ZOOZ CAPITAL PARTNERS, LP

a Delaware Limited Partnership

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

JUNE 2011

PRIVATE OFFERING OF LIMITED PARTNERSHIP INTERESTS

Minimum Initial Subscription: $250,000

GENERAL PARTNER:
ZOOZ CAPITAL MANAGEMENT, LLC

40 Wall Street, 28th Floor
New York, New York 10005
(212) 842-9082

These Limited Partnership Interests have not been registered or qualified for sale under the Securities Act of 1933, as amended, or any State securities laws. They are offered pursuant to exemptions from such registration or qualification. This Memorandum has not been filed with or reviewed by the Securities and Exchange Commission and neither that Commission nor any State Securities Administrator has passed upon or endorsed the merits of an investment in this Fund or the accuracy or the adequacy of the information contained in this Memorandum. Any representation to the contrary is a criminal offense. This Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, Limited Partnership Interests in the Fund in any State or jurisdiction in which such an offer or solicitation is unlawful.

This Memorandum is being given to the recipient solely for the purpose of evaluating an investment in the Fund as described herein. It may not be reproduced or distributed to anyone else (other than the identified recipient's professional advisers). The recipient, by accepting delivery of this Memorandum, agrees to return it and all related documents to the General Partner if the recipient does not subscribe for a limited partnership interest.

Memorandum No. _____ Recipient's Name: _____

INVESTMENT IS NOT RECOMMENDED FOR ANY INVESTOR WHO DOES NOT HAVE A SUBSTANTIAL NET WORTH AND WHO CANNOT AFFORD A TOTAL LOSS OF THE INVESTMENT. PROSPECTIVE INVESTORS NOT WILLING AND ABLE TO RISK COMPLETE LOSS OF INVESTED CAPITAL MUST NOT CONSIDER INVESTING IN THIS OFFERING.

THIS OFFERING OF LIMITED PARTNERSHIP INTERESTS ("INTERESTS") IS BEING MADE TO INVESTORS PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), IN RELIANCE ON INTENDED COMPLIANCE WITH REGULATION D UNDER THE SECURITIES ACT. ACCORDINGLY, NO SALE WILL BE MADE TO ANY PERSON UNLESS THERE IS COMPLIANCE WITH REGULATION D. THIS OFFERING OF INTERESTS WILL BE MADE TO INVESTORS WHO ARE RESIDENTS OF STATES AND JURISDICTIONS ONLY UPON COMPLIANCE WITH THE EXEMPTION, FILING OR NOTICE REQUIREMENTS, IF ANY, OF THE SECURITIES AND "BLUE SKY" LAWS OF SUCH STATES AND JURISDICTIONS. THIS CONFIDENTIAL OFFERING MEMORANDUM ("MEMORANDUM") DOES NOT STATE OR CONSTITUTE AN OFFER OR SOLICITATION BY OR TO ANYONE.

INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX OR INVESTMENT ADVICE. PERSONS ARE URGED TO CONSULT THEIR OWN COUNSEL OR OTHER INVESTMENT ADVISER AS TO THE LEGAL, TAX AND OTHER ISSUES CONCERNING THIS INVESTMENT. NO ASSURANCE CAN BE GIVEN THAT THE LAWS CURRENTLY IN PLACE WILL NOT BE CHANGED OR INTERPRETED ADVERSELY.

NO REPRESENTATIONS OR WARRANTIES OF ANY KIND ARE INTENDED OR SHOULD BE INFERRED WITH RESPECT TO THE ECONOMIC RETURN WHICH MAY ACCRUE TO INVESTORS.

THIS MEMORANDUM SUMMARIZES CERTAIN DOCUMENTS REFERRED TO HEREIN. EACH STATEMENT HEREIN IS QUALIFIED IN ITS ENTIRETY BY THE TERMS OF THE ACTUAL DOCUMENT SUMMARIZED.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM IN CONNECTION WITH THIS OFFERING, AND NO INVESTOR SHOULD RELY UPON ANY SUCH INFORMATION OR REPRESENTATION. THE FUND WILL MAKE AVAILABLE TO EACH INVESTOR, DURING THIS OFFERING AND PRIOR TO THE SALE OF ANY INTERESTS TO SUCH INVESTOR, THE OPPORTUNITY TO CONFER WITH REPRESENTATIVES OF THE GENERAL PARTNER CONCERNING ANY ASPECT OF THE INVESTMENT AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE GENERAL PARTNER POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO SUPPLEMENT OR VERIFY THE ACCURACY OF THE INFORMATION CONTAINED HEREIN.

THERE IS AND WILL BE NO PUBLIC OR OTHER MARKET FOR THE INTERESTS. INVESTORS MAY BE REQUIRED TO RETAIN OWNERSHIP OF THEIR INTERESTS AND BEAR THE ECONOMIC RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD.

THE GENERAL PARTNER, ZOOZ CAPITAL MANAGEMENT, LLC IS EXEMPT FROM REGISTRATION WITH THE COMMODITY FUTURES TRADING COMMISSION AS A COMMODITY POOL OPERATOR BECAUSE PARTICIPATION IN THIS POOL IS LIMITED TO CERTAIN INDIVIDUALS WHO ARE WITHIN A SUBCLASS OF QUALIFIED ELIGIBLE PERSONS ("QEPs") AND TO ENTITIES THAT ARE EITHER QEPs, QUALIFIED ELIGIBLE PURCHASERS, AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND ACCREDITED INVESTORS, AS DEFINED IN THE SECURITIES ACT OF 1933, AS AMENDED, THEREFORE, THE GENERAL PARTNER, ZOOZ CAPITAL MANAGEMENT, LLC IS NOT REQUIRED TO DELIVER A DISCLOSURE DOCUMENT AND A CERTIFIED ANNUAL REPORT TO PARTICIPANTS IN THIS POOL.

PAST RESULTS ARE NOT INTENDED, AND SHOULD NOT BE UNDERSTOOD, AS A PROJECTION OF FUTURE RESULTS.

INFORMATION REQUIRED BY CERTAIN STATES' SECURITIES LAWS:

FOR SALES OF INTERESTS IN THE STATE OF CALIFORNIA:

THE INTERESTS BEING OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH THE CALIFORNIA DEPARTMENT OF CORPORATIONS NOR WITH CORRESPONDING GOVERNMENTAL DEPARTMENTS OF ANY OTHER STATE. THE INTERESTS BEING OFFERED HEREBY SHALL BE PLACED WITH AN UNLIMITED NUMBER OF INVESTORS WHO QUALIFY AS ACCREDITED INVESTORS AND WITH NO MORE THAN THIRTY-FIVE PERSONS, EACH OF WHOM MUST EITHER HAVE A PRE-EXISTING PERSONAL OR BUSINESS RELATIONSHIP WITH THE ISSUER OR ITS GENERAL PARTNER, OR AN AFFILIATE OF THE GENERAL PARTNER, OR BY REASON OF THEIR BUSINESS OR FINANCIAL EXPERIENCE OR THE BUSINESS OR FINANCIAL EXPERIENCE OF THEIR PROFESSIONAL INVESTMENT MANAGERS WHO ARE UNAFFILIATED WITH AND WHO ARE NOT COMPENSATED BY THE ISSUER OR ANY AFFILIATE OR SELLING AGENT OF THE ISSUER, DIRECTLY OR INDIRECTLY, COULD BE REASONABLY ASSUMED TO HAVE THE CAPACITY TO PROTECT THEIR OWN INTERESTS IN CONNECTION WITH THE TRANSACTION.

FOR SALES OF INTERESTS IN THE STATE OF CONNECTICUT:

THE INTERESTS ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION AND HAVE NOT BEEN REGISTERED UNDER SECTION 36-485 OF THE CONNECTICUT UNIFORM SECURITIES ACT. THEY CANNOT THEREFORE BE RESOLD UNLESS THEY ARE REGISTERED UNDER SAID ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BANKING COMMISSIONER OF THE STATE OF CONNECTICUT NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR SALES OF INTERESTS IN THE STATE OF FLORIDA:

RESIDENTS OF THE STATE OF FLORIDA WHO SUBSCRIBE FOR INTERESTS HAVE THE RIGHT, PURSUANT TO SECTION 517.061(11)(a)5 OF THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT, TO WITHDRAW THEIR SUBSCRIPTIONS AND RECEIVE A FULL REFUND OF ALL MONIES PAID WITHIN THREE DAYS AFTER RECEIPT OF THIS MEMORANDUM OR WITHIN THREE DAYS AFTER THE FIRST PAYMENT OF MONEY OR OTHER CONSIDERATION TO THE FUND, AN AGENT OF THE FUND, OR AN ESCROW AGENT, WHICHEVER OCCURS LATER. A WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH A WITHDRAWAL, A SUBSCRIBER NEED ONLY SEND A LETTER TO THE GENERAL PARTNER INDICATING HIS/HER INTENTION TO WITHDRAWAL. SUCH LETTER SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED THIRD BUSINESS DAY.

FOR SALES OF INTERESTS IN THE STATE OF NEW YORK:

THIS PRIVATE OFFERING MEMORANDUM HAS NOT BEEN FILED WITH OR REVIEWED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK PRIOR TO ITS ISSUANCE AND USE. THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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FORWARD-LOOKING STATEMENTS

This Memorandum contains forward-looking statements and forecasts concerning the Fund's plans, intentions, strategies, expectations, predictions and financial forecasts concerning the Fund's future investment activities and results of its operations and other future events or conditions based on views and opinions of the General Partner. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "believes," "may," "will," "could," "intends," "estimate," "might," or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements.

It is important to note that the Fund's actual results or activities or actual events or conditions could differ materially from those estimated or forecasted in such forward-looking statements, due to a variety of factors, some of which are beyond the control of the Fund or the General Partner. *See* "Certain Risk Factors" for a discussion of certain other factors which could cause the Fund's actual results or activities or actual events or conditions to differ from those anticipated. Although estimates and assumptions concerning potential investments in which the Fund may seek to participate are believed by the General Partner to be reasonable, such estimates and assumptions are uncertain and unpredictable. To the extent that actual events differ materially from the General Partner's assumptions and estimates, actual results will differ from those forecasts.

PRIVACY POLICY

Customer privacy is fundamental to our relationship with our Limited Partners (as defined below) and prospective Limited Partners. The Fund is committed to maintaining the confidentiality, integrity, and security of the personal information of both our Limited Partners and our prospective Limited Partners. The Fund and the General Partner collect information from the Subscription Application and Agreement each Limited Partner and prospective limited partner completes. We have adopted formal internal policies to protect your confidentiality.

We do not disclose personal nonpublic information about our Limited Partners or prospective Limited Partners to any nonaffiliated parties except as required by applicable law, order from a court of competent jurisdiction or regulation. In the normal course of our operations, information that you provide to the Fund may be shared with entities that perform various services for the Fund such as, but not limited to, the Fund's Prime Broker, the Fund's auditor and legal counsel, broker-dealers, and market makers, banks and other financial institutions that the Fund uses to implement its investment program. Information that you provide may also be disclosed to governmental agencies to the extent legally required and pursuant to appropriate legal process. The types of nonpublic information that we may disclose include information we receive on the Subscription Application and Agreements such as name, address, account or tax identification number and the amount of investment and bank account information.

Access to your nonpublic information is restricted to employees, agents, or other parties associated with the Fund who need to access your information to provide products or services to the Fund. Those parties will access that information solely to provide product or services to the Fund. We maintain physical, electronic, and procedural safeguards that comply with U.S. federal standards to guard your nonpublic personal information. Your right to privacy extends to all forms of contact with the Fund, including telephone, written correspondence, and electronic media such as the Internet.

An updated Privacy Policy can be obtained by contacting Mr. Robert S. Nazara, of the General Partner, at (212) 842-9082.

SUMMARY OF THE OFFERING

The following is only a summary of the information contained in this Memorandum and is qualified in its entirety by the Form of Agreement of Limited Partnership attached as Exhibit A (the "*Partnership Agreement*"), and the Form of Subscription Application and Agreement attached as Exhibit B, and other information contained in this Memorandum. Prospective investors should carefully read the entire Memorandum, the Partnership Agreement, and the Subscription Application and Agreement before making any investment decision and consult with their own advisers in order to fully understand the consequences of an investment in the Fund.

The Fund

See "Management"

Zooz Capital Partners, LP, a private investment fund organized as a Delaware limited partnership (the "*Fund*"), was incorporated on November 1, 2010 pursuant to a Limited Partnership Agreement in the form of Exhibit A and commenced operations on January 2, 2010.

The General Partner

See "Management"

Zooz Capital Management, LLC, a Delaware limited liability company (the "*General Partner*"), is the Fund's sole General Partner. Zooz Capital Management, LLC is controlled by Robert S. Nazara and Andrew R. Katz, both of whom are responsible for the Fund's investment program.

Investment Objective and Investment Strategy

See "Investment Objective, Strategy and Policies"

The Fund's objective is to maximize long-term absolute returns, in variable market and economic conditions, while emphasizing preservation of capital. The Fund will attempt to achieve its objective by investing systematically in OTC currency markets. The Fund will likely enter long and short positions in these markets in similar magnitudes. Exposure to these markets will be obtained through the major inter-bank liquidity providers to FXCM (the Prime Broker). Although the General Partner expects spot currencies to constitute the substantial majority of trading instruments utilized on behalf of the Fund, the Fund may also trade, for hedging or speculative purposes, in futures contracts traded in the U.S. markets. The investment portfolio of the Fund will be managed using algorithmic trading and risk management methods administered by the General Partner.

There are no restrictions on the types of positions the Fund may take or the number or extent of its short positions. A wide variety of investments, including related derivatives, futures contracts, cash equivalents, currencies and currency futures is permitted. The Fund also reserves the right to amend its investment objectives and strategies at any time in its sole discretion. The Partnership may also engage in margin borrowing, short sales and synthetic short sales. At any given time the Partnership may be fully invested and may be 100% (or more) net long or as much as 100% net short. Portfolio turnover rates may vary from year to year and at different times during the same year.

There can be no assurances that the Fund's investment objectives will be achieved. An investment in the Fund is subject to various risks, including risks relating to the newly-formed nature of the Fund, the Fund's investment strategy and techniques and the illiquid nature of the Interests. Investors should carefully consider the risks relating to this investment, including those discussed below under "Certain Risk Factors."

The Offering

See "Who Should Invest; Subscriptions and Withdrawals"

The Fund is offering Limited Partnership Interests ("*Interests*") to a limited number of individuals and entities that satisfy the requirements of an "accredited investor" within the meaning of Regulation D under the Securities Act of 1933, as amended (the "*Securities Act*"). Interests in the Fund will be offered on a continuous basis until suspended or terminated by the General Partner. The minimum initial investment is $250,000, although subscriptions of lesser amounts may be accepted in the sole discretion of the General Partner. New Limited Partners will be admitted as of the first business day of each month (or at such other times as the General Partner may allow). The General Partner reserves the right to apply additional standards for admission to the Fund for new Partners, and in its sole discretion waive or reduce these requirements. Payment in full must be made at the time of investment. The General Partner may, in its sole discretion, choose to accept an in-kind contribution and such contributions shall be valued based on the standards set forth herein. Any interest earned on subscription payments will be retained by the Fund. Subject to certain legal requirements, Interests may be purchased by IRA, Keogh, and certain pension and profit sharing accounts. No minimum amount of Interests must be sold before the Fund may accept subscriptions and commence operation.

The Fund is currently offering Interests through the General Partner. However, the Fund may retain other placement agents and third party marketers from time to time to assist in the offering. Any such placement agents or third party marketers employed by the Fund may receive commissions or fees, which may include participation in incentive allocations or management fees otherwise payable to the General Partner, as is agreed in the particular case and upon any required disclosure to the respective investing Limited Partner. Any such commission or fee will be borne by the General Partner or the investing Limited Partner, as agreed, and not charged to the Fund. The General Partner and affiliated persons may also allocate brokerage commissions to brokers who recommend investors to the Fund and other investment funds and accounts they manage.

Capital Accounts

A capital account ("Capital Account") will be established with respect to each Partner in the Fund, the opening value of which will be the Partner's initial contribution. Adjustments to the Capital Account will take place from time to time.

Liquidity

See "Who Should Invest; Subscriptions; Withdrawals" and "Certain Risk Factors"

Subject to certain limitations and a holdback of a portion of the withdrawal, a Limited Partner will generally be permitted to withdraw some or all of his or her Capital Account balance (each Limited Partners' pro rata share of the Fund referred to as a "*Capital Account*") as of the end of any calendar month after having been a Partner for six (6) months. Withdrawals require at least three (3) days' written notice and partial withdrawals may not reduce a Limited Partner's Capital Account balance below the minimum initial investment amount. The General Partner may waive the above limitations to permit withdrawals at other times and for greater or lesser amounts than may be stated herein, as determined in its sole discretion. Payments on withdrawals may be made in cash and/or securities in the General Partner's discretion.

Withdrawal proceeds will generally be paid within three (3) days after the effective date of withdrawal. However, for withdrawals of 90% or more of a Limited Partner's Capital Account balance, up to 10% of the estimated withdrawal proceeds may be withheld until after the annual audit of the Fund's financial statements has been completed. Pending distribution to Limited Partners, withdrawn funds will not bear interest.

Prime Broker

Generally, portfolio transactions for the Fund will be cleared through brokerage accounts maintained at FXCM (the "*Prime Broker*"). The General Partner may also retain additional prime brokerage services. A limited amount of portfolio assets may be held through the Prime Broker, but may be held at one or more financial institutions, including any brokers or dealers or other institutions through which the Fund effects transactions.

Administrator

Hedge Solutions, LLC, located in Los Angeles, California, serves as the administrator of the Fund (the "Administrator"). It is responsible for administering the day-to-day activities of the Fund's operations, accounting of subscriptions and withdrawals, maintaining Capital Accounts and creating valuation statements for Limited Partners.

Net Asset Value

See "Valuation" and "Potential Conflicts of Interest"

The Fund's Net Asset Value ("*NAV*") is determined for all purposes (such as calculating profits and losses) by an administrator chosen by the General Partner (the "*Administrator*") as of the close of business on the last day of each period for which calculations are required. Generally, securities will be valued by the General Partner in accordance with the following method: (i) at their last published sale price, if they are listed on an established securities exchange or in Nasdaq; or (ii) if last sales prices are not published, at the mean of the highest reported closing bid, and the lowest reported closing asked price, in certain established quotation systems. In certain circumstances, the General Partner may be required to fair value a security, as described further in the "Valuation" section.

Management Fee, and Expenses

See "Management Fee, Incentive Allocation, and Expenses" "Who Should Invest; Subscriptions; Withdrawals" and "Brokerage and Transactional Practices"

For its services in managing and supervising the Fund's investment portfolio, the Fund pays the General Partner a management fee, calculated monthly, in advance, at the rate of 0.167% (2.0% *per annum*) of each Limited Partner's Capital Account balance (the "*Management Fee*"). The Management Fee is calculated on the first day of each calendar month based upon each Limited Partner's Capital Account balance as of the first day of such calendar month or as of the time a capital contribution is made during such calendar month. Limited Partners who contribute capital at any time other than the beginning of a calendar month will be charged a prorated Management Fee as to the amount contributed. The General Partner may, in its sole discretion, reduce or waive entirely its Management Fee with respect to any or all Partners, including without limitation, the principals of the General Partner and members of their families.

The General Partner is authorized to incur all expenses on behalf of the Fund, which it deems necessary and desirable. These may include, among other things: brokerage commissions, borrowing charges on securities sold short, custodial fees, database subscriptions and investment data, trading related expenses legal, accounting and audit fees and expenses, tax-preparation fees, governmental fees and taxes, bookkeeping and other professional fees, insurance, travel and travel-related expenses in connection with the Fund's activities, costs of Fund reporting, costs of Fund governance activities (such as obtaining Partner consents if and when necessary and appropriate), costs and expenses associated with negotiating and entering into contracts and arrangements in the ordinary course of the Fund's business, proxy voting costs, if any, costs and expenses of third party administrators retained for Fund purposes, costs and premiums of any fidelity and performance bonds and general partner liability and errors and omissions insurance coverage obtained in the General Partner's discretion, extraordinary expenses of the Fund such as

Management Fee, and Expenses *(Continued)*

litigation costs, and all other reasonable expenses related to the operation of the Fund and/or the purchase, sale or transmittal of Fund assets, as the General Partner determines in its sole discretion.

The General Partner will fund all expenses associated with forming and organizing the Fund and, contrary to standard practice in the hedge fund industry, the General Partner will not receive reimbursement of these expenses from the Fund.

