NAME:
MEMORANDUM NUMBER:

CONFIDENTIAL OFFERING MEMORANDUM

DG Value Partners II, LP

General Partner

DG Capital Partners II, LLC

Investment Manager

DG Capital Management, LLC

January 2015

THIS CONFIDENTIAL OFFERING MEMORANDUM IS SUBMITTED TO YOU ON A CONFIDENTIAL BASIS SOLELY IN CONNECTION WITH YOUR CONSIDERATION OF AN INVESTMENT IN DG VALUE PARTNERS II, LP. DUE TO THE CONFIDENTIAL NATURE OF THIS CONFIDENTIAL OFFERING MEMORANDUM, ITS USE FOR ANY OTHER PURPOSE MAY INVOLVE SERIOUS LEGAL CONSEQUENCES. THIS CONFIDENTIAL OFFERING MEMORANDUM MAY NOT BE REPRODUCED IN WHOLE OR IN PART, AND IT MAY NOT BE DELIVERED TO ANY PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE GENERAL PARTNER.

DG VALUE PARTNERS II, LP

CONFIDENTIAL OFFERING MEMORANDUM

DG Value Partners II, LP (the "Partnership") is a Delaware limited partnership organized on April 5, 2012 to operate as a private investment partnership. The Partnership is currently offering limited partnership interests ("Interests") to investors in reliance on an exemption from registration only to certain qualified investors who meet the criteria set forth in this Confidential Offering Memorandum (the "Memorandum"). Each investor in the Partnership must be an "accredited investor," as that term is defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), and a "qualified purchaser," as that term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "1940 Act"), for purposes of Section 3(c)(7) thereunder.

The Partnership invests substantially all of its assets in DG Value Partners II Master Fund, LP (the "Master Fund"), a Cayman Islands exempted limited partnership, through a "master-feeder" structure. Substantially all the assets of DG Value Partners II Offshore Fund, Ltd., a Cayman Islands exempted company (the "Offshore Fund"), the shares of which are generally offered to non-U.S. investors and U.S. tax-exempt investors, will also be invested in the Master Fund. Although the Partnership does not anticipate making and holding investments directly, the Partnership may make and hold investments directly, and not through the Master Fund. However, notwithstanding any provision of this Memorandum to the contrary, during any period in which any assets of the Partnership or the Offshore Fund are treated as Plan Assets (as defined below) all of the Partnership's Investible Assets (as defined below) will be invested in the Master Fund. (*See "ERISA and Other Benefit Plan Considerations"*).

The Partnership's investment objective is to achieve above average long-term rates of return, primarily through capital appreciation and income, while also attempting to preserve capital and mitigate risk through diversification of investments and hedging activities. No assurance can be given, however, that the Partnership will achieve its objective, and investment results may vary substantially from period to period. The Investment Manager anticipates that most of the Partnership's assets will be invested in publicly traded securities. The Partnership seeks to purchase securities that are priced at a significant discount to intrinsic value, based on the research of the Investment Manager. Additionally, the Partnership may short securities or engage in other hedging transactions through options or other derivatives to offset risk. The Partnership also expects to invest a portion of its assets in "special situations," where an event is expected to cause appreciation in the price of the security, as opposed to relying exclusively on business fundamentals or general market movements.

DG Capital Partners II, LLC, a Delaware limited liability company (the "General Partner"), is the general partner of the Partnership and the Master Fund. DG Capital Management, LLC, a Delaware limited liability company (the "Investment Manager"), serves as the investment manager to the Partnership and provides it with investment management services pursuant to an investment management agreement between the Partnership and the Investment Manager. The Investment Manager also serves as the investment manager to the Master Fund and the Offshore Fund. The Investment Manager is currently registered with the Securities and Exchange Commission (the "SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

The General Partner has claimed an exemption from registration with the Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator with respect to the Partnership and the Master Fund, pursuant to Rule 4.13(a)(3) of the Commodity Exchange Act, as amended (the "CEA"). In order to comply with this exemption, the Partnership will be subject to certain limitations on its investments in commodity interests. Unlike a registered commodity pool operator, the General Partner is not required to deliver a disclosure document and a certified report to participants in the Partnership. The General

Partner may register with the CFTC in the future, in its discretion or if required by applicable law or regulation.

Since the Partnership is seeking exemption from the 1940 Act pursuant to Section 3(c)(7) thereunder, each investor must be a "qualified purchaser," as that term is defined in Section 2(a)(51)(A) of the 1940 Act. An affiliate of the General Partner is offering a parallel investment partnership, DG Value Partners, LP, a Delaware limited partnership that is open for investment by accredited investors (the "Parallel Fund") pursuant to Section 3(c)(1) of the 1940 Act which will be managed in parallel and generally will make investments proportionately with the Master Fund based on the respective net assets of each entity, subject to the discretion of the Investment Manager.

IMPORTANT INFORMATION FOR INVESTORS

LIMITED PARTNERSHIP INTERESTS ARE SUITABLE ONLY FOR SOPHISTICATED INVESTORS FOR WHICH AN INVESTMENT IN THE PARTNERSHIP DOES NOT CONSTITUTE A COMPLETE INVESTMENT PROGRAM, THAT DO NOT REQUIRE IMMEDIATE LIQUIDITY FOR THEIR INVESTMENT AND THAT FULLY UNDERSTAND AND ARE WILLING TO ASSUME THE RISKS INVOLVED IN THE PARTNERSHIP'S INVESTMENT PROGRAM. THE PARTNERSHIP'S INVESTMENT PRACTICES, BY THEIR NATURE, INVOLVE A SUBSTANTIAL DEGREE OF RISK. (*SEE "INVESTMENT PROGRAM" AND "CERTAIN RISK FACTORS"*)

THIS MEMORANDUM HAS NOT BEEN FILED WITH OR REVIEWED BY THE SEC OR ANY OTHER FEDERAL OR STATE AGENCY. NEITHER THE SEC NOR ANY STATE OR FEDERAL AGENCY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE INTERESTS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, BECAUSE THEY WILL BE OFFERED ONLY TO A LIMITED NUMBER OF QUALIFIED INVESTORS. IT IS ANTICIPATED THAT THE INTERESTS WILL BE EXEMPT FROM THE REGISTRATION PROVISIONS OF THE SECURITIES ACT PURSUANT TO SECTION 4(A)(2) THEREOF. EACH INVESTOR IN THE PARTNERSHIP MUST BE: (I) AN "ACCREDITED INVESTOR", AS THAT TERM IS DEFINED IN REGULATION D UNDER THE SECURITIES ACT; AND (II) A "QUALIFIED PURCHASER", AS THAT TERM IS DEFINED IN SECTION 2(A)(51)(A) OF THE 1940 ACT FOR PURPOSES OF SECTION 3(C)(7) THEREUNDER.

WHILE THE PARTNERSHIP MAY TRADE IN COMMODITY FUTURES, COMMODITY OPTIONS CONTRACTS OR OTHER COMMODITY INTERESTS, THE GENERAL PARTNER HAS CLAIMED AN EXEMPTION FROM REGISTRATION WITH THE COMMODITY FUTURES TRADING COMMISSION (THE "CFTC") AS A COMMODITY POOL OPERATOR WITH RESPECT TO THE PARTNERSHIP AND THE MASTER FUND PURSUANT TO RULE 4.13(A)(3) UNDER THE COMMODITY EXCHANGE ACT, AS AMENDED (THE "CEA") BECAUSE (1) EITHER THE AGGREGATE INITIAL MARGINS AND PREMIUMS REQUIRED TO ESTABLISH COMMODITY INTEREST POSITIONS FOR THE PARTNERSHIP DO NOT EXCEED FIVE PERCENT OF THE LIQUIDATION VALUE OF THE PARTNERSHIP'S PORTFOLIO OR THE AGGREGATE NET NOTIONAL VALUE OF THE PARTNERSHIP'S COMMODITY INTEREST POSITIONS DO NOT EXCEED ONE HUNDRED PERCENT OF THE LIQUIDATION VALUE OF THE PARTNERSHIP'S PORTFOLIO AND (2) PARTICIPATION IN THE PARTNERSHIP IS LIMITED TO CERTAIN CLASSES OF INVESTORS RECOGNIZED UNDER THE FEDERAL SECURITIES AND COMMODITIES LAWS. THEREFORE, UNLIKE A REGISTERED COMMODITY POOL OPERATOR, THE GENERAL PARTNER IS NOT REQUIRED TO DELIVER A DISCLOSURE DOCUMENT AND A CERTIFIED ANNUAL REPORT TO PARTICIPANTS IN THE PARTNERSHIP. THIS MEMORANDUM HAS NOT BEEN REVIEWED OR APPROVED BY THE CFTC. THE INVESTMENT MANAGER HAS CLAIMED AN EXEMPTION FROM REGISTRATION WITH THE CFTC AS A COMMODITY TRADING ADVISOR PURSUANT TO RULE 4.14(A)(8) UNDER THE CEA.

THERE WILL BE NO PUBLIC OFFERING OF INTERESTS. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH AN OFFER OR SOLICITATION IS NOT AUTHORIZED. IN ADDITION, THIS MEMORANDUM CONSTITUTES AN OFFER ONLY IF A NAME AND OFFERING MEMORANDUM IDENTIFICATION NUMBER APPEAR IN THE APPROPRIATE SPACE ON THE COVER PAGE HERETO.

NO REPRESENTATIONS OR WARRANTIES OF ANY KIND ARE INTENDED OR SHOULD BE INFERRED WITH RESPECT TO THE ECONOMIC RETURN OR THE TAX CONSEQUENCES

RESULTING FROM AN INVESTMENT IN THE PARTNERSHIP. NO ASSURANCE CAN BE GIVEN THAT EXISTING LAWS WILL NOT BE CHANGED OR INTERPRETED ADVERSELY. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, INVESTMENT OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT ITS OWN COUNSEL AND ACCOUNTANT FOR ADVICE CONCERNING THE VARIOUS LEGAL, TAX AND ECONOMIC MATTERS RELATED TO ITS INVESTMENT IN THE PARTNERSHIP. EACH INVESTOR IS RESPONSIBLE FOR THE FEES AND EXPENSES OF ITS PERSONAL COUNSEL, ACCOUNTANTS AND OTHER ADVISORS.

NO OFFERING LITERATURE OR ADVERTISING IN ANY FORM SHALL BE EMPLOYED IN THE OFFERING OF THE INTERESTS DESCRIBED HEREIN EXCEPT FOR THIS MEMORANDUM AND OTHER MATERIAL TO BE PROVIDED BY THE GENERAL PARTNER. NO PERSONS OTHER THAN THE GENERAL PARTNER HAVE BEEN AUTHORIZED TO MAKE REPRESENTATIONS OR GIVE ANY INFORMATION WITH RESPECT TO THE INTERESTS, AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED HEREIN OR OTHERWISE SUPPLIED BY THE GENERAL PARTNER MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PARTNERSHIP OR ANY OF ITS LIMITED PARTNERS. ANY DISTRIBUTION OR REPRODUCTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS IS PROHIBITED.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE INTERESTS HAVE NOT BEEN RECOMMENDED BY ANY U.S. FEDERAL OR STATE SECURITIES COMMISSION OR ANY U.S. OR NON-U.S. REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE PARTNERSHIP SHALL MAKE AVAILABLE TO EACH INVESTOR OR ITS REPRESENTATIVE, DURING THIS OFFERING AND PRIOR TO THE SALE OF ANY INTERESTS TO SUCH INVESTOR, THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM A PERSON AUTHORIZED TO ACT ON BEHALF OF THE PARTNERSHIP CONCERNING ANY ASPECT OF THE PARTNERSHIP AND ITS PROPOSED BUSINESS AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THE PARTNERSHIP POSSESSES SUCH INFORMATION. A PROSPECTIVE INVESTOR SHOULD NOT SUBSCRIBE FOR AN INTEREST UNLESS SATISFIED THAT IT AND/OR ITS REPRESENTATIVE HAVE ASKED FOR AND RECEIVED ALL INFORMATION THAT WOULD ENABLE THEM TO EVALUATE THE MERITS AND RISKS OF THE PROPOSED INVESTMENT.

THE INTERESTS OFFERED PURSUANT TO THIS MEMORANDUM ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM, AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE REQUIREMENTS AND CONDITIONS SET FORTH IN THIS MEMORANDUM AND IN THE LIMITED PARTNERSHIP AGREEMENT OF THE PARTNERSHIP, AS IT MAY BE AMENDED AND RESTATED FROM TIME TO TIME. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

INVESTMENTS BY TAX-EXEMPT INVESTORS:

IN ADDITION TO THE FOREGOING, AN INVESTOR THAT IS SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR THAT IS AN EDUCATIONAL INSTITUTION OR OTHER ENTITY EXEMPT FROM TAXATION UNDER SECTION 501 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, IS URGED TO CONSULT WITH ITS LEGAL, FINANCIAL AND TAX ADVISORS CONCERNING CERTAIN CONSIDERATIONS APPLICABLE TO MAKING AN INVESTMENT IN THE PARTNERSHIP. SEE "CERTAIN FEDERAL INCOME TAX MATTERS–INVESTMENT BY ERISA AND OTHER TAX-EXEMPT ENTITIES" AND "ERISA AND OTHER U.S. BENEFIT PLAN CONSIDERATIONS."

SPECIAL NOTICE TO INVESTORS RESIDING IN FLORIDA:

THE FOLLOWING NOTICE IS PROVIDED TO COMMUNICATE TO FLORIDA INVESTORS THE PROVISIONS SET FORTH IN SUBSECTION 11(A)(5) OF SECTION 517.061 OF THE FLORIDA STATUTES, 1987, AS AMENDED:

UPON THE SALE TO FIVE (5) OR MORE FLORIDA INVESTORS, THE SALE OF AN INTEREST TO THE FLORIDA INVESTOR IS VOIDABLE BY THE FLORIDA INVESTOR EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE FLORIDA INVESTOR TO THE PARTNERSHIP, AN AGENT OF THE PARTNERSHIP, OR TO AN ESCROW AGENT, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE FLORIDA INVESTOR, WHICHEVER OCCURS LATER.

TABLE OF CONTENTS

OFFERING SUMMARY

The following is a summary of this Confidential Offering Memorandum (as revised or supplemented from time to time, the "Memorandum") and certain provisions of the Limited Partnership Agreement of the Partnership (as amended or restated from time to time, the "Partnership Agreement"), is intended only for quick reference and is qualified in its entirety by reference to more detailed information appearing elsewhere in this Memorandum and to the full terms of the Partnership Agreement, a copy of which is attached hereto as Exhibit A. An investment in the Partnership is also subject to the terms of a subscription agreement to be entered into between the Partnership and each investor in connection with such investor's subscription for an Interest. This Memorandum relates to Class A Interests and Class B Interests as well as, when read with the Legacy Class Supplement (as defined below), the Legacy Class Interests of the Partnership.

The Partnership

DG Value Partners II, LP (the "Partnership") was organized as a Delaware limited partnership on April 5, 2012.

The Partnership will issue Interests (as defined below) in separate classes (each, a "Class" and collectively, the "Classes"). The Partnership is currently offering "Class A Interests" and "Class B Interests" pursuant to this Memorandum. In addition, "Legacy Class Interests" are being offered to certain legacy investors (or their affiliates) of the Parallel Fund (as defined below) that were invested in the Parallel Fund prior to May 1, 2012.

Investment Structure

The Partnership invests substantially all of its assets in DG Value Partners II Master Fund, LP, a Cayman Islands exempted limited partnership serving as an offshore master fund (the "Master Fund"). Substantially all the assets of DG Value Partners II Offshore Fund, Ltd., a Cayman Islands exempted company (the "Offshore Fund") operating as an offshore feeder fund for non-U.S. investors and qualified U.S. tax-exempt investors, will also be invested in the Master Fund. Investment operations of the Master Fund commenced in August 2012. The Partnership and the Master Fund expect to be treated as partnerships for U.S. federal income tax purposes.

The General Partner (as defined below) may permit, in its sole discretion, additional feeder funds to invest in the Master Fund, as well as direct investments by certain other investors in the Master Fund.

An affiliate of the General Partner is offering a parallel investment partnership, DG Value Partners, LP, a Delaware limited partnership that is open for investment by accredited investors (the "Parallel Fund"). The Investment Manager (as defined below) also serves as the investment manager of the Parallel Fund. The Parallel Fund has a similar investment strategy to that of the Partnership. The Master Fund will be managed in parallel with the Parallel Fund and will generally

make investments proportionately with the Parallel Fund based on the respective net assets of each entity, subject to the discretion of the Investment Manager (as defined below).

For purposes of clarity and convenience, this Memorandum refers to the investment program and portfolio transactions of the Partnership. However, the Partnership invests substantially all of its assets through the Master Fund. Therefore, where appropriate, references to "the Partnership" will be construed to mean, the Partnership or the Master Fund, as the case may be.

Management

DG Capital Partners II, LLC, a Delaware limited liability company (the "General Partner"), is the general partner of the Partnership and the Master Fund and is responsible for their overall management. DG Capital Management, LLC, a Delaware limited liability company, is the investment manager (the "Investment Manager") of the Partnership and is responsible for the management of the Partnership's portfolio pursuant to the terms of an investment management agreement between the Partnership and the Investment Manager. The Investment Manager also serves as the investment manager to the Offshore Fund and the Master Fund. As the principal member, manager and controlling person of the General Partner and the Investment Manager, Dov Gertzulin controls all of the Partnership's operations and activities and is the primary portfolio manager for the Partnership. *See "Partnership Management-Management" for the biography of Mr. Dov Gertzulin.*

Investment Objective Strategy, and Process

The Partnership's investment objective is to achieve above average long-term rates of return, primarily through capital appreciation and income, while also attempting to preserve capital and mitigate risk through diversification of investments and hedging activities. No assurance can be given, however, that the Partnership will achieve its objective, and investment results may vary substantially from period to period. The Investment Manager anticipates that most of the Partnership's assets will be invested in publicly traded securities.

The Partnership seeks to purchase securities that are priced at a significant discount to intrinsic value, based on the research of the Investment Manager. Additionally, the Partnership may short securities or engage in other hedging transactions through options or other derivatives to offset risk. The Partnership also expects to invest a portion of its assets in "special situations," where an event is expected to cause appreciation in the price of the security, as opposed to relying exclusively on business fundamentals or general market movements. The Investment Manager may invest in companies of any market capitalization,

geographic location or market sector. The Partnership's investment position may be long-biased, market neutral or have significant holdings in cash, depending on investment conditions. The assets of the Partnership will generally be invested in a focused manner. Therefore, while attention is paid to diversification across industries, the Partnership currently expects to hold between 15 and 25 core positions.

There can be no assurance that the Partnership's investment objective will be achieved, and certain investment practices (*e.g.*, the use of leverage and short sales) may, in some circumstances, increase any adverse impact to which the Partnership's investment portfolio may be subject. *See "Investment Program" and "Certain Risk Factors."*

Summary of Classes

The Partnership is currently offering class A limited partnership interests ("Class A Interests"), class B limited partnership interests ("Class B Interests"), as well as legacy class limited partnership interests ("Legacy Class Interests", collectively with the Class A Interests and the Class B Interests, the "Interests") to certain investors.

