit plan investors own less than 25% of each class of the outstanding interests in the Partnership. The General Partner may also require a Plan to withdraw, in whole or in part, from the Partnership to

satisfy this 25% test. The General Partner may decide to exceed the 25% test and comply with ERISA.

If the Partnership's assets were considered plan assets, then certain persons providing services to the Partnership, including the General Partner and certain of its affiliates, would be considered "parties-in-interest" under ERISA with respect to investing Plans, with the result that certain transactions between the Partnership and certain parties might be deemed to constitute prohibited transactions and certain other ERISA rules would be applicable.

Trustees and other fiduciaries of Plans should also consider that their actions are governed by the fiduciary responsibility provisions of ERISA (whether or not the Partnership's assets are considered plan assets, which is discussed above). Generally, fiduciaries of a Plan covered by ERISA are required to discharge their duties, among other things, (i) for the exclusive purpose of providing benefits to participants and their beneficiaries, (ii) with the same standard of care that would be exercised by a prudent person acting under similar circumstances, and (iii) by diversifying the investments of the Plan, unless it is clearly prudent not to do so. In analyzing the prudence of an investment in the Partnership, special attention should be given to the Department of Labor's regulations on investment duties that require, among other things, (i) a determination that each investment is reasonably designed, as part of a Plan's portfolio, to further the purposes of such Plan, (ii) an examination of risk and return factors, and (iii) consideration of the portfolio's composition with regard to diversification, the liquidity and current return on the portfolio relative to anticipated cash flow needs of the Plan and the projected return of the total portfolio relative to the Plan's funding objectives. Under ERISA, a fiduciary is liable for any loss resulting from a breach of his fiduciary duty and, under certain circumstances, he may be held liable for breaches by co-fiduciaries. Before investing in the Partnership, a fiduciary of a Plan should carefully consider whether such investment is consistent with his fiduciary responsibilities.

ERISA Plans should also consider the applicability to them of the provisions related to "unrelated business taxable income." (See "*Income Tax Aspects - Tax-Exempt Partners*.")

The provisions of ERISA are subject to extensive and continuing administrative and judicial interpretation and review. The discussion of ERISA contained in this memorandum is, of necessity, general and may be affected by future regulations and rulings. Potential plan investors should consult with, and rely solely upon, their legal advisors regarding the consequences under ERISA of the acquisition and ownership of Interests in the Partnership.

ADDITIONAL INFORMATION

The General Partner will make available to any prospective Limited Partner such relevant information as it may possess, or as it can acquire without unreasonable effort or expense, to verify or supplement the information set forth herein.

SUBSCRIPTION FOR AN INTEREST

Persons interested in becoming Limited Partners will be furnished with, and will be required to complete and return to the Administrator, a Subscription Agreement and certain other documents. There will be no sales charges to investors in connection with the offering of Interests.