Allocations and Distributions

See "Summary of the Limited Partnership Agreement — Allocation of Profit and Loss — Distributions"

Subject to the General Partner's right to receive an "*Incentive Allocation*" (as described below), net profit and net loss (including *unrealized* as well as realized gains and losses) for each period will be allocated in proportion to Partners' Capital Account balances.

The Fund will generally not make distributions other than upon Partner withdrawals and will reinvest substantially all income, dividends and gain. Accordingly, Limited Partners will likely be required to pay taxes on income allocated to them even though they have not received a distribution of such income. To obtain cash from the Fund (for example to pay taxes arising from profits allocated to Limited Partners), Limited Partners must request a partial withdrawal.

Incentive Allocation

See "Management Fee, Incentive Allocation and Expenses"

In addition to its proportionate share of Net Profit and Net Loss based on its Capital Account balance, the General Partner receives a monthly Incentive Allocation as to each Limited Partner (the "*Incentive Allocation*") in the amount of 20% of the Net Profits between 0-1.67% for that calendar month and 30% of any Net Profits that exceed 1.67% for that calendar month. An Incentive Allocation will also be made as to amounts withdrawn, as of the effective time of the withdrawal based upon pro-rated performance as of the date of the withdrawal.

Incentive Allocations are subject to a "high water mark" provision. That is, the General Partner will receive an Incentive Allocation from a Limited Partner's account only to the extent the Limited Partner's share of net profit exceeds his or her previously allocated but unrecovered net losses (subject to adjustment for partial withdrawals). This will prevent the General Partner from receiving an Incentive Allocation on net profits that simply restore previous net losses and is intended to ensure that each Incentive Allocation is based on the long-term performance of a Limited Partner's investment in the Fund. Once made, an Incentive Allocation will not be reduced by losses incurred in subsequent periods. The General Partner may, in its sole discretion, reduce or waive entirely its Incentive Allocation with respect to certain Limited Partners, including without limitation, the principals of the General Partner and members of their families.

Allocation of Taxable Income and Loss

See "Certain Income Tax Considerations"

Taxable income, gain, or loss can be expected to differ in any particular period from the Fund's net profit or net loss primarily because unrealized gains and losses generally are not included for income tax purposes but are included in calculating net profit or net loss. It is possible that sales of appreciated securities in a particular period could cause some Partners to have taxable gain for that period at the same time that unrealized losses result in a net loss for the Fund. All items of taxable income, gain, loss, deduction and credit will be allocated among the Partners at the end of each calendar year, or more frequently if required. The General Partner intends to allocate these items in a manner generally consistent with the economic effects of the allocations of net profit and net loss.

Allocation of Taxable Income and Loss *(Continued)*	The Fund intends to operate as a partnership and not as an association or a publicly traded partnership taxable as a corporation. Accordingly, the partnership should not be subject to federal income tax and each Limited Partner will be required to report on his/her own annual tax return such Limited Partners' distributive share of the partnership's taxable income or loss. Additionally, tax exempt investors may be exposed to unrelated business taxable income ("UBIT"), notwithstanding their otherwise tax exempt nature, depending upon the use of margin or other leverage used by the Fund.
Certain Risk Factors *See "Certain Risk Factors" and "Potential Conflicts of Interest"*	Investment in the Fund is speculative and involves risk and should be considered appropriate for only a portion of an investor's investment portfolio. Past performance of the General Partner and its principals in this and other endeavors is no guarantee of future performance. There is no assurance that the Fund will be profitable. The risks of an investment in the Fund include, but are not limited to, the speculative nature of the Fund's strategies and the charges which the Fund will incur regardless of whether any profits are earned. The Fund is also subject to certain conflicts of interest.
Other Activities of the General Partner *See "Potential Conflicts of Interest"*	The General Partner and its principals may serve as a general partner or investment manager to other investment pools and the General Partner and its principals may manage accounts for other investment advisory clients with investment objectives similar to the Fund. The General Partner and its principals may also invest in investments in which the Fund invests.
Term *See "Summary of the Limited Partnership Agreement"*	There is no fixed date for termination of the Fund which may continue in existence on a perpetual basis unless and until it is terminated at the election of the General Partner or upon the happening of certain events specified in the Limited Partnership Agreement.
Transfers of Interest	No transfers of Interest may be made other than with the prior written consent of the General Partner, which consent may be arbitrarily withheld.
Regulatory Matters	The Fund is not registered as an investment company and therefore is not required to adhere to certain investment policies under the 1940 Act. The General Partner, Zooz Capital Management, LLC, is not registered as an investment adviser with the U.S. Securities and Exchange Commission ("*SEC*") and therefore is not subject to the Investment Advisers Act of 1940 (the "*Advisers Act*").
Potential Master/Feeder Structure	The General Partner may form an offshore fund whose investment objective, strategy and techniques would be identical to those of the Fund. At such time, the General Partner may determine to restructure the Fund such that the Fund and the newly formed offshore fund would contribute substantially all of their assets and become "feeder" funds to an offshore "master" fund instead of conducting their investment and trading operations separately. The offshore "master" fund, in turn, would conduct all investment and trading for the Fund and the offshore feeder fund, both of which would participate in the investment performance of the "master" fund as shareholders of the "master" fund. In the event this occurs, the Management Fee and Incentive Allocation may be paid either by the Fund as currently provided or by the master fund. There will be no duplication of fees between the Fund and the master fund.

Potential Master/Feeder Structure *(Continued)*

It is contemplated that the General Partner would serve as the investment manager of the offshore "feeder" fund and the "master" fund. The General Partner believes that the restructuring described above would not have any material adverse effect on the Fund or its Limited Partners, and that the "master" fund structure would be essentially "transparent" to Limited Partners. In the event an offshore fund is formed, Interests owned by foreign investors or U.S. tax exempt investors in the Fund would be exchanged for interests in the offshore feeder fund.

Reports

See "Summary of Limited Partnership Agreement"

The Fund has a December 31 fiscal year-end. Following the end of each calendar year, auditors selected by the General Partner will, within 120 days after the end of each calendar year, prepare, for delivery by the General Partner to each Limited Partner, an audited financial statement of the Fund's operations, the Fund's tax return and Schedules K-1 for the Partners to use for income tax filing. Each Limited Partner will also receive monthly or more frequently as the General Partner may determine, summaries of the Fund's performance and periodic reports in such form as the General Partner may determine. The Fund anticipates completing a year-end audit of its financial records for the year ending December 31, 2011.

Definitions

Certain capitalized terms used in this Memorandum are defined under the caption "Definitions" in Article XV of the Limited Partnership Agreement.

DIRECTORY

General Partner	Zooz Capital Management, LLC 40 Wall Street, 28th Floor New York, New York 10005 Attention: Mr. Andrew R. Katz and Mr. Robert S. Nazara Phone: +1 (212) 842-9082 E-Mail: info@zoozcapital.com
Prime Broker	Forex Capital Markets, LLC ("FXCM") 32 Old Slip, 10th Floor New York, NY 10005 Phone: +1 (646) 397-7463
Legal Counsel	Law Offices of Russell W. Grimaldi & Associates, P.C. 555 Taxter Road, Suite 175 Elmsford, NY 10523 Phone: +1 (914) 703-6920
Auditor	Acquavella, Chiarelli, Shuster, Berkower and Co., LLP 11 Broadway, Suite 766 New York, New York 10004 Phone: +1 (732) 855-9600
Administrator	Hedge Solutions, LLC 12100 Wilshire Blvd, 8th Floor Los Angeles, CA 90025 Phone: +1 (310) 806-9269
Registered Office of the Fund	Incorporating Services, Ltd. 3500 South DuPont Highway Dover, DE 19901

THE COMMODITY MARKETS

The following general description of commodity trading does not purport to be a complete explanation of the commodities markets or their regulation. Because commodity trading is a rapidly changing economic activity, a potential investor should consult with independent qualified sources of investment advice before deciding to acquire limited partnership Interests in the Fund.

FUTURES CONTRACTS

A futures contract is a standardized contract, made on a domestic or foreign commodity exchange, that calls for the future delivery of specified quantities of various commodities at a specified time and place and at a price determined by open outcry on the floor of the exchange or through an exchange's electronic trading system which employs a trade marketing algorithm or through an exchange's block trading facility that permits private negotiations on terms including price. Commodities designated for trading on commodity exchanges include agricultural commodities, precious and industrial metals, financial instruments and indexes, and foreign currencies.

The obligations imposed by a futures contract may be discharged in one of two ways. The buyer and seller may, respectively, accept delivery or deliver an approved grade of commodity or, as is done in the majority of cases, may make an offsetting sale or purchase of an equivalent futures contract on the same exchange prior to the expiration of trading in the contract. Certain futures contracts, such as a stock index or other financial or economic index approved by the CFTC, settle in cash (irrespective of whether any attempt is made to offset the contracts) rather than delivery of any physical commodity.

The difference between the price at which the futures contract is purchased or sold and the price paid for the offsetting sale or purchase, after allowance for brokerage commissions and transaction costs, constitutes the profit or loss to the trader. There are always two parties to a commodity interest transaction; consequently, for any gain achieved by one party on a contract, a corresponding loss is suffered by the other.

COMMODITY OPTIONS

An option on a futures contract or on a physical commodity gives the buyer of the option the right to take a position at a specified price (the "striking," "strike," or "exercise" price) in the underlying futures contract or commodity. The buyer of a "call" option acquires the right to take a long position in the underlying futures contract or commodity and the buyer of a "put" option acquires the right to take a short position in the underlying futures contract or commodity.

A call option on a futures contract is said to be "in-the-money" if the striking price is below current market levels and "out-of-the-money" if the striking price is above current market levels. Similarly, a put option on a futures contract is said to be "in-the-money" if the striking price is above the current market level and "out-of-the-money" if the striking price is below current market levels. Options have limited life spans, usually tied to the delivery or settlement date of the underlying futures contract. An option that is "out-of-the-money" and not offset by the time it expires becomes worthless. On certain exchanges, "in-the-money" options are automatically exercised on their expiration date, but on others unexercised options simply become worthless after their expiration date.

Options are usually valued above their "intrinsic value" (the difference between the market price for the underlying futures contract and the striking price) because the option trader is speculating on (or hedging against) future movements in the price of the underlying contract. As an option nears its expiration date, the market and intrinsic value typically move into parity. The difference between an option's intrinsic value and its market value is referred to as the "time value" of the option.

The Fund may sometimes use commodity options for hedging or speculative purposes, but this is not expected to be a core element of the General Partner's trading strategy.

The purchase price of an option is referred to as its "premium." Currently, CFTC regulations require that the option premium be paid in full at the time the position is established.

Commodity Exchanges

Futures contracts, options on futures contracts, and certain physicals traded in the United States must, with limited exceptions, be executed on a commodity exchange designated by the Commodity Futures Trading Commission ("CFTC"). Among the principal domestic exchanges are the Chicago Board of Trade, the Chicago Mercantile Exchange (including the International Monetary Market), the New York Mercantile Exchange and the Commodity Exchange, Inc. Futures markets are auction markets; floor brokers having customer orders and floor traders trading for their own account meet on the floor of the exchange during regular trading hours and, through the bid and offer process known as "open outcry," determine the price at which orders will be filled. Additionally, many markets have adopted electronic trading systems which match orders pursuant to certain algorithms. Also, certain exchanges have adopted block order procedures permitting large orders to be negotiated off-exchange at a price to be agreed upon by the parties.

With limited exceptions (for example, EFPs and block order procedures), all orders are filled on the floor or electronic trading system of the exchange and priced competitively through the auction market process. Trading before the opening bell or after the closing bell is typically not permitted. In contrast to the securities markets, most futures markets have no "specialists" whose duty it is to "make a market" in a particular contract. Liquidity is provided by members trading for their own account, whose transaction costs are kept low by the exchanges in order to encourage trading. Because of their willingness to "scalp" or take small profit margins, members tend to keep prices in line and provide needed volume.

Each of the commodity exchanges in the United States has an associated "clearinghouse." A central function of the clearinghouse is to ensure the integrity of trades, a function it accomplishes through a variety of means. First, once a trade has been confirmed or cleared, the clearinghouse becomes substituted for each buyer and seller and in effect becomes the other party to each trader's open position in the market. Thereafter, each party to a trade looks only to the clearinghouse for performance. Second, the clearinghouse requires margin deposits and continuously marks positions to market to provide some assurance that its members will be able to fulfill their contractual obligations. Third, the clearinghouse generally establishes some sort of security or guarantee fund that is intended to permit the clearinghouse to meet its obligations with regard to the "other side" of an insolvent clearing member's contracts. Fourth, the clearinghouse also imposes net limits on the number of positions that a member (representing a customer or itself) may hold overnight. Fifth, all clearing members must maintain certain financial minimums.

Commodity exchanges in the United States and their clearinghouses are given reasonable latitude by the CFTC in promulgating rules and regulations to control and regulate their members. Examples of regulations by exchanges and clearinghouses include the establishment of initial margin levels, contract specifications, speculative position limits and daily price fluctuation limits. The CFTC reviews all rules (other than those relating to specific margin levels for futures, as opposed to options) and can, with respect to certain rules, require the amendment or modification thereof.

Margin

"Original" or "initial" margin represents the minimum amount of funds that must be deposited by a commodity trader with his commodity broker in order to initiate futures contract trading or to maintain an open position in futures contracts. "Maintenance" margin is the amount (generally less than the original margin) to which a trader's account may decline before he must post additional margin. A margin deposit is like a cash performance bond. It helps assure the commodity trader's performance of the futures contracts that he/she purchases or sells.

The level of margin required in connection with a particular futures contract is set by the exchange on which the contract is traded and is subject to change at any time during the term of the contract. Margin levels reflect an assessment of risk. In setting levels, an exchange will attempt to evaluate two related factors: contract volatility and the likelihood of limit moves. At the close of each trading day, the clearinghouse will mark each position to the market, that is, determine the gain or loss on the position from the prior day's close. Those positions that have lost in value must pay this loss to the clearinghouse to be transferred to those positions that have

appreciated in value. A loss in value may bring a position below the exchange's maintenance margin level and, in this case, will result in a call to the position holder to post additional maintenance margin.

Brokerage firms carrying accounts for traders in futures contracts may not accept lower, and generally require higher, amounts of margin as a matter of policy in order to afford further protection for themselves. The commodity brokers may require the Fund to make margin deposits equal to 121.67 of the exchange-set minimum levels for all futures contracts. This requirement may be altered from time to time at the discretion of such commodity brokers.

Some futures commission merchants allow the customer to post initial margin in the form of Treasury bills. Maintenance margin must be deposited in cash. With respect to the Fund's trading, the Fund (and not the Limited Partners personally) will be subject to margin calls.

Speculative Position Limits

The CFTC and United States commodity exchanges have established limits, referred to as "speculative position limits" or "position limits," on the maximum net long or net short speculative position that any person or group of persons (other than a hedger, which the Fund is not) may hold, own, or control in particular commodities. Among the purposes of speculative position limits is to prevent a "corner" on a market or undue influence on prices by any single trader or group of traders acting in concert. The CFTC has jurisdiction to establish position limits with respect to all commodities and has done so primarily in the agricultural markets, such as the grains (oats and barley), soybeans, cotton, corn and wheat markets. In addition, the CFTC requires each United States exchange to adopt position limits or "position accountability" requirements for those of its markets that are not covered by Commission-set position limits. A "position accountability" rule requires any person holding or controlling a specified number of net long or short contracts overnight to provide to the exchange upon request, information on the nature of the position, trading strategy and hedging intentions, if applicable, but does not limit the size of a speculative position per se.

The Fund rather than the individual Limited Partners will be considered to be the owner of the pool account for purposes of speculative position limits. Accordingly, the futures and options positions of the Fund will not be attributed to Limited Partners in their own commodities trading, if any, to determine whether they individually have reached their positions limits.

The Managing General Partner does not expect speculative position limits to influence or affect its trading for the Fund.

Daily Limits

Most United States commodity exchanges (but generally not foreign exchanges) normally limit the highest and lowest price at which a contract can trade, as measured from the previous day's close. Once the "daily price fluctuation limit" or "daily limit" has been reached in a particular commodity, no trades may be made at a price beyond the limit. Positions in the commodity may then be taken or liquidated only if traders are willing to effect trades at or within the limit during the period for trading on the day. A "limit up" or "limit down" market may be a particularly costly event because it may prevent the liquidation of unfavorable positions. Domestic futures prices occasionally have moved the daily limit for several consecutive trading days, thus preventing prompt liquidation of positions and subjecting the trader to substantial losses for those days. No daily limits are in effect for many currency and financial instrument futures contracts, and daily limits do not apply to many futures contracts in their expiration month or next successive delivery months.

Regulation

Commodity exchanges in the United States are subject to regulation under the Commodity Exchange Act by the CFTC, the governmental agency having responsibility for regulation of commodity exchanges and commodity interest trading conducted thereon. The function of the CFTC is to implement the objectives of the Commodity Exchange Act in preventing price manipulation and excessive speculation and promoting orderly and efficient commodity markets. In addition, the various commodity exchanges themselves exercise regulatory and supervisory authority over their members.

The CFTC has exclusive authority to designate exchanges for the trading of specific futures contracts and options on futures contracts and physicals and to prescribe rules and regulations for the marketing of each. The CFTC also possesses exclusive jurisdiction to regulate the activities of commodity trading advisors, commodity pool operators, futures commission merchants and floor brokers, among others and may suspend, modify or terminate the registration of any registrant for failure to comply with CFTC rules or regulations. Furthermore, the Commodity Exchange Act establishes an administrative procedure ("reparations") under which commodity customers may institute complaints for damages arising from alleged violations of the Commodity Exchange Act by persons registered with the CFTC.

Pursuant to authority in the Commodity Exchange Act, the National Futures Association ("NFA") was formed and registered with the CFTC as a "registered futures association." The Managing General Partner is a member of the NFA (the Fund itself is not required to become a member of NFA). As a member, the General Partner is subject to NFA standards relating to fair trade practices, financial condition and consumer protection. As the self-regulatory body of the commodities industry, the NFA promulgates rules governing the conduct of commodity professionals and disciplines those professionals who do not comply with such standards. The NFA also arbitrates disputes between members and their customers and conducts registration and fitness screening of applicants for membership and audits of its existing members.

The regulations of the CFTC and NFA prohibit any representation by a person registered with the CFTC or by any member of NFA, respectively, that registration or membership in any respect indicates that the CFTC or NFA, as the case may be, has approved or endorsed the person or the person's trading program or objectives. Neither the Fund not General Partner is registered with the CFTC, but rather is operating under an exemption as further described herein. No commodity exchange has given or will give any approval or endorsement of the Fund or the General Partner.

The CFTC is prohibited by statute from regulating trading on foreign commodity markets and does not currently regulate (except to the extent of having promulgated general anti-fraud rules and rules governing electronic access to foreign markets from the U.S.) the offer or sale in the United States of futures contracts traded on foreign exchanges. The CFTC has implemented rules relating to the marketing of foreign futures contracts and options in the United States. These rules permit commodity options traded on foreign exchanges to be offered and sold in the United States. At the same time, these regulations impose new requirements on the marketing of foreign futures contracts in the United States and may limit the scope of that market.

By the terms of the Commodity Exchange Act, Congress must reauthorize the CFTC periodically. On December 15, 2000, Congress passed the Commodity Futures Modernization Act of 2000, which reauthorized the CFTC for five years.

The regulation of commodity trading in the United States and other countries is an evolving area of law. The various statements made in this Memorandum are subject to modification by legislative action and changes in the rules and regulations of the CFTC, NFA, and commodity exchanges or other regulatory bodies.

Non-United States Commodity Exchange

Non-United States commodity exchanges, on which the Fund may trade, differ in certain respects from their United States counterparts and are not subject to regulation by any United States governmental agency. Therefore, the protections afforded by U.S. regulations will not be available to the Fund to the extent it trades on non-U.S. exchanges. For example, foreign exchanges may differ from domestic exchanges in the size of the minimum financial requirements that they impose on members, the size of the margin levels they set, the amount of customer moneys required to be segregated by the futures commission merchant, the types of rules they adopt to govern trading and the extent of their monitoring to assure member compliance with their rules.

Investment Objectives, Strategies and Policies

Plan of Distribution

The Fund is offering, through this Private Placement Memorandum, by private placement, limited partnership interests in the Fund to a select group of "Qualified Purchasers" (the "Limited Partners"). Interests will in most instances be sold directly by the Fund. Neither the Fund nor the General Partner will receive commissions or other compensation or remuneration for the sales made in this manner.