- ***Class A Interests***. Limited Partners holding Class A Interests ("Class A Limited Partners") will be subject to (i) a Management Fee (as defined below), payable monthly in advance, in an amount equal to 0.125% (approximately 1.5% annualized) of the entire Class A capital account of such Class A Limited Partner, and (ii) a Performance Allocation (as defined below), equal to twenty percent (20%) of the increase in net asset value of such Class A Limited Partner's Class A capital account for such fiscal year.

  Generally, after the expiration of the three (3) month period following the establishment of the applicable capital account of a Class A Limited Partner (the "Class A Soft Lock-Up Period"), a Class A Limited Partner may withdraw all or part (subject to a minimum withdrawal of fifty thousand dollars ($50,000)) of such capital account as of the last day of any month by providing a written withdrawal notice at least sixty (60) days prior to the withdrawal date (a "Withdrawal Notice"), and in such other amounts and at such other times as the General Partner may determine in its sole discretion. Notwithstanding the foregoing, a Class A Limited Partner may elect to withdraw all or part of the balance in its capital account as of the last day of any month occurring prior to the expiration of the Class A Soft Lock-Up Period by providing a Withdrawal Notice,

subject to a fee equal to five percent (5%) of the withdrawal proceeds otherwise payable to such Limited Partner after making the Performance Allocation, if any, to the General Partner (a "Withdrawal Fee").

- ***Class B Interests***. Limited Partners holding Class B Interests ("Class B Limited Partners") will be subject to (i) a Management Fee, payable monthly in advance, in an amount equal to 0.104% (approximately 1.25% annualized) of the entire Class B capital account of such Class B Limited Partner, and (ii) a Performance Allocation equal to seventeen and one-half percent (17.5%) of the increase in net asset value of such Class B Limited Partner's Class B capital account for such fiscal year.

  Generally, after the expiration of each twenty-four (24) month period following the establishment of the applicable capital account and re-establishment of a Class B Limited Partner (the "Class B Hard Lock-Up Period"), a Class B Limited Partner will have the one time right, only as of the end of the month immediately following such Class B Hard Lock Up Period (the "Class B Withdrawal Date"), to withdraw all or part of such capital account (subject to a minimum withdrawal of fifty thousand dollars ($50,000)) by providing the Administrator with a Withdrawal Notice at least sixty (60) days prior to such date i.e. lock up expiration date, and at such other times as the General Partner may determine in its sole discretion. If a Class B Limited Partner does not withdraw all or part of the balance in its capital account of Class B Interests as of the applicable Class B Withdrawal Date, the Class B Hard Lock-Up Period with respect to the remaining balance in its capital account of Class B Interests will reset on the applicable Class B Withdrawal Date, after which the Class B Limited Partner will again have the one-time right, only as of the end of the month that that occurs immediately following the expiration of such successive Class B Lock-Up Period as set forth above.

- ***Legacy Class Interests***. Legacy Class Interests are only being offered to certain legacy investors of the Parallel Fund (or their affiliates) that were invested in the Parallel Fund prior to May 1, 2012. The Legacy Class Interests will have equal rights and privileges with the Class A Interests and the Class B Interests, except with respect to Management Fees, Performance Allocations and withdrawal terms. Such terms are further described

in the Supplement to this Memorandum relating to the offering of Legacy Class Interests (the "Legacy Class Supplement").

Each investor must elect the class of Interests for which it will subscribe at the time of its initial investment in the Partnership. Investors will not be permitted to change elections pertaining to the class of Interests once an election has been made, except in the sole and absolute discretion of the General Partner.

The General Partner may establish or provide for the establishment of additional classes with such rights and characteristics (which may differ from the rights and characteristics attached to any existing Classes of Interests), as the General Partner may determine in its sole discretion.

Offering; Investor Suitability

The Partnership is offering limited partnership interests on the terms described herein with a minimum initial investment of one million dollars ($1,000,000). The General Partner, in its sole and absolute discretion, may accept contributions of a lesser amount. The Partnership generally will offer Interests to prospective investors on the first day of each month or at such other times as the General Partner, in its sole discretion, may allow. Upon admission to the Partnership an investor will become a limited partner (a "Limited Partner").

With the consent of the General Partner, a Limited Partner may make additional capital contributions to the Partnership in amounts of at least fifty thousand dollars ($50,000), subject to the discretion of the General Partner to accept lesser amounts. No Limited Partner will be required or obligated at any time to contribute additional capital to the Partnership. The initial capital contribution to a Class of Interests and each additional capital contribution to such Class of Interests by a Limited Partner will be credited to a single capital account established for such Limited Partner's Interests in the applicable Class; provided however, that each additional capital contribution by a Limited Partner will be deemed to be credited to a separate capital account solely for purposes of tracking the Class A Soft Lock-up Period or the Class B Hard Lock-Up Period, as applicable. *See "Summary of the Limited Partnership Agreement–Withdrawals by Limited Partners"*.

Interests may only be purchased by investors that are "accredited investors," as defined in Regulation D under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and "qualified purchasers," as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "1940 Act"), for

purposes of Section 3(c)(7) thereunder. The General Partner, in its sole discretion, may decline to accept the subscription of any prospective investor. The General Partner reserves the right to request from each investor, information with respect to the occurrence of certain disciplinary events as set forth in Rule 506(d) under the Securities Act. The General Partner reserves the right to enter into agreements with a Limited Partner providing for rights, privileges and other terms that vary from those generally applicable to other Limited Partners.

Sales Charges

There will be no sales charges payable to the Partnership in connection with the sale of Interests. However, the Partnership or the General Partner may enter into agreements with one or more third parties providing for, among other things, (i) payments to such third parties of a fully disclosed sales charge, which may be paid from the investments of certain investors that agree thereto or (ii) payments by the General Partner to one or more of such third parties of a one-time or ongoing fee based upon the capital contributions of certain investors.

Management Fee

In consideration for the investment management services to be provided by the Investment Manager, the Master Fund shall pay the Investment Manager a monthly management fee (the "Management Fee"). The Management Fee will be payable in advance and will be deducted in determining the net profit or net loss of the Partnership. Each Limited Partner will be charged its pro rata share of the Management Fee, which will calculated based on the balance in such Limited Partner's capital account (relating to the applicable Class) maintained in the Partnership as of the end of each month (pro rated for periods of less than a month) and will be equal to:

- for Class A Limited Partners, 0.125% (approximately 1.5% annualized) of the entire Class A capital account of each Class A Limited Partner as of the beginning of the then-current month, computed prior to the payment or accrual of any Performance Allocation;

- for Class B Limited Partners, 0.104% (approximately 1.25% annualized) of the entire Class B capital account of each Class B Limited Partner as of the beginning of the then-current month, computed prior to the payment or accrual of any Performance Allocation; and

- for Legacy Class Limited Partners, as described in the Legacy Class Supplement.

A Limited Partner admitted to the Partnership other than on the first day of a calendar month will be subject to a pro rata portion

of the Management Fee for such month based upon the portion of the month for which it is a Limited Partner. A Limited Partner who withdraws at any time other than at the end of a month shall not be reimbursed a pro rata portion of the Management Fee. The Management Fee shall be payable with respect to the Interests of a Limited Partner in any Side Pocket Account or New Issues Account (each as defined below). For purposes of determining the Management Fee, any assets held in a Side Pocket Account will be carried on the books of the Partnership at fair value as determined by the Investment Manager, in consultation with the General Partner (which may be the cost of acquisition of such asset).

With respect to any Limited Partner who has withdrawn from the Partnership, with the exception of any interests in a Side Pocket Account, the Partnership may deduct from the amount distributed to such Limited Partner an amount deemed by the Investment Manager, in its reasonable discretion, sufficient to cover any Management Fees expected to become due with respect to such Limited Partner's interest in such Side Pocket Account, taking into account the expected period of time the asset held in such Side Pocket Account will remain outstanding (the "Management Fee Reserve"). The Management Fee Reserve may be invested in U.S. Treasury bills, money market funds or any other investment deemed appropriate by the Partnership for the benefit of such Limited Partner.

In the event the Management Fee Reserve is insufficient to pay for Management Fees attributable to the Limited Partner's interest in such Side Pocket Account, the Partnership will send an annual statement to such Limited Partner providing for the payment of the Management Fees with respect to such Limited Partner's interest in such Side Pocket Account to the Investment Manager. If the full amount of the Management Fees due and owing is not paid, the Investment Manager may, in its sole discretion, reduce the amount of any subsequent withdrawal proceeds paid with respect to such Limited Partner by an amount equal to any unpaid Management Fees, together with interest at the brokers' call rate.

The Investment Manager may, in its discretion, waive, reduce, or rebate the Management Fee with respect to the capital accounts of certain Limited Partners, including affiliates of the General Partner or the Investment Manager; provided, however, that no such waiver, reduction, or rebate will adversely impact any other Limited Partner or cause them to bear a higher portion of the Management Fee than they would bear absent such waiver, reduction, or rebate.

The Investment Manager will bear all of its own normal and recurring operating expenses and overhead costs incurred in connection with the investment and other management services that it will provide to the Partnership (other than Partnership expenses, which if paid by the Investment Manager, are reimbursable by the Partnership), provided that research and research-related expenses may be paid for through the permitted use of "soft dollars" (as described below). The Management Fee may exceed the expenses borne by the Investment Manager on behalf of the Partnership.

Allocation of Gains and Losses
Sub-Accounts

At the end of each accounting period of the Partnership, generally net profits or net losses (as applicable) will be allocated to the Limited Partners of each Class and the General Partner (collectively, the "Partners") in proportion to each Partner's opening capital account balance in the Partnership for such accounting period. An accounting period shall end on the last day of each month and also (i) immediately prior to the dates capital contributions are made to the Partnership during the fiscal year, (ii) on the dates withdrawals are made from the Partnership during the fiscal year, or (iii) such other date as determined by the General Partner, in its sole discretion. Net profits and net losses are calculated for a period by combining the aggregate net realized and unrealized changes in the value of the Partnership's assets with all other income and expenses of any kind for such period, including the Management Fee (without reduction for the Performance Allocation (as defined below)). Net profits and net losses from "new issues" (as defined in Rule 5130, as defined below) and Illiquid Investments will be allocated only to those Partners eligible to participate therein.

For bookkeeping purposes, the Master Fund shall establish memorandum sub-capital accounts (each, a "Sub-Account" and collectively, the "Sub-Accounts") for each of its classes that correspond to each Limited Partner in the corresponding Class of the Partnership and each shareholder in the corresponding class of the Offshore Fund (with respect to each series of shares it holds in the Offshore Fund). As such, the description of the allocation of profits and losses described above will also generally apply to the applicable Sub-Accounts of each Class. The Sub-Accounts established for each Class of Limited Partner in the Partnership shall permit the Master Fund to properly determine the Performance Allocation for each such Class of Limited Partners and all calculations made in relation to the Performance Allocation at the Master Fund level will be applied in turn to the corresponding capital accounts of the applicable Class of Limited Partners in the Partnership. For purposes of calculating the Performance Allocation of an applicable Class of

Limited Partners, all Partnership expenses (or applicable Class expenses) shall be deemed to be incurred at the Master Fund level. Since the General Partner will receive the Performance Allocation and the Management Fee at the Master Fund level, no additional performance allocation or management fee will be paid at the Partnership level.

The General Partner's Performance Allocation at the Master Fund

At the end of each fiscal year of the Master Fund, the General Partner will have reallocated to its capital account in the Master Fund (after reduction for the Management Fee and other expenses and fees incurred by the Partnership) a portion of the increase in the net asset value (i.e. the net profits over net losses) attributable to the capital accounts (and Sub-Accounts) of the limited partners in the Master Fund for such fiscal year (including the Partnership and the Offshore Fund) (the "Performance Allocation").

The Partnership is a limited partner of the Master Fund; thus, the Performance Allocation, while not made at the Partnership level, will still be made with respect to the Partnership's Limited Partners at the Master Fund level. Each Limited Partner will be charged a Performance Allocation equal to:

- for Class A Limited Partners, twenty percent (20%) of the increase in net asset value (including realized and unrealized gains and net of the Management Fee) attributable to each such Limited Partner's Class A capital account (and reflected in the corresponding Sub-Account) for such fiscal year;

- for Class B Limited Partners, seventeen and one-half percent (17.5%) of the increase in net asset value (including realized and unrealized gains and net of the Management Fee) attributable to each such Limited Partner's Class B capital account (and reflected in the corresponding Sub-Account); and

- for Legacy Class Limited Partners, as described in the Legacy Class Supplement.

In the event a Limited Partner is permitted or required to withdraw completely or partially from the Partnership other than at the end of the fiscal year, the Performance Allocation made at the Master Fund level with respect to such Limited Partner for such year will be determined with respect to the portion being withdrawn through the applicable withdrawal date.

The Partnership will maintain a memorandum loss recovery account (a "Loss Recovery Account"), sometimes called a "high watermark", for each Limited Partner. The Master Fund shall establish a corresponding sub-account for each Loss Recovery Account (a "Loss Recovery Sub-Account") that corresponds to each Limited Partner in the Partnership and each shareholder in the Offshore Fund. For each fiscal year, each Limited Partner's Loss Recovery Account (and corresponding Loss Recovery Sub-Account) will be debited with the aggregate net losses, if any, allocated to such Limited Partner's capital account for such fiscal year. The balance in each Limited Partner's Loss Recovery Account will subsequently be reduced (but not below zero) by any net profits allocated to such Limited Partner's Sub-Account (before any Performance Allocation). The General Partner will not be allocated any Performance Allocation with respect to a Limited Partner's Sub-Account until such Limited Partner has recovered any net losses debited to its Loss Recovery Account. The loss amount debited to the Loss Recovery Account will be decreased pro rata to account for any withdrawals made prior to the end of a fiscal year.

The Performance Allocation shall not apply to any change in the value of an Illiquid Investment in a Side Pocket Account included in a Side Pocket Account until the Illiquid Investment (or the proceeds attributable thereof) is reallocated to the capital accounts of participating Limited Partners. At such time, the General Partner shall be entitled to receive a Performance Allocation on any increase in the fair value of such Side Pocket Account at the time of such reallocation (or the amount of any proceeds thereof) over the fair value of such Side Pocket Account at the time that such Side Pocket Account was created, subject to any balances in Loss Recovery Account (or Loss Recovery Sub-Account).

For the purpose of clarity, in the event that the Master Fund designates an asset as an Illiquid Investment (and, accordingly, the Partnership establishes Side Pocket Accounts), (i) the Loss Recovery Account (or Loss Recovery Sub-Account) attributable to the Partnership's Master Fund capital account from which such Illiquid Investment was designated shall be adjusted downward in proportion to the amount withdrawn or designated and (ii) the Partnership's side pocket Sub-Account attributable to the Illiquid Investment shall retain such pro rata portion of the Loss Recovery Account (or Loss Recovery Sub-Account) amount which shall serve to reduce the Performance Allocation made to the General Partner, if any, upon the reallocation of such Illiquid Investment to the applicable Sub-Account.

The Investment Manager may waive, reduce or rebate the Performance Allocation with respect to certain Limited Partners, including affiliates of the Investment Manager and/or General Partner; provided, however, that no such waiver, reduction, or rebate will adversely impact any other Limited Partners or cause them to bear a higher portion of the Performance Allocation than they would bear absent such waiver, reduction or rebate.

New Issues

From time to time the Partnership may purchase "new issues", as defined in Financial Industry Regulatory Authority, Inc. ("FINRA") Rule 5130, or any successor provision thereto ("Rule 5130"). Under the General Partner's current policy, appreciation and depreciation from "new issues" will be allocated only to the capital accounts of Limited Partners that are not prohibited from participating in new issues (a "Restricted Person") (or who have elected to not participate in new issues) pursuant to Rule 5130 and FINRA Rule 5131, or any successor provision thereto ("Rule 5131"). As such, the Partnership will require each Limited Partner to provide information to enable the Partnership to determine whether such Limited Partner is a Restricted Person. The General Partner reserves the right to vary its policy with respect to the allocation of new issues as it deems appropriate for the Partnership as a whole, in light of, among other things, existing interpretations of, and amendments to, Rule 5130 and Rule 5131 and practical considerations, including administrative burdens and principles of fairness and equity.

As a matter of fairness to Partners that do not participate in the Partnership's investments in new issues, a use-of-funds charge may be debited to the capital account(s) of those Partners that participate in new issues and credited to all other Partners, pro rata in accordance with the aggregate capital account balances of such other Partners as of the beginning of each period in which the Partnership's investment portfolio includes investments in new issues. The debited amount would be equal to the interest on the funds used to purchase the new issues at the annual rate being paid by the Partnership for borrowed funds during the applicable period. If funds have not been borrowed during that period, the annual rate will be the rate the General Partner, or its delegate, determines would have been paid if funds had been borrowed by the Partnership during such period. For the avoidance of doubt, the General Partner is not required to debit any such use-of-funds charge as described above.

Side Pocket Accounts

The General Partner, in consultation with the Investment Manager, may designate that certain investments be carried in one or more separate memorandum accounts (a "Side Pocket Account") for such period of time as the General Partner determines. Such investments may include assets or securities

through direct investments or private placements that are subject to legal or contractual restrictions on transferability, or that the Investment Manager believes either lack a readily assessable market value (without impairing the value of such investments) or should be held until the resolution of a special event or circumstance (each, as designated by the General Partner, along with follow-on investments, if any, an "Illiquid Investment"). Additionally, the General Partner, in consultation with the Investment Manager, may determine that, for various reasons, an asset that initially was not an Illiquid Investment should be categorized as an Illiquid Investment, or that a follow-on investment should be categorized as a new Illiquid Investment.

The Investment Manager may allocate up to 10% of the Partnership's net asset value (measured at the time that such Illiquid Investments are placed in the Side Pocket Account) to Side Pocket Accounts. Illiquid Investments held in a Side Pocket Account shall be carried at their fair value as determined by the Investment Manager, in consultation with the General Partner. At the election of the Investment Manager or upon the sale or disposition of an Illiquid Investment, such investment (or the proceeds thereof) shall be reallocated, pro rata, to the capital accounts of participating Partners. Until such reallocation, a Limited Partner may not make withdrawals from its capital account that are attributable to the value of Illiquid Investments held in a Side Pocket Account. Illiquid Investments may be held in a Side Pocket Account until the occurrence of a Realization Event.

At any time, Illiquid Investments may constitute a greater than 10% share of the value of a particular Limited Partner's investment due to various factors including the following: (i) the 10% limitation is applied on a Partnership-wide, rather than a Partnership-specific, basis and (ii) Illiquid Investments are valued based on their fair value at the time the Side Pocket Accounts are created (which may be cost for this purpose) rather than the current fair value.

A "Realization Event" occurs when (i) the securities, commodities, options or other financial instruments held in a Side Pocket Account become liquid (including, without limitation, when there is a public offering of the securities, commodities, options and other financial instruments held in the Side Pocket Account, which offering the Investment Manager determines reasonably values such instruments), (ii) the securities, commodities, options or other financial instruments held in a Side Pocket Account are liquidated, sold or otherwise disposed of, in part or in their entirety, by the Partnership (except that partial liquidations shall only constitute Realization Events

with respect to the instruments liquidated), or (iii) circumstances otherwise exist that, in the judgment of the Investment Manager, conclusively establish a more reliable value for the securities, commodities, options or other financial instruments held in the Side Pocket Account other than fair value (including, without limitation, when instruments substantially similar to the instruments held in the Side Pocket Account have been publicly issued by the issuer of such instruments).

Upon a Realization Event, the value of the instruments held or the proceeds thereof shall be reallocated, at such time as the General Partner determines in its sole and absolute discretion, in consultation with the Investment Manager, from the Side Pocket Account to the capital accounts of each Partner participating therein pro rata in accordance with such Partner's interest in the Side Pocket Account. The Performance Allocation shall not be allocated in respect of any Illiquid Investment held in a Side Pocket Account until such investment (or the proceeds thereof) has been reallocated to the capital accounts of the participating Partners. Upon such reallocation, a Limited Partner that has withdrawn all of its capital from the Partnership other than the capital attributable to such Side Pocket Account shall receive an amount equal to its interest in the related Side Pocket Account net of (i) if applicable, any unpaid Management Fees, plus interest and (ii) the Performance Allocation, if any, with respect thereto) within 60 days after such reallocation. To the extent that the Realization Event occurs prior to the date calculated to determine the Management Fee Reserve, the Partnership shall reimburse the Management Fee Reserve for the periods following the month that the Realization Event occurred.

Newly admitted Limited Partners will not participate in Illiquid Investments that were placed in a Side Pocket Account prior to their admission. Any expenses relating specifically to a Side Pocket Account will be charged to the Partners participating in such account. If in its discretion the Investment Manager designates any investment as a follow-up investment to an existing Illiquid Investment, only the Partners participating in such original investment will participate in such follow-up investment in proportion to their interest in the related Side Pocket Account.

In addition to the foregoing with respect to Side Pocket Accounts, to the extent that certain Limited Partners are restricted from participating in any other transactions of the Partnership by applicable laws or regulations, or for any other reason determined by the General Partner in good faith, the General Partner may, in its discretion, establish one or more separate memorandum accounts to hold applicable investments

and isolate ownership away from certain Limited Partners. Only those Limited Partners who the General Partner determines are eligible shall participate in such accounts.

Operating and Organizational Expenses

The Partnership bears all costs and expenses related to its investments and its operations, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, research expenses (including related travel expenses), legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, custodial fees, initial and variation margin, interest and commitment fees on debit balances or borrowings, stock borrowing fees and proxy solicitation expenses, legal expenses, audit and tax preparation expenses, accounting fees, the Partnership's administration expenses (including, but not limited to, fees and expenses of any administrator), the direct and related costs of portfolio accounting software, fees and expenses for risk management services, insurance expenses including costs of any liability insurance obtained on behalf of the Partnership, indemnification expenses, the Management Fee, regulatory and compliance costs and expenses (including, but not limited to, filing and license fees and form PF), any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees, costs of reporting and providing information to Partners, and costs of litigation or investigation involving Partnership activities, and any extraordinary expenses. Such expenses are generally shared by all of the Partners, provided that expenses related to one or more particular classes or series of Interests will be allocated accordingly by the General Partner.

The Partnership will also be responsible for its pro rata portion of the Master Fund's costs and expenses, the nature of which expenses are anticipated to be similar to those of the Partnership. A portion of the Partnership's operating expenses may be shared with other investment entities or accounts managed by the Investment Manager, the General Partner or their affiliates on an equitable basis.

A portion of expenses for research related products and services might be paid with "soft dollars" generated through the Master Fund's trading activities. It is anticipated that the use of commissions or "soft dollars" to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under Section 28(e), research obtained with soft dollars generated by the Master Fund may be used by the Investment Manager to service accounts other than the Master Fund and the Partnership.

Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Manager, the Investment Manager will make a reasonable allocation of the cost which may be paid for with soft dollars.

Organizational costs of the Partnership and the costs incurred in connection with the initial issuance of Interests, including legal and accounting fees, document production and printing costs, federal and state filing fees, and other related expenses, have been paid for by the Partnership. Such expenses are being amortized by the Partnership, in the discretion of the General Partner, for financial reporting purposes over a period of five years. The General Partner believes that amortizing such expenses is more equitable than expensing the entire amount during the first year of operations, as is required by U.S. generally accepted accounting principles (GAAP), and also conforms to industry standards. Amortization of the Partnership's organizational expenses may result in a qualification of the auditor's opinion of the Partnership's financial statements. In such instances, the General Partner may decide to (i) avoid the qualification by recognizing the unamortized expenses or (ii) make GAAP conforming changes for financial reporting purposes, but amortize expenses for purposes of calculating the Partnership's net asset value. There will be a divergence in Partnership's fiscal year-end net asset value and in the net asset value reported in the Partnership's financial statements in any year where, pursuant to clause (ii), GAAP conforming changes are made only to the Partnership's financial statements for financial reporting purposes. If the Partnership is terminated within five years of its commencement, any unamortized expenses will be recognized. If a Limited Partner withdraws all or part of its Interest prior to the end of the period during which the Partnership is amortizing expenses, the General Partner may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the amount being withdrawn and reduce withdrawal proceeds by the amount of such accelerated expenses.

Conflicts of Interest

Certain conflicts of interest may arise from the involvement of the General Partner, the Investment Manager, and their affiliates in other investment related businesses and activities in which the Partnership has no interest. *See "Partnership Management–Conflicts of Interest" for additional information.*

Distribution of Income

Subject to the Limited Partners' withdrawal rights, under most circumstances all earnings of the Partnership will be reinvested, and the Partnership will not ordinarily make distributions to the Limited Partners. Accordingly, Limited Partners may be taxed

on income allocated to them but which they have not actually received.

Withdrawals

Generally, each Class A Limited Partner may withdraw all or part (subject to a minimum withdrawal of fifty thousand dollars ($50,000)) of its capital account as of the last day of each month by providing a Withdrawal Notice to the Administrator by facsimile at +1 914-729-9500 and to the Investment Manager via email at dgvp@dgcapitalmgmt.com, subject to the Class A Soft Lock-Up Period and Withdrawal Fee. Generally, each Class B Limited Partner may withdraw all or part of its capital account as of the last day of the month immediately following the expiration of the Class B Hard Lock-Up Period by providing a Withdrawal Notice to the Administrator by facsimile at +1 914-729-9500 and to the Investment Manager via email at dgvp@dgcapitalmgmt.com. Legacy Class Limited Partners may redeem all or part of their Legacy Class Interests as further described in the Legacy Class Supplement. Together, the Class A Soft Lock-Up Period and Class B Hard Lock-Up Period shall hereinafter be referred to as a "Lock-Up Period".

Any Withdrawal Fee will be deducted by the Partnership from the withdrawal proceeds and will be paid to the Master Fund and will be considered and treated as net profits of the Master Fund for purposes of calculating the Performance Allocation and maintaining the Loss Recovery Sub-Accounts. The Withdrawal Fee may be waived, reduced or rebated by the General Partner in its sole discretion

Additional capital contributions by an existing Limited Partner in an applicable Class will be deemed to have been placed in a separate capital account with a corresponding new Lock-Up Period. The General Partner may combine two or more capital accounts of the same Class and held by the same Limited Partner after the expiration of the applicable Lock-Up Period and at such other times as the General Partner may determine. Distributions to Limited Partners having more than one capital account in an applicable Class will be deemed made on a "first-in, first-out" basis.

Except in the sole discretion of the General Partner, the Partnership will not accept a partial withdrawal request that would reduce the aggregate balance in a Limited Partner's capital accounts below one million dollars ($1,000,000). In addition, unless otherwise approved by the General Partner, in its sole discretion, a Limited Partner may not submit more than six (6) Withdrawal Notices in any fiscal year. The General Partner, in its sole discretion, may permit withdrawals at other times or otherwise modify or waive such withdrawal conditions and

requirements. If the General Partner in its discretion permits a Limited Partner to withdraw capital other than on a regularly scheduled withdrawal date, the General Partner may impose an additional administrative fee to cover the legal, accounting, administrative, brokerage, and any other costs and expenses associated with such withdrawal.

Limited Partners generally will receive the proceeds from any withdrawal (less any applicable Management Fee, Performance Allocation, Withdrawal Fee, holdbacks for reserves and/or actual or estimated expenses associated with processing the withdrawal, which may include a pro rata portion of any unamortized organizational expenses) within thirty (30) days of the effective date of the withdrawal, provided, however, that if a Limited Partner elects to withdraw ninety percent (90%) or more of the estimated aggregate value of its capital account in any year, ninety percent (90%) of such estimated value (computed on the basis of unaudited data and in the General Partner's sole discretion) generally will be distributed to the Limited Partner within thirty (30) days after the effective date of such withdrawal and the balance not later than thirty (30) days after the completion of the Partnership's year-end audit. In furtherance of the foregoing, if a Limited Partner makes more than one withdrawal from its capital account in any year, the amount of the holdback from subsequent withdrawal(s) within such year may be greater than ten percent (10%) of such withdrawal(s), but not greater than ten percent (10%) of the aggregate capital withdrawn from such capital account during such year. If, after the completion of the Partnership's year-end audit, the General Partner determines that the amount previously distributed to a Limited Partner exceeded the amount to which such Limited Partner was actually entitled, then the Limited Partner shall be required to return such excess amount to the Partnership within ten (10) days of notification of such excess payment. Except where the full amount of a withdrawal is not available for payment to the Limited Partner as described below, the entire withdrawal amount shall be deemed to be withdrawn as of the effective date of the withdrawal and no interest shall be paid on amounts held back.

All withdrawal amounts may be paid in cash (by wire transfer) or in kind (or in a combination thereof), in the General Partner's sole discretion, and will be subject to the General Partner's establishment of necessary reserves for loss contingencies and liabilities existing as of the effective date of the withdrawal. Any withdrawal proceeds which are paid to a Limited Partner shall be paid to the same account from which the Limited Partner's investment in the Partnership was originally remitted.

The General Partner may require any Limited Partner to withdraw all or any part of the balance in its capital account for any reason, at any time upon five (5) days prior written notice. The General Partner may also limit or suspend withdrawal rights for any and all Limited Partners upon the occurrence of certain events. *See "Summary of the Limited Partnership Agreement–Withdrawals by Limited Partners".*

The General Partner may withdraw a portion of the balance in its capital account on the same terms as the Limited Partners or at such other times as it determines; provided that the General Partner may not withdraw capital from the Partnership if the General Partner suspends withdrawal rights in accordance with the immediately preceding paragraph or unless all liabilities of the Partnership have been paid or the Partnership has sufficient assets to pay such liabilities. The General Partner may withdraw the Performance Allocation at any time in the General Partner's sole and absolute discretion.

A Limited Partner may not withdraw any of the amounts in its capital account that are attributable to Illiquid Investments held in a Side Pocket Account until such time that the investment (or the proceeds thereof) is reallocated to the Limited Partner's capital account. At the discretion of the Investment Manager (subject to the General Partner's ultimate discretion), an Illiquid Investment may be held in a Side Pocket Account until the occurrence of a Realization Event.

Special Withdrawal Right

Limited Partners shall have the right to withdraw from the Partnership in the event that Dov Gertzulin dies, becomes incompetent or is disabled (i.e., unable, by reason of disease, illness or injury, to perform his functions as the principal member, manager and controlling person of the General Partner and the Investment Manager) for 90 consecutive days. In such event, the Partnership shall provide written notice thereof to the Limited Partners (the "Partnership Notice") and each Limited Partner shall have the right to withdraw all or a portion of the balance in its capital account from the Partnership by providing written notice thereof to the Partnership (the "Limited Partner Notice") within thirty (30) days after the Partnership Notice is sent. The effective date of such withdrawal shall occur as of the last day of the first full month after the Partnership receives the Limited Partner Notice.

A Limited Partner exercising such special withdrawal right will be paid 90% of its estimated capital account balance (excluding Side Pocket Accounts), determined as of the end of such month, within 30 days following the end of such month. The balance of such Limited Partner's capital account (excluding Side Pocket

Accounts) will be paid (subject to adjustments), without interest, within 30 days after completion of a special audit of the Partnership for the period ending as of the end of such month. Amounts in Side Pocket Accounts will be distributed to the Limited Partners as soon as practicable after the applicable Realization Event.

This provision shall be referred to herein as the "key-man" provision. Notwithstanding the foregoing, if the General Partner determines that the aggregate amount of capital to be withdrawn from the Partnership pursuant to Limited Partner Notices is significant, the General Partner may, in its sole discretion, elect to commence the orderly liquidation of the Partnership. Upon such occurrence, the Limited Partner Notices shall be null and void and all Partners will receive their pro rata portion of the proceeds resulting from the liquidation of the Partnership pursuant to the terms of the Partnership Agreement.

Gate

If withdrawal requests are received by the Master Fund for any date in an aggregate amount exceeding 25% of the net asset value of the Master Fund (excluding any Illiquid Investments) as of any withdrawal date, the General Partner may, in its discretion, limit the withdrawals from the Master Fund so that not more than twenty five percent (25%) of the aggregate net assets of the Master Fund (excluding any Illiquid Investments) is withdrawn as of such date. In such event, withdrawals by each Limited Partner withdrawing as of such date (on a pro rata basis with each other withdrawing limited partner and each redeeming shareholder in the Offshore Fund) will be limited on a corresponding basis so that not more than 25% of the aggregate assets of the Master Fund are withdrawn as of such date (excluding any Illiquid Investments). Any amount that a Limited Partner is not permitted to withdraw as of such date shall remain invested in the Partnership until the actual effective date of the withdrawal. Capital withdrawal requests that are deferred due to such limitation may be revoked by the withdrawing Limited Partner, and if not revoked, will be given priority at subsequent redemption dates. In the interim, all of the remaining capital in such Limited Partner's capital account (including the capital subject to any such deferred withdrawal request) shall remain subject to the performance of the Partnership.

Transfers

Interests are not transferable except with the prior written consent of the General Partner, which consent may be granted or withheld by the General Partner in its sole discretion.

Certain Risk Factors

An investment in the Partnership is speculative and involves substantial risks. Interests are intended for sale to a limited number of experienced and sophisticated investors. Investors

must be willing to bear the risks of this investment, including the possible loss of all or a substantial part of their investment, for an indefinite period of time. Each prospective investor should therefore carefully review this Memorandum before deciding whether to invest in the Partnership. *See "Certain Risk Factors" for a more detailed, but in no way comprehensive, description of these risks.*

Tax Matters

The Partnership and the Master Fund expect to be treated as partnerships for U.S. federal income tax purposes and, accordingly, each Partner will be taxed annually on its allocable portion of the Partnership's taxable income, whether or not such amount is distributed to, or withdrawn by, the Partner. Prospective investors should consult their own tax advisors with specific reference to their own situations. *See "Certain Federal Income Tax Matters."*

Regulatory Matters

The Partnership is not and does not intend to be registered as an investment company under the 1940 Act. The Partnership relies on the exception from the definition of an "investment company" provided in Section 3(c)(7) of the 1940 Act, and, therefore, each investor in the Partnership must be a "qualified purchaser," as that term is defined in Section 2(a)(51)(A) of the 1940 Act for purposes of Section 3(c)(7) thereunder. The Investment Manager is currently registered with the Securities and Exchange Commission (the "SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, potential investors should note that being registered as an investment adviser does not imply a certain level of skill or training, nor does it imply any governmental approval or recommendation.

The General Partner has claimed an exemption from registration with the Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator with respect to the Partnership and the Master Fund, pursuant to Rule 4.13(a)(3) of the Commodity Exchange Act, as amended (the "CEA"). Unlike a registered commodity pool operator, the General Partner is not required to deliver a disclosure document and a certified report to investors in the Partnership. The Investment Manager has claimed an exemption from registration with the CFTC as a commodity trading advisor pursuant to Rule 4.14(a)(8) under the CEA. Either of the Investment Manager or the General Partner may, in their sole and absolute discretion, or as otherwise required by applicable law or regulation, become registered with the CFTC in the future.

ERISA and Other Benefit Plan Investors

Although benefit plans subject to the fiduciary responsibility provisions of ERISA, individual retirement accounts ("IRAs"), Keogh plans and other benefit plans may subscribe for Interests in the Partnership, the Partnership generally anticipates that such investors will prefer to invest in the Offshore Fund, which has been established to give U.S. tax-exempt investors the opportunity to pursue a parallel investment strategy to that of the Partnership.

Neither the Partnership nor the Master Fund currently intend to permit investments by "benefit plan investors" (as defined in Section 3(42) of ERISA and Department of Labor Regulations Section 2510.3-101, as modified by Section 3(42) of ERISA) (the "Plan Asset Rules" and "Benefit Plan Investors") to equal or exceed 25% of the total value of any class of equity interests of the Partnership or Master Fund in order to avoid the assets of the Partnership and the Master Fund from being treated as "plan assets" of any Benefit Plan Investor ("Plan Assets") that invests in Partnership or in the Master Fund through the Partnership. Notwithstanding the foregoing, the Partnership and/or the Master Fund may, in their discretion, permit the assets of the Partnership and/or the Master Fund to be treated as including the Plan Assets of Benefit Plan Investors whose assets are invested in the Partnership or the Master Fund.

At any time during which the assets of the Partnership or the Offshore Fund are treated as including Plan Assets, all of the Investible Assets (as defined herein) of the Partnership will be invested in the Master Fund and certain other restrictions will be imposed upon the operation of the Partnership as described in "ERISA and Other Benefit Plan Considerations." As a result, during any period in which the assets of the Partnership or the Offshore Fund are treated as Plan Assets, the Partnership does not anticipate that the General Partner, the Investment Manager or any other entity providing services to the Partnership will act as a fiduciary with respect to the assets of any Benefit Plan Investor in the Partnership.

Trustees, administrators and other fiduciaries considering the investment of assets of such plans in the Partnership are urged to carefully review the matters discussed in this Memorandum and to consult their own legal advisors. *See "ERISA and Other Benefit Plan Considerations."*

Tax Exempt Investors

The Partnership may use leverage and otherwise borrow in pursuing its investment strategy. Accordingly, tax-exempt Limited Partners may incur an income tax liability with respect to their share of the Partnership's "unrelated business taxable

income" (otherwise known as UBTI) arising from its investment in the Partnership. Trustees and administrators of U.S. tax-exempt investors (and their trustees or administrators, if applicable) should consider these and other factors and consult their own legal and tax advisers before making an investment in the Partnership. It is anticipated that U.S. tax-exempt investors will prefer to invest in the Offshore Fund.