However, the Fund reserves the right to compensate other persons who introduce prospective Limited Partners to the Fund. Such compensation shall be in an amount that the General Partner deems reasonable and appropriate under the circumstances. In no case will such compensation be charged against a Limited Partner's Capital Account.

Investment Objective

The Fund's objective is to maximize long-term absolute returns, in variable market and economic conditions, while emphasizing preservation of capital. The Fund will attempt to achieve its objective by investing systematically in OTC currency markets. The Fund will likely enter long and short positions in these markets in similar magnitudes. Exposure to these markets will be obtained through the major inter-bank liquidity providers to FXCM (the Prime Broker). Although the General Partner expects spot currencies to constitute the substantial majority of trading instruments utilized on behalf of the Fund, the Fund may also trade, for hedging or speculative purposes, in futures contracts traded in the U.S. markets. The investment portfolio of the Fund will be managed using algorithmic trading and risk management methods administered by the General Partner.

Investment Philosophy

The automated system utilized by the General Partner has continuous monitoring and oversight. The Portfolio Manager provides further layered analysis that encompasses additional data inputs, such as technicals/ fundamentals which allow for further risk management. The system is based on Speculative Sentiment Index (SSI) this allows us to position against the retail market therefore, we are able to take advantage of these momentum moves. The General Partner has the discretion to have the portfolio leveraged up to 5:1, although it generally does not implement leverage greater than 2:1 as the primary focus is preservation of capital.

Paramount to the investment philosophy of the Fund is a disciplined, objective money management framework, encompassing size limits and loss limits at the individual position level, as well as balance and diversification across the portfolio. Historical and expected price correlation among asset classes is an important consideration.

Portfolio Strategy

The Fund employs a systematic trading algorithm developed by the Prime Broker and administered by the General Partner. The fund participates in OTC FX (spot) products. Only instruments with 24 hour liquidity are considered for placement inside the portfolio. The cornerstone of our trading methodology is a proprietary aggregator and data feed, which allows us to conduct a layered analysis in order to determine when there is an inflection point in a particular currency pair due to liquidation events. The General Partner expects a low degree of correlation between the returns of the Fund and those of the underlying markets it trades because of the short-term and intermittent nature of its trading. The methodology does not seek to predict the timing or direction of future price movement. The investment strategy generates trading signals only when it believes the opportunity for success to be very high. The General Partner believes that it is reducing the Fund's potential risk and cost by avoiding what it considers to be low-probability opportunities. Total financial leverage in the portfolio will therefore vary considerably based on perceived investment opportunities, but will typically be between 0-2x total investable equity.

One risk management goal of the General Partner is to attempt to limit the Fund's losses from any one position to a finite, small percentage of investable equity (measured as of the time the position is entered).

The General Partner will attempt to manage the financial leverage that the Fund incurs by using the guidelines referenced above as well as with a quantitative model which seeks to estimate theoretical maximum losses which could be incurred under periods of severe market stress.

THE FUND'S TRADING PROGRAM ENTAILS SUBSTANTIAL RISKS AND THERE CAN BE NO ASSURANCE THAT THE INVESTMENT OBJECTIVES OF THE FUND WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

The Fund was organized for the purpose of primarily investing, trading and dealing in OTC spot foreign exchange trading (also known as "FX"). Although the General Partner expects spot FX to comprise the substantial majority of trading instruments utilized on behalf of the Fund, the Fund may also trade in a wide spectrum of other financial instruments, including, but not limited to, currency futures contracts, government securities and monetary instruments. Furthermore, the Fund may invest in arbitrage and special situations for hedge and speculative purposes, both long and short securities positions, option arbitrage, international arbitrage and other financial instruments as the General Partner in its sole discretion determines appropriate to achieve its investment objective. The descriptions contained in this Private Placement Memorandum of the specific activities in which the Fund may engage should not be understood to limit in any way the types of investment activities or the allocation of Fund capital among such investments which the Fund may make. The Fund may engage in activities that are not described herein that the General Partner considers appropriate and consistent with the Fund's objectives. The Fund will also engage in margin borrowing, short sales and synthetic short sales. Depending on conditions and trends in the financial markets, the General Partner retains the ability to pursue other strategies or employ other techniques that it considers appropriate in order to achieve the Fund's objective.

Leverage, Borrowing and Lending

The Fund is authorized to borrow in order to effect Fund withdrawal requests and to enhance its investment leverage, and there are no restrictions on the Fund's borrowing capacity other than limitations imposed by lenders and any applicable credit regulations. Loans generally may be obtained from affiliated and unaffiliated securities brokers and dealers or from other financial institutions; such loans may be secured by securities or other capital of the Fund and pledged to such brokers or financial institutions. Loans of cash or securities may also be made from or to other affiliated or unaffiliated entities, including without limitation, from investment companies on such terms as are commercially reasonable, including without limitation, from or to investment companies similar to the Fund with respect to which the General Partner has an interest, either as general partner, sponsor, manager, investment advisor, administrator or otherwise.

This use of margin will cause investment results to be magnified. Results using leverage will be materially more volatile than non-leveraged results. Losses incurred on the Fund's leveraged investments will be increased in magnitude in direct proportion to the degree of leverage used, and may exceed the amount of capital invested. Furthermore, the Fund's use of options, including linear options and certain futures contracts, may contain an element of embedded leverage which will increase the Fund's overall risk profile. The Fund may margin assets up to the maximum of 200% allowed under the margin rules of Regulation T (that is, $2 of securities for each $1 of Fund capital). Prospective investors should take note, however, that any use of leverage increases volatility and investment risk. Prospective investors which are organizations exempt from federal income tax should consider implications from UBIT.

Short Selling/Synthetic short sales

From time to time, the General Partner may attempt to reduce volatility of the Fund's investment portfolio or may seek to enhance investment returns by the establishment of short positions or option equivalents. Accordingly, the General Partner may search for opportunities to short sell securities that are believed to be overvalued or to short sell specific segments of the market through investment positions in various market indices.

Selling securities short involves selling securities which the Fund does not own. In order to make delivery to its purchaser, the Fund must borrow securities from a third party lender. The Fund subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by

purchasing securities in the open market. The Fund must generally pledge cash or marketable securities with the lender equal to at least one half of the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. The Fund may be required to pay brokerage commissions to execute short sales and may be required to pay a premium to the lender of the securities borrowed, which would increase the cost of the securities sold. Until borrowed securities are replaced, the Fund would generally be required to pay the lender amounts equal to any dividends or interest, which accrue on the securities borrowed during the period of the loan. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the Fund a fee for the use of the Fund's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors. The Fund may also lend securities that it holds in order to allow other persons to sell short those securities. The Fund may receive fees for loaning its securities to others.

The Fund may also engage in "synthetic short sales," the practice of purchasing securities and simultaneously selling call options and purchasing put options on the same underlying security. Generally, the resulting premium associated with the sale of the call options pays for an even greater number of corresponding put options, with the intended result of providing investors with a margin of safety with the particular security.

Cash and Cash Equivalent Investments

The Fund, without limitation, may hold cash or invest in cash equivalents for short-term investments. The cash equivalents in which the Fund may invest include: obligations of the U.S. Government, its agencies or instrumentalities (U.S. Government securities, U.S. Treasury Bills), commercial paper and repurchase agreements, money market mutual partnerships, and certificates of deposit and bankers' acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation.

Other Activities, Techniques and Options

Although the General Partner's emphasis will be on OTC spot FX, the General Partner's investment authority is not limited to any particular type of investment instrument or issuer, nor is the Fund's investment strategy or process limited to that described above; the General Partner has wide latitude to invest or trade the Fund's assets, to pursue any particular strategy or tactic or to change the Fund's emphasis or objectives, all without obtaining the approval of the investors. There is no limit on the types of positions the Fund may take, the concentration of its investments (by country, sector, industry, capitalization or asset class),the extent of margin borrowing or other leverage, or the number or extent of its short positions except as described herein.

The Fund may seek to hedge adverse market fluctuations in all or a portion of its portfolio investments through transactions in options on securities and stock index options. An options contract entitles the purchaser to purchase ("call") or sell ("put") a security at a particular price within a specific period of time. Options may cover securities included in the Fund's portfolio or which it has a right to acquire through conversion or exchange ("covered options") or securities not owned by the Fund ("uncovered options"). Participation in the markets involves certain investment risks and transaction costs. The correlation between the option prices and the prices of underlying securities may be imperfect and the market for any particular option may be illiquid at any particular time. Options and the market for any particular option may be illiquid at any particular time. Options transactions are normally highly leveraged and, accordingly, gains and losses are magnified. If the Fund writes or sells an uncovered option, its losses could be unlimited.

Investors should be aware that, while the kinds of hedging and investment strategies discussed above may generate higher returns than traditional investments, losses associated with them are also likely to be greater than losses from traditional investments. To the extent the Fund uses hedging techniques and the underlying investments increase in value, the Fund's return on the underlying investments will not be as great as it would have been if the Fund had not hedged its portfolio. Further, if the General Partner was to apply a hedge at an inappropriate time or evaluate market conditions incorrectly, such strategies could lower the Fund's return more than if they had not been used or even result in substantial losses. The Fund could also experience substantial losses if the prices of its options or futures positions are poorly coordinated with its other investments.

EXEMPTION FROM REGISTRATION WITH THE COMMODITY FUTURES TRADING COMMISSION

THE GENERAL PARTNER, ZOOZ CAPITAL MANAGEMENT, LLC IS EXEMPT FROM REGISTRATION WITH THE COMMODITY FUTURES TRADING COMMISSION AS A COMMODITY POOL OPERATOR BECAUSE PARTICIPATION IN THIS POOL IS LIMITED TO CERTAIN INDIVIDUALS WHO ARE WITHIN A SUBCLASS OF QUALIFIED ELIGIBLE PERSONS ("QEPs") AND TO ENTITIES THAT ARE EITHER QEPs OR ACCREDITED INVESTORS, RECOGNIZED UNDER THE FEDERAL SECURITIES AND COMMODITIES LAWS. THEREFORE, the GENERAL PARTNER, ZOOZ CAPITAL MANAGEMENT, LLC IS NOT REQUIRED TO DELIVER A DISCLOSURE DOCUMENT AND A CERTIFIED ANNUAL REPORT TO PARTICIPANTS IN THIS POOL.

There can be no assurances that the Fund's investment objectives will be achieved. An investment in the Fund is subject to various risks, including risks relating to the newly-formed nature of the Fund, the Fund's investment strategy and technique, and the illiquid nature of the Limited Partnership Interests. Investors should carefully consider the risks relating to this investment, including those discussed below under "Certain Risk Factors."

MANAGEMENT

THE GENERAL PARTNER

The General Partner has overall responsibility for the management and supervision of the Fund's business and the direction of its investment portfolio. The sole General Partner of the Fund is Zooz Capital Management, LLC, a Delaware limited liability company controlled by Robert S. Nazara and Andrew R. Katz, its Managing Members. The General Partner is the "Tax Matters Partner" for Internal Revenue Services ("*IRS*") purposes. As a newly formed entity, the General Partner has not compiled a track record of prior investment performance for review by prospective investors. The General Partner and its principals are required to devote only such amount of time to Fund matters as they deem necessary in their sole discretion. The General Partner will have the sole right to conduct the operations and manage the investments of the Fund in such manner as its officers deem proper. The Limited Partners will have no such authority and will be dependent upon the judgment and skill of the General Partner. The General Partner may, in its sole and absolute discretion, choose to enter an Investment Management Agreement with Zooz Advisors, LLC, a Delaware limited liability company which is also controlled by Robert S. Nazara and Andrew R. Katz. Under such agreement, Zooz Advisors, LLC would direct the investment program of the Fund and the General Partner would assign payment of certain Fees from the Fund to Zooz Advisors, LLC.

ANDREW R. KATZ – MANAGING MEMBER OF THE GENERAL PARTNER

Andrew R. Katz co-founded Zooz Capital Management and is responsible for portfolio management and business development.
Prior to forming the General Partner, Mr. Katz was a Trader/Analyst at LeGarde Capital Management. There he utilized proprietary systems based on quantitative strategies in order to determine the optimal entry point for short and medium-term equity positions. At UBS Financial Services Mr. Katz developed investment strategies for the Portfolio Manager of HNW individuals based on quantitative analysis and research. Mr. Katz also worked at Comtex News Network, as a contributing author of Morning Call, a comprehensive market summary. Mr. Katz holds a Bachelors degree in Economics from the University of Colorado.

ROBERT S. NAZARA – MANAGING MEMBER OF THE GENERAL PARTNER

Robert S. Nazara co-founded Zooz Capital Management and is responsible for oversight of the Fund's operations, as well as, business development.
Prior to forming the General Partner, Mr. Nazara worked with Advanced Equities in the venture capital and investment banking division, where he was primarily responsible for business development in the United States and Latin America. Previously, Mr. Nazara focused on wealth management for PFS Investments, a division of Citigroup, where he managed client portfolios and assets. Mr. Nazara also worked in finance and information technology at SonyBMG, where he managed its global financial application and was responsible for centralizing reporting from thirty-four countries. Mr. Nazara holds a Bachelors degree in Economics-Finance from Columbia University.

MANAGEMENT FEE, INCENTIVE ALLOCATION AND EXPENSES

The following summarizes the amounts and types of fees, reimbursements, and allocations of Fund income, losses and distributions, and other benefits the General Partner will receive in connection with the Fund's operations. The following sections summarize certain provisions of the Limited Partnership Agreement concerning Capital Accounts and allocations, but do not purport to be a complete description and are qualified in their entirety by the text of the Limited Partnership Agreement itself. Capitalized terms used in this section that are not otherwise defined in the Private Placement Memorandum have the same meaning as in the Limited Partnership Agreement.

MANAGEMENT FEE

For its services in managing and supervising the Fund's investment portfolio, the Limited Partners will pay the General Partner a management fee, calculated monthly, in advance, at the rate of 0.167% (2.0% *per annum*) of each Limited Partner's Capital Account balance (the "*Management Fee*"). The Management Fee is calculated on the first day of each calendar month based upon each Limited Partner's Capital Account balance as of the first day of such calendar month or as of the time a capital contribution is made during such calendar month. Limited Partners who contribute capital at any time other than the beginning of a calendar month will be charged a prorated Management Fee as to the amount contributed. Management Fees are not refundable to the extent of a permitted withdrawal during a calendar month. The General Partner may, in its sole discretion, reduce or waive entirely its Management Fee with respect to any or all Limited Partners, including without limitation, the principals of the General Partner and members of its family.

OPERATING EXPENSES

The General Partner is authorized to incur all expenses on behalf of the Fund, which it deems necessary and desirable. These may include, among other things: brokerage commissions, borrowing charges on securities sold short, custodial fees, database subscriptions and investment data, legal, accounting and audit fees and expenses, tax-preparation fees, governmental fees and taxes, bookkeeping and other professional fees, travel and travel-related expenses in connection with the Fund's activities, costs of Fund reporting, costs of Fund governance activities (such as obtaining Partner consents if and when necessary and appropriate), costs and expenses associated with negotiating and entering into contracts and arrangements in the ordinary course of the Fund's business, proxy voting costs, if any, costs and expenses of third party administrators retained for Fund purposes, costs and premiums of any fidelity and performance bonds and general partner liability and errors and omissions insurance coverage obtained in the General Partner's discretion, extraordinary expenses of the Fund, such as litigation costs, and all other reasonable expenses related to the operation of the Fund and/or the purchase, sale or transmittal of Fund assets, as the General Partner determines in its sole discretion. Certain expenses may be amortized over a period of time, generally not to exceed five years, if, in the General Partner's sole discretion, such treatment is more equitable than expensing a certain item when it's benefit is incurred, as is required by generally accepted accounting principles ("GAAP") and also conforms to industry standards. However, to the extent the General Partner elects to amortize a particular item, the auditor's opinion on the Fund's financial statements may contain a qualification to reflect this "non-GAAP" treatment. The General Partner shall be responsible for the payment of its general overhead expenses such as rent of offices, compensation and benefits of staff, maintenance of its books and records, telephone and general-purpose office equipment.

INCENTIVE ALLOCATION

General. As an incentive to promote the Fund's success, the General Partner receives a monthly special allocation as to each Limited Partner in the amount of 20% of the Net Profits between 0-1.67 for that calendar month and 30% of any Net Profits that exceed 1.67. The Incentive Allocation is generally calculated, and made (if applicable), on the last day of each calendar month. For any period of less than a full calendar month, the threshold percentage amounts for calculation of the Incentive Allocation will be appropriately adjusted. If a Limited Partner makes a partial withdrawal of capital or a distribution is made to a Partner as of a time other than the end of a calendar month, the General Partner will receive a partial Incentive Allocation at the time of that withdrawal or distribution based on a pro-rated performance as of the date of the withdrawal or distribution, in

proportion to the reduction in the Partner's Capital Account. Once made, an Incentive Allocation will not be subject to reversal if there is a subsequent loss. The General Partner may, in its sole discretion, reduce or waive entirely its Incentive Allocation with respect to certain Limited Partners, including without limitation, the principals of the General Partner and members of their family.

"High Water Mark." The General Partner's Incentive Allocation is subject to a "high water mark" procedure under which the General Partner tracks any accumulated Net Losses allocated to the Capital Account of the Limited Partner since admission to the Fund or the last date an Incentive Allocation was made from their account. No Incentive Allocation will be made until a Limited Partner's Net Profits exceed Net Losses previously allocated to him or her (adjusted for withdrawals and additional capital contributions). If a Partner makes a partial withdrawal or receives a distribution at a time when he or she has unrecovered losses, those unrecovered losses will be reduced in proportion to the withdrawal. This will prevent the General Partner from receiving an Incentive Allocation on Net Profits that simply restore previous Net Losses and is intended to ensure that each Incentive Allocation is based on the long-term positive performance of a Limited Partner's investment in the Fund.

Certain Considerations. The General Partner believes the prospect of receiving an Incentive Allocation provides a strong incentive to manage the Fund profitably. However, the Incentive Allocation may create an incentive for the General Partner to engage in activities that are riskier or more speculative than would be the case if the General Partner did not receive an Incentive Allocation. This is partly because once an Incentive Allocation is made, the General Partner need not return it if Limited Partners experience losses in subsequent periods. It is also partly because, if the Fund experiences losses, Limited Partners who were allocated those losses must later be allocated enough Net Profits to recover those amounts before the General Partner may again receive an Incentive Allocation. *See* "Potential Conflicts of Interest."

The Incentive Allocation, which is allocated to the General Partner's Capital Account, is in addition to the General Partner's receipt of its proportionate share of Net Profits and Net Losses based on its Capital Account balance.

CERTAIN RISK FACTORS

An investment in the Fund involves a high degree of risk and is suitable only for persons having substantial financial resources who understand the long-term nature, the consequences of, and the risks associated with the investment. Some of those risks are summarized below. Some are discussed more fully elsewhere in this Memorandum. Prospective investors should carefully consider all the risks discussed below and should consult their own legal, tax, and financial advisers about these risks and an investment in the Fund generally.

GENERAL

Reliance on the General Partner. The success of the Fund will depend on the ability of the General Partner to effectively manage the Fund, to develop and implement investment strategies that will achieve the Fund's objectives. The Fund's investment performance could be materially and adversely affected if Mr. Nazara or Mr. Katz were to die, become ill or disabled, or otherwise cease to be involved in the active management of the Fund's investment portfolio. Limited Partners have no right or power to take part in the management of the Fund. Except under specified circumstances, if the General Partner withdraws, is dissolved, or becomes insolvent, the Fund will be dissolved. There is no assurance that the strategies employed by the Fund will achieve attractive returns or will be successful.

Limited Operating History. The Fund was formed on November 1, 2010 and commenced operations on January 2, 2011. Accordingly, an investment in the Fund entails a high degree of risk. There can be no assurances that the Fund will achieve its investment objective and program or that the General Partner will be able to succeed in achieving the Fund's investment objective and program. Given the factors which are described below, there exists a possibility that an investor could suffer a substantial loss as a result of an investment in the Fund. Additionally, neither the General Partner nor its principals have experience operating an investment fund of this nature.

Not a Complete Investment Program. An investment in the Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed only for sophisticated and experienced investors who can bear the risk of a substantial loss in the value of their investment in the Fund.