Reports to Partners

The fiscal year-end of the Partnership is December 31st. Audited financial statements of the Partnership will generally be prepared and delivered to Limited Partners within 120 days or as soon thereafter as is reasonably practicable following the close of each fiscal year. Audited financial statements shall first be prepared for the period beginning on the commencement of investment operations of the Partnership through December 31, 2012, and annually thereafter. The General Partner also will provide each Limited Partner with unaudited performance information and account statements at least monthly. The General Partner will provide each Partner with a Schedule K-1 for tax purposes. If the General Partner is unable to deliver such Schedule K-1 by April 15, the General Partner will provide Limited Partners with estimates of the taxable income or loss allocated to their investment in the Partnership. Unless otherwise restricted by law, all reports, financial statements, and other information may be delivered to Limited Partners electronically.

The fiscal year may be changed at any time by the General Partner, in its sole and absolute discretion.

Key Service Providers

Jefferies & Company, Inc., New York, New York acts as the Master Fund's prime broker and custodian.

JP Morgan Clearing Corp., Brooklyn, New York acts as the Master Fund's custodian.

Morgan, Lewis & Bockius LLP, Boston, Massachusetts, is the Partnership's legal counsel.

EisnerAmper, LLP, New York, New York, is the Partnership's independent auditor.

GlobeOp Financial Services LLC, Harrison, NY (the "Administrator"), acts as the Partnership's administrator.

Subscription Procedure

The Interests are being offered to certain qualified investors who meet the criteria set forth in this Memorandum under "Subscription for Interests." The General Partner reserves the right to accept or reject any subscription. Investors may be

required to provide the Partnership and/or the Administrator at the time of subscription or any time thereafter with certain information to permit the Partnership to comply with applicable laws, rules and regulations, including with respect to anti-money laundering. The Partnership will provide prospective investors with subscription documents, which will include detailed subscription instructions.

In order to purchase an Interest, a subscriber must: (i) complete and execute a Subscription Agreement; (ii) execute (in duplicate) under notary seal a Limited Partner Signature Page; and (iii) arrange for a wire transfer for the amount of the subscription in accordance with the applicable instructions in the Subscription Agreement.

Additional Information

Prospective investors are invited to speak with the General Partner for further explanation of the terms and conditions of the offering and to obtain any additional information reasonably available to the General Partner. Requests for such information should be directed to the General Partner:

c/o DG Capital Management, LLC
460 Park Avenue, 22nd Floor
New York, NY 10022
Attention: Investor Services
Telephone: (646) 942-5700
Facsimile: (212) 202-4639
Email: dgvp@dgcapitalmgmt.com

INVESTMENT PROGRAM

For purposes of clarity and convenience, this Memorandum refers to the investment program and portfolio transactions of the Partnership. However, the Partnership will invest substantially all of its assets through DG Value Partners II Master Fund, LP, a Cayman Islands exempted limited partnership serving as an offshore master fund (the "Master Fund"). Therefore, where appropriate, references to "the Partnership" will be construed to mean, the Partnership or the Master Fund, as the case may be.

INVESTMENT OBJECTIVE, PHILOSOPHY AND STRATEGY

The Partnership's investment objective is to achieve above average long-term rates of return, primarily through capital appreciation and income, while also attempting to preserve capital and mitigate risk through diversification of investments and hedging activities. No assurance can be given, however, that the Partnership will achieve its objective, and investment results may vary substantially from period to period. The Investment Manager anticipates that most of the Partnership's assets will be invested in publicly traded securities.

The Partnership seeks to purchase securities that are priced at a significant discount to intrinsic value, based on the research of the Investment Manager. Additionally, the Partnership may short securities or engage in other hedging transactions through options or other derivatives to offset risk. The Partnership also expects to invest a portion of its assets in "special situations," where an event is expected to cause appreciation in the price of the security, as opposed to relying exclusively on business fundamentals or general market movements. The Investment Manager may invest in companies of any market capitalization, geographic location or market sector. The Partnership's investment position may be long-biased, market neutral or have significant holdings in cash, depending on investment conditions. The assets of the Partnership will generally be invested in a focused manner. Therefore, while attention is paid to diversification across industries, the Partnership currently expects to hold between 15 and 25 core positions.

We have set forth below certain additional information on some other features of the Partnership's investment program:

Concentration. The Investment Manager believes that in order to sustain superior investment results, it is necessary to concentrate the Partnership's portfolio from time to time in investments that will produce high absolute returns. However, the Investment Manager will generally seek to limit the position sizing of its investments, and will also consider the overall liquidity position of the portfolio, and industry concentration, to limit the risk to the overall portfolio. The Partnership will typically have between 15 and 25 core positions. Thus, the Partnership may have limited diversification.

Event-Driven and Special Situation Investments. The Partnership may invest in companies based upon certain situations or events, including (but not limited to) spin-offs, mergers and acquisitions, rights offerings, restructurings and bankruptcies. The Investment Manager believes that many such special situations and events carry a high probability of indiscriminate selling or neglect of valuable assets for reasons other than a lack of investment merits. After a period of time the events that are depressing the value of such companies pass, and the Investment Manager believes these companies are likely to

outperform the broader market.

Options. The Investment Manager believes in the judicious use of derivative securities, primarily options. The Investment Manager may purchase and write put and call options that are traded on national securities exchanges or over-the-counter markets, as well as on electronic communications networks (ECN's). Options can be used in many ways such as to increase market exposure (i.e., for purposes of leverage), to reduce overall market exposure (i.e., for hedging purposes), to increase the portfolio's current income, or to reduce the cost basis of a new position. The Partnership may also utilize certain options, such as various types of index or "market basket" options, in an effort to hedge against certain market-related risks, as the Investment Manager deems appropriate. The Investment Manager believes that the use of options and other derivatives should help reduce risk and enhance investment performance.

Fixed Income Securities. The Investment Manager may invest in fixed income securities (bonds) as part of the strategic operations of the Partnership. For example, the Investment Manager may take advantage of special investment opportunities in the distressed, high yield and convertible segments of the fixed income market. The Investment Manager considers these investments to be equity substitutes, with the expectation of providing current income or capital appreciation. The Investment Manager may also seek opportunities in government issued fixed-income securities as deemed appropriate.

Leverage. The Partnership may increase the number and extent of its "long" positions by borrowing (e.g., by purchasing securities on margin). Entering into short sales also increases the Partnership's use of leverage. The amount of any borrowing by the Partnership may be limited by regulations imposed by the Federal Reserve Board ("FRB") and by the availability and cost of credit.

Short Trading. Shorting may be used, in addition to options, to offset risk or for hedging purposes.

Private Placements. In addition to investing in publicly traded common equities, the Partnership may in certain cases invest in privately placed unregistered securities that do not have a readily ascertainable market value or other illiquid securities which may be valued but are not freely transferable. Investments in Illiquid Securities may be held in a separate Side Pocket Account, at the discretion of the Investment Manager, and only those Partners who are Partners at the time the investment is made may participate in the investment. *See "Summary of the Limited Partnership Agreement – Side Pocket Accounts."*

Arbitrage. Occasionally, the Partnership may engage in arbitrage transactions that the Investment Manager believes represent an exceptional risk/reward opportunity. Risk arbitrage opportunities generally arise during corporate mergers, leverage buyouts or takeovers. Frequently the stock of the company being acquired will trade at a significant discount to the announced deal price. This discount compensates investors for the time value of money and the risk that the transaction may be canceled. If the discount is significantly greater than the Investment Manager's assessment of the underlying risk, the strategy may be implemented. Arbitrage is a tactical, opportunistic strategy and not part of the Partnership's normal operations.

Other Investments. The Investment Manager may also invest some of the Partnership's assets in short-term United States government obligations, certificates of deposit, commercial paper and other money market instruments, including repurchase agreements with respect to such obligations, to enable the Partnership to make investments quickly and to serve as collateral with respect to certain of its investments. If the Investment Manager believes that a defensive position is appropriate because of

expected economic or business conditions or the outlook for security prices, or the Investment Manager determines that opportunities for investing are unattractive, then a greater percentage of Partnership assets may be invested in such obligations. The Partnership may also engage in securities lending activities. From time to time, in the sole discretion of the Investment Manager, cash balances in the Partnership's brokerage account may be placed in a money market fund.

Although the strategy and asset allocation utilized by the Partnership is primarily centered on publicly traded securities of companies, the Investment Manager intends to follow a flexible approach in order to place the Partnership in the best position to capitalize on opportunities in the financial markets. Accordingly, the Investment Manager may employ other strategies and may take advantage of opportunities in diverse asset classes if they meet the Investment Manager's standards of investment merit.

Description of Investment Process

Investment Identification. In general, the Investment Manager performs its own research in determining which investments to make for the Partnership. The Investment Manager typically identifies investment opportunities through the extensive use of electronic databases and screening tools, which focus on certain qualitative and quantitative factors that suggest a security will provide above average returns. Examples of some of the factors considered are: (i) various valuation measures; (ii) changes in corporate structure, such as a spin-off; (iii) recent price performance of a security; and (iv) measures of profitability and health of a company, such as operating margins, changes in working capital, and return on capital employed. The Investment Manager's investment ideas may also be generated from a wide variety of other sources including industry contacts, trade and financial publications, trade shows, and investment conferences.

Fundamental Research. The Investment Manager believes a thorough understanding of a company's business model is an important part of the investment process. The review of a company's business model includes understanding: (i) the product or service provided; (ii) the candidate's industry position; (iii) competitive advantage; (iv) cyclical and secular outlook for the industry; and (v) the impact of new products or technological change. An evaluation of management is also undertaken. During the research process, significant emphasis is placed on reviewing the public filings of a company, including forms 10-K, 10-Q, and 8-K, among others. Special attention is paid to the cash flow statement and balance sheet as well as the footnotes, which may identify certain obscured assets or liabilities. Filings may also describe different securities with special features, in addition to the common equity of a company, and the Investment Manager will consider all securities in the capital structure for inclusion in the portfolio. In addition to SEC filings, there may be other public documents that the Investment Manager deems relevant, such as court filings (including filings with bankruptcy courts) and other regulatory documents. After a detailed review of the investment candidate's filings, the Investment Manager will attempt to conduct a meeting with company management. In certain situations where it may not be possible to contact management, the Investment Manager will then rely on industry contacts and other sources.

Valuation. If an investment candidate passes the fundamental research stage, a detailed valuation analysis of the company takes place. Typically, a multi-year proprietary financial model is constructed, forecasting earnings, cash flow and the balance sheet. The Investment Manager considers at least two different scenarios to stress-test the financials and valuation. Based on these financial projections, the Investment Manager will then construct a valuation of the company, and a risk/reward analysis. The

valuation analysis emphasizes free-cash-flow as the primary measure of value, but also incorporates other relative and absolute valuation factors including price to earnings, enterprise value to earnings before interest, tax, depreciation and amortization ("EBITDA") and the replacement value or market value of certain assets. The Investment Manager considers the valuation process to be the primary factor for evaluating if an investment candidate is attractive on a stand-alone basis.

Portfolio Evaluation. Once an investment opportunity is determined to be attractive as a stand-alone investment, the Investment Manager plans to evaluate the effect of adding that investment to the Partnership's portfolio. In doing so, the Investment Manager will seek to minimize the market-related portfolio volatility as well as the risk of a capital loss.

Relationship with Portfolio Companies. The Investment Manager does not typically take an active role in the affairs of the companies in which the Partnership has a position however, it will be the policy of the Partnership to take such steps as are necessary to protect its economic interests. The Investment Manager reserves the option to accept a role on the board of directors of any company in which the Partnership holds securities, if the opportunity presents itself.

Investment and Portfolio Monitoring. The Investment Manager plans to monitor the Partnership's positions to ensure that the investment thesis behind each is intact. The Investment Manager will also monitor trading prices so that profits can be taken as trading and intrinsic values converge or losses can be minimized in the event of a significant shift in an investment's fundamental premise. The Investment Manager will further monitor investment positions in view of the portfolio as a whole in order to manage risk.

Trading Strategy. The development of a trading strategy is a continuous process and the Partnership's trading strategy and methods may therefore be modified from time to time. The Partnership's trading methods are confidential and the descriptions of them in this Memorandum are not exhaustive. The Partnership's trading strategies may differ from those used by the Investment Manager and its affiliates with respect to other accounts they manage. Trading decisions require the exercise of judgment by the Investment Manager. The Investment Manager may, at times, decide not to make certain trades, thereby foregoing participation in price movements which would have yielded profits or avoided losses. Limited Partners cannot be assured that the strategies or methods utilized by the Investment Manager will result in profitable trading for the Partnership.

The Partnership's investment program entails substantial risks and there can be no assurance that its investment objectives will be achieved. The practices of short selling, use of leverage and other investment techniques employed by the Partnership can, in certain circumstances, maximize the adverse impact to which the Partnership's investment portfolio may be subject.

OTHER INVESTMENT CONSIDERATIONS

From time to time the Partnership may purchase "new issues", as defined in Financial Industry Regulatory Authority, Inc. ("FINRA") Rule 5130, or any successor provision thereto ("Rule 5130"). Pursuant to Rule 5130 and Rule 5131, or any successor provision thereto ("Rule 5131"), certain Partners may be restricted from participating in new issues, including FINRA members, other broker-dealers and their affiliates, certain personnel of broker-dealers, certain finders and fiduciaries and portfolio managers of certain entities and accounts, including collective investment accounts (which include hedge funds) and directors and executive officers of U.S. public companies and other companies that meet certain financial

thresholds. The Partnership Agreement will provide the General Partner with the authority to exclude participation in new issues by any Partner who the General Partner determines to fall within the FINRA prohibition. *See "Summary of the Limited Partnership Agreement–Purchases of New Issues"*.

In general, although there are specific investment guidelines inherent in the model and investment philosophy, the Partnership's investment strategy has been structured to provide the Investment Manager with flexibility to achieve the Partnership's investment objective. It is impossible to predict the degree of profitability, if any, that may be achieved from the investment strategy described herein. The Investment Manager will endeavor to commit the Partnership's resources among the various investments and strategies consistent with the philosophy and process articulated herein and in response to changing market conditions and opportunities. The risks of the Partnership's business are considerable and an investor could realize substantial losses, rather than gains, from some or all of the investments and strategies described herein. *See "Certain Risk Factors."*

There can be no assurance that the Partnership's investment objective will be achieved, and certain investment practices (*e.g.*, the use of leverage and short sales) may, in some circumstances, increase any adverse impact to which the Partnership's investment portfolio may be subject.

The descriptions contained herein of specific strategies that are or may be engaged in by the Partnership should not be understood as in any way limiting the Partnership's investment activities. The Partnership may engage in investment strategies not described herein that the Investment Manager considers appropriate. The foregoing discussion includes and is based upon numerous assumptions and opinions of the Investment Manager concerning world financial markets and other matters, the accuracy of which cannot be assured.

The investment program of the Partnership is speculative and may entail substantial risks. Since market risks are inherent in all investments to varying degrees, there can be no assurance that the Partnership's investment objective will be achieved or that substantial losses will not be incurred. In fact, certain investment practices described above can, in some circumstances, increase any adverse impact to which the Partnership's investment portfolio may be subject. Review the section entitled "*Certain Risk Factors*" for a discussion of the risks associated with investing in the Partnership.

The above discussion is of a general nature and is not intended to be exhaustive.

PARTNERSHIP MANAGEMENT

Management

DG Capital Partners II, LLC, a Delaware limited liability company (the "General Partner"), is the general partner of the Partnership and DG Value Partners II Master Fund, LP, a Cayman Islands limited partnership (the "Master Fund"), and is responsible for their overall management. DG Capital Management, LLC, a Delaware limited liability company that is an affiliate of the General Partner (the "Investment Manager"), is the investment manager to the Partnership and is responsible for the investment management of the Partnership's portfolio pursuant to the terms of an investment management agreement between the Partnership and the Investment Manager. The Investment Manager also serves as the investment manager to the Master Fund and DG Value Partners II Offshore Fund, Ltd., a Cayman Islands exempted company (the "Offshore Fund") that also invests substantially all of its assets in the Master Fund. As the principal member, manager and controlling person of the General Partner and the Investment Manager, Dov Gertzulin, controls all of the Partnership's operations and activities, and is the primary portfolio manager for the Partnership.

> ***Dov Gertzulin***. Mr. Gertzulin is the Managing Member of the Investment Manager and the General Partner, and is the portfolio manager for the Partnership. Prior to forming the Investment Manager, Mr. Gertzulin was a Vice President and Portfolio Manager at Neuberger Berman. At Neuberger Berman he co-managed over $4 billion for high net worth and institutional investors. Mr. Gertzulin joined Neuberger Berman in 2002 as a research analyst. Previously, he was a research analyst at JDS Capital Management, which he joined in 2000. He began his investment career at Neuberger Berman in 1998.
>
> Mr. Gertzulin received his MBA with distinction from New York University's Stern School of Business in 2006, where he specialized in finance and accounting and was named a Stern Scholar. He earned a BBA from Baruch College in 2001, graduating summa cum laude. He has lectured at the Stern School of Business on opportunities in distressed investments and is a member of the Executive Committee of the Baruch College Fund Board of Trustees. Mr. Gertzulin is also the Chairman of the Investment Committee of the Baruch College Fund with responsibility of overseeing the endowment.

The General Partner and the Investment Manager may employ additional personnel in the future.

The Investment Manager is currently registered with the Securities and Exchange Commission (the "SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The General Partner has claimed an exemption from registration with the Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator with respect to the Partnership and the Master Fund, pursuant to Rule 4.13(a)(3) of the Commodity Exchange Act, as amended (the "CEA"). Unlike a registered commodity pool operator, the General Partner is not required to deliver a disclosure document and a certified report to investors in the Partnership or the Master Fund. The Investment Manager has claimed an exemption from registration with the CFTC as a commodity trading advisor pursuant to Rule 4.14(a)(8) under the CEA. Either of the Investment Manager or the General Partner may, in their sole and absolute discretion, or as otherwise required by applicable law or regulation, become registered with the CFTC in the future.

Conflicts of Interest

There are certain actual and potential conflicts of interest that should be considered by prospective investors before subscribing for limited partnership interests in the Partnership (the "Interests"). The General Partner, the Investment Manager, their members, principals, managers, affiliates and employees may engage in other activities, including providing investment management and advisory services to the Master Fund, the Offshore Fund, the Parallel Fund and other accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to the Partnership and its affairs. Such accounts may pursue a substantially similar investment strategy as that of the Partnership, including the Master Fund, the Offshore Fund and the Parallel Fund. The principals of the Investment Manager may also render investment management services to a number of other accounts (such accounts, collectively with the Offshore Fund (to the extent it makes direct investments) and the Parallel Fund, the "Other Accounts"), the investment strategies of which are anticipated to be substantially similar to that of the Partnership. The investments of the Partnership (either directly or through the Master Fund), and the Other Accounts will be made *pari passu*, subject to the availability of funds in the Other Accounts to make any such investments and any applicable clearing agency or exchange requirements. In addition, the Investment Manager may have a conflict of interest in rendering advice to a client because the financial benefit from managing some other client's account may be greater (*e.g.*, such account generates higher fees or allocations tied to either higher percentages earned or larger amounts of capital investment by the Investment Manager or its affiliates), which may provide an incentive to favor the other account.

Allocation of investment opportunities among the Partnership and Other Accounts managed by the Investment Manager or one of its affiliates will be made by the Investment Manager based upon the investment objectives and investment portfolio of the Partnership and such Other Accounts. When the purchase and sale of securities is considered to be in the best interest of both the Partnership (either directly or through the Master Fund) and Other Accounts, the securities to be purchased or sold may be aggregated in order to obtain superior execution and/or lower brokerage expenses. Execution prices for identical securities purchased or sold on behalf of multiple accounts in any one day may be (but are not required to be) averaged. In such instances, allocation of prices, as well as expenses incurred in the transaction, will be made in a manner that the Investment Manager considers to be equally as favorable to the Partnership as to any other party.

If permitted under applicable law, the Investment Manager may, on behalf of the Partnership, for liquidity, portfolio rebalancing, trade allocation or other reasons, purchase investments from, sell investments to or enter into agreements with Other Accounts (*i.e.*, "cross transactions"). The terms of any such cross transactions will be commercially reasonable and will not be materially less favorable to the Partnership than those available in the market. The Investment Manager will receive no special fees or other compensation in connection with cross transactions. Expenses incurred in a cross transaction will be allocated equitably in the sole discretion of the Investment Manager between the Partnership and the Other Accounts that are parties to the cross transaction. Similarly, if a transaction is cancelled, any costs incurred will be allocated equitably in the sole discretion of the Investment Manager between the Partnership and the Other Accounts that are parties to the cross transaction.

The Investment Manager and its respective members, principals, managers, officers and employees will devote as much of their time to the activities of the Partnership as the Investment Manager deems necessary and appropriate. The members, principals, managers, affiliates and employees of the General Partner, the Investment Manager and its affiliates may trade in securities for their own accounts, subject to restrictions and reporting requirements as may be required by law or otherwise determined from time to

time by the General Partner or the Investment Manager as the case may be. As a result of differing trading and investment strategies or constraints, positions may be taken by members principals, managers and employees of the Investment Manager that are the same as, different from, or made at a different time than positions taken for the Partnership.

The Partnership may engage in certain transactions with its affiliates provided the terms thereof are commercially reasonable, as determined by the General Partner. Representatives of the Investment Manager may serve on the board of directors of one or more publicly traded companies, including, but not limited to, companies in which the Partnership may invest. As a result, the Partnership may be restricted from transacting in securities of such issuers.

The use of a master-feeder structure may also create a conflict of interest in that different tax considerations for the Partnership and the Offshore Fund may cause the Master Fund to structure or dispose of an investment in a manner that is more advantageous to one feeder fund. The Investment Manager has certain responsibilities with respect to valuing securities (*See "Summary of the Limited Partnership Agreement–Valuations"*). A conflict may arise with respect to this responsibility given the Management Fee, paid to the Investment Manager and the Performance Allocation, earned by the General Partner, which is an affiliate of the Investment Manager, each of which is based on such valuations.

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of the Investment Manager creates a conflict of interest between the Investment Manager and the Partnership because the Partnership will pay for such products and services that are not exclusively for the benefit of the Partnership and that may be primarily or exclusively for the benefit of the Investment Manager. (*See also "Certain Risk Factors–Conflicts of Interest"*). In these instances, the Investment Manager may make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable to making investment decisions and executing transactions is paid with commission dollars, and the Investment Manager bears the cost of the balance. The Investment Manager's interest in making such an allocation differs from the Partnership's interest, in that the Investment Manager has an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that it must pay directly. To the extent that the Investment Manager is able to acquire these products and services without expending its own resources (including Management Fees ultimately paid by the Partnership), the Investment Manager's use of "soft-dollars" (or cash in lieu thereof) would tend to increase its profitability. In addition, the availability of these benefits may influence the Investment Manager to select one broker rather than another to perform services for the Partnership. The Partnership Agreement specifically authorizes these practices to the fullest extent permitted by law.

In addition, from time to time, representatives of the Investment Manager may speak at conferences and programs for investors interested in investing in hedge funds that are sponsored by prime brokers. These conferences and programs may provide opportunities by which the Investment Manager is introduced to potential investors in the Partnership and other investment vehicles it manages. Generally, the prime brokers are not compensated by the Investment Manager, the Partnership, or potential investors for providing such "capital introduction" opportunities. In addition, prime brokers may provide financing and other services to the Partnership and the Investment Manager. Consequently, such additional services by a prime broker may influence the Investment Manager in deciding whether to use the services of such prime broker in connection with the activities of the Partnership.

The Administrator, Auditor, Custodian and Prime Broker may from time to time act in a similar capacity

to, or otherwise be involved in, other funds or investment schemes, some of which may have similar investment objectives to those of the Partnership and the Master Fund, as applicable. Thus, each may be subject to conflicting demands in respect of allocating management time, services and other functions between the activities each has undertaken with respect to the Partnership and/or the Master Fund and the activities each has undertaken or will undertake with respect to other investors or other accounts. It is therefore possible that any of them may, in the course of their respective businesses, have potential conflicts of interest with the Partnership, the Master Fund or the limited partner.

The foregoing is not a complete description and does not necessarily constitute a comprehensive list of all of the actual and potential conflicts of interest.

Master Fund Sub-Accounts

At the end of each accounting period of the Partnership, generally net profits or net losses (as applicable) will be allocated to the Limited Partners of each Class and the General Partner (collectively, the "Partners") in proportion to each Partner's opening capital account balance in the Partnership for such accounting period. An accounting period shall end on the last day of each month and also (i) immediately prior to the dates capital contributions are made to the Partnership during the fiscal year, (ii) on the dates withdrawals are made from the Partnership during the fiscal year, or (iii) such other date as determined by the General Partner, in its sole discretion. Net profits and net losses are calculated for a period by combining the aggregate net realized and unrealized changes in the value of the Partnership's assets with all other income and expenses of any kind for such period, including the Management Fee (without reduction for the Performance Allocation (as defined below)). Net profits and net losses from "new issues" (as defined in Rule 5130, as defined below) and Illiquid Investments will be allocated only to those Partners eligible to participate therein.

For bookkeeping purposes, the Master Fund shall establish memorandum sub-capital accounts (each, a "Sub-Account" and collectively, the "Sub-Accounts") for each of its classes that correspond to each Limited Partner in the corresponding Class of the Partnership and each shareholder in the corresponding class of the Offshore Fund (with respect to each series of shares it holds in the Offshore Fund). As such, the description of the allocation of profits and losses described above will also generally apply to the applicable Sub-Accounts of each Class. The Sub-Accounts established for each Class of Limited Partner in the Partnership shall permit the Master Fund to properly determine the Performance Allocation for each such Class of Limited Partners and all calculations made in relation to the Performance Allocation at the Master Fund level will be applied in turn to the corresponding capital accounts of the applicable Class Limited Partners in the Partnership. For purposes of calculating the Performance Allocation of an applicable Class of Limited Partners, all Partnership expenses (or applicable Class expenses) shall be deemed to be incurred at the Master Fund level. Since the General Partner will receive the Performance Allocation and the Management Fee at the Master Fund level, no additional performance allocation or management fee will be paid at the Partnership level.

General Partner's Performance Allocation at the Master Fund

At the end of each fiscal year of the Master Fund, the General Partner will have reallocated to its capital account in the Master Fund (after reduction for the Management Fee and other expenses and fees incurred by the Partnership) a portion of the increase in the net asset value (i.e. the net profits over net losses) attributable to the capital accounts (and Sub-Accounts) of the limited partners in the Master Fund for such fiscal year (including the Partnership and the Offshore Fund) (the "Performance Allocation").

The Partnership is a limited partner of the Master Fund; thus, the Performance Allocation, while not made at the Partnership level, will still be made with respect to the Partnership's Limited Partners at the Master Fund level. Each Limited Partner will be charged a Performance Allocation equal to:

- for Class A Limited Partners, twenty percent (20%) of the increase in net asset value (including realized and unrealized gains and net of the Management Fee) attributable to each such Limited Partner's Class A capital account (and reflected in the corresponding Sub-Account) for such fiscal year;

- for Class B Limited Partners, seventeen and one-half percent (17.5%) of the increase in net asset value (including realized and unrealized gains and net of the Management Fee) attributable to each such Limited Partner's Class B capital account (and reflected in the corresponding Sub-Account); and

- for Legacy Class Limited Partners, as described in the Legacy Class Supplement.

In the event a Limited Partner is permitted or required to withdraw completely or partially from the Partnership other than at the end of the fiscal year, the Performance Allocation made at the Master Fund level with respect to such Limited Partner for such year will be determined with respect to the portion being withdrawn through the applicable withdrawal date.

The Partnership will maintain a memorandum loss recovery account (a "Loss Recovery Account"), sometimes called a "high watermark", for each Limited Partner. The Master Fund shall establish a corresponding sub-account for each Loss Recovery Account (a "Loss Recovery Sub-Account") that corresponds to each Limited Partner in the Partnership and each shareholder in the Offshore Fund. For each fiscal year, each Limited Partner's Loss Recovery Account (and corresponding Loss Recovery Sub-Account) will be debited with the aggregate net losses, if any, allocated to such Limited Partner's capital account for such fiscal year. The balance in each Limited Partner's Loss Recovery Account will subsequently be reduced (but not below zero) by any net profits allocated to such Limited Partner's Sub-Account (before any Performance Allocation). The General Partner will not be allocated any Performance Allocation with respect to a Limited Partner's Sub-Account until such Limited Partner has recovered any net losses debited to its Loss Recovery Account. The loss amount debited to the Loss Recovery Account will be decreased pro rata to account for any withdrawals made prior to the end of a fiscal year.

The Performance Allocation shall not apply to any change in the value of an Illiquid Investment in a Side Pocket Account included in a Side Pocket Account until the Illiquid Investment (or the proceeds attributable thereof) is reallocated to the capital accounts of participating Limited Partners. At such time, the General Partner shall be entitled to receive a Performance Allocation on any increase in the fair value of such Side Pocket Account at the time of such reallocation (or the amount of any proceeds thereof) over the fair value of such Side Pocket Account at the time that such Side Pocket Account was created, subject to any balances in Loss Recovery Account (or Loss Recovery Sub-Account).

For the purpose of clarity, in the event that the Master Fund designates an asset as an Illiquid Investment (and, accordingly, the Partnership establishes Side Pocket Accounts), (i) the Loss Recovery Account (or Loss Recovery Sub-Account) attributable to the Partnership's Master Fund capital account from which such Illiquid Investment was designated shall be adjusted downward in proportion to the amount withdrawn or designated and (ii) the Partnership's side pocket Sub-Account attributable to the Illiquid Investment shall retain such pro rata portion of the Loss Recovery Account (or Loss Recovery Sub-

Account) amount which shall serve to reduce the Performance Allocation made to the General Partner, if any, upon the reallocation of such Illiquid Investment to the applicable Sub-Account.

The Investment Manager may waive, reduce or rebate the Performance Allocation with respect to certain Limited Partners, including affiliates of the Investment Manager and/or General Partner; provided, however, that no such waiver, reduction, or rebate will adversely impact any other Limited Partners or cause them to bear a higher portion of the Performance Allocation than they would bear absent such waiver, reduction or rebate.

New Issues

From time to time the Partnership may purchase "new issues", as defined in Financial Industry Regulatory Authority, Inc. ("FINRA") Rule 5130, or any successor provision thereto ("Rule 5130"). Under the General Partner's current policy, appreciation and depreciation from "new issues" will be allocated only to the capital accounts of Limited Partners that are not prohibited from participating in new issues (a "Restricted Person") (or who have elected to not participate in new issues) pursuant to Rule 5130 and FINRA Rule 5131, or any successor provision thereto ("Rule 5131"). As such, the Partnership will require each Limited Partner to provide information to enable the Partnership to determine whether such Limited Partner is a Restricted Person. The General Partner reserves the right to vary its policy with respect to the allocation of new issues as it deems appropriate for the Partnership as a whole, in light of, among other things, existing interpretations of, and amendments to, Rule 5130 and Rule 5131 and practical considerations, including administrative burdens and principles of fairness and equity.

As a matter of fairness to Partners that do not participate in the Partnership's investments in new issues, a use-of-funds charge may be debited to the capital account(s) of those Partners that participate in new issues and credited to all other Partners, pro rata in accordance with the aggregate capital account balances of such other Partners as of the beginning of each period in which the Partnership's investment portfolio includes investments in new issues. The debited amount would be equal to the interest on the funds used to purchase the new issues at the annual rate being paid by the Partnership for borrowed funds during the applicable period. If funds have not been borrowed during that period, the annual rate will be the rate the General Partner, or its delegate, determines would have been paid if funds had been borrowed by the Partnership during such period. For the avoidance of doubt, the General Partner is not required to debit any such use-of-funds charge as described above.

Certain Provisions of the Limited Partnership Agreement of the Master Fund

The rights and duties of the General Partner as the general partner of the Master Fund and the rights and duties of the Partnership as a limited partner of the Master Fund are governed by the Amended and Restated Limited Partnership Agreement of the Master Fund (the "Master Fund LPA"). Certain features of the Master Fund LPA not summarized elsewhere in this Memorandum are summarized below, but reference is made to the Master Fund LPA for the complete details of its terms and conditions.

Under the exculpatory provisions of the Master Fund LPA, the General Partner, its affiliates and members and any of their respective principals, shareholders, members, partners, officers and employees, and the legal representatives of any of them (collectively, the "Indemnified Parties") shall not be liable to any partner of the Master Fund or the Master Fund for (i) any trade errors, acts or omissions, or alleged acts or omissions, arising out of, related to or in connection with the Master Fund or any entity in which the Master Fund has an interest, any transaction or activity relating to the Master Fund or any entity in which it has an interest, any investment or proposed investment made or held, or to be made or held by the

Master Fund, or arising out of the Master Fund LPA or any similar matter, unless such action or inaction constitutes fraud, willful misconduct or gross negligence by any Indemnified Party, or (ii) any trade errors, acts or omissions, or alleged acts or omissions, of any broker or agent of any Indemnified Party, provided that the selection, engagement or retention of such broker or agent was made with reasonable care. Each of the Indemnified Parties may consult with counsel and accountants in respect of the Master Fund's affairs and be fully protected and justified in any action or inaction that is taken in accordance with the advice or opinion of such counsel or accountants, provided that they shall have been selected with reasonable care.

The Master Fund has agreed to indemnify and hold harmless each of the Indemnified Parties from and against any loss, cost, damage or expense suffered or sustained by an Indemnified Party by reason of (i) any acts or omissions, alleged acts or omissions or trade errors arising out of or in connection with the Master Fund or any entity in which it has an interest, any investment or proposed investment made or held, or to be made or held by the Master Fund or any similar matter, including, without limitation, any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding, investigation or claim, provided that such acts, omissions, alleged acts or omissions or trade error upon which such actual or threatened action, proceeding, investigation or claim did not constitute fraud, willful misconduct or gross negligence by any Indemnified Party, or (ii) any trade errors, acts or omissions, or alleged acts or omissions, of any broker or agent of any Indemnified Party, provided that the selection, engagement or retention of such broker or agent was made with reasonable care. The Master Fund may, in the discretion of the General Partner, advance to any Indemnified Party reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding that arises out of the foregoing whether or not the provisos of (i) or (ii) apply. In the event that such an advance is made by the Master Fund, the Indemnified Party shall agree to reimburse the Master Fund for such fees, costs and expenses to the extent that it shall be finally determined by non-appealable order of a court of competent jurisdiction that it was not entitled to indemnification.

Notwithstanding registration of the Master Fund as a Cayman Islands exempted limited partnership, the Master Fund is not an entity with separate legal status in the Cayman Islands but is simply a contractual arrangement between its constituent partners. All property which is conveyed into or vested in the name of the Master Fund shall be held or deemed to be held by the General Partner, in its capacity as general partner upon trust as an asset of the Master Fund in accordance with the terms of the Master Fund LPA. Any debt or obligation incurred by the General Partner in the conduct of the business of the Master Fund shall be a debt and obligation of the Master Fund and the General Partner will be liable therefor to the extent that the Master Fund has insufficient assets.

As a general matter, limited partners (which includes the Partnership) in a Cayman Islands exempted limited partnership will not be liable for the debts and obligations of the Master Fund, except (i) the extent of their contribution, (ii) if they take part in the conduct of the business of such limited partnership, or (iii) if they are obliged pursuant to the Cayman Islands Exempted Limited Partnership Law (as amended) to return a payment representing a return of any part of such limited partner's contribution (i.e., if when the distribution was made or for a period of six months following the date of such payment the limited partnership was not solvent).

The General Partner, as general partner, must at all times act in good faith in the interests of the Master Fund in managing the Master Fund's affairs and in resolving questions involving potential and actual conflicts of interest. This duly exists in addition to the various duties of and limitations on, the General Partner as set forth in the Master Fund LPA. The General Partner will endeavor to conduct the affairs of

the Master Fund in a manner fully consistent with its obligations.

Investment Management Agreement

Each of the Partnership and the Master Fund (collectively, the "Funds") will enter into an investment management agreement with the Investment Manager (collectively, the "Investment Management Agreement"), to provide for the management and investment of the Funds' assets. The Investment Management Agreement provides that the Investment Manager will have complete discretion regarding the investment of the Funds' assets, in accordance with the Partnership Agreement and the Funds' investment objectives, policies and parameters set forth in this Memorandum. Certain additional terms of the Investment Management Agreement applicable to both the Partnership and the Master Fund include the following:

Management Fee. In consideration for the investment management services to be provided by the Investment Manager, the Master Fund shall pay the Investment Manager a monthly management fee (the "Management Fee"). The Management Fee will be payable in advance and will be deducted in determining the net profit or net loss of the Partnership. Each Limited Partner will be charged its pro rata share of the Management Fee, which will calculated based on the balance in such Limited Partner's capital account (relating to the applicable Class) maintained in the Partnership as of the end of each month (pro rated for periods of less than a month) and will be equal to:

- for Class A Limited Partners, 0.125% (approximately 1.5% annualized) of the entire Class A capital account of each Class A Limited Partner as of the beginning of the then-current month, computed prior to the payment or accrual of any Performance Allocation;

- for Class B Limited Partners, 0.104% (approximately 1.25% annualized) of the entire Class B capital account of each Class B Limited Partner as of the beginning of the then-current month, computed prior to the payment or accrual of any Performance Allocation; and

- for Legacy Class Limited Partners, as described in the Legacy Class Supplement.

A Limited Partner admitted to the Partnership other than on the first day of a calendar month will be subject to a pro rata portion of the Management Fee for such month based upon the portion of the month for which it is a Limited Partner. A Limited Partner who withdraws at any time other than at the end of a month shall not be reimbursed a pro rata portion of the Management Fee. The Management Fee shall be payable with respect to the Interests of a Limited Partner in any Side Pocket Account or New Issues Account (each as defined below). For purposes of determining the Management Fee, any assets held in a Side Pocket Account will be carried on the books of the Partnership at fair value as determined by the Investment Manager, in consultation with the General Partner (which may be the cost of acquisition of such asset)

With respect to any Limited Partner who has withdrawn from the Partnership, with the exception of any interests in a Side Pocket Account, the Partnership may deduct from the amount distributed to such Limited Partner an amount deemed by the Investment Manager, in its reasonable discretion, sufficient to cover any Management Fees expected to become due with respect to such Limited Partner's interest in such Side Pocket Account, taking into account the expected period of time the asset held in such Side Pocket Account will remain outstanding (the

"Management Fee Reserve"). The Management Fee Reserve may be invested in U.S. Treasury bills, money market funds or any other investment deemed appropriate by the Partnership for the benefit of such Limited Partner.