INVESTMENT RELATED RISKS

COMMODITY TRADING. THE FUND ENGAGES IN THE SPECULATIVE TRADING OF COMMODITY INTERESTS AND SECURITIES, A HIGH RISK ENDEAVOR. THE PURCHASE OF LIMITED PARTNERSHIP INTERESTS SHOULD ONLY BE MADE BY PERSONS AND ENTITIES ABLE TO ASSUME THE RISK OF LOSING THEIR ENTIRE INVESTMENT, AND ONLY AFTER CONSULTING WITH INDEPENDENT EXPERIENCED SOURCES OF INVESTMENT AND TAX ADVICE. AMONG THE RISKS THAT PROSPECTIVE INVESTORS SHOULD CONSIDER ARE THE FOLLOWING:

Overall Investment Risk and Economic and Market Conditions. All securities investments risk the loss of capital. The nature of the securities to be purchased and traded by the Fund and the investment techniques and strategies to be employed by the General Partner may increase this risk. There can be no assurance that the Fund will be profitable or that the Fund will not incur losses or that any future distribution will be made to the Partners. Fund expenses may also exceed income. Neither prior successful investment management performance, recommendations or analysis by the General Partner or any of its principals, nor any future successful Fund performance, may be relied upon as assuring further successful performance. Many unforeseeable events, including actions by various government agencies, such as the Federal Reserve Board, and domestic and international economic and political developments, may cause sharp market fluctuations which could adversely affect the Fund. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses. None of these factors are within the control of the General Partner.

The General Partner's Approach. As described herein, the General Partner relies primarily upon its research, analysis and proprietary trading. Investors in the Fund thus will be substantially dependent upon the individualistic investment views and strategies of the General Partner through whom the Fund invests, and will be exposed to both the risks and rewards incident thereto.

Concentration of Investments. There are no limits regarding the concentration of companies, industries or types of investments in the Fund. Further, there are no limits on the concentration of investments the Fund may hold at any given time, nor is there a minimum number of positions in which the Fund must be invested at any one time, and the Fund may be relatively concentrated in certain positions. Furthermore, there are no restrictions on the types of positions the Fund may take or the number of extent of its short positions. A portfolio with fewer positions could be expected to have greater volatility from individual security price changes than would a portfolio holding a large number of positions.

Trading Risks. All investments in commodities, securities and other financial instruments risk the loss of capital. The General Partners believe that the Fund's trading strategies will moderate this risk, but no guarantee or representation is made that the Fund's trading program will be successful.

Commodity Trading is Speculative and Volatile. A principal risk in commodity interest trading is the volatility in the market prices of commodity interests. The prices of commodity interests may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions. The price movements of contracts are influenced by, among other things, changing supply and demand relationships, weather, governmental trade, agricultural, fiscal, monetary and exchange control programs and policies, domestic and foreign political and economic events and policies, and emotions of the marketplace. The General Partner can control none of these factors. No assurance can be given that the trading strategies employed by the General Partner will capture profitable moves or that the Fund will not incur substantial losses.

Commodity Trading Is Highly Leveraged. The low margin deposits normally required in commodity interest trading (typically between 2% and 11.67 of the value of the contract purchased or sold) permit, theoretically, an extremely high degree of leverage. Accordingly, a relatively small price movement in a contract may result in substantial losses to an investor such as the Fund.

Commodity Trading May Be Illiquid. It is not always possible to execute a buy or sell order at the desired price, or to close out an open position, due to market illiquidity. Illiquidity may be caused by intrinsic market conditions (lack of demand or overabundant supply) or it may be the result of extrinsic factors like the imposition of daily

price fluctuation limits (that set a floor and ceiling on the price at which a trade may be executed) and circuit breakers (that halt trading in certain stock indices whenever the Dow Jones Industrial Average or the S&P 500 Average declines or rises by a certain number of points).

Trading on Non-United States Commodity Exchanges May Involve Additional Risks. The General Partner may trade commodity interests for the account of the Fund on exchanges located outside the United States. This trading does not fall within the jurisdiction of the CFTC and, in many cases, will take place without benefit of all the detailed financial, trade practice and customer protection regulations that apply to the activities of United States exchanges and their members.

In the recent past, the absence of a strong clearinghouse to stand behind the trades and to make good when one of the parties refused or was unable to fulfill the terms of the contract has resulted in significant losses for users of certain markets. In addition, in a number of foreign markets, a substantial volume of trades, which in the United States could only be executed on a regulated exchange, are executed wholly off exchanges in privately, negotiated and substantially unregulated transactions. Also, certain foreign markets do not require segregation of customer monies. In some cases, the intermediaries through which the Fund may deal on foreign markets may in effect take the opposite side of trades made for the Fund, although acting as the Fund's agent--a practice that would be prohibited on United States exchanges. Also, the Fund may not have the same access to certain trades as do various other participants in foreign markets. Furthermore, since the Fund will determine its net assets in United States dollars, the Fund would be subject to the risk of fluctuations in the exchange rate between the local currency and dollars, as well as the possibility of exchange controls, in connection with any foreign trading.

Trading of Commodity Options Presents the Risk of Lost Premiums. The General Partner may engage in the trading of options on futures for the account of the Fund. If the General Partner, on behalf of the Fund, buys an option (either to sell or buy a futures contract or commodity), the Fund pays a "premium" representing the market value of the option. Unless the price of the futures contract or commodity underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the Fund may lose the entire amount of the premium.

Linear Options. Linear options are over the counter option contracts that provide non-recourse leveraged exposure to a dynamic portfolio or "basket" of securities actively managed by a bank or any portfolio manager retained by such bank. The linear option gives the ability to use leverage in amounts that exceed traditional margin borrowing. The enhanced leverage can result in greater risk of loss (and possibility of gain) than less leveraged alternative investments. The gains and losses on linear options are based on the gains and losses of the underlying portfolio of securities less an embedded financing cost. The linear options are initially carried at the premium paid for the options less an embedded financing cost and then subsequently marked to market on a daily basis.

The options are terminable upon expiration of the option agreement, or earlier in certain circumstances, if the assets underlying these options fall to or reach a predetermined market value (commonly referred to as the "barrier") and as defined in the linear option master agreements. The risk of early expiration increases with the volatility of the underlying assets and the proximity of their market value at any time to the barrier. In the event of an early expiration of these options, any premium paid for the options will be lost. The Fund shall have no right of ownership on the underlying portfolio of securities and therefore any payment will be subject to the creditworthiness of the counter-party. The Fund could experience a total loss on its investment in linear options.

The Partnership's Commodity Brokers May Fail. Under CFTC regulations, "futures commission merchants," such as the Fund's commodity broker, are required to maintain customers' assets in a segregated account. If the Fund's commodity broker fails to do so, in the event of a commodity broker's bankruptcy, the Fund may be subject to a risk of loss of the funds on deposit. In addition, under certain circumstances, such as the inability of another customer of the commodity broker or the commodity broker itself to satisfy substantial deficiencies in the other customer's account, the Fund may be subject to a risk of loss of its assets on deposit with such commodity broker. In the case of any bankruptcy or customer loss, the Fund might recover, even with respect to property specifically traceable to the Fund, only a pro rata share of all property available for distribution to all of the commodity broker's customers.

Suspensions of Trading. For all securities and commodities traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible to liquidate its positions and thereby expose the Fund to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough to close out positions.

Counter-party and Custodial Risk. To the extent the Fund invests in swaps, "synthetic" or derivatives instruments, repurchase agreements, certain types of options or other customized financial instruments, the Fund takes the risk of non-performance by the other party to the contract. This risk may include credit risk of the counter-party and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily market-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counter-parties generally do not benefit from such protections and expose the parties to the risk of counter-party default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund and hence the Fund should not be exposed to a credit risk with respect to such parties. However, it may not always be possible to achieve this segregation and there may be practical or timing problems associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

Lack of Diversification. The Fund's portfolio may not be diversified among a wide range of types of securities or industries. Accordingly, the Fund's positions may be subject to a more rapid change in value than would be the case if the Fund were required to maintain a wide diversification among types of securities and other instruments and countries and industries.

Absence of Regulatory Oversight. THE GENERAL PARTNER, ZOOZ CAPITAL MANAGEMENT, LLC IS EXEMPT FROM REGISTRATION WITH THE COMMODITY FUTURES TRADING COMMISSION AS A COMMODITY POOL OPERATOR BECAUSE PARTICIPATION IN THIS POOL IS LIMITED TO CERTAIN INDIVIDUALS WHO ARE WITHIN A SUBCLASS OF QUALIFIED ELIGIBLE PERSONS ("QEPs") AND TO ENTITIES THAT ARE EITHER QEPs OR ACCREDITED INVESTORS, RECOGNIZED UNDER THE FEDERAL SECURITIES AND COMMODITIES LAWS. THEREFORE, the GENERAL PARTNER, ZOOZ CAPITAL MANAGEMENT, LLC IS NOT REQUIRED TO DELIVER A DISCLOSURE DOCUMENT AND A CERTIFIED ANNUAL REPORT TO PARTICIPANTS IN THIS POOL.

The General Partner therefore exempt from certain CFTC disclosure and reporting requirements with respect to the Fund since investors in the Fund are limited to "qualified eligible persons." The disclosure and reporting requirements from which the General Partner is exempt include, among other things, providing certain detailed disclosure regarding the past performance of the Fund and other accounts managed by the General Partner and its affiliates, providing prospective investors with a "break-even" analysis with respect to an investment in the Fund, and delivering detailed monthly account statements to Limited Partners. As a result, Limited Partners may be provided with less detailed and less frequent information about the performance of the Fund than would be required to be provided to investors in other commodity pools. The General Partner is also exempt from the requirement to file a copy of this Memorandum with the CFTC or NFA for its review prior to its use.

In addition, while the Fund may be considered similar to an investment company, it is not registered as such under the 1940 Act, in reliance upon an exemption therefrom, 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.

Hedging Risks, Generally. Hedging strategies in general are usually intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit. The General Partner may use equity short selling and financial instruments (such as options) both as an independent source of profit and to seek to hedge the Fund's portfolio positions against fluctuations in value as a result of changes in the value of individual equities or factors such as market interest rates. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the value of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thereby moderating the decline in the value of a portfolio position. Hedging transactions of this variety limit the opportunity for gain if the value of the hedged portfolio position should increase. Moreover,

it may not be possible for the Fund to hedge against a security, commodity, index, exchange rate or interest rate fluctuation that is so generally anticipated that the Fund is not able to enter into a hedging transaction at a price sufficient to protect the Fund from the anticipated decline in value of the portfolio.

Leveraged Purchase of Securities. The Fund may engage in leverage. Borrowing money to purchase instruments may provide the Fund's portfolio with the opportunity for greater capital appreciation but at the same time will increase the portfolio's risk of loss with respect to that instrument. Fluctuations in the market value of leveraged investments have a disproportionately large effect in relation to the return or loss on the investment. Although the General Partner will continuously monitor the amount of leverage used, the amount of borrowings which the Fund may have outstanding at any time may be large in relation to its capital and the Partnership Agreement contains no specified maximum levels of leverage that the Fund may utilize. In addition, the level of interest rates generally, and the rates at which the Fund can borrow in particular, will be an expense of the Fund and will therefore affect the operating results of the Fund. The level of interest rates and the amount of borrowing will affect the operating results of the Fund.

Margin borrowings are usually obtained from brokers-dealers and are typically secured by an account in which the borrower's securities and other assets are held. Under certain circumstances, such a lender may demand an increase in the collateral that secures the borrower's obligations, and if the borrower were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the borrower's obligation. For example, in the event of a sudden precipitous drop in the value of the Fund's assets, the Fund may not be able to liquidate assets quickly enough to pay off its margin debt. If the Fund were to become subject to liquidation in that manner, it could suffer extremely adverse consequences, including realization of losses that would not otherwise be realized.

Short Selling. The Fund may short sell securities as part of its investing and trading strategy. In a short sale, the Fund sells securities it does not own in the hope that the market price of such security will decline and that the Fund will be able to subsequently buy replacement securities at a lower price. The Fund effects a short sale by borrowing securities from a broker or other third party, and subsequently "closes" the position by "returning" the security (buying a replacement security on behalf of the lender) whenever the Fund is ready to take its profit, limit its potential for loss, or at such time as the lender chooses. As collateral for this obligation and to "close" the short position, the Fund is required to leave the proceeds of the short sale with the broker that effected the transaction, and deliver an additional amount of cash or other collateral as dictated by margin regulations. Due to the Fund's repayment obligation, a short sale theoretically involves the risk of unlimited loss because the price at which the Fund must buy "replacement" securities could increase without limit. There can be no assurances that the Fund will not experience losses on short positions or that the Fund will be able to close its short positions in a timely manner, and, if the Fund does experience losses on short sales, there can be no assurances that those losses will be offset by gains on the long positions to which they may relate. The Fund will bear the cost of dividends paid on shares sold short, and the lender of a stock that is sold short may charge an interest rate that exceeds the return made on the proceeds of its short sale of the stock, with a resulting ongoing cost of maintaining the short position. Short sales can, in some circumstances, substantially increase the impact of adverse price movements on the Fund's portfolio.

Risks of Options and Other Derivative Investments. The Fund may engage in various types of option or derivative transactions as part of its trading strategy. The trading of options and derivatives is highly speculative and may entail risks that are greater than investing in other securities. Prices of options and derivatives are generally more volatile than prices of other securities. The General Partner may speculate on market fluctuations in the value of securities and securities indices while investing only a small percentage of the value of those assets or indices underlying the option. A change in the market price of the underlying asset or index will cause a much greater change in the price of the option contract. In addition, to the extent that the Fund purchases options that it does not sell or exercise, it will suffer the loss of the premium it paid. To the extent the Fund sells options and must deliver the underlying securities at the option price, the Fund has an unlimited risk of loss if the price of the underlying security increases. To the extent the Fund must buy the underlying securities, the Fund risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option.

Foreign Investments. The Fund may invest directly in securities and financial instruments of foreign issuers or invest in securities denominated in currencies other than U.S. Dollars. Such assets will be valued in U.S. Dollars. To the extent such assets are unhedged, the value of the Fund's assets will fluctuate with the U.S. Dollar exchange rates as well as with price changes of the Fund's investments in other various markets denominated in other currencies. Some investments may include securities issued by entities in, and traded in, so-called "emerging markets." Non-U.S. investing and investing in emerging markets in particular, will subject the Fund to certain risks not typically associated with investing in securities in the United States. Many foreign stock markets are not as developed or efficient as those in the United States and may be more volatile than U.S. markets. The costs and expenses of investing in foreign markets are generally higher than in the United States. There is also generally less publicly available information about foreign companies than domestic companies and the information that is available may be unreliable. This general lack of information will make it more difficult for the Investment Manager to remain abreast of corporate developments that may affect the price of a particular security. Additionally, some foreign economies are less stable than the U.S. economy due to, among other things, volatile political environments, less stable monetary systems and/or external political risks.

Portfolio Turnover. Fund may engage in investment and trading techniques that may involve a substantial level of trading, and the turnover of the Fund's portfolio may generate substantial transaction costs. These costs will be borne by the Fund and the nature of the Fund's investment program may affect the deductibility of certain Fund expenses. *See* "Certain Income Tax Considerations – Limitations on Deductions."

Potential Changes in Investment Strategies. The Partnership Agreement gives the General Partner broad discretion to revise the Fund's investment strategies without prior approval by, or notice to, the Limited Partners provided that the General Partner determines that such change is in the best interests of the Fund. Any such decision to engage in a new activity could result in the exposure of the Fund's capital to additional risks which may be substantial. Limited Partners will receive notice should the General Partner decide it is in the best interests of the Fund to change the Fund's investment objective or investment strategy in a manner beyond the authority provided to the General Partner under the Partnership Agreement.

Insolvency of Brokers and Others. The Fund will be subject to the risk of failure of the brokerage firms and others that execute its trades, the clearing firms that such brokers use, or the clearing houses of which such clearing firms are members, or other counter-parties to transactions. To the extent the Fund buys securities from or sells securities to non-U.S. broker-dealers or other institutions, holds a portion of its assets through non-U.S. sub-custodians, or places assets with non-U.S. entities as collateral in connection with transactions in derivatives or margin borrowings, the risks relating to potential insolvencies or failures of such entities may be greater than if the Fund dealt only with U.S. institutions.

Suspension of Withdrawals. The General Partner may suspend the right of any Limited Partner to withdraw capital from the Fund or to receive a distribution from the Fund upon the occurrence of any of the following circumstances:

(a) when any such withdrawal would result in a violation by the Fund or a General Partner of the commodity or securities laws of the United States or any other jurisdiction or the rules of any self-regulatory organization applicable to the Fund or a General Partner;

(b) when any commodities exchange or organized inter-dealer market on which a significant portion of the Fund's 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 which constitutes a state of emergency as a result of which (i) disposal of a substantial part of the investments of the Fund would not be reasonably practicable and might seriously prejudice the Limited Partners or (ii) it is not reasonably practicable for the General Partner fairly to determine the value of the Fund's assets and/or liabilities; or

(d) if any event has occurred which calls for the termination of the Fund.

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 NAV of the Fund's assets at that time.

OTHER RISKS

Tax Considerations. For a more detailed discussion of the tax considerations associated with an investment in the Fund, see the discussion below under "*Certain Income Tax Considerations.*"

Tax Liability Without Distributions. Partners will be liable to pay taxes on their allocable shares of the Fund's taxable income. However, the General Partner does not intend to make distributions to the Limited Partners corresponding to profits, but instead intends to reinvest substantially all of the Fund's income and gains for the foreseeable future. Taxable income can be expected to differ from net profit, primarily because generally only *realized* gains and losses are considered for income tax purposes but net profit and net loss for Fund purposes will include *unrealized* gains and losses. It is possible that sales of appreciated securities in a particular period could cause some Partners to have taxable gain for that period at the same time that *unrealized* losses result in an overall net loss. It will generally be necessary for Partners to pay such tax liabilities out of separate funds or partial withdrawals from the Fund. There are significant limitations on a Partner's right to withdraw funds from the Fund. *See* "Who Should Invest; Subscriptions and Withdrawals" and "Certain Income Tax Considerations."

Tax-Exempt Entities. Tax-exempt entities may be subject to tax on a part of their share of Fund income, depending upon the extent to which such income is characterized as "unrelated business taxable income." *See* "Certain Income Tax Considerations – Taxation of Employee Benefit Plans and Other Tax-Exempt Entities."

Limited Liquidity. An investment in the Fund is relatively illiquid and is not suitable for an investor who needs liquidity. There will be no public market for Interests and the Partnership Agreement imposes significant limitations on the ability of a Limited Partner to transfer Interests or withdraw capital. For instance, transfers require the General Partner's consent and withdrawals are permitted only at the end of each calendar month after having been a Partner for six (6) months, and a Limited Partner may withdraw funds only after giving three (3) days' written notice. The General Partner has the discretion to deliver withdrawn amounts in securities or other financial instruments, rather than cash. Further, as to all or a portion of a withdrawn amount, the General Partner may establish a segregated portfolio of some of the Fund's securities or other financial instruments, and liquidate those securities for the withdrawing Limited Partner's account. In either such case, the securities, or other financial instruments so delivered or segregated may be relatively illiquid and the Limited Partner would bear the risk of a decline in their value after the effective time of his or her withdrawal. These facts, taken together, will significantly affect the liquidity of a Limited Partner's investment in the Fund. *See* "Who Should Invest; Subscriptions and Withdrawals" and "Summary Of The Partnership Agreement — Limitations On Transferability."

Foreign Investors. Whether or not the Fund's activities constitute a "trade or business" in the United States, will substantially affect the U.S. federal income tax consequences of an investment in the Fund on foreign investors. Foreign investors should assume that generally the Fund's activities will not constitute a "trade or business." However, foreign investors will still be subject to United States withholding taxes and certain interest income. Foreign investors are required to complete IRS Form W-8BEN and should consult with their own advisers regarding the federal, state, and foreign income tax consequences of an investment in the Fund. *See* "Certain Income Tax Considerations – Taxation of Foreign Investors."

Limited Information Regarding Fund Positions. The General Partner has the right, in its discretion, to keep the positions in the Fund's investment portfolio confidential. Such confidentiality is for the purpose of preventing third parties from using information concerning the Fund's positions (i) to "front run" the Fund, (ii) to make it more difficult for the Fund to cover its short positions by withholding or causing others to withhold prospective trades, (iii) to make it difficult to borrow securities to support short positions, or (iv) to otherwise interfere with the Fund's investment objectives.

Allocations. The Fund intends to allocate all items of taxable income, gain, loss, deduction and credit among the Partners in a manner that is generally consistent with the economic sharing arrangements. It currently expects to do so in a way that complies with one of the "safe harbors" provided in applicable Treasury

Regulations. However, the General Partner retains discretion to allocate items in a manner that deviates from those safe harbors, and there can be no assurances that the Internal Revenue Service will respect such allocations. *See* "Certain Income Tax Considerations – Taxation of the Fund and its Partners – Fund Allocations."