In the event the Management Fee Reserve is insufficient to pay for Management Fees attributable to the Limited Partner's interest in such Side Pocket Account, the Partnership will send an annual statement to such Limited Partner providing for the payment of the Management Fees with respect to such Limited Partner's interest in such Side Pocket Account to the Investment Manager. If the full amount of the Management Fees due and owing is not paid, the Investment Manager may, in its sole discretion, reduce the amount of any subsequent withdrawal proceeds paid with respect to such Limited Partner by an amount equal to any unpaid Management Fees, together with interest at the brokers' call rate.

The Investment Manager may, in its discretion, waive, reduce, or rebate the Management Fee with respect to the capital accounts of certain Limited Partners, including affiliates of the General Partner or the Investment Manager; provided, however, that no such waiver, reduction, or rebate will adversely impact any other Limited Partner or cause them to bear a higher portion of the Management Fee than they would bear absent such waiver, reduction, or rebate.

The Investment Manager will bear all of its own normal and recurring operating expenses and overhead costs incurred in connection with the investment and other management services that it will provide to the Partnership (other than Partnership expenses which if paid by the Investment Manager, are reimbursable by the Partnership), provided that research and research related expenses may be paid for through the permitted use of "soft dollars." The Management Fee may exceed the expenses borne by the Investment Manager on behalf of the Partnership.

Delegation and Other Activities. The Investment Manager shall have the right to delegate all or a portion of its responsibilities with respect to the Funds to one or more third parties, including to parties affiliated with the General Partner or the Investment Manager and other sub-managers and consultants who may be offshore and not otherwise registered as an investment adviser with the SEC or any other regulatory agency. The Investment Manager, and the Partnership also may use the services of third party analysts, traders, consultants and other professionals to research market trends, perform comparative analysis, and perform other functions to identify and trade securities.

The Investment Management Agreement recognizes that the Investment Manager and the principals, employees and affiliates thereof are associated with other investment entities and may engage in investment management for others. Except to the extent necessary to perform its obligations under the Investment Management Agreement, the Investment Manager and the principals and affiliates thereof are not limited or restricted from engaging in or devoting time and attention to the management of any other business, whether of a similar or dissimilar nature, or to rendering services of any kind to any other corporation, firm, individual or association.

Term. The Investment Management Agreement will continue in effect until such time, if any, as (i) the Investment Manager resigns by providing the Partnership with thirty (30) days' written notice or (ii) it is terminated by the General Partner on behalf of the Partnership or the Master Fund with thirty (30) days' written notice.

Exculpation and Indemnification. The Investment Management Agreement provide that none of the Investment Manager, its affiliates, nor any of their respective partners, members,

shareholders, directors, officers or employees or the legal representatives of any of them (collectively with the Investment Manager, the "Indemnified Parties") will be liable to the Partnership for (i) any trade errors, acts or omissions, or alleged acts or omissions arising out of, related to or in connection with the Partnership or any entity in which the Partnership has an interest, any transaction or activity relating to the Partnership or any entity in which it has an interest, any investment or proposed investment made or held, or to be made or held by the Partnership, or arising out of the Investment Management Agreement or any similar matter, unless such action or inaction constitutes fraud, willful misconduct or gross negligence by any Indemnified Party or (ii) any trade errors, acts or omissions, or alleged acts or omissions of any broker or agent of any Indemnified Party, provided that the selection, engagement or retention of such broker or agent was made with reasonable care. Each of the Indemnified Parties may consult with counsel and accountants in respect of the Partnership's affairs and be fully protected and justified in any action or inaction that is taken in accordance with the advice or opinion of such counsel or accountants, provided that they shall have been selected with reasonable care.

Additionally, the Investment Management Agreement provide that the Partnership shall indemnify and hold harmless each Indemnified Party from and against any loss, cost, damage or expense suffered or sustained by an Indemnified Party by reason of (i) any trade errors, acts, omissions or alleged acts or omissions arising out of or in connection with the Partnership or any entity in which it has an interest, any investment or proposed investment made or held, or to be made or held by the Partnership, or the Investment Management Agreement or any similar matter, including, without limitation, any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding, investigation or claim, provided that such acts, omissions or alleged acts or omissions upon which such actual or threatened action, proceeding, investigation or claim did not constitute fraud, willful misconduct or gross negligence by any Indemnified Party, or (ii) any trade errors, acts or omissions, or alleged acts or omissions, of any broker or agent of any Indemnified Party, provided that the selection, engagement or retention of such broker or agent was made with reasonable care. The Partnership may, in the discretion of the General Partner, advance to any Indemnified Party reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding that arises out of the foregoing whether or not the provisos of (i) or (ii) apply. In the event that such an advance is made by the Partnership, the Indemnified Party shall agree to reimburse the Partnership for such fees, costs and expenses to the extent that it shall be finally determined by non-appealable order of a court of competent jurisdiction that it was not entitled to indemnification.

Partnership Expenses

The Partnership bears all costs and expenses related to its investments and its operations, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, research expenses (including related travel expenses), legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, custodial fees, initial and variation margin, interest and commitment fees on debit balances or borrowings, stock borrowing fees and proxy solicitation expenses, legal expenses, audit and tax preparation expenses, accounting fees, the Partnership's administration expenses (including, but not limited to, fees and expenses of any administrator), the direct and related costs of portfolio accounting software, fees and expenses for risk management services, insurance expenses including costs of any liability insurance obtained on behalf of the Partnership, indemnification expenses, the Management Fee, regulatory and compliance costs and expenses (including, but not limited to, filing and license fees and form PF), any

issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees, costs of reporting and providing information to Partners, and costs of litigation or investigation involving Partnership activities, and any extraordinary expenses. Such expenses are generally shared by all of the Partners, provided that expenses related to one or more particular classes or series of Interests will be allocated accordingly by the General Partner.

The Partnership will also be responsible for its pro rata portion of the Master Fund's costs and expenses, the nature of which expenses are anticipated to be similar to those of the Partnership. A portion of the Partnership's operating expenses may be shared with other investment entities or accounts managed by the Investment Manager, the General Partner or their affiliates on an equitable basis.

Organizational costs of the Partnership and the costs incurred in connection with the initial issuance of Interests, including legal and accounting fees, document production and printing costs, federal and state filing fees, and other related expenses, have been paid for by the Partnership. Such expenses are being amortized by the Partnership, in the discretion of the General Partner, for financial reporting purposes over a period of five years. The General Partner believes that amortizing such expenses is more equitable than expensing the entire amount during the first year of operations, as is required by U.S. generally accepted accounting principles (GAAP), and also conforms to industry standards. Amortization of the Partnership's organizational expenses may result in a qualification of the auditor's opinion of the Partnership's financial statements. In such instances, the General Partner may decide to (i) avoid the qualification by recognizing the unamortized expenses or (ii) make GAAP conforming changes for financial reporting purposes, but amortize expenses for purposes of calculating the Partnership's net asset value. There will be a divergence in Partnership's fiscal year-end net asset value and in the net asset value reported in the Partnership's financial statements in any year where, pursuant to clause (ii), GAAP conforming changes are made only to the Partnership's financial statements for financial reporting purposes. If the Partnership is terminated within five years of its commencement, any unamortized expenses will be recognized. If a Limited Partner withdraws all or part of its Interest prior to the end of the period during which the Partnership is amortizing expenses, the General Partner may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the amount being withdrawn and reduce withdrawal proceeds by the amount of such accelerated expenses.

Brokerage and Execution; "Soft Dollar" Matters

The Investment Manager is responsible for selecting broker-dealers to execute trades and negotiating any commissions paid on such transactions. The Investment Manager's primary consideration in placing transactions with particular broker-dealers is to obtain execution in the most effective manner possible. The Investment Manager also takes into account a variety of other factors, including the financial strength, integrity and stability of the broker-dealer and the commissions to be paid. The Investment Manager may also consider the quality comprehensiveness and frequency of available research and other products and services considered to be of value. The products and services furnished by broker-dealers may include, among other things, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, statistics and pricing or appraisal services, discussion with research personnel, special execution capabilities, order of call and the availability of stocks to borrow for short trades. The Investment Manager is authorized to pay higher prices for the purchase of securities from, or accept lower prices for the sale of securities to, brokerage firms that provide it with such research and trading related products and services or to pay higher commissions to such firms if the Investment Manager determines such prices or commissions are reasonable in relation to the overall services provided. Accordingly, the Partnership and the Master Fund may be deemed to be paying for research and other products and services with "soft" or commission

dollars. It is anticipated that the use of commissions or "soft dollars" to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under Section 28(e), research obtained with soft dollars generated by the Partnership and the Master Fund may be used by the Investment Manager to service accounts other than the Partnership or the Master Fund. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Manager, the Investment Manager will make a reasonable allocation of the cost that may be paid for with soft dollars.

Although the Investment Manager believes that the Partnership and the Master Fund benefits from many of the products and services obtained with soft dollars generated by the Partnership's or the Master Fund's trades, the Partnership or the Master Fund may not benefit exclusively or at all. In addition, the Investment Manager may, in its discretion, determine to use one or more third party service providers to perform certain trading functions for the Master Fund, and in connection therewith the Master Fund may pay higher brokerage commissions than might be paid if the Investment Manager performed this function, particularly in the case of trades that the Investment Manager directs to be executed with a broker other than the third party service provider. Such service provider may be subject to certain restrictions and conflicts that may limit its ability to perform such trading services.

Prime Broker and Custody

Jefferies & Company, Inc. (the "Prime Broker") serves as the prime broker and custodian for the Master Fund and will clear and settle the Master Fund's securities transactions that are effected through other brokerage firms. Settlement functions normally include, among other matters, arranging for (i) the receipt and delivery of securities purchased, sold, borrowed and loaned, (ii) the making and receiving of payments, (iii) custody of securities fully paid for or not fully paid for and, therefore, compliance with margin and maintenance requirements, (iv) custody of all cash, dividends and exchanges, distributions and rights accruing to the Master Fund's account, (v) the delivery of cash to the Master Fund's bank accounts and (vi) tendering securities in connection with cash tender offers, exchange offers, mergers or other corporate reorganizations. In addition, the Prime Broker may also provide the General Partner and/or the Investment Manager with capital introduction services aimed to assist the General Partner and the Investment Manager and their affiliates in raising capital for the Master Fund. The Master Fund is not committed to continue its relationship with the Prime Broker for any minimum period and the General Partner may, in its sole discretion, switch prime brokers or select multiple brokers, in each case, to the extent permitted by law, including foreign prime brokers or their equivalents thereof, to act as prime broker to the Master Fund.

JP Morgan Clearing Corp. (the "Custodian") serves as the Master Fund's custodian and provides custody services to the Master Fund. Each of the Custodian and the Prime Broker will generally maintain custody of the Master Fund's securities and cash, although in certain instances other brokers that execute transactions for the Master Fund will maintain custody of the Master Fund's assets.

The Master Fund may enter into various agreements with the Prime Broker and other brokers to effectuate the foregoing and its trading activities. *See "Certain Risk Factors–Broker Risks."* Pursuant to such agreements, the Master Fund's assets may be subject to security interests in favor of the Prime Broker or other brokers and the Master Fund will agree to indemnify the Prime Broker and other brokers against losses, costs, and damages subject to certain conditions. Assets held as collateral by a broker will be deemed pledged to the broker and its affiliates and may be re-hypothecated or otherwise used by the broker for its own purposes to the extent permitted under applicable law, which may result in the Master Fund being delayed in recovering such assets if at all.

Administrator

The Partnership has entered into an agreement (the "Services Agreement") with GlobeOp Financial Services LLC (the "Administrator") pursuant to which the Partnership has engaged the Administrator to perform certain day-to-day administrative services on its behalf.

The Administrator, will perform certain middle-office and/or back-office support activities pursuant to a separate agreement. The Partnership will indemnify and hold harmless the Administrator, its affiliates and any of their respective officers, directors, members, shareholders, employees, and agents, or any of their successors or assigns (each, an "Administrator Indemnified Party"), from and against any and all losses, judgments, liabilities, expenses (including, without limitation, attorney's fees) and amounts paid in settlement of any claims arising out of, or in connection with, any action taken or omitted by any of the foregoing Administrator Indemnified Parties, unless such action or omission is found by a final determination of an arbitrator, mediator, or court of competent jurisdiction to have resulted solely from the fraud, gross negligence or willful misconduct by such Administrator Indemnified Party in connection with the performance of its duties and obligations under the Services Agreement.

The Administrator will receive a monthly fee from the Partnership, subject to a monthly minimum fee. Certain other out-of-pocket expenses of the Administrator, as well as applicable data, communication and technology-related charges may also be charged to the Partnership in accordance with the Services Agreement.

The Services Agreement may generally be terminated at any time after the first year without penalty by the Partnership on 90 days' notice or by the Administrator on 180 days' notice, except that it may be terminated upon less notice in certain instances.

The Administrator may have relationships with providers of technology, data or other services to the Partnership and/or Investment Manager and the Administrator may receive economic and/or other benefits in connection with the Partnership and or the Investment Manager's activities, including, but not limited to its use of technological communication or other services. The Administrator may subcontract with agents, selected by the Administrator in good faith for administrative and certain other services.

Moreover, the Administrator is not responsible for any of the trading or investment decisions of the Partnership (all of which are made by the Investment Manager), or the effect of such trading decisions on the performance of the Partnership.

The office of the Administrator is located at One South Road, Harrison, New York 10528.

CERTAIN RISK FACTORS

The Partnership may be deemed to be a speculative investment and is not intended as a complete investment program. The Partnership is designed only for sophisticated persons who are able to bear the risk of an investment in the Partnership. The following does not purport to be a summary of all of the risks associated with an investment in the Partnership. Rather, the following describes certain specific risks to which the Partnership (and, therefore, the Partners) is subject and with respect to which the General Partner and the Investment Manager strongly encourage potential investors to carefully consider and to consult regarding the same with their professional advisors, as they deem necessary.

For purposes of clarity and convenience, this Memorandum refers to the investment program and portfolio transactions of the Partnership. However, the Partnership will invest substantially all of its assets through the Master Fund. Therefore, where appropriate, references to "the Partnership" will be construed to mean, the Partnership or the Master Fund, as the case may be.

Market and Investment Risks

Investment and Trading Risks. An investment in the Partnership involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Partnership's investment program will be successful. The Investment Manager will be investing substantially all of the Partnership's assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which the Partnership expects to invest have in recent years experienced and continue to experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Partnership.

Limited Diversification. At any given time, it is possible that the Partnership may make investments that are concentrated in a particular type of security, industry, geographic location or market capitalization. This limited diversity could expose the Partnership to significantly greater volatility than in a more diversified portfolio.

Undervalued Equity Securities. The Partnership's investment strategy focuses on investing in companies that the Investment Manager believes are undervalued. Opportunities in undervalued equity securities arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

Use of Leverage. The Investment Manager may leverage the Partnership's portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to the Partners if the Partnership earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to the

Partners if the Partnership fails to earn as much on such incremental investments as it pays for such funds. In the event that the Partnership leverages its portfolio, fluctuations in the market value of the Partnership's portfolio will have a significant effect in relation to the Partnership's capital and the risk of loss and the possibility of gain will each be increased. In addition, when the Partnership utilizes leverage, the level of interest rates generally, and the rates at which the Partnership can borrow in particular, will be an expense of the Partnership and therefore affect the operating results of the Partnership. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of the Partnership's portfolio.

The Partnership may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to the Partnership. For example, should the securities pledged to brokers to secure the Partnership's margin accounts decline in value, the Partnership could be subject to a "margin call" pursuant to which the Partnership would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Partnership's assets, the Partnership might not be able to liquidate assets quickly enough to pay off its margin debt.

Equity Securities of Growth Companies. A portion of the Partnership's assets may be invested in equity securities of companies that the Investment Manager believes have potential for capital appreciation significantly greater than that of the market averages, so-called "growth" companies. The market capitalization of the growth companies in which the Partnership will invest may range from small to large capitalizations. Growth stocks are generally more sensitive to market movements than other types of stocks, primarily because their stock prices are based heavily on future expectations. Securities of growth companies may be traded in the OTC markets. While OTC markets have grown rapidly in recent years, many OTC securities trade less frequently and in smaller volume than exchange-listed securities. The values of these securities may fluctuate more sharply than exchange-listed securities, and the Partnership may experience some difficulty in acquiring or disposing of positions in these securities at prevailing market prices.

Short Sales. The Investment Manager may engage in short sales as part of hedging transactions or when it believes securities are overvalued. Short sales are sales of securities the Partnership borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Partnership will be able to make a profit by purchasing the securities at a later date at the lower prices. The Partnership will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. The Partnership's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Partnership. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different

permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may impose restrictions that adversely affect the Partnership's ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Partnership may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Partnership may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Partnership is subject to strict delivery requirements. The inability of the Partnership to deliver securities within the required time frame may subject the Partnership to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Partnership to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Partnership's ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to the Partnership.

Risks of Investments in Options. Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that the Partnership may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

Put and Call Options. The Partnership may purchase exchange-listed and over-the-counter ("OTC") put and call options. In addition, the Partnership may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by the Partnership may be wholly or partially covered (meaning that the Partnership holds an offsetting position) or uncovered. Options on specific investments may be used by the Partnership to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held by the Partnership without requiring a sale of the investments.

Use of put and call options may result in losses to the Partnership, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the Partnership can realize on

their investments or cause the Partnership to hold an investment it might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by the Partnership to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by the Partnership. The use of uncovered option writing techniques may entail greater risks of potential loss to the Partnership than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in the Partnership realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

Hedging. The Partnership may utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, the Investment Manager's ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Partnership's hedging strategies may also be subject to the Investment Manager's ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. It may be more difficult to hedge a position in a smaller cap issuer than a larger-cap issuer. The Partnership's portfolio is not expected to be completely hedged at all times and at various times the Investment Manager may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, the Partnership's assets may not be adequately protected from market volatility and other conditions.

Purchasing Securities of Initial Public Offering. From time to time the Partnership may purchase securities that are part of initial public offerings. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for the Partnership to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. The Partnership may invest in securities that are "new issues," as defined by Rule 5130. Rule 5130 and Rule 5131 restricts certain persons from participating in "new issues." The Partnership Agreement will provide a mechanism for the purchase of new issues that excludes participation in such investment by any Partner that is deemed restricted. *See "Summary of the Limited Partnership Agreement–New Issues."*

Not Readily Marketable Securities. The Partnership will invest in securities that are initially, or that later become, not readily marketable. For example, the Partnership may acquire restricted securities of an issuer in a private placement pursuant to an arrangement whereby the issuer agrees to register the resale of those securities, or, in the case of an investment in convertible or exchangeable securities, the securities underlying such securities, within a certain period of time. Such registration requires compliance with United States Federal and state securities laws and the approval of the SEC. Unless and until such registration or compliance with applicable regulation occurs, there is likely to be no market for the restricted securities. No assurance can be given that issuers will not breach their obligation to effect such registration or other compliance obligation. Similarly, securities that are at one time marketable may become unmarketable (or more difficult to market) for a number of reasons. For example, securities traded on a securities exchange or quotation system may become unmarketable if delisted from such exchange or quotation system for among other reasons, failing to satisfy the requirements for continued listing, which may include minimum price requirements. In addition, the Partnership will acquire restricted securities,

for which no market exists, which are convertible or exchangeable into common stock of the issuer. The Investment Manager is aware of several instances where issuers have breached their obligation to convert or exchange such securities upon demand. No assurances can be given that the Partnership will not experience similar problems with its investments in convertible securities, in which case the Partnership's liquidity may be adversely affected. In general, the stability and liquidity of the securities in which the Partnership invests will depend in large part on the creditworthiness of the issuers. Issuers' creditworthiness will be monitored on an ongoing basis by the Investment Manager. If there is a default by the issuer, the Partnership may have contractual remedies under the applicable transaction documents. However, exercising such contractual rights may involve delays in liquidating the Partnership's position and the incurrence of additional costs.

Swap Transactions. The Partnership may enter into swap agreements with respect to securities, indexes of securities and other assets or other measures of risk or return. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard "swap" transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, or indices. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount". Whether the Partnership's use of swap agreements will be successful will depend on the Investment Manager's ability to select appropriate transactions for the Partnership. Swap transactions may be highly illiquid. Moreover, the Partnership bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Partnership's ability to terminate existing swap transactions or to realize amounts to be received under such transactions. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Total return swaps are another form of swap transaction that the Partnership may utilize in its investment program. A total return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payer in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payer is synthetically short and the total return receiver is synthetically long. Thus, total return swap agreements may effectively add leverage to the Partnership's portfolio because, in addition, to its total net assets, the Partnership would be subject to investment exposure on the notional amount of the swap agreement.

Other Derivative Investments. Derivative instruments or "derivatives" include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose the Partnership to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of

the swap counterparty.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Investment Manager from promptly liquidating unfavorable positions and subject the Partnership to substantial losses.

The General Partner has claimed an exemption from registration with the CFTC as a commodity pool operator pursuant to Rule 4.13(a)(3) of the CEA with respect to the Partnership and the Master Fund. As a result, the Partnership will be limited in the extent to which it can trade in commodity interests, including futures and certain swaps. Unlike a registered commodity pool operator, the General Partner is not required to deliver a disclosure document and a certified report to investors in the Partnership. The Investment Manager has claimed an exemption from registration with the CFTC as a commodity trading advisor pursuant to Rule 4.14(a)(8) under the CEA. The General Partner or the Investment Manager may, in its sole and absolute discretion, or as otherwise required by applicable law or regulation, register with the CFTC in the future.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements, and speculative position limits are not applicable. For example, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or contracting counterparty to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the Partnership has forward contracts. Although the Investment Manager seeks to trade with responsible counterparties, failure by a counterparty to fulfill its contractual obligation could expose the Partnership to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any currency market traded by the Partnership due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Partnership. Market illiquidity or disruption could result in significant losses to the Partnership.

Investments in Fixed Income Securities. The Partnership may invest a portion of its capital in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations, debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, commercial paper, and "higher yielding" (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility

due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

General Market and Credit Risks of Debt Obligations. Debt obligations are subject to credit risk and interest rate risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Small and Mid-Cap Issuers. A portion of the Partnership's assets may be invested in securities of small and mid-cap issuers. While, in the Investment Manager's opinion, the securities of small and mid-cap issuers may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small and mid-cap issuers may also present greater risks. For example, small and mid-cap issuers often have limited operating histories, product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and, thus, may create a greater chance of loss than investments in securities of larger-cap issuers. The market prices of securities of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small and mid-cap issuers may be higher than in those of large-cap issuers.

Foreign Securities. The Partnership may invest in securities of non-U.S. issuers. The Partnership's investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Partnership's assets denominated in that currency and thereby impact the Partnership's total return on such assets. The Partnership may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of Partnership assets and any effects of foreign social, economic or political instability. Foreign

companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for the Partnership to obtain or enforce a judgment against the issuers of such securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and settlement procedures in foreign markets may occasion delays in settlements of the Partnership's trades affected in such markets.

Exchange Traded Funds. The Partnership may invest in and sell short shares of exchange traded funds ("ETFs") and other similar instruments. These transactions may be used to adjust the Partnership's exposure to the general market or industry sectors and to manage the Partnership's risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments.

General Economic and Market Conditions. The success of the Partnership's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Partnership's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the Partnership's investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Partnership's profitability or result in losses. The Partnership may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets–the larger the positions, the greater the potential for loss.

In recent years, global markets experienced unprecedented volatility and illiquidity. The effects thereof are continuing and there can be no assurance that the Partnership will not be materially adversely affected. These conditions have led to extensive governmental interventions. Such interventions have in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition–as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action–these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the Investment Manager's strategies.

Counterparty Risk. Some of the markets in which the Partnership may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange–based" markets are subject. This exposes the Partnership to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. Such "counterparty

risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Partnership is not restricted from concentrating any or all of its transactions with one counterparty. The ability of the Partnership to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.

Transaction Execution and Costs. As the Investment Manager expects to actively manage the Partnership's portfolio, purchases and sales of investments may be frequent and may result in higher transaction costs to the Partnership. In addition, in many cases relatively narrow spreads may exist between the prices at which the Partnership will purchase and sell particular positions. The successful application of the Partnership's investment strategy will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although the Partnership will seek to utilize brokerage firms that will afford superior execution capability to the Partnership, there is no assurance that all of the Partnership's transactions will be executed with optimal quality. Furthermore, due to the degree of trading, total commission charges and other transaction costs may be expected to be high. The level of commission charges, as an expense of the Partnership, may therefore be expected to be a factor in determining future profitability of the Partnership.

Broker Risk. The Partnership's assets may be held in one or more accounts maintained for the Partnership (or the Master Fund) by its prime broker or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime broker, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the Partnership's assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the Partnership's assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on the Partnership and its assets. Investors should assume that the insolvency of any of the prime broker, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Partnership's assets or in a significant delay in the Partnership having access to those assets.

American Depository Securities & Receipts. In certain instances, rather than directly holding securities of non-U.S. companies, the Partnership may hold these securities through an American Depository Receipt (an "ADR"). An ADR is issued by a U.S. bank or trust company to evidence its ownership of securities of a non-U.S. company. The currency of an ADR may be U.S. dollars rather than the currency of the non-U.S. company to which it relates. The value of an ADR will not be equal to the value of the underlying non-U.S. securities to which the ADR relates as a result of a number of factors. These factors include the fees and expenses associated with holding an ADR, the currency exchange relating to the conversion of foreign dividends and other foreign cash distributions into U.S. dollars, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the rights of the Partnership, as a holder of an ADR, may be different than the rights of holders of the underlying securities to which the ADR relates, and the market for an ADR may be less liquid than that of

the underlying securities. The foreign exchange risk will also affect the value of the ADR and, as a consequence, the performance of the investor holding the ADR.

Money Market Instruments. The Investment Manager may invest, for defensive purposes or otherwise, all or a portion of the Partnership's assets in high quality fixed-income securities, money-market instruments, and foreign money-market mutual funds, or hold cash or cash equivalents in such amounts as the Investment Manager deems appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers' acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

Loans of Portfolio Securities. The Partnership may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of the Partnership's assets. By doing so, the Partnership attempts to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Partnership could experience delays in recovering the securities it lent. To the extent that the value of the securities the Partnership lent has increased, the Partnership could experience a loss if such securities are not recovered.

Risks Associated with the Partnership

Limited Operating History and Dependence on Key Personnel. Although Dov Gertzulin has substantial investment experience, the Partnership has no financial and operating history upon which a prospective investor may base its investment decision. The past performance of the Investment Manager or its affiliates is no guarantee of future performance. If Mr. Gertzulin ceases to be involved in the management of the Partnership's portfolio, such event may have a material adverse effect on the business of the Partnership.

Partnership Interests are Illiquid. Because of the limitations on withdrawals and the fact that Interests are not tradable, an investment in the Partnership is relatively illiquid and involves a high degree of risk. A subscription for Interests should be considered only by sophisticated investors financially able to maintain their investment and who can afford to lose all or a substantial part of such investment. There is no public market for Interests.

Limitations on Limited Partner Withdrawals and Transfers. Subject to the Lock-Up Periods, Withdrawal Fee, Withdrawal Notice, the gate, and other withdrawal restrictions, a Limited Partner generally will not be permitted to withdraw all or any portion of its capital account balances from the Partnership except as of the last day of each month. The General Partner may waive or reduce such limitations in its sole discretion. The General Partner may suspend withdrawal rights (including the payment of withdrawal proceeds), in whole or in part, when there exists in the opinion of the General Partner a state of affairs where the disposal of the Partnership's assets, or the determination of the value of the Limited Partner's capital accounts, would not be reasonably practicable or would be seriously prejudicial to the non-withdrawing Limited Partners or if required under any applicable anti-money laundering laws or regulations. In addition, transfers of Interests will be permitted only in limited circumstances at the discretion of the General Partner. Accordingly, Interests should only be acquired by investors willing and able to commit their funds for an appreciable period of time.

A Limited Partner May Be Required to Withdraw Its Capital. Under the Partnership Agreement, the General Partner may, in its sole discretion at any time, require any Limited Partner to withdraw all or a portion of such Limited Partner's capital from the Partnership upon prior written notice. Such mandatory withdrawal may create adverse tax and/or economic consequences to the Limited Partner depending on the timing thereof.

Limited Partners Do Not Participate in Management. Limited Partners do not participate in the management of the Partnership or in the conduct of its business. Moreover, Limited Partners have no right to influence the management of the Partnership, whether by voting or otherwise. Any participation in the management of the Partnership could subject a Limited Partner to unlimited liability as a general partner.

Liability of Limited Partners for the Return of Capital Contributions. If the Partnership should become insolvent, the Partners may be required to return, with interest, any property distributed that represented a return of capital, repay any distributions wrongfully made to them and forfeit any undistributed profits.

Effect of Substantial Withdrawals. Substantial withdrawals by one or more Limited Partners or redemptions of one or more shareholders of the Offshore Fund within a short period of time could require the Master Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Master Fund's assets and/or disrupting the Master Fund's investment strategy. Reduction in the size of the Master Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Master Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

Trade Errors. Although the Investment Manager exercises due care in making and implementing investment decisions, employees of the Investment Manager may from time to time make errors with respect to trades made on behalf of the Partnership. The Investment Manager will not be liable to the Partnership or the Limited Partners for any trading losses, liabilities, damages, expenses or costs resulting from trade errors by the Partnership except those losses, liabilities, damages, expenses or costs (i) resulting from the Investment Manager's fraud, willful misconduct or gross negligence and (ii) that may not be waived or limited under applicable law. Notwithstanding this limitation on liability, the Investment Manager may voluntarily reimburse the Partnership for certain other losses suffered as a result of trade errors identified by the Investment Manager.

In-Kind Distributions. The Partnership anticipates to distribute cash to a Partner upon a withdrawal. However, there can be no assurance that the Partnership will have sufficient cash to satisfy withdrawal requests or that it will be able to liquidate investments at the time of such withdrawal requests at favorable prices. Under the foregoing circumstances, and under other circumstances deemed appropriate by the General Partner, a Partner may receive in-kind distributions from the Partnership's portfolio. The risk of loss and delay in liquidating these securities will be borne by the Partner, with the result that such Partner may receive less cash than it would have received as of the withdrawal date.

Master-Feeder Structure; Concentration of Investors. The Partnership will invest substantially all of its assets through the Master Fund. The Offshore Fund will also be invested in the Master Fund. The master-feeder fund structure presents certain risks to investors. For example, a smaller feeder fund investing in the Master Fund may be materially affected by the actions of a larger feeder fund investing in the Master Fund. If a larger feeder fund makes a withdrawal from the Master Fund, the remaining feeder funds may experience higher *pro rata* operating expenses, thereby producing lower returns. The Master Fund may become less diverse due to a withdrawal by a larger feeder fund, resulting in increased portfolio risk. The

Master Fund will be a single entity and creditors of the Master Fund may enforce claims against all assets of the Master Fund. Furthermore, a significant portion of either feeder fund may come from one or a few large investors and any significant withdrawals thereof could have a material adverse effect on the other investors. The Partnership or the Offshore Fund may, in their discretion, make certain arrangements with one or more such investors, to the extent permitted to do so under the applicable governing instruments and the applicable offering memorandum.

The Investment Manager does not intend to manage the Partnership to maximize tax benefits to investors; however, to the extent the Partnership's assets are invested in the Master Fund, certain conflicts of interest may exist relating to tax considerations applicable to one feeder fund that do not relate to others. The Master Fund will be a single entity and creditors of the Master Fund may enforce claims against all assets of the Master Fund.

Conflicts of Interest. As described under the heading "*Partnership Management–Conflicts of Interest,"* there are certain actual and potential conflicts of interest that should be considered by prospective investors before subscribing for Interests. These include that the General Partner, the Investment Manager, their members, principals, managers, affiliates and employees may engage in other activities, including providing investment management and advisory services to other accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to the Partnership and its affairs. Any such accounts may include other funds that may have the same or similar investment objectives as the Partnership. Although the Investment Manager will act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to the Partnership, it otherwise is not restricted in the nature or timing of investments for the Partnership and other accounts and may average the prices paid or received in connection with such investments.

Supplementary Agreements with Limited Partners. In connection with an investor's subscription for an Interest, the General Partner may enter into a side letter or similar agreement (a "Supplementary Agreement") with such new investor. A Supplementary Agreement may provide for, among other things, (i) the General Partner's agreement to exercise its discretionary authority under the Partnership Agreement in certain respects for the benefit of the new investor; (ii) the General Partner's agreement to extend certain information rights or additional reporting to such investor, in some cases to accommodate special regulatory or other circumstances of the new investor; or (iii) restrictions on, or special rights of the new investor with respect to, the activities of the General Partner. The entry by the General Partner into any Supplementary Agreement would not require the vote or consent of any Limited Partner unless such Supplementary Agreement constituted or required an amendment to the Partnership Agreement requiring such a vote or consent. In addition, the terms of any such Supplementary Agreement will not be disclosed to other Limited Partners unless the General Partner, in its sole discretion, agrees otherwise.

Soft Dollars. The use of brokerage commissions to obtain research services creates a conflict of interest between the Investment Manager and the Partnership. This may result in the Partnership paying higher brokerage commissions than might be paid if transactions were effected through brokers that do not provide such services. To the extent that the Investment Manager is able to acquire these products and services without expending its own resources or at reduced prices, the Investment Manager's use of "soft-dollars" would tend to increase its profitability. In addition, the availability of these non-monetary benefits may influence the Investment Manager to select one broker rather than another to perform services for the Partnership.

Valuation. Valuations of the Partnership's securities and other investments, such as options, may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net asset value of the Partnership could be adversely affected. Certain of the Partnership's investments may not be listed on established exchanges, which may make a determination of the fair market value of such securities difficult to accurately determine. Furthermore, even for listed securities, the Investment Manager may determine that the listed prices of the securities as determined in accordance with the valuation procedures set forth in the Partnership Agreement do not reflect the actual value of the securities and the Investment Manager may make such appropriate and reasonable modifications thereto to reflect the value of the securities, including to reflect liquidity conditions or other factors affecting such value. Third party pricing information may at times not be available regarding certain securities. Valuation determinations made by the Investment Manager, in consultation with the General Partner, which will be conclusive and binding, may affect the amount of the Management Fee and Performance Allocation.

Federal Income Tax Risks. Neither the Partnership nor the Master Fund has requested a ruling from the Internal Revenue Service (the "IRS") as to any tax matters, including whether the Partnership or the Master Fund will be treated as a partnership (and not as an association taxable as a corporation) for federal income tax purposes. If the Partnership were to be treated as a corporation rather than as a partnership for federal income tax purposes, the Partnership itself would be taxed on its taxable income at corporate tax rates, there would be no flow-through of items of Partnership income, gain, loss or deductions to the Partners, and Partnership distributions generally would be taxable as dividends. If the Master Fund were determined to be taxable as a corporation, it would be subject to regular U.S. federal corporate income tax, plus a 30% branch profits tax, on its income (if any) effectively connected with a U.S. trade or business, and any distributions to the Partnership would be taxable as dividends to the extent of the earnings and profits of the Master Fund. In addition, the Master Fund could be classified as a "controlled foreign corporation" and would be classified as a "passive foreign investment company" ("PFIC"), which could result in adverse tax consequences to the Partners, including in the case of a PFIC the imposition of an interest charge on certain amounts treated as having been deferred by the Partners. Under present laws and regulations and judicial interpretations thereof, the General Partner believes the Partnership and the Master Fund would be classified and treated as a partnership for federal income tax purposes, and not as an association taxable as a corporation.

Assuming that each of the Partnership and the Master Fund are treated as partnerships, the Partnership will take into account for federal income tax purposes its *pro rata* share of the Master Fund's income and loss and each Limited Partner must include in its own income, its allocable share of Partnership taxable income, whether or not any cash is distributed and, as a result of various limitations imposed by the tax laws regarding passive losses and otherwise, may be unable to currently deduct its allocable share of Partnership expenses and capital losses, if any. Because the General Partner currently does not anticipate the Partnership to make cash distributions to Limited Partners, a Limited Partner's tax liability with respect to its share of the Partnership's taxable income may exceed the cash distributions, if any, to such Partner in a particular year. Furthermore, special tax rules apply to certain categories of Limited Partners, including individual retirement accounts and other tax-exempt entities. Because the Partnership and/or the Master Fund may borrow money, a tax-exempt investor may incur income tax liability to the extent the Partnership's or Master Fund's transactions are treated as giving rise to "unrelated business taxable income" and in such case, may be required to make payments, including estimated payments, and file income tax returns. *See "Certain Federal Income Tax Matters."* **Accordingly, an investment in the Partnership may not be appropriate for U.S. IRAs, pension plans and other tax-exempt entities because it may produce debt-financed income that would be taxable to such entities. Such entities should consider Investing in the Offshore Fund.**

The Partnership or Master Fund may elect under Section 475(f) of the Internal Revenue Code of 1986, as amended, to apply a "mark to market" system of recognizing unrealized gains and losses on securities held in connection with its trade or business as a trader in securities (the "MTM Election") and any such gains and losses will generally be treated as ordinary income or loss. In addition, under this election, the Partnership's or the Master Fund's realized gains and losses, as the case may be, during the year will generally be treated as ordinary income or loss. The application of the MTM Election will result in the Partnership's recognition of unrealized gains and losses, that is, the recognition of taxable income or loss without any corresponding receipt of cash. The determination of whether the Partnership or the Master Fund is a "trader" is a factual one and is made by the Partnership or the Master Fund, as the case may be. Neither the Partnership nor the Master Fund has requested a ruling from the IRS as to whether the Partnership or Master Fund will be treated as a "trader" for purposes of the MTM Election. Accordingly, there can be no assurance that the IRS will not take a view regarding the Partnership's or Master Fund's status as a "trader" that is contrary to the view taken by the Partnership or the Master Fund. If the IRS takes a contrary view, then a Partner could recognize a greater or smaller amount of income gain, loss or deduction than was reported.