Investment Restrictions on Certain Limited Partners. Certain prospective Limited Partners (such as tax-exempt foundations and employee benefit plans) may be subject to federal and state laws, rules and regulations that may regulate their participation in the Fund, or their engaging directly, or indirectly through an investment in the Fund, in investment strategies of the types which the Fund may utilize from time to time (*e.g.*, short sales of securities and the use of leverage, the purchase and sale of options and limited diversification).

Conflicts of Interest. The General Partner will be subject to a variety of conflicts of interest in making investments on behalf of the Fund. *See* "Potential Conflicts of Interest" and "Brokerage and Transactional Practices." The General Partner will be responsible for a variety of important matters affecting the Fund. In general, the Partnership Agreement provides the General Partner with broad discretion as to determination or resolution of a wide variety of matters, including economic and tax allocations, Partner withdrawals (on other than regular withdrawal dates), distributions and other issues, any of which could significantly affect a particular Limited Partner or Partners.

Effect of Substantial Withdrawals. Substantial withdrawals by Limited Partners within a short period of time could require the Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's assets and/or disrupting the General Partner's investment and trading strategies. Reduction in the size of the Fund could make it more difficult to generate positive returns or to recoup losses due to, among other things, reductions in the Fund's ability to take advantage of particular investment opportunities or decrease the ratio of its income to its expenses. Withdrawals are subject to certain restrictions specified in the Partnership Agreement and to reserves which may be established by the General Partner to cover contingent liabilities of the Fund.

No Minimum Size of Fund. It is possible that even if the Fund operates for a substantial period of time with substantial capital, Partners' withdrawals over that period could diminish the Fund's assets to a level that does not permit the most efficient and effective implementation of the Fund's investment program. At low asset levels, the Fund may be unable either to diversify its investments as fully as would otherwise be desirable or to take advantage of potential economies of scale, including the ability to obtain the most timely and valuable research and trading information from securities brokers, dealers, market makers and others.

Potential Mandatory Withdrawal. The General Partner may, in its sole discretion, and at any time, require a Limited Partner to withdraw all or a portion of his or her Capital Account balance. Such mandatory withdrawal could result in adverse tax and/or economic consequences to that Limited Partner. *See* "Who Should Invest; Subscriptions and Withdrawals," and "Summary of the Limited Partnership Agreement."

Broad Indemnification of the General Partner. The Partnership Agreement indemnifies the General Partner against liability for losses incurred by the Fund resulting from errors of judgment or other acts or omissions, whether or not disclosed, unless gross negligence, willful misconduct, fraud or bad faith is involved (or such lesser standard as required by law would prevent indemnification), and reimburses the General Partner for attorneys' fees incurred in defending certain actions, which attorneys' fees may be reimbursed as incurred. Accordingly, Limited Partners may be entitled to a more limited right of action than they would otherwise be entitled absent such limitations in the Partnership Agreement. The Fund has not purchased, and does not presently intend to purchase, any insurance relating to its indemnity obligations.

Lack of Insurance. The assets of the Fund are not insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by the Federal Deposit Insurance Corporation or with brokers and dealers insured by the Securities Investor Protection Corporation ("SIPC") and such deposits and securities are subject to such insurance coverage (which, in any event, is limited in amount). Therefore, in the event of the insolvency of a depository or custodian, the Fund may be unable to recover all of its funds or the value of its securities so deposited. Limited Partners' losses will not be covered by SIPC.

REGULATORY MATTERS

Investment Company Regulation. The General Partner intends to rely on Section 3(c)(7) of the Investment Company Act of 1940, as amended, (the "*Investment Company Act*") to avoid requirements that the Fund register as an "investment company" under, and comply with, the substantive provisions of the Investment Company Act. If the Fund were registered as an investment company, the Investment Company Act would require, among other things, that the Fund have a board of directors (some of whom were unrelated to the General Partner), compel certain custodial arrangements, and regulate the relationship and transactions between the Fund and the General Partner. Compliance with some of those provisions could possibly reduce certain risks of loss although such compliance could significantly increase the Fund's operating expenses and limit the Fund's investment and trading activities. Interpretations of Section 3(c)(7) are complex and uncertain in several respects and, as a result, there can be no assurance that the Fund will remain entitled to rely on Section 3(c)(7). If it is determined that the Fund was not entitled to such reliance, the Fund and the General Partner could be subject to legal actions by the SEC and others and the Fund could be forced to terminate its business under adverse circumstances. *See* "Securities Regulatory Matters."

Investment Adviser Act Registration. At this time, the General Partner is not required to be registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "*Advisers Act*"). Accordingly, Limited Partners may not be afforded certain regulatory protections afforded to investors in entities which are managed by individuals or institutions registered under the Advisers Act.

Private Offering Exemption. The General Partner intends to offer the Fund's Interests on a continuing basis without registration under the Securities Act in reliance on an exemption for "transactions by an issuer not involving any public offering," and without registration or qualification of the Interests under state laws in reliance on an related exemption. While the General Partner believes reliance on such exemptions is justified, there can be no assurance that factors such as the manner in which offers and sales are made, concurrent offerings by other funds, the scope of disclosure provided, failures to file notices, or changes in applicable laws, regulations, or interpretations will not cause the Fund to fail to qualify for such exemptions under federal or one or more states' laws. Failure to so qualify could result in the rescission of sales of Interests at prices higher than the current value of those Interests, causing the Fund's performance and business to be affected in a material and adverse manner. Further, even non-meritorious claims that offers and sales of Interests were not made in compliance with applicable securities laws could materially and adversely affect the General Partner's ability to conduct the Fund's business. *See* "Securities Regulatory Matters." Investors that are employee benefit plans should also consider factors discussed under "*Certain Considerations for ERISA Plans.*"

Other. The Fund and the General Partner are subject to various other securities and similar laws and regulations that could limit some aspects of the Fund's operations or subject the Fund or the General Partner to the risk of sanctions for noncompliance. *See* "Securities Regulatory Matters." Investors that are employee benefit plans should also consider certain factors discussed under "*Certain Considerations for ERISA Plans.*"

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective investors, in consultation with their financial, legal and tax advisers, should read this entire Memorandum, the Partnership Agreement and the Subscription Application and Agreement before deciding to invest in the Fund.

POTENTIAL CONFLICTS OF INTEREST

Conflicts may arise between the interests of the General Partner and its principals, and those of the Limited Partners. While the General Partner is accountable to the Fund as a fiduciary, the Partnership Agreement grants it broad discretion as to many matters and limits its fiduciary duties. Prospective investors should be aware of the potential for such conflicts of interest.

INCENTIVE ALLOCATION

The General Partner believes the prospect of receiving an Incentive Allocation provides a strong incentive to manage the Fund profitably. However, the Incentive Allocation to the General Partner may involve a conflict of

interest as it could encourage the General Partner to engage in investment activities that are riskier or more speculative than it otherwise would. In some cases, fees charged by the General Partner may be greater than fees charged by other investment managers for similar services. *See* "Incentive Allocation and Expenses."

Other Business Relationships

The General Partner shall devote as much of its time and resources to the activities of the Fund as it deems necessary and appropriate. The Partnership Agreement does not restrict the General Partner or its principals from entering into other fund management relationships, other investment advisory relationships or engaging in other business activities, even though those activities may be in competition with the Fund and/or may involve substantial amounts of the General Partner's time and resources. The General Partner and its principals may administer or serve as general partner to other investment funds and may provide investment management services to other investment advisory clients that have investment objectives similar to that of the Fund. These activities could be viewed as creating a conflict of interest in that the time and effort and resources of the General Partner and its principals are not devoted exclusively to the business of the Fund but must be allocated between that business and other activities.

Investment Opportunities And Co-Investment

Conflicts of interest also arise in connection with transactions for the accounts of the Fund in relation to any other investment vehicles in which the General Partner or its affiliates are involved or other advisory clients whose portfolios the General Partner may manage, and the accounts of the General Partner. At times, the General Partner may cause the Fund and other accounts to effect transactions that differ in substance, timing and amount, due to, among other things, differences in investment objectives or other factors affecting the appropriateness or suitability of particular investment activities for the Fund or other accounts, or limitations on the availability of particular investment or transactional opportunities. The General Partner will allocate transactions and opportunities among the various accounts it and its principals manage in a manner it believes to be as equitable as possible, considering each account's objectives, programs, limitations and capital available for investment, but all accounts may not necessarily invest in the same securities. Further, neither the General Partner nor its principals have any obligation to provide the Fund or any other account with any particular investment opportunity that could be beneficial to the Fund.

If the Fund and other investment portfolios managed by the General Partner seek to buy or sell the same security at the same time, the General Partner may combine purchase and sale orders on behalf of the Fund with orders for those other portfolios, including its own or the personal accounts of its principals, and allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants in the transactions. While the General Partner believes that combining transaction orders in this way is, over time, advantageous to all participants, in particular cases the average price could be less advantageous to the Fund than if the Fund had been the only account effecting the transaction or had completed its transaction before the other participants.

Exculpation and Indemnification

The Partnership Agreement provides that neither the General Partner nor any of its members, employees, agents or principals will be liable to the Fund or to any Limited Partner for any act or omission based upon errors of judgment or other fault in connection with the business or affairs of the Fund as long as that act or omission did not constitute gross negligence, bad faith, fraud or a willful violation of law. These provisions alter the General Partner's fiduciary duties such that no action the General Partner takes or omits to take, including actions involving conflicts of interest, as described in this Memorandum and otherwise, will breach any duty to the Fund or the Partners if it does not constitute gross negligence or a willful violation of law. In addition, the Partnership Agreement provides the General Partner and its members, employees, agents and principals with broad indemnification rights for any act or omission that does not constitute gross negligence or a willful violation of law and requires the Fund to advance expenses incurred by any indemnified parties in connection with any action against it related to its activities for the Fund. Some securities laws can, in some circumstances, impose liability even when a person acts in good faith, and the exculpation and indemnification provisions of the Partnership Agreement may not be effective to limit the General Partner's or any of its principals' liability to the extent liability would otherwise be imposed under certain provisions of the securities laws.

No Separate Representation

The Law Offices of Russell W. Grimaldi & Associates, P.C. ("Counsel"), 555 Taxter Road, Suite 175, Elmsford, NY 10523, has acted as counsel to the Fund in connection with this offering of Interests. Counsel may also act as counsel to the General Partner and its principals. In connection with this offering of Interests and subsequent advice to the Fund, the General Partner and its principals, Counsel will not be representing Limited Partners. No independent counsel has been engaged to represent the Limited Partners.

Brokerage and Transactional Practices

Due to the nature of the Fund's investment strategy, the Fund may at times incur substantial brokerage commissions and other transaction expenses. The General Partner has complete discretion in deciding which brokers, dealers, banks, market makers and other execution services and providers to (collectively, "*brokers*"), and in negotiating rates of brokerage compensation. In addition to using brokers as agents and paying commissions, the Fund may buy or sell securities directly from or to dealers acting as principal (*e.g.*, such as market makers for over-the-counter securities) at prices that include markups or markdowns. The following describes some noteworthy aspects of the General Partner's and the Fund's use of, and relationships with, brokers.

Selection Criteria, Generally

In choosing brokers, the General Partner will generally seek "best execution" of Fund transactions. In evaluating whether a broker will provide best execution for a particular transaction, the General Partner may consider a range of factors. These include, among others, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions; the execution, clearance, and settlement and error-correction capabilities of the broker generally and in connection with securities or financial instruments of the types and in the amounts to be bought or sold; the broker's willingness to commit capital; the broker's reliability and financial stability; the size of the transaction; availability of securities to borrow for short sales; and the market for the security or financial instrument. As discussed below, the General Partner is not required to select the broker that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers and may consider criteria beyond best execution.

Soft Dollars

In choosing a broker, the General Partner may consider the value of various services or products, beyond transaction execution, that the broker or dealer provides to the Fund and the General Partner may cause the Fund to pay an amount of compensation (including markups and markdowns on principal transactions with market makers) that is higher than what another, equally capable broker might charge. Selecting a broker in recognition of services or products other than transaction execution is known as paying for those services or products with "soft dollars."

The General Partner does not believe it should benefit from soft dollar relationships and will not use soft dollars to pay for any of its direct operating expenses because it creates a potential conflict of interest. However, soft dollars may be used for the Fund's benefit to pay for research and brokerage services and may use soft dollar relationships for the Fund's benefit.

Prime Brokerage, Custody, Clearing and Settling

The Fund will obtain custodial, clearing, and related services through what is known as a "prime brokerage" arrangement. Under such arrangement, the custodian will maintain custody of the Fund's assets (either directly or through its clearing brokerage firm) (the "*Custodian*"), provide margin credit and locate securities to borrow to facilitate short sales, and provide related services, but allows the Fund to use other brokers to execute transactions. This permits the General Partner to seek valuable research and to compare execution quality and commission rates, while maintaining only one custodial relationship. By using a brokerage firm, the Fund may

avoid paying custodial fees that banks charge other institutional investors. The introducing prime broker will be compensated through interest on credit balances, margin borrowings, stock loans, and brokerage commissions. Under such an arrangement, the Prime Broker, among other things, (i) arranges for the receipt and delivery of securities bought, sold, borrowed, and lent; (ii) makes and receives payments for securities; (iii) maintains custody of cash and securities; (iv) tenders securities in connection with tender offers, exchange offers, mergers, or other corporate reorganizations; and (v) provides detailed portfolio and related reports.

The Fund may open "average price" accounts with brokers. In an "average price" account, purchase and sale orders placed during a trading day on behalf of the Fund and other accounts, such as affiliates of the General Partner, are combined and securities are bought and sold pursuant to such orders are allocated among such accounts on an average price basis.

In accordance with SEC regulations, assets purchased by the Fund and not paid up as margin will be held by the Prime Broker in a client securities account separately designated in the books relating to such account as those of the Fund. These assets not paid up as margin will be segregated from the Prime Broker's own proprietary assets and unavailable to third party creditors of the Prime Broker in order to protect against the bankruptcy or insolvency of the Prime Broker. It is not necessary for the Prime Broker to segregate assets paid up as margin by the Fund from its own proprietary assets, and therefore, the assets paid up as margin by the Fund may be available to third party creditors of the Prime Broker.

The Fund has employed the services of FXCM, LLC as its Prime Broker.

The General Partner may change the Fund's Prime Broker, alter the terms of the Fund's arrangements with the Prime Broker, or make alternative arrangements to receive the services currently provided by the Prime Broker, all in its absolute discretion.

ADMINISTRATOR

Pursuant to an Administrative Services Agreement, the Fund has engaged Hedge Solutions, LLC (the "*Administrator*") to provide various administrative and accounting services to the Fund including the determination of the Fund's Net Asset Value, preparation of the Funds books and accounting records, fee and allocation computations and the preparation of financial reports for the Limited Partners.

The Administrator concentrates in accounting, auditing, tax and regulatory reporting for hedge funds and private equity funds. It is located at 12100 Wilshire Blvd, 8th Floor, Los Angeles, California 90025.

The Fund's appointment of the Administrator will continue until terminated by the Fund or the Administrator giving to the other not less than ninety (90) days prior written notice.

The Fund compensates the Administrator for the services provided by the Administrator under the Administrative Services Agreement in accordance with the Administrator's standard schedule of fees for the types of services it provides to similarly-situated funds, plus any out of pocket costs it incurs on behalf of the Fund. The Fund has agreed to indemnify the Administrator from all liabilities of whatsoever nature which it may incur in performing its obligations under the Administrative Services Agreement, other than those liabilities resulting from negligence or willful default on the part of the Administrator or its servants or agents.

VALUATION

The Fund's NAV is determined for all purposes (such as calculating profits and losses) by the Administrator as of the close of business on the last day of each period for which calculations are required. Generally, securities will be valued by the General Partner in accordance with the following method: (i) at their last published sale price, if they are listed on an established securities exchange or in Nasdaq; or (ii) if last sales prices are not published, at

the mean of the highest reported closing bid, and the lowest reported closing asked price, in certain established quotation systems. Other securities and assets of the Fund, including securities that are not publicly traded, will be assigned such values as the General Partner determines accurate and reasonable.

In connection with the determination of the value of the Fund's assets, the General Partner may consult with and is entitled to rely upon the advice of persons or entities deemed appropriate by the General Partner.

WHO SHOULD INVEST; SUBSCRIPTIONS AND WITHDRAWALS

Subscriptions for Interests will be accepted at the discretion of the General Partner from time to time, generally as of the beginning of each month. No minimum amount of Interests must be sold before the Fund may accept subscriptions and commence operation.

The minimum investment is $250,000 although the General Partner may waive or reduce this requirements in particular cases and may change it as to new investors in the future. The Fund is currently offering Interests through the General Partner. However, the Fund may retain other placement agents and third party marketers, as allowed by the exemptions under which the Fund operates, from time to time to assist in the offering. Any such placement agents or third party marketers employed by the Fund may receive commissions or fees, which may include participation in incentive allocations or management fees otherwise payable to the General Partner, as is agreed in the particular case and upon any required disclosure to the respective investing Limited Partner. Any such commission or fee will be borne by the General Partner or the investing Limited Partner, as agreed, and not charged to the Fund. The General Partner and affiliated persons may also allocate brokerage commissions to brokers who recommend investors to the Fund and other investment funds and accounts they manage.

ELIGIBLE INVESTORS

Interests are accepted only from persons who satisfy the requirements of (1) an "accredited investor" as defined in Rule 501(a) under Regulation D of the Securities Act; (2) a "qualified purchaser" under the Investment Company Act; and (3) "qualified eligible investor" as defined in Rule 4.7(a)(2) under the Commodities Exchange Act and Commodity Futures Modernization Act of 2000. In addition, prospective Limited Partners must make certain representations, in a Subscription Application and Agreement, relating to securities law compliance. The General Partner reserves the right, in its sole discretion, to permit investments from Limited Partners who do not meet the qualification requirements. The General Partner reserves the right to refuse a subscription for Interests for any reason, including its belief that the prospective investor does not meet the applicable suitability requirements.

SUITABILITY

A prospective investor's satisfaction of the standards for "accredited investor" status, "qualified purchaser" status and "qualified eligible investor" status and the ability to make the other representations in the Subscription Application and Agreement does not necessarily mean that Interests are a suitable investment for a prospective investor. Prospective investors should carefully evaluate whether an investment in the Fund is suitable for their particular circumstances and investment needs. In doing so, they should consult with such legal, tax, and financial advisors as they consider appropriate, and should avail themselves of the opportunity to ask questions of the General Partner.

Each investor must, either alone or with the assistance of a "purchaser representative," have sufficient knowledge and experience in financial and business matters generally and in securities investment in particular to allow him or her to evaluate the merits and risks of investing in the Fund. In addition, each investor should have sufficient funds, beyond those he or she intends to invest in the Fund, to meet personal needs and contingencies. Each purchaser of an Interest is required to represent that the Interest is being acquired for its own account, for investment, and not with a view to resale or distribution. Investors should expect that they will not have access to the funds they have invested in the Fund for extended periods and should be capable of absorbing a loss or reduction in the value of their investments. *See* "Certain Risk Factors." Investors who are

subject to income tax should be aware that, if the Fund's investment activities are successful, an investment in the Fund is likely to create taxable income or gains but that the Fund does not intend to make distributions of cash with which to pay the resulting tax liabilities.

Method of Subscription

To subscribe to purchase an Interest, an investor must complete, date, sign the Subscription Application and Agreement and deliver the signed Application to the General Partner, and make payment in accordance with the Application. The General Partner reserves the right to accept or reject any subscription in whole or in part in its sole discretion for any reason whatsoever and to withdraw this offering at any time. The General Partner may, in its sole discretion, choose to accept an in-kind contribution and such contributions shall be valued based on the standards set forth herein. Any interest earned on subscription payments will be retained by the Fund.

Withdrawals

Partners may, upon three (3) days' written notice, withdraw some or all of his or her Capital Account balance from the Fund effective as of the end of any calendar month after having been a Partner for six (6) months. Partial withdrawals may not be made without the consent of the General Partner, if they would reduce the Limited Partner's Capital Account balance below the minimum initial investment. The General Partner may, in its sole discretion, waive the above limitations and permit withdrawals at other times.

Withdrawn amounts generally will be paid within five (5) days after the effective date of the withdrawal. However, for withdrawals of 90% or more of a Limited Partner's Capital Account balance, up to 10% of the withdrawal amount may be withheld and will not be paid until ten (10) days after the annual audit of the Fund's financial statements for the year of withdrawal are completed. Pending distribution to Limited Partners, withdrawn funds will not bear interest.