An audit of the Partnership or the Master Fund's federal informational tax return may cause a change in or precipitate an audit of the Limited Partners' federal income tax returns. Further, any such audit might result in adjustments by the IRS to items of non-Partnership income or loss. Any additional federal income tax due as a result of any such adjustment will bear interest (compounded daily) at rates established quarterly by the IRS (for individuals) equal to three percentage points above the federal short term rate determined in accordance with Section 1274(d) of the Internal Revenue Code of 1986, as amended (the "Code"), for the first month in the quarter (rounded to the nearest full percent).

Tax-Exempt Investors. Entities subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as well as other investors that are exempt from taxation (or that are entities composed primarily of tax-exempt U.S. Persons), may be subject to U.S. federal, state and local laws, rules and regulations, which may regulate their participation in the Partnership or their engaging directly or indirectly through an investment in the Partnership in investment strategies of the types which the Partnership may utilize from time to time (*e.g.*, short sales of securities and the use of leverage and limited diversification). Each type of exempt organization may be subject to different laws, rules and regulations, and prospective investors should consult with their own advisers as to the advisability and tax consequences of an investment in the Partnership. *See "Certain Federal Income Tax Matters."*

Benefit Plan Regulatory Risks. Although Benefit Plan Investors will generally prefer to invest in the Offshore Fund, Benefit Plan Investors may subscribe for Interests in the Partnership. The Partnership and the Master Fund currently intend to limit investment by Benefit Plan Investors to less than twenty-five percent (25%) of the value of any class of equity interests in the Partnership and the Master Fund as calculated under the Plan Asset Rules (the "25% threshold") in order to avoid the assets of the Partnership and the Master Fund from being treated as the Plan Assets of any Benefit Plan Investor. Accordingly, it is not anticipated that the Partnership, the Master Fund, the Investment Manager or the General Partner will be subject to the fiduciary and other requirements of ERISA, the prohibited transaction rules of ERISA or the Code or any other related requirements with respect to any investing Benefit Plan Investor in the Partnership or the Master Fund.

If the Master Fund were at any point deemed to hold Plan Assets for purposes of ERISA or the Code the activities of the Master Fund could become subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA and the Code, and the operations and investments of the Master Fund may be limited as a result, resulting in a lower return to the Master Fund, and indirectly

to the Partnership than might otherwise be the case. Further, unless the Investment Manager and the General Partner operated the Master Fund and its investments in accordance with ERISA and the prohibited transaction provisions of the Code, and the Investment Manager and the General Partner could be exposed to litigation, penalties and liabilities which might adversely affect its ability to fully satisfy their obligations to the Master Fund.

Although the Partnership does not currently intend the level of investment by Benefit Plan Investors in the Partnership to exceed the 25% threshold, the Partnership may from time to time allow Benefit Plan Investor investment to exceed such threshold, which would cause the assets of the Partnership to be treated as including Plan Assets. However, during any periods in which the assets of the Partnership or the Offshore Fund are treated as Plan Assets, because of the limited purpose of the Partnership, including the requirement that the Partnership follow the directions of the fiduciaries of each Benefit Plan Investor investing its assets in the Partnership to invest all Investible Assets (as defined herein, see "ERISA and Other Benefit Plan Considerations") of the Partnership in the Master Fund and to conform to certain other restrictions as set forth below, the Partnership does not anticipate that the General Partner of the Investment Manager or any other entity providing services to the Partnership will be acting as a fiduciary with respect to the assets of any Benefit Plan Investor invested in the Partnership. *See "ERISA and other Benefit Plan Considerations."*

General Partner's Compensation. The Performance Allocation to the General Partner is based, in part, on unrealized investment gains that may never be realized in the event of adverse changes in the value of such investments. A performance-based allocation arrangement may create an incentive for riskier or more speculative investments by the Investment Manager, which is an affiliate of the General Partner, than might be the case in the absence of such performance-based allocation arrangement; however, any such risks would be equally applicable to the General Partner's own capital account.

Limitation of Liability and Indemnification of the Investment Manager. The Investment Management Agreement provides that the Investment Manager and its affiliates shall be indemnified and held harmless from and against any loss or expense suffered or sustained in connection with the Investment Manager's duties under the Investment Management Agreement, so long as such loss or expense did not result from action or inaction adjudged to constitute fraud, willful misconduct or gross negligence. Therefore, a Limited Partner may have a more limited right of action against the Investment Manager than a Limited Partner would have had absent these provisions.

Absence of Certain Statutory Registrations. The Partnership will not be registered as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), in reliance upon certain exemptions from such registration requirements. Accordingly, the Partnership will not be subject to the various statutory and SEC regulatory requirements applicable to registered investment companies. For example, the Partnership is not required to maintain custody of its securities or place its securities in the custody of a bank or a member of a U.S. securities exchange in the manner required of registered investment companies under rules promulgated by the SEC. The Partnership generally will maintain such accounts at brokerage firms that do not separately segregate such assets as would be required in the case of registered investment companies. Under the provisions of the U.S. Securities Investor Protection Act, the bankruptcy of any such brokerage firms might have a greater adverse effect on the Partnership than registered investment companies. It is possible in the future that the regulatory environment for hedge funds and their managers could change. This could result in new laws or regulations that could, for example, impose restrictions on the operation of the Partnership, the Investment Manager, or the General Partner and their respective affiliates; impose disclosure or other obligations on those entities; or restrict the offering, sale or transfer of Interests. Accordingly, any such laws or regulations could adversely affect

the investment performance of the Partnership or its access to additional capital, create additional costs and expenses for the Partnership or otherwise have an adverse impact on the Partnership and its Partners.

Exchange Rate Fluctuations–Currency Considerations. While the Partnership expects to operate in U.S. dollars, the Partnership's assets may be invested in non-U S. securities and any income or capital received by the Partnership will be denominated in the local currency of investment. Accordingly, changes in currency exchange rates (to the extent unhedged) will affect the value of the Partnership's portfolio and the unrealized appreciation or depreciation of investments. Furthermore, the Partnership may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Partnership at one rate, while offering a lesser rate of exchange should the Partnership desire immediately to resell that currency to the dealer. The Partnership will conduct their currency exchange transactions either on a spot (*i.e.,* cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-US. currencies. It is anticipated that most of the Partnership's currency exchange transactions will occur at the time securities are purchased and will be executed through the local broker or custodian acting for the Partnership.

Change in Investment Strategies. The investment strategies, approaches and techniques discussed herein may evolve over time due to, among other things, market developments and trends, the emergence of new or enhanced investment products, changing industry practice and/or technological innovation. As a result, these investment strategies, approaches and techniques may not reflect the investment strategies, approaches and techniques actually employed by the Partnership. Nevertheless, the investments made on behalf of the Partnership will be consistent with the Partnership's investment objective.

Changes in Applicable Law. The Investment Manager, the General Partner and the Partnership must comply with various legal requirements, including requirements imposed by the securities laws, tax laws and pension laws in various jurisdictions. Should any of those laws change, or the interpretations thereof be changed, the legal requirements to which the Investment Manager, the General Partner, the Partnership and the Limited Partners may be subject could differ materially from current requirements. Such changes may result in a significant diversion of the Investment Manager's and General Partner's attention, may impose material costs on the Partnership or otherwise impair the Partnership from executing its strategies.

Regulatory Reporting. The Investment Manager, the General Partner and/or the Partnership may be required to make a number of regulatory filings to disclose certain of the positions in its/their portfolio or other aspects of its trading activity. When such filings are required to be made publicly, they will be visible by the Partnership's competitors and may provide competitors with information about the Partnership's trading strategy. The public availability of such information could decrease the profitability of trades executed by the Partnership as part of its strategy, if others also use such information to execute similar trades.

Reserves. Under certain circumstances, the Partnership may find it necessary to establish a reserve for contingent liabilities or withhold a portion of the Limited Partner's proceeds at the time of withdrawal. If the reserve is subsequently determined to have been excessive, such excess amount shall be returned to the net assets of the Partnership, but the amount paid upon a prior withdrawal will not be adjusted. Conversely, if the reserve is subsequently determined to have been insufficient, the net assets of the Partnership will be used to pay such amounts and the Partnership shall have no right to recover any excess withdrawal proceeds from a Limited Partner. As the establishment of a reserve impacts the determination

of the Partnership's net asset value, an incorrect reserve will impact the subscription prices for Interests purchased by Limited Partners.

No Separate Counsel. Morgan, Lewis & Bockius LLP acts as counsel to the Partnership, the Master Fund, the General Partner and the Investment Manager (the "Parties") and Walkers acts as Cayman Islands counsel to the Master Fund and the Offshore Fund. No separate counsel has been retained to act on behalf of the Limited Partners. Neither Morgan, Lewis & Bockius LLP nor Walkers is responsible for any acts or omissions of the Parties (including their compliance with any guidelines, policies, restrictions or applicable law, or the selection, suitability or advisability of their investment activities) or any administrator, accountant, custodian/prime broker or other service provider to the Parties. This Memorandum was prepared based on information furnished by the Investment Manager; neither Morgan, Lewis & Bockius LLP nor Walkers has independently verified such information.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE RISKS INVOLVED IN THE OFFERING. POTENTIAL INVESTORS SHOULD READ THIS MEMORANDUM IN ITS ENTIRETY BEFORE DETERMINING WHETHER TO SUBSCRIBE FOR INTERESTS.

CERTAIN FEDERAL INCOME TAX MATTERS

THIS DISCUSSION WAS WRITTEN TO SUPPORT THE OFFERING OF THE INTERESTS. THIS DISCUSSION WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING ANY FEDERAL TAX PENALTIES THAT THE INTERNAL REVENUE SERVICE MAY ATTEMPT TO IMPOSE. EACH RECIPIENT OF THIS MEMORANDUM SHOULD SEEK ADVICE BASED ON THAT PERSON'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain federal income tax considerations that may be relevant to the acquisition, ownership and disposition of Interests by an investor that is (i) an individual citizen or resident of the United States, (ii) a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any state (including the District of Columbia), (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, or (iv) a trust (a) if a United States court is able to exercise primary supervision over the administration thereof and if one or more "United States persons" (as defined in the Code) has the authority to control all substantial decisions thereof or (b) that has in effect a valid election under applicable Regulations to be treated as a United States person. The discussion does not take into account any considerations that may relate to special classes of taxpayers, including, among others, dealers in securities (or other persons not holding Interests as capital assets or that have elected mark-to-market treatment), investors receiving Interests as compensation, banks or other financial institutions, insurance companies, regulated investment companies, real estate investment trusts, S corporations, investors that are subject to the alternative minimum tax, investors that hold, directly or indirectly, a ten percent (10%) or greater interest in any entity in which the Partnership holds a direct or indirect interest, investors whose functional currency is not the U.S. dollar, investors who hold Interests as part of a straddle, hedge, conversion or other integrated transaction, investors classified as partnerships or other pass-through entities for U.S. federal income tax purposes (or persons holding indirect interests in the Partnership through such investors), non-U.S. investors (including, without limitation, non-U.S. investors subject to tax as U.S. expatriates and non-U.S. investors holding Interests in connection with a U.S. trade or business), governments or agencies or instrumentalities thereof, or, except as expressly discussed below, tax-exempt entities. This discussion also does not take into account any considerations that may be relevant to investors acquiring Interests other than pursuant to the offering described in this Memorandum.

The discussion below is based on the Code, judicial decisions and administrative regulations, rulings, and procedures, all of which are subject to change, possibly with retroactive effect. Neither the Partnership nor the Master Fund has applied for or obtained a ruling from the IRS as to any tax matters, nor have they obtained any opinions of counsel with respect to any federal tax issue, including whether they will be classified as partnerships for federal income tax purposes.

The Partnership will furnish each Limited Partner with necessary information for inclusion in their federal income tax returns. It will be each Limited Partner's responsibility to prepare and file all appropriate tax returns that it may be required to file as a result of its participation in the Partnership. The General Partner and the Partnership assume no responsibility for the tax consequences of a Limited Partner's investment, or for the disallowance, either partially or entirely, of any proposed deductions.

The discussion below is not intended to constitute tax advice, or to be a complete description of the tax

effects of investing in the Partnership. It is provided solely as a partial illustration of certain tax matters and issues that may arise as a result of an investment in the Partnership. No attempt has been made to ensure that all applicable interpretations or applicable provisions are described herein, or to provide any evaluation of the likelihood or effect of any of the concerns described below. This summary does not discuss all aspects of federal income taxation that may be relevant to a particular Limited Partner in light of its personal investment circumstances or to certain types of Limited Partners subject to special treatment under the Code. This summary also does not discuss any aspects of state, local, foreign or non-income tax laws that may be applicable to a Limited Partner. Accordingly, a prospective Limited Partner is urged to consult its own tax advisor regarding an investment in the Partnership.

Partnership Status. Under applicable Treasury regulations (the "Check-the-Box Regulations"), a domestic entity that has two or more members and that is not organized as a corporation under federal or state law will generally be classified as a partnership for federal income tax purposes unless it elects to be treated as a corporation. Since the Partnership will not elect to be treated as a corporation, subject to the discussion of "publicly traded partnerships" set forth below, the Partnership will be treated as a partnership for U.S. federal income tax purposes.

An entity that would otherwise be classified as a partnership for federal income tax purposes under the Check-the-Box Regulations will nonetheless be classified as an association taxable as a corporation if it is a "publicly traded partnership". A publicly traded partnership is any partnership in which the interests are traded on an established securities market or which are readily tradable on a secondary market (or the substantial equivalent thereof). Interests in the Partnership will not be traded on an established securities market. Regulations concerning the classification of partnerships as publicly traded partnerships (the "Section 7704 Regulations") provide certain safe harbors under which interests in a partnership will not be considered readily tradable on a secondary market (or the substantial equivalent thereof). The Partnership may not be eligible for any of those safe harbors. In particular, it will not qualify under the private placement safe harbor set forth in the Section 7704 Regulations if the Partnership has more than 100 partners.

The Section 7704 Regulations specifically provide that the fact that a transfer of a partnership interest does not qualify for the safe harbors is disregarded for purposes of determining whether interests in a partnership are readily tradable on a secondary market (or the substantial equivalent thereof). Rather, in this event the Partnership's status is examined under a general facts and circumstances test set forth in the Section 7704 Regulations. The Partnership believes that, under this "facts and circumstances" test, and based upon the anticipated operations of the Partnership as well as the legislative history to Section 7704, the text of the Section 7704 Regulations and certain representations of the General Partner, the Interests will not be readily tradable on a secondary market (or the substantial equivalent thereof) and, therefore, that the Partnership will not be treated as a publicly traded partnership taxable as a corporation. If Interests are treated as readily tradable on a secondary market (or the substantial equivalent thereof), the Partnership may in any event be exempt from classification as a publicly traded partnership taxable as a corporation under an exemption that would apply if 90% or more of its gross income consists of passive type "qualifying income" within the meaning of Section 7704(d) of the Code and the Treasury Regulations thereunder.

If it were determined that the Partnership should be treated as an association or a publicly traded partnership taxable as a corporation for federal income tax purposes, the taxable income of the Partnership would be subject to corporate income tax when recognized by the Partnership; distributions of such income, other than with respect to certain withdrawals, would be treated as dividend income when received by the Partners to the extent of the current or accumulated earnings and profits of the

Partnership; and Partners would not report profits or losses realized by the Partnership.

An organization that is classified as a partnership for federal income tax purposes is not subject to federal income tax itself, although it must file an annual information return. Partners are required to report on their federal income tax returns their distributive shares of each item of the Partnership's income, gain, loss and deduction for each taxable year of the Partnership ending with or within the Partner's taxable year. To the extent capital gain or loss is recognized by a Limited Partner on a distribution or withdrawal, then the capital gain or loss recognized will be short-term or long-term depending on the Limited Partner's holding period or may be divided between long-term and short-term capital gain or loss in accordance with the split holding period rules in Treasury Regulations Section 1.1223-3 (*See "Sale or Taxable Exchange of Interests" below*). *See "Taxation of Limited Partners on Profits and Losses" below.*

The Partnership will invest substantially all of its assets through a "master-feeder" structure in the Master Fund, which is a Cayman Islands limited partnership. The Master Fund intends to operate as a partnership for U.S. federal income tax purposes and not as an entity taxable as a corporation. Although the Master Fund will be subject to a 30% U.S. federal withholding tax with respect to dividends and certain interest income considered to be from sources within the United States, the Partnership's share of such items should not be subject to this withholding tax. The Partnership will take into account for U.S. federal income tax purposes its *pro rata* share of the Master Fund's income and loss. Unless otherwise indicated, references in the following discussion to the tax consequences of the Partnership's investments, activities, income, gain and loss, include the direct investments, activities, income, gain and loss of the Partnership and those indirectly attributable to the Partnership as a result of it being a partner of the Master Fund.

If the Master Fund were determined to be taxable as a corporation, however, it would be subject to regular U.S. federal corporate income tax, plus a 30% branch profits tax, on its income (if any) effectively connected with a U.S. trade or business, and any distributions to the Partnership would be taxable as dividends to the extent of the earnings and profits of the Master Fund. In addition, the Master Fund could be classified as a "controlled foreign corporation" and would be classified as a "passive foreign investment company" ("PFIC"), which could result in adverse tax consequences to the Partners, including in the case of a PFIC the imposition of an interest charge on certain amounts treated as having been deferred by the Partners.

Taxation of Limited Partners on Profits and Losses. The Partnership, as an entity, (assuming that it is treated as a partnership for federal income tax purposes) is a "pass-through" entity, and is not subject to any federal income tax. As a result, each Limited Partner, in computing its own federal income tax liability for a taxable year, is required to take into account its allocable share of all items of income, gain, loss, deduction or credit from the Partnership for all taxable years of the Partnership ending within or with the Limited Partner's taxable year, regardless of whether such Limited Partner has received any distributions from the Partnership. Thus, a Limited Partner's income tax liability in a particular year may exceed the amount of cash actually received by it. The character of an item of income or loss (*e.g.*, as capital gain or ordinary income) usually is the same for the Limited Partners as for the Partnership.

Allocations of partnership profits and losses are valid under applicable Treasury regulations if they meet the "substantial economic effect" test, or are made in accordance with a partner's interest in the partnership. However, because such Treasury regulations are complex and because of the absence of significant administrative or judicial interpretation of the Treasury regulations, there is no assurance that the regulations would not be interpreted by the IRS in a manner materially adverse to the Limited

Partners. If the allocations provided by the Partnership Agreement are not accepted by the IRS for federal income tax purposes, the amount of income or loss, if any