The General Partner may suspend the right of any Partner to withdraw capital or to receive a distribution from the Fund if, in the General Partner's judgment, such a suspension would be in the best interests of the Fund. Situations in which such a suspension might occur include: when a withdrawal would cause the Fund or the General Partner to violate securities laws, or other laws; when any stock exchange or over-the-counter market on which a substantial portion of the securities owned by the Fund are traded is closed; when disruptions in securities markets make pricing and/or liquidation of some or all Fund assets difficult or would result in losses to the Fund if the Fund attempted such liquidations; when a breakdown occurs in any of the means normally employed in ascertaining the value of a substantial part of the assets of the Fund or when for any other reason the value of such assets cannot reasonably by ascertained; when the General Partner determines, in consultation with tax advisors, that the withdrawal could result in the Fund being treated as a "publicly-traded partnership" and thus taxable as a corporation; or if other events make an accurate determination of the Fund's Net Asset Value impractical. The General Partner will give notice to Partners who make withdrawal requests that are affected by any such suspension. Unless a Partner rescinds his or her suspended withdrawal request, the withdrawal will generally become effective on the last day of the fiscal month in which the suspension is lifted, on the basis of the Partner's Capital Account balance at that time.

The General Partner may withdraw all or part of the Incentive Allocation or all or any part of its Capital Account at any time without notice to the Limited Partners and may withdraw as the Fund's general partner without notice to the Limited Partners.

Mandatory Withdrawals; Expulsion of a Limited Partner

The General Partner may force a partial or complete withdrawal by any Limited Partner as of the end of any day by giving notice to such Limited Partner on that day. Such expulsion could occur because, among other things, the Limited Partner's Interest could be considered "beneficially owned" by more than one person for purposes of the exclusion from treatment as an "investment company" under the Investment Company Act, discussed below. It could also occur because the General Partner, in its sole discretion, determines that the expulsion is in the best interests of the Fund. Mandatory withdrawals will generally be effective as of the date the General Partner notifies the Limited Partner of the withdrawal. However, where the Limited Partner's continued ownership of its Interest could, in the General Partner's sole discretion, jeopardize the Fund's ability to remain excluded from the

definition of "investment company" under the Investment Company Act, or where the Limited Partner's continued ownership of its entire Interest could cause the Fund's assets to be considered "plan assets" under ERISA, the effective date may be an earlier time. If a Limited Partner dies or becomes bankrupt, insolvent or incompetent, he or she or it may be deemed to have withdrawn effective at the end of the month in which the event occurred.

CERTAIN INCOME TAX CONSIDERATIONS

The following discussion summarizes certain aspects of the federal income taxation of the Fund and Limited Partners that a potential investor should consider. This discussion is based on the Internal Revenue Code of 1986, as amended (the "*Code*"), Treasury regulations under the Code (the "*Regulations*"), and court decisions and published rulings of the Internal Revenue Service (the "*Service*"), all as in effect on the date of this Memorandum. It does not take into account the possible effect of future legislation, regulatory or administrative changes or court decisions. The existing law, as currently interpreted, is subject to change by new legislation, or by differing interpretations of existing law, either of which could, by retroactive application or otherwise, adversely affect a Limited Partner's investment in the Fund. The Fund will not seek any rulings from the Service as to any particular tax consequences. If any particular matter were contested, a court might reach a conclusion contrary to those expressed below. Future legislation, administrative action, or court decisions may change this discussion significantly, and any such changes or decisions may have a retroactive effect as to the transactions contemplated herein. The General Partner's counsel has no continuing obligation to advise the General Partner, the Fund, or any Partner of any changes in the law that may affect the Fund or the Limited Partners or that may otherwise cause any part of the following summary to be inaccurate. This summary does not purport to address all aspects of income taxation that may be relevant to a prospective investor, nor is it intended to be applicable to all Limited Partners, some of which, such as financial institutions, insurance companies, and foreign persons or entities, may be subject to special rules.

Except as otherwise indicated, this discussion has been prepared on the assumption that a Partner is a U.S. resident individual or a U.S. domestic corporation that is not tax exempt. Prospective investors should consult their own tax advisors with respect to the tax consequences (including state and local and foreign tax consequences) of an investment in the Fund.

Pursuant to U.S. Treasury Circular 230, the Fund hereby informs you that: (i) any tax advice contained herein is not intended and was not written to be used, and cannot be used by any taxpayer, for the purposes of avoiding penalties that may be imposed on the taxpayer and (ii) any such advice was written to support the promotion or marketing of the Interests described in this Memorandum.

BECAUSE (i) THE INCOME TAX LAWS APPLICABLE TO PARTNERSHIPS AND SECURITIES TRANSACTIONS ARE EXTREMELY COMPLEX, AND (ii) THE FOLLOWING SUMMARY DOES NOT PURPORT TO BE AN EXHAUSTIVE OR COMPLETE DESCRIPTION OF ANY SUCH INCOME TAX CONSEQUENCES, PERSONS CONSIDERING AN INVESTMENT IN THE FUND SHOULD CONSULT THEIR OWN TAX ADVISERS TO UNDERSTAND FULLY THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF SUCH AN INVESTMENT IN LIGHT OF THEIR OWN PARTICULAR SITUATION.

CHARACTERIZATION OF THE FUND

Under so-called "check-the-box" regulations, a business entity formed as a partnership under state law with at least two members will be classified as a partnership for federal income tax purposes unless it affirmatively elects to be taxed as a corporation. The Fund will not make such an election.

However, partnerships that are considered "publicly-traded" will be treated as corporations for federal income tax purposes. Being so characterized would substantially adversely affect Partners' after-tax income. Certain Regulations provide "safe harbors" in which partnerships may rest assured that they are not "publicly-traded." The Fund expects to satisfy at least one of the safe harbors at all times. Under the Partnership Agreement, the General Partner may suspend Partners' withdrawal rights if the General Partner determines that such withdrawals

could cause the Fund to be considered "publicly-traded." In many years the nature of the Fund's income may enable the Fund to qualify for an exception to the publicly-traded partnership provisions of the Code, regardless of the level of withdrawals.

The remainder of this discussion assumes that the Fund will be treated as a partnership, and not taxable as a corporation, for all U.S. federal, state and local tax purposes.

TAXATION OF THE FUND AND ITS PARTNERS

General. Since, under the Regulations, and subject to the discussion of "publicly traded partnerships" herein, the Fund is classified as a "partnership" for federal income tax purposes, no Federal income tax is payable by it as an entity. Instead, Partners will be required to report their shares of the Fund's net long-term capital gain or loss, net short-term capital gain or loss, net ordinary income or deduction, and various other categories of income, gain, loss, deduction and credit (collectively, "tax items") on their own income tax returns. A Partner's share of any tax item will be governed by the Partnership Agreement unless (i) the Partnership Agreement is silent as to the Partner's share of that item or (ii) the allocation provided by the Partnership Agreement is not considered to have "substantial economic effect" for tax purposes or is otherwise not in accordance with the Partners' interests in the Fund (as described below).

The Fund has adopted the calendar year as its taxable year and will file an annual partnership information return reporting the results of operations.

Fund Allocations. Because the Fund regularly marks its portfolio to market, the Regulations require that the allocation of tax items attributable to its securities holdings must take into account the difference between the adjusted tax basis of the asset giving rise to the item and its book (*i.e.*, fair market) value. The Partnership Agreement provides, in effect, that unless the General Partner chooses, in its sole discretion, to use a different method of allocating tax items it considers consistent with the economic arrangements among the Partners, the Fund will use a method that complies with Regulations under Section 704(c) to allocate gains and losses relating to its securities and will allocate all other tax items in accordance with Partnership Percentages. If the Fund were to deviate from the "safe harbor" methods as to certain items, it is possible that the Service could consider the allocation inappropriate and require a different allocation of those tax items. This could result in a Partner recognizing a greater or smaller amount of income, gain, loss or deduction than was reported. If the Fund were to deviate from the "safe harbor" methods as to certain items, it is possible that the Service could consider the allocation inappropriate and require a different allocation of those tax items.

To achieve tax results similar to those that would be achieved if the Fund made a Section 754 election upon such events as a Limited Partner withdrawal (*see* "Section 754 Election," below), without actually making the election (thereby avoiding certain accounting costs and complexities), the General Partner intends to allocate income and gain (or loss) to withdrawing Partners in an amount equal to the difference between those Partners' Capital Account balances at the time of the withdrawal and the tax basis for their Interests at that time. To the extent such special allocations are made, a withdrawing Partner will be allocated income or gain (or loss) from Fund activities in the year in which the withdrawal is effective, rather than recognizing a capital gain (or loss) in the same amount in the year in which the payment for the withdrawal is received. This could result in some acceleration of taxable income if the withdrawal is close to the end of a taxable year, and could also result in the withdrawing Partner being taxed at ordinary income rates on some or all of the amounts that would otherwise be taxed at favorable long-term capital gain rates. Furthermore, the Service may challenge such an allocation as being without "substantial economic effect" and not in accordance with Partners' interests. If such a challenge were successful, the remaining Partners could be considered to have underreported income and gains for the year for which the allocation was made and the Fund and those Partners could be subject to additional taxes as well as interest and penalties.

Characterization of Securities Activities. Under the Code, persons or entities that buy securities for resale to customers (as market-makers do), are considered "dealers." Dealers must recognize gains and losses differently, and are entitled to different deductions, than others who buy and sell securities. The General Partner believes the Fund should not be considered a "dealer" for tax purposes.

Those who are not "dealers" are either "traders" or "investors." In general, traders engage in a "trade or business" of buying and selling securities for their own accounts to take advantage of short-term price changes. Investors buy securities for longer-term appreciation. Whether one is a "trader" or an "investor" is not determined by a specific formula or set of objective criteria; it depends on an analysis of all the facts and circumstances involved in one's activities, taken as a whole. This characterization will affect, among other things, the extent to which Partners may deduct certain items of Fund expense for Federal income tax purposes. The Fund may engage in significant short-term investment strategies that involve significant portfolio turnover (including short selling). The mix of short- and long-term activities may vary significantly from year to year. As a result, it is not possible to predict accurately whether, in any given tax year, the Fund will reach the threshold of being a "trader." *See* "Limitations on Deductions," below.

If the Service or a court were to disagree with the Fund's characterization of its status in a particular year, the Service could determine that some Partners had misrepresented their taxable income and the Fund and those Partners could be subject to interest and penalties on any resulting tax deficiencies.

Character of Gains and Losses Generally. For any years the Fund is considered a "trader," "mark to market" accounting rules will apply. "Mark to market" rules require the recognition of a gain or loss with respect to securities held at the end of each taxable year as if such securities were sold for their fair market value on the last business day of the taxable year. Any gain or loss on the Fund's securities is treated under the "mark to market" rules as ordinary income or loss (but treated as gain or loss from a capital asset for purposes of certain other Code provisions), for that year. Accordingly, a Partner's allocable portion of such gain or loss is treated as ordinary income or loss (but as gain or loss from a capital asset for purposes of certain other Code provision) to such Partner in each such taxable year.

For any years in which the Fund is considered an "investor," a portion of its recognized gains and losses from securities transactions will generally be characterized as capital gain or loss and eligible for preferential long-term capital gain rates if held for more than 12 months. Generally, gain or loss will be "long-term" and eligible for preferential long-term capital gain rates if held for more than 12 months. The Fund anticipates that a substantial portion of its trades will not qualify for long-term capital gains treatment.

The following rules may affect the Fund's holding period for a security or may otherwise affect the characterization of certain gains and losses and the timing of realization:

Short Sales. Gains and losses from short sales are generally considered short-term capital gains and losses. However, under certain circumstances, they will be considered long-term if the Fund covers the short position with securities it had held for the long-term holding period at the time it made the short sale. Making a short sale will terminate the holding period for "substantially identical property" (*e.g.*, securities of the same class) the Fund holds long.

Anti-Conversion Rules. What would otherwise be capital gain from certain types of transactions (such as "straddles") may be taxed at ordinary income rates to the extent the gain results primarily from the time value of the taxpayer's investment.

Effect of Straddle Rules on Partners' Securities Positions. Under the Code, the Service may treat certain positions in securities held (directly or indirectly) by a Partner and its indirect interest in similar securities held by the Fund as "straddles" for federal income tax purposes. The application of these "straddle" rules could affect a Partner's holding period for the securities involved and could defer the recognition of losses as to such securities.

Constructive Sale Rules. Many common hedging transactions are treated as "constructive sales" for tax purposes. In particular, if the Fund holds a security that has appreciated in value and sells securities of the same class short, enters into a futures or forward contract as to such securities, or engages in similar transactions, it will be treated as if it had sold the appreciated securities.

Options. For options on certain broad-based stock indices, options on stock index futures, and certain other options (collectively "*Section 1256 Contracts*"), the Code generally applies a "mark-to-market" system of annually taxing unrealized gains and losses and otherwise provides for special rules of taxation. Under this system, Section 1256 Contracts held by the Fund at the end of each taxable year will be treated for federal

income tax purposes as if they were sold by the Fund for their fair market value at that time. The net gain or loss, if any, resulting from such "deemed sales," together with any gain or loss resulting from actual sales of Section 1256 Contracts during the year, must be taken into account by the Fund in computing its taxable income for that year. If a Section 1256 Contract held by the Fund at the end of a taxable year is sold in the next year, the amount of any gain or loss realized on that sale will be adjusted to reflect the gain or loss previously taken into account under the "mark-to-market" rules. Forty percent of the aggregate net capital gain or loss for each year from such Section 1256 Contracts "deemed" sold is characterized as short-term capital gain or loss and 60% is characterized as long-term capital gain or loss. These gains and losses will be taxed under the general rules described above, and, in the case of losses, will be subject to the limitations generally applicable to capital losses.

The character of income and loss received in connection with stock options that are *not* Section 1256 Contracts involves a number of income tax rules. In general, gain or loss from the sale or exchange of an option has the same character as would gain or loss from a sale of the property underlying the option. The Fund generally will treat options on securities as capital assets. The remainder of this discussion assumes that treatment is appropriate.

If the Fund were to *write* options on stock (or on certain narrow-based stock indices), certain gains and losses would be treated as short-term capital gains or losses, regardless of the Fund's holding period for the option. Thus, for example, if an option granted by the Fund expired, the Fund would recognize a short-term capital gain equal to the amount of the premium it received for issuing the option. Similarly, if the Fund "closes" an option it has written, any gain or loss will be treated as short-term capital gain or loss.

If an option on stock (or on narrow-based stock indices) *purchased* by the Fund expires, the Fund generally will realize a short-term or long-term capital loss equal to the cost of the option, depending upon the holding period for the option. Similarly, if the Fund were to resell that option, it generally would realize a short-term or long-term capital gain or loss, depending on the holding period for the option. The acquisition of a put option is treated as a short sale (discussed below), and thus may affect the holding period of any securities the Fund owns at the time it buys the put that are of the same class as those underlying the put.

Contributions. Generally, a contribution of cash to the Fund will not be a taxable event to the contributing Partner or to the Fund. Although it may accept securities or any other property as a contribution to the Fund, the General Partner generally does not expect to do so. A Partner that contributes securities to the Fund could be subject to tax on any appreciation in those securities at the time of contribution; however, no loss would be allowed at the time of contribution if the securities had declined in value.

Basis. A Limited Partner's adjusted basis for his or her Interest will equal his or her initial basis in the Interest (*i.e.*, cash contributed) increased by (a) any further capital contributions, (b) his or her distributive share of Fund income (including tax-exempt income) and (c) any increase in his or her share of any debt of the Fund and decreased (but not below zero) by (x) distributions (including withdrawals) made to him or her, (y) his or her distributive share of any Fund deductions or losses, and (z) any decrease in his or her share of any debt of the Fund. If a redeeming Partner in the Fund were to suffer a loss of $250,000 or more on the redemption of his or her Interest in the Fund, this could require a basis adjustment for remaining Partners of the Fund.

Distributions. A Limited Partner may be taxed on his or her "distributive" share of the Fund's taxable income or gain regardless of whether he or she has received any distribution from the Fund. Because no regular distributions are contemplated, a Partner may have to withdraw capital from the Fund in order to pay tax liabilities arising from the allocation of his or her share of Fund taxable income. Furthermore, in light of the restrictions on withdrawals imposed by the Partnership Agreement, and the possibility that a withdrawal may be funded with securities (which may be illiquid) rather than cash, it is possible that, notwithstanding the withdrawal provisions, the only source for payment of such tax liabilities would be from the Partner's funds from sources other than the Fund.

Whether a particular distribution (generally upon a withdrawal of capital) causes the Partner receiving it to realize taxable income or loss depends on whether assets other than cash are distributed, whether the Partner remains a Partner after the distribution/withdrawal (*i.e.* whether the distribution "liquidates" the Partner's Interest), and the relation of the cash distributed to the Partner's basis in his or her Interest in the Fund.

Non-Liquidating Distributions. Where a Partner remains a Partner after a withdrawal or other distribution, a distribution generally will cause him or her to realize taxable income *only* if and to the extent the cash distributed exceeds the Partner's adjusted basis in his or her Interest. For these purposes, any decrease in a Partner's share of Fund debt will be treated as a distribution of cash to the Partner. Distributions to continuing Partners will *not* cause taxable losses to be realized. Cash distributions will reduce the receiving Partner's basis in his or her Interest. Taxable gain upon a distribution would generally be taxable as short-term or long-term capital gain, depending on the Partner's holding period for the Interest. However, as discussed above, the General Partner intends, upon partner withdrawals to specially allocate income, gain and losses to the withdrawing Partners in a manner that could convert what would otherwise be capital gains to ordinary income or long-term capital gains into short-term capital gains. *See* "Fund Allocations" above. In addition, in the unlikely event the Fund is deemed to have "unrealized receivables" (including unrealized income from certain bonds acquired at a discount) or "inventory" at the time of a distribution, Section 751 of the Code could require different treatment. *See* "Section 751" below.

A distribution of property other than cash (*i.e.*, securities) to a continuing Partner should not result in taxable income or loss to the Fund or to the receiving Partner (again, except to the extent Section 751 applies).[1] The receiving Partner's basis in the distributed property will be the lesser of (i) the adjusted basis of the property in the hands of the Fund and (ii) the adjusted basis of the Partner's Interest (after reduction for any cash he or she received as part of the distribution). The basis of a Partner's Interest will be reduced by the basis of the property distributed to that Partner.

Liquidating Distributions. When a Partner withdraws from the Fund completely (or his or her Interest is terminated because the Fund is liquidated), as with non-liquidating distributions, he or she will recognize gain only to the extent the cash distributed exceeds the adjusted basis in his or her Interest in the Fund. Unlike with non-liquidating distributions, loss may be recognized if no property other than cash is distributed and the cash distributed is less than the Partner's adjusted basis in his or her Interest. If property other than cash is distributed, although gain will be recognized to the extent the cash exceeds the Partner's adjusted basis, no loss will be recognized, regardless of the value of the non-cash property distributed. The Partner's basis in non-cash property so distributed will be equal to the adjusted basis of his or her Interest immediately before the distribution decreased (but not below zero) by any cash received in the liquidation. *See* "Section 751," below.

Section 754 Election. The Fund may be required to, or, at the request of a Partner, the General Partner may, in its discretion, cause the Fund, to make an election as to basis adjustments under Section 754 of the Code. In General, Section 754 of the Code allows a partnership to elect to adjust the basis of its assets upon (a) certain distributions of money or property to a Partner or (b) a transfer of an Interest by sale or as a result of the death of a Partner. The general effect of making that election when a Partner has received a distribution of cash would be that the adjusted basis of the Fund's capital assets would be increased by any capital gain (or decreased by any loss) recognized by the Partner who receives the distribution. Where other property is distributed, the adjustments would reflect the difference, if any, between the adjusted basis of the distributed property in the hands of the Fund and the adjusted basis of the property in the hands of the Partner who receives it. There would be no effect on the Partner who receives the distribution in either event. In the case of a transfer of an Interest, when the Fund later sells assets that were held at the time of the transfer, the transferee would be treated as if he or she had directly acquired a share of each of the Fund's assets, with a basis for those assets equal in the aggregate to the basis of his or her Interest immediately after the transfer. In light of the nature and extent of the Fund's expected buying and selling activities, and the likelihood that capital contributions and withdrawals will occur throughout the term of the Fund, it could be impracticable for the Fund to comply strictly with the basis adjustment rules that would apply if the Fund were to make a Section 754 election.

The General Partner has discretion whether or not to make a Section 754 election, but once such an election has been made, it remains in effect for all subsequent taxable years unless revoked with the consent of the Service, and each subsequent distribution or transfer will result in the adjustments described above.

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[1] Generally, for partnerships *other than* "investment partnerships," distributions of marketable securities are treated like distributions of cash and can result in taxable income. However, the Fund expects to qualify as an "investment partnership" and Partners to be "eligible partners" within the meaning of certain rules. This discussion is based on those expectations.

If the General Partner does not elect to make adjustments under Section 754, any benefits that might be available to a transferee of an Interest or to remaining Partners after a substantial withdrawal, by reason of a possible "step-up" in the basis of the Fund's assets may not be available. However, in the case of withdrawals, the remaining Partners may receive a comparable benefit if the General Partner chooses to specially allocate items of income and gain to the withdrawing Partner. *See* "Fund Allocations," above.

Limitations on Deductions. The ability of certain Limited Partners to deduct or otherwise utilize Fund losses or deductions allocated to them may be limited by special provisions of the Code, including, but not limited to, the following:

Adjusted Basis of an Interest. A Limited Partner may not deduct losses in excess of the adjusted basis of his or her Interest at the end of the year in which the loss is incurred. Losses in excess of a Partner's adjusted basis may be carried over to succeeding taxable years when the same limitation will apply. *See* "Basis," above.

Amounts at Risk. The amount of loss an individual or a closely-held "C" corporation may deduct is limited to the amount that Limited Partner is "at risk" as to the Fund. If a Limited Partner has financed an investment in the Fund with certain types of non-recourse borrowing the amount "at risk" for that Partner could be less than his or her adjusted basis in his or her Interest. In addition, in the unlikely event the Fund borrowed on a non-recourse basis, certain of those borrowings could increase a Limited Partner's basis without increasing his or her amount at risk.

Capital Gains and Losses. Net capital losses allocated to a Limited Partner for a taxable year will be deductible by a Limited Partner that is a corporation to the extent of the Partner's capital gains and by an individual Limited Partner to the extent of his or her capital gains plus $3,000. An individual Limited Partner may carry forward any unused capital loss indefinitely to succeeding taxable years and a corporate Limited Partner generally will be entitled to a three-year carry-back and a five-year carry-forward of any unused capital loss.

Passive Losses and Income. Income or loss of the Fund should be characterized as "portfolio" income or loss and therefore as not arising from a "passive activity."

Limitations on Interest Deductions. An individual may deduct "investment interest" in a given year only to the extent of his or her "net investment income" for that year. Margin and other similar interest expense the Fund incurs should be treated as investment interest irrespective of whether the Fund is considered to be a trader or investor. Because an Interest should be considered to give rise to "portfolio" income, interest on amounts an individual Limited Partner borrows to buy an Interest should be considered "investment interest." An individual Limited Partner may be denied a deduction for all or part of either of these types of interest expense unless the Limited Partner has sufficient investment income from the Fund and other sources. Income of the Fund, such as dividend and interest income but excluding net capital gains (absent a special election), allocable to an individual Limited Partner should be treated as investment income for purposes of this limitation.

Limitations on Miscellaneous Itemized Deductions. To the extent that the Fund is treated as an "investor" for any years, Section 67(a) of the Code provides that an individual taxpayer's miscellaneous itemized deductions, including investment expenses (but not investment and other interest deductible under Section 163 of the Code), are deductible only to the extent they exceed two percent (2%) of the taxpayer's adjusted gross income. Regulations issued by the Treasury Department prohibit the indirect deduction through partnerships and other pass-through entities of amounts that would not be deductible if paid by the individual. Thus, the limitation would apply to the Fund's expenses if the Fund were not considered to be engaged in a trade or business. While the Fund's activities may constitute a trade or business for such purpose, such a determination is dependent upon an analysis of all facts and circumstances, and as such, there can be no assurance that the IRS will agree with this position. Accordingly, in view of such uncertain application to the Fund and the Partners of the two percent (2%) floor on miscellaneous itemized deductions, prospective investors should consult their tax advisors regarding the potential impact of the two percent (2%) rule on their particular tax situations. In addition, certain itemized deductions of an individual may be subject to reduction under Section 68(a) of the Code to the extent the individual's adjusted gross income exceeds specified amounts. The reduction is equal to the lesser of three percent (3%) of the excess of his adjusted gross income over the foregoing dollar amount or eighty percent (80%) of those itemized deductions otherwise allowable. This reduction occurs after the two percent (2%) rate is taken into account.

To the extent that the Fund is treated as a "trader" for any years, each Partner should be allowed to fully deduct his or her allocable share of the ordinary and necessary expenses incurred by the Fund in connection with the Fund's "trade or business," including management expenses.

Section 751. The tax consequences of partially or completely terminating an interest in a partnership (either through distributions, or sales to third parties) can be quite complex if the provisions of Section 751 of the Code apply. Because substantially all of the Fund's assets are expected to be characterized as capital assets, the General Partner does not believe Section 751 should apply. However, if the Fund were to have "unrealized receivables" or "inventory" at the time of a distribution, withdrawal, or sale of a Partner's Interest, Section 751 might transform non-taxable distributions into taxable distributions and/or convert capital gain into ordinary income. "Unrealized receivables" would include, among other things, unrealized income for the year from certain bonds the Fund acquired at a discount from the bond's stated redemption price. In addition, were the Fund deemed to be a "dealer" in securities, its securities could constitute "inventory."

Any Limited Partner who sells or exchanges an Interest at a gain must notify the Fund in writing if any of that gain is attributable to his or her share of the Fund's Section 751 Property. The Fund must notify the Service of any sale or exchange of an Interest implicating Section 751. Limited Partners are urged to consult their own tax advisers regarding the potential adverse effect of Section 751 on such transactions.

Taxation of Employee Benefit Plans and Other Tax-Exempt Entities

Generally, "qualified" pension or profit sharing plans, IRAs and other Tax-Exempt Entities (collectively "*Tax-Exempt Entities*") are exempt from Federal income tax on their passive investment income, such as dividends, interest and capital gains, whether realized by the Tax-Exempt Entity directly or indirectly through a partnership in which it is a partner. However, in some cases, Tax-Exempt Entities may be subject to tax on a part of their share of income from an investment partnership. Tax-Exempt Entities considering investing in the Fund are urged to consult their own tax advisers.

The general exemption from tax for Tax-Exempt Entities does not apply to "unrelated business taxable income." UBTI includes "unrelated debt-financed income," which generally consists of (i) income derived by a Tax-Exempt Entity (directly or through a partnership) from income-producing property as to which there is "acquisition indebtedness" at any time during the taxable year and (ii) gains derived by a Tax-Exempt Entity (directly or through a partnership) from the disposition of property as to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of such disposition. The Fund may incur "acquisition indebtedness" through, among other transactions, purchases of securities on margin. Since the calculation of "unrelated debt-financed income" is complex and will depend in large part on the amount of leverage used by the Fund from time to time, it is impossible to predict what percentage of the Fund's income and gains will be treated as UBTI.

To the extent the Fund generates UBTI, a Tax-Exempt Limited Partner would be subject to tax at the regular corporate tax rate. A Tax-Exempt Entity may be required to support, to the satisfaction of the Service, the method used to calculate its UBTI. Each year the Fund will be required to report to a Partner that is a Tax-Exempt Entity the portion of its income and gains from the Fund that will be treated as UBTI. The calculation of that amount will be highly complex and there is no assurance that the Fund's calculation of UBTI will be accepted by the Service.

Taxation of Foreign Investors

Foreign Partners should carefully consider the potential tax implications of an investment in the Fund and discuss them with their own tax advisers. For purposes of determining the tax treatment of Foreign Partners, a partnership will *not* be deemed to be engaged in a U.S. trade or business solely by reason it invests or trades in securities for its own account (unless it is a "dealer," which the General Partner does not expect the Fund to be). As a result, a Foreign Partner's allocable share of Fund income (assuming it is not "effectively connected" with a U.S. trade or business in which the Foreign Partner is otherwise engaged) will be subject to U.S. federal income tax only if it is fixed or determinable, annual or periodical gains, profits and income (including dividends and certain interest income). Such income will be taxed at a rate of 30% and generally will be collected through withholding from distributions made by the Fund. The tax and withholding rate may be reduced or eliminated by

an applicable tax treaty; however, otherwise applicable treaty benefits may be unavailable to a Foreign Partner if (i) the Fund is not treated as a partnership (or other flow-through entity) under the tax laws of the foreign country of residence of such Foreign Partner and (ii) the income would not be taxed by the foreign country when distributed to the Foreign Partner. Except as described below as to "United States real property interests," a Foreign Partner's share of Fund capital gains generally will *not* be subject to U.S. income tax, unless the Foreign Partner is an individual who has been present in the U.S. for an aggregate of 183 days or more during the taxable year.

FIRPTA. Whether or not the Fund is considered to be engaged in a U.S. trade or business, the Fund may be required to withhold up to 31.67 (or 20%, where permitted by regulations) of a Foreign Partner's share of the amount realized upon the disposition by the Fund of a "U.S. real property interest" (including a disposition of stock in a "United States real property holding corporation"). A Foreign Partner may be required to file returns during any period that the Fund holds any U.S. real property interests.

U.S. Estate Tax. An individual Foreign Partner's interest in the Fund may be included in his or her gross estate for U.S. federal estate tax purposes, thereby subjecting his or her estate to U.S. estate tax.

ADMINISTRATIVE MATTERS

Partnership Audits. Each Partner must either report all partnership items consistently with the treatment by the Fund or disclose specifically in his or her tax return any differences between the manner in which a partnership item is treated on his or her return and on the Fund return. Such disclosure may be necessary to avoid the penalty for understatement. Since the General Partner does not expect to notify Limited Partners as to the basis for items reported on the Fund's return or the Schedules K-1, Limited Partners, or their tax advisors, may wish to ask the General Partner about significant reported items if they wish to make a systematic evaluation of their exposure to this penalty. If it is finally determined that a taxpayer has underpaid tax for any taxable year, the taxpayer must pay the amount of underpayment plus interest on the underpayment from the date the tax was originally due.

In general, the tax treatment of all partnership items will be determined in a unified Fund audit rather than in an audit of the individual Partners. Fund audits will generally be handled by the Tax Matters Partner (the "*TMP*"), but other Partners will be entitled to participate in the audit and appellate conference. The General Partner will be the TMP for the Fund. If a deficiency is proposed by the Service, a notice of final partnership administrative adjustment will be issued. The TMP can contest that determination on behalf of the Fund in the Tax Court or other court of its choice. If the TMP chooses to contest the deficiency, other Partners can join the proceeding but cannot bring separate actions.

The statute of limitations applicable to partnership items differs from the statute applicable to each Limited Partner's individual return. The TMP has the authority to extend the statute of limitations on behalf of the Fund. Any extension will be binding on the Partners.

An audit of the Fund's return may result in the disallowance, reallocation or deferral of deductions claimed by the Fund. The audit may also result in the re-characterization of transactions which the Fund treated as taxable as nontaxable, or in treatment of investment income as ordinary income, or treatment of items which the Fund reported as long-term capital gain or ordinary loss as capital loss. Any such change may trigger additional tax and interest. An audit by the Service also could affect a Limited Partner's liability for state and local taxes.

If the Service audits the Fund's tax returns, an audit of the Partners' own returns may result, and adjustments may be made to items reported on the Partners' tax returns unrelated to the Fund. The legal and accounting costs incurred in connection with any audit of the Fund's tax return will be borne by the Fund. The cost of any audit of a Partner's tax return will be borne solely by the Partner.

Penalties and Interest on Deficiencies. The Code imposes a penalty of 20% for certain underpayments of tax liability, including those caused by negligence or disregard of the rules or regulations and substantial understatements of tax liability. An understatement is "substantial" if it exceeds the greater of 10% of the tax required to be shown on the return or $5,000 ($10,000 for corporations other than S corporations and personal holding companies).

Interest on deficiencies is compounded daily from the date the tax was due until it is paid. For individuals, the rate will equal the federal short-term rate plus three percentage points and is re-determined monthly. Interest paid on tax deficiencies is not deductible by individuals. For an underpayment by a corporation exceeding $100,000, the interest rate may be the federal short-term rate plus five percentage points.

State and Local Taxes

Limited Partners should consult their own tax advisers as to the application of income and other taxes imposed in their states of residence, and in states where they are engaged in business, with respect to their investment in the Fund. In addition, the Fund may operate in states and localities which impose taxes on the Fund's assets or income. The income tax laws of each state and locality may differ from the above discussion of Federal income tax laws so each prospective Partner should consult its own tax counsel with respect to potential state and local income taxes payable as a result of an investment in the Fund.

Foreign Taxes

The Fund may invest in securities of entities that do business in foreign countries. Many foreign sovereigns impose a withholding tax on payments of interest, dividends and capital gains to investors residing in other countries that are not otherwise subject to tax by that sovereign. Some potential withholding taxes may be reduced or eliminated under tax treaties. Any withholding taxes imposed will be treated as distributions to the appropriate Partners in the period in which such taxes are withheld. The corresponding foreign tax payments will be allocated to Partners based on the deemed distribution for purposes of claiming a foreign tax credit or deduction.

Securities Regulatory Matters

The Fund and the General Partner are subject to various federal and state securities and other laws and regulations that may limit the Fund's activities. Failure to comply with such laws and regulations could subject the Fund to substantial sanctions.

The Investment Company Act of 1940. The Fund is not registered as an investment company under the Investment Company Act. If the Fund were considered an "investment company" within the meaning of the Investment Company Act, it would be subject to numerous requirements and restrictions relating to its structure and operation. If the Fund were required to register as an investment company under the Investment Company Act and to comply with these requirements and restrictions, it would have to make significant changes in its proposed structure and operations, which could adversely affect its business.

The General Partner intends to operate the Fund under a federal exclusion from investment company regulation for "private investment companies." This exclusion is available to issuers whose securities are beneficially owned by "qualified purchasers" and which have not been offered publicly. If a Limited Partner that is itself a "private investment company" owns 10% or more of the outstanding Interests, each of that Limited Partner's equity owners will be considered a "beneficial owner" of the Fund's securities for purposes of counting the beneficial owners. The General Partner generally expects to limit the amount any private investment company may invest in the Fund to below 10%. The General Partner may require a Limited Partner to withdraw some or all of its Interest should the Limited Partner's continued investment in the Fund, in the General Partner's sole discretion, jeopardize the Fund's exemption from registration and regulation under the Investment Company Act. Each prospective investor must make certain representations and undertakings to assure this exclusion will be available.

The interpretations relating to beneficial ownership under Section 3(c)(7) are complex and, in some cases, unclear. The General Partner may sponsor, and the General Partner may manage, additional investment funds with objectives similar to those of the Fund.

Due to the complexities involved in the interpretation of the Investment Company Act, there can be no assurance that the Fund's eligibility for exclusion from regulation under the Investment Company Act will not be challenged. Should the private investment company exclusion cease to be available, the Fund and the General Partner could be subject to legal action by the SEC and others, possibly resulting in financial losses and the termination of the Fund's business.

Although the General Partner believes registration and regulation under the Investment Company Act would impair the Fund's ability to achieve its investment objectives, the Investment Company Act does provide protections that will not be available to investors in the Fund. For example, a registered investment company must have a board of directors, a majority of which, as a practical matter, must be independent of its investment adviser (the General Partner), and is restricted in its relationship with and compensation to its principals and in its capital structure. In addition, the Investment Company Act requires an investment company to state definite policies as to certain enumerated types of activities and, in some cases, forbids the investment company from changing those policies without approval by shareholders. By contrast, the Fund's investment activities, as described above in "Investment Objectives, Strategy and Policies," provide the General Partner with extremely broad discretion to determine *and to change* the Fund's investment program without consulting Limited Partners.

Securities Dealer Status. The General Partner believes the Fund is not a "dealer" within the meaning of the Exchange Act and, accordingly, does not intend to register the Fund as such. However, it is possible that the SEC or a court could reach a different conclusion. In such an event, the Fund could be fined and could be prevented from continuing its business, either temporarily or permanently. If the Fund were required to register as a "dealer," its operating expenses would increase significantly, its activities would be restricted, and its profitability would suffer.

Investment Adviser Regulation. The General Partner is not registered with the Securities and Exchange Commission as an investment adviser and is conducting its business pursuant to exemptions from registration. However, if, in the course of its activities (both those relating to the Fund and others), the General Partner were found to have violated any applicable laws or regulations applicable to investment advisers or investment pools, it could be subject to significant penalties and sanctions and its ability to manage the Fund's investment portfolio could be impaired.

CERTAIN CONSIDERATIONS FOR ERISA PLANS

The following is a brief summary of certain aspects of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*") relating to investments in the Fund by employee benefit plans subject to ERISA (a "Plan"), or by a benefit plan or account subject to Section 4975 of the IRS Code (collectively "Plans and IRAs"). This summary is based on the applicable provisions of such statutes and relevant regulations, rulings and interpretive releases issued by the Department of Labor or the IRS. No assurance is given that legislative or administrative changes or court decisions may not occur which might significantly modify this summary. It is possible that any such changes might apply to transactions entered into prior to the date of its enactment. This summary should be considered by fiduciaries or Plans and IRAs prior to investing assets of their Plan in the Fund. Further, fiduciaries or Plan and IRAs considering an investment or Plan or IRA assets in the Fund should consult with their own counsel and advisors with respect to the ERISA and Code considerations of such an investment. As a summary, this section is inherently incomplete. Further, neither the Fund, nor the General Partner shall have an obligation to advise any Limited Partner of any changes in the laws, regulations or interpretations herein.

PLAN ASSETS

If the assets of an investing employee benefit plan are treated for purposes of ERISA as including the plan's portion of the Fund's assets (as distinct from an Interest in the Fund), the fiduciary standards of Title I of ERISA, which generally apply to trustees and other fiduciaries of such plans, will also extend to the General Partner (*see* "Fiduciary Duties").

The U.S. Department of Labor has promulgated a regulation, (as modified by Section 3(42) of ERISA, the "*Plan Asset Regulation*"), describing what constitutes the assets of a plan with respect to the plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and the related prohibited transaction provisions under Section 4975 of the Code. Under the Plan Asset Regulation, if a plan invests in an "equity interest" of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, the plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company", which includes for purposes of the Plan Asset Regulation a "venture capital operating company", or that equity participation in the entity by "Benefit Plan Investors" (as defined below) is not "significant".

Under the Plan Asset Regulation, the Fund's plan assets will not be considered "significant," and therefore the General Partner will not be deemed to be a "fiduciary" for purposes of ERISA of any Limited Partner which is in a Plan if the aggregate equity participation in the Fund by all Benefit Plan Investors or Plans and IRAs is less than 21.67 of the value of all Limited Partners' investments, excluding any interests held by the General Partner or any principals of the General Partner (unless that principal is itself a benefit plan investor). "Benefit plan investors" include both plans covered by ERISA and other retirement-related and employee benefit plan investors such as "simplified employee pension plans," so-called "Keogh" plans for self-employed individuals (including partners), IRAs, and plans for governmental employees. The Fund does not expect Benefit Plan Investors to own in the aggregate 21.67 or more of the Interests. Each fiduciary of a qualified benefit plan that purchases an Interest must agree, by executing the Subscription Application and Agreement, that the General Partner may cause all or a specified portion of such plan's capital in the Fund to be withdrawn if such withdrawal will prevent the Fund's assets from being considered "plan assets." In such circumstance, the General Partner may require some or all benefit plans invested in the Fund to withdraw assets so as to cause benefit plan investors to own in the aggregate less than 21.67 of the Interests. The General Partner may, in its sole discretion require ERISA-covered benefit plans to withdraw before requiring other benefit plan investors to withdraw.

FIDUCIARY DUTIES

ERISA requires fiduciaries responsible for plan investments to exercise prudence in selecting investments, to diversify investments to minimize the risk of losses to the plan, and to follow the terms of the plan, including investment guidelines. An investment in the Fund is a speculative and relatively illiquid investment and, although ERISA does not specifically prohibit plans from engaging in such investments, each plan fiduciary responsible for the decision to invest plan assets in Interests must carefully consider whether, in light of the plan's overall investment portfolio, the risks inherent in an investment in the Fund are consistent with ERISA standards and with the guidelines of the plan. The Fund has no responsibility for determining whether a purchase of Interests is a prudent investment for any plan. A named fiduciary's responsibility for a co-fiduciary's act may be reduced if the co-fiduciary is a qualified "General Partner" within the meaning of ERISA and the named fiduciary has effectively delegated authority for managing plan assets to that General Partner.

If the assets of the Fund were deemed to constitute the assets of a plan, the fiduciary making an investment in the Fund on behalf of an ERISA plan could be deemed to have improperly delegated its asset management responsibility, the assets of the Fund could be subject to ERISA's reporting and disclosure requirements, and transactions involving the assets of the Fund would be subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and the prohibited transaction rules of Section 4975 of the Code. Accordingly, certain transactions that the Fund might enter into, or may have entered into, in the normal course of its operations might result in non-exempt prohibited transactions and might have to be rescinded. A party in interest or is qualified person that engaged in a non-exempt prohibited transaction may be subject to nondeductible excise taxes and other penalties and liabilities under ERISA and the Code. In addition, such "plan asset" treatment would subject the calculation and payment of the General Partner's fees to applicable prohibited transaction and certain conflict of interest provisions of ERISA and the Code. Consequently, if at any time the General Partner determines that assets of the Fund may be deemed to be "plan assets" subject to ERISA and Section 4975 of the Code, the General Partner may take certain actions it may determine to be necessary or appropriate, including requiring one or more investors to redeem or otherwise dispose of all or part of their Interests in the Fund or terminating and liquidating the Fund.

Prohibited Transactions

If the Fund's assets were considered plan assets, the General Partner, as fiduciaries, would be prohibited from affecting a variety of types of transactions involving Fund assets, unless an exemption applies.

In general, a fiduciary of a plan is prohibited from (a) dealing with the assets of the plan in his own interest or for his own account, (b) acting on behalf of a party whose interests are adverse to those of the plan in any transaction involving the plan, (c) receiving any consideration from any party dealing with the plan in connection with a transaction involving the plan's assets, (d) selling or leasing property to or from a "party-in-interest" as defined in ERISA, (e) furnishing goods, services or facilities between the plan and a party-in-interest and (f) transferring plan assets to a party-in-interest or permitting a party-in-interest to use any plan assets. The DOL has granted certain class exemptions which, if their terms are met, may permit transactions that are otherwise prohibited. If a prohibited transaction occurs, it must be reversed and the plan put in the position it would have been in had the transaction not occurred. In addition, an excise tax equal to 11.67 of the amount involved is assessed for each year that the transaction remains uncorrected. The excise tax is increased to 100% under certain circumstances.

Regardless of whether the assets of the Fund are deemed to be "plan assets", the acquisition of an Interest by a plan could, depending upon the facts and circumstances of such acquisition, be a prohibited transaction, for example, if any of the General Partner's affiliates were a party in interest or disqualified person with respect to the plan. However, such a prohibited transaction may be treated as exempt under ERISA and the Code if the Interests were acquired pursuant to and in accordance with one or more "class exemptions" issued by the U.S. Department of Labor, such as Prohibited Transaction Class Exemption ("*PTCE*") 84-14 (a class exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 90-1 (a class exemption for certain transactions involving an insurance company pooled separate account), PTCE 91-38 (a class exemption for certain transactions involving a bank collective investment fund), PTCE 95-60 (a class exemption for certain transactions involving an insurance company general account), and PTCE 96-23 (a class exemption for certain transactions determined by an in-house asset manager).

Investment Considerations

Before a benefit plan invests in the Fund, a person with investment discretion for the plan must determine whether the investment is (a) permitted under the plan's governing instruments and (b) appropriate for the plan in view of the plan's overall investment policy and the composition and diversification of its portfolio. Among other factors, such a fiduciary should consider: (i) whether the investment is prudent, considering the nature of the Fund, (ii) whether, in light of the plan's other investments, the investment satisfies ERISA diversification requirements, (iii) whether, under ERISA, the plan's assets will be treated as including the plan's share of the Fund's securities and other assets, (iv) the potential impact of any UBTI that may be generated and (v) the limited liquidity of an Interest. The General Partner exercises no control over this decision and has no discretionary authority over whether any particular plan should or should not invest in the Fund.

The fiduciary and prohibited transactions provisions of ERISA are highly complex, and the foregoing is merely a brief summary of some of them. Each qualified retirement plan should consult with its own counsel on the applicability and impact of ERISA before investing in the Fund.

Reporting

Employee benefit plans are subject to certain reporting requirements, including filing an annual report with the Secretary of Labor. Under Department of Labor regulations, a plan may be exempt from including certain information in connection with its investment in the Fund in its annual report if the General Partner files a report with the Secretary of Labor on behalf of the plan that includes a statement of assets and liabilities of the Fund and lists the assets held for investment by the Fund. The General Partner does not intend to file such a report.

Additional Information

THE FOREGOING IS A BRIEF SUMMARY OF CERTAIN MATERIAL INCOME TAX AND OTHER MATTERS WHICH ARE PERTINENT TO PROSPECTIVE INVESTORS. THE SUMMARY IS NOT, AND IS NOT INTENDED TO BE, A

COMPLETE ANALYSIS OF ALL PROVISIONS OF FEDERAL LAW WHICH MAY HAVE AN EFFECT ON SUCH INVESTMENTS. THIS ANALYSIS IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. ACCORDINGLY, PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN RESPECTIVE ADVISORS WITH RESPECT TO THEIR OWN RESPECTIVE SITUATIONS AND THE EFFECTS OF THIS INVESTMENT THEREON.

SUMMARY OF THE LIMITED PARTNERSHIP AGREEMENT

The rights and obligations of Partners are governed by the Limited Partnership Agreement. The following briefly summarizes certain provisions of the Limited Partnership Agreement that are not described elsewhere in this Private Placement Memorandum. Prospective investors are urged to read the Limited Partnership Agreement in its entirety before subscribing.

GENERAL

Zooz Capital Partners, LP (the "Fund") has been organized as a limited partnership under the Delaware Revised Uniform Limited Partnership Act. Zooz Capital Management, LLC, a Delaware limited liability company, is the sole General Partner of the Fund. The Limited Partnership Agreement provides that the General Partner has complete control of the business of the Fund and that the Limited Partners have no power to take part in the management of the Fund. Limited Partners have no right to remove or replace the General Partner.

Upon admission to the Fund, each Limited Partner acquires a percentage interest in the Fund equal to his or her capital contribution as of the date of admission divided by the sum of the Capital Accounts of all Partners (including such Limited Partner) as of that day. A Limited Partner's percentage interest is adjusted to take account of each additional capital contribution using the same technique. Each Partner's percentage interest should be expected to increase or decrease proportionally as additional capital contributions or withdrawals of capital are made, or as Incentive Allocations cause the General Partner's capital account balance to grow relative to Limited Partners' Capital Accounts.

ALLOCATION OF NET PROFIT AND NET LOSS

Generally, except to the extent the General Partner receives Incentive Allocations, Partners share in the net profit and net loss of the Fund for each accounting period in proportion to their relative Capital Account balances as of the beginning of that period. For these purposes Article IV of the Limited Partnership Agreement provides detailed procedures for maintaining each Partner's Capital Account and allocating Profit and Loss to such accounts. Whenever allocations are made, the Fund's portfolio securities will be "marked to market" so that net profit and net loss will include all portfolio gains and losses, whether realized or unrealized. All other Fund income (such as interest) and all expenses (excluding other amounts that are specially allocated to particular Partners) are calculated to arrive at net profit or net loss for that period. All securities and commodity interests are valued as described above under the heading, "*Valuation*."

Capital Accounts generally are adjusted at the beginning and the end of each period to reflect allocations arising out of various events. As of the *beginning* of each period, each Limited Partner's Capital Account is (i) increased to reflect additional capital contributions made as of the beginning of the period (less any special administrative charge the General Partner assesses or expenses arising out of contributions of securities), and (ii) decreased to reflect withdrawals effective as of the end of the prior period (regardless of whether the amount of the withdrawal has actually been delivered to the Limited Partner). As of the *end* of each period, each Limited Partner's Capital Account is (i) decreased to reflect most types of distributions during the period and certain other special allocations (such as operating expenses and expenses directly related to withdrawals by the Limited Partner) and (ii) increased or decreased to reflect the Limited Partner's share of net profit or net loss. If the end of the period is an Incentive Allocation determination time as to a Limited Partner, the Limited Partner's Capital Account is also reduced by the amount of the Incentive Allocation (if any) then due, and the General Partner's Capital Account is increased by the same amount.

Allocation of Taxable Income and Loss

The Fund attempts to allocate all items of *taxable* income, gain, loss, deduction and credit among the Partners in a manner that the General Partner, in consultation with tax advisers, believes is consistent with the manner in which the *economic* benefits and burdens of the Fund are shared. The General Partner retains discretion to use any technique it considers appropriate and consistent with applicable income tax laws and regulations. *See* "Certain Income Tax Considerations – Taxation of the Fund and its Partners."

Distributions

Distributions (other than in connection with withdrawals) are not expected, but may be made at such time and in such amounts as the General Partner may determine in its discretion. Any distributions (other than in connection with withdrawals) will be made in accordance with the Partners' relative Capital Account balances. In the General Partner's discretion, distributions, including in connection with withdrawals, may be made in securities held by the Fund.

Reserves; Adjustments for Contingencies

The General Partner is authorized to create reserves against contingent liabilities the General Partner may identify or become aware of and to accrue expenses and effect charges against Partners' Capital Accounts in such amounts as the General Partner, in its sole discretion, considers appropriate. Amounts designated for such reserves in any fiscal period will generally be deducted from the Capital Accounts of the Partners in proportion to the amounts of their Capital Account balances as of the beginning of that period, and any decreases in reserves in a period will generally be added to Capital Accounts of Partners as of the beginning of that period. However, the General Partner is authorized to make special allocations to Capital Accounts for any large reserves, expenditures, or receipts by the Fund that relate to earlier periods (and were not reflected in the calculation of the NAV or profits and losses at the time), and to give appropriate benefits to, and make appropriate assessments against, individuals and entities that were Limited Partners at the time of the event giving rise to the reserve, expenditure, or receipt, in proportion to their Capital Accounts at the time. In some cases, allocations may be made to persons who are no longer Limited Partners. If the allocations are of reserves or expenditures and would reduce the amount those persons received upon withdrawal from the Fund, the General Partner may demand that the former Limited Partners repay the applicable amount, with interest at a floating rate equal to the "reference rate" of Bank of America, N.A., or another appropriate source as determined in the General Partner's sole discretion, from the time the General Partner determines that the allocation is to be made. However, no former Limited Partner will be required to pay more than the amount of his or her capital account balance at the end of the period to which the charge relates, and no demand may be made more than four years after the former Limited Partner withdrew from the Fund. If the Fund is unable to collect any of these amounts, the uncollected amount will be reallocated among the current Partners who were Limited Partners at the time of the event giving rise to the charge.

Term

The Fund has an indefinite term, it will continue until dissolved at the election of the General Partner or upon the occurrence of certain events specified in the Limited Partnership Agreement, including the General Partner ceasing to be a general partner (through the General Partner's dissolution, withdrawal, or otherwise) where no successor has been installed. Upon its dissolution, the Fund will liquidate its positions and distribute the net proceeds to its Partners in an orderly and prudent fashion. The General Partner may select a "liquidating agent" to wind up the Fund's affairs if the Fund is dissolved because the General Partner has ceased to be a general partner.

Admission of Additional Partners and Acceptance of Additional Capital

The General Partner may admit additional Limited Partners and accept additional capital contributions. Additional Limited Partners will share in the profit or loss of the Fund on the same basis as the existing Limited Partners in proportion to their Capital Accounts. The General Partner may also admit additional or successor general partners and/or investment managers without the consent of any Limited Partner. The General Partner

and any general partners admitted in the future will share discretionary authority and the Incentive Allocation in whatever manner they agree between or among themselves.

Limitations on Transferability

Limited Partners may not transfer their Interests except as permitted in Article XI of the Limited Partnership Agreement. All transfers require the prior consent of the General Partner, which may be withheld for any reason and/or conditioned upon opinions of counsel satisfactory to the General Partner that, among other things, registration under the Securities Act and applicable state securities laws is not required. Neither the Fund nor the General Partner is under any obligation to, nor is it the Fund's intention to, register the Interests for resale.

If a Limited Partner (after obtaining the appropriate consents) transfers its Interest, the transfer will be recognized for the purpose of making distributions (if any) and allocating net profit or net loss as of the first day of the next period following receipt and acceptance by the General Partner of all required documentation. If the transfer occurs in the middle of a period, all net profit or net loss for the period in which the transfer occurs generally will be prorated between the transferor and the transferee based upon the number of days in the period that each was a holder of the Interest.

An assignee of an Interest will not be admitted as a substituted Limited Partner unless the General Partner specifically consents, which the General Partner may do or refuse to do in its absolute discretion.

Voting Rights; Amendments

Limited Partners' voting rights are set forth in Article X of the Limited Partnership Agreement and are very limited. Other than as explicitly set forth in the Limited Partnership Agreement, Limited Partners have no voting rights as to the Fund or its management. In particular, Limited Partners have no right to remove or replace the General Partner and only limited rights to consent to the admission of a successor general partner.

Generally, amendments must be approved by the General Partner and a majority in interest of the Limited Partners. However, the General Partner may amend the Limited Partnership Agreement without the consent of or notice to any of the Limited Partners if, in the General Partner's opinion, the amendment does not have a material adverse effect on Limited Partners generally. In no event may any amendment be adopted that subjects Limited Partners to liability as a General Partner or that causes the Fund to cease to be treated as a partnership for federal income tax purposes.

Actions requiring consent of the Limited Partners must be accomplished by written consent of the Limited Partners holding the requisite percentage interests; the Partnership Agreement does not contemplate Partners' meetings. If an action is proposed by the General Partner, the General Partner may request such consents, require that responses be provided within a specified period (not less than fifteen (15) days) and provide that failures to respond within the specified period will be deemed consents.

Liability of Limited Partners

The Limited Partnership Agreement provides that no Limited Partner will be personally liable for any of the debts of the Fund or for any losses of the Fund beyond the amount contributed by such Limited Partner to the Fund, plus such Limited Partner's share of the undistributed profits of the Fund; except that when a Limited Partner has received a distribution from the Fund or made a withdrawal, the Limited Partner will be liable to return such amount to the Fund to the extent that, immediately after giving effect to the distribution or withdrawal, the liabilities of the Fund, other than to Limited Partners on account of their interests in the Fund and those as to which recourse of creditors is limited to specified assets of the Fund, exceed the fair value of the Fund's assets (other than those assets subject to liabilities as to which recourse of creditors is so limited, to the extent of such liabilities).

Exculpation; Indemnification

Neither the General Partner nor any member, employee or principal of the General Partner will be liable to the Fund or to any Limited Partner for any act or omission based upon errors of judgment or other fault in

connection with the business or affairs of the Fund, and no such act or omission will in and of itself constitute a breach of any duty owed by any such person to the Fund or any Limited Partner under the Partnership Agreement or the Act, *provided* the act or omission did not constitute fraud, bad faith, gross negligence or a willful violation of law. The Fund is obligated to indemnify the General Partner (and the members, employees, and principals of the General Partner) for any loss, claim, damage, liability or expense ("losses") incurred by it (or them) in connection with their management of the Fund's affairs, participation in such management, or rendering of advice or consultation with respect to such management, or that relate to, the Fund, its business or its affairs, except to the extent the acts or failures to act that gave rise to those losses are found by a court of competent jurisdiction to have constituted fraud, bad faith, gross negligence or a willful violation of law. In addition, the Fund must pay the expenses incurred by such persons in defending or responding to any threatened, pending or contemplated action, suit or proceeding, whether civil or criminal, administrative, arbitrative or investigative, or any appeal in such an action, suit or proceeding, as incurred, in advance of the final disposition of such action, suit or proceeding, provided such persons agree to repay such expenses to the extent such expenses were incurred defending or responding to claims or allegations for which he or she or it is found by a court of competent jurisdiction not to be entitled to indemnification. *See* Article VIII of the Partnership Agreement.

Certain securities laws impose liabilities on investment advisers, issuers of securities and others under certain circumstances. While the General Partner does not believe the indemnification provisions of the Partnership Agreement are inconsistent with those laws, to the extent, under particular circumstances, those laws would limit the enforceability of the indemnification and liability limiting provisions of the Partnership Agreement, the Partnership Agreement provides that it will not be deemed to waive or limit any right the Fund or any Partner may have under any of those laws.

Dissolution of the Fund

The Partnership Agreement provides that the Fund may be dissolved at any time by the General Partner without requiring the approval of any Limited Partner, whereupon its affairs would be wound up by the General Partner. The dissolution, death, retirement, bankruptcy, permanent disability or another event of withdrawal of the sole remaining General Partner or its principal, would dissolve the Fund and the business of the Fund would then terminate and be wound up unless the Limited Partners holding a majority interest elect to continue the business of the Fund and appoint a new General Partner.

Confidentiality

Partners are required to maintain in confidence and not provide information with respect to the Fund or the General Partner to any person other than their qualified investment or tax advisors and legal counsel, and must obtain the agreement of any such persons to treat such information as confidential, notwithstanding that such Partner is entitled to receive such information under the terms of the Partnership Agreement or by law. The General Partner may also refuse to disclose any Fund investment position to any Limited Partner if the General Partner determines in its reasonable discretion that public disclosure of that position could adversely affect the price at which the Fund may accumulate, liquidate or close the position. Nevertheless, to assure that the Fund is not viewed a tax shelter investment, a Limited Partner may disclose the tax treatment and tax structure of the Fund and its transactions and any tax opinions or other analyses that they receive relating to such tax treatment and tax structure.

Arbitration

The Limited Partnership Agreement and Subscription Application and Agreement provide that any dispute involving the Fund, or any subscription for Interests (except controversies relating to the General Partner's or its Affiliates' entitlement to indemnification or obligation to return defense costs advanced by the Fund) will be settled by arbitration in the United States of America, State of New York in accordance with the commercial arbitration rules of the Arbitration Association of America ("*AAA*"). By signing those agreements, each Limited Partner agrees to waive his or her right to seek remedies in court, including any right to a jury trial. Among other things, this means that discovery will not be permitted except as required by the AAA's rules, that no punitive damages will be awarded and that a party's right to appeal or seek modification of any arbitration ruling or award will be severely limited. Judgment may be entered upon any arbitration award in any court of competent

jurisdiction in the county and state in which the General Partner maintains its principal office at the time the award is rendered or as otherwise provided by law.

REPORTS

The books and records of the Fund will be audited at the end of each fiscal year by auditors selected by the General Partner. Within 120 days following the end of each calendar year, the Fund's auditor will prepare, for delivery by the General Partner to each Limited Partner, an audited financial statement of the Fund's operations, the Fund's tax return and Schedules K-1 for the Partners to use for income tax filing. The Fund anticipates completing a year-end audit of its financial records for the year ending December 31, 2011. Monthly summaries of the Fund's performance and periodic reports in such form as the General Partner may determine. Once selected, the General Partner reserves the right, in its sole discretion, to change the Fund's auditors without further notice to the Limited Partners. For a more complete description of the books, records, and reports to be made available or to be provided by the Fund to the Limited Partners. *See* Article XII of the Limited Partnership Agreement.

ANTI-MONEY LAUNDERING REGULATIONS

As part of the Fund's responsibility for the prevention of money laundering, the General Partner may require a detailed verification of the identity of any Limited Partner, the identity of any direct or indirect owner of any Interests, and the source of funds used in making the capital contribution to the Fund. In the event of a delay or failure by the Limited Partner to produce any information required for verification purposes, the General Partner may refuse to accept a subscription or may cause the withdrawal of any such Limited Partner from the Fund. The General Partner, by written notice to a Limited Partner, may suspend payment of withdrawal proceeds to such Limited Partner if the General Partner reasonably deems it necessary to do so to comply with the anti-money laundering laws and regulations applicable to the Fund.

Each Limited Partner will be required to make such representations to the Fund as the Fund and the General Partner requires in connection with such anti-money laundering programs, including, without limitation, representations to the Fund that such subscriber or Limited Partner is not a prohibited country, territory, individual or entity listed on the U.S. Department of Treasury's Office of Foreign Assets Control ("*OFAC*") website and that it is not directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programs. Such Limited Partner will also represent to the Fund that amounts contributed by it to the Fund were not directly or indirectly derived from activities that may contravene Federal, state or international laws and regulations, including anti-money laundering laws and regulations.

ADDITIONAL INFORMATION

The General Partner is available to answer prospective investors' questions and will make available any additional information to the extent such information can be obtained without unreasonable effort or expense. Prospective investors and/or their advisors are invited to communicate with the General Partner by contacting Mr. Rob S. Nazara, Co-Founder of the General Partner, at +1 (212) 842-9082.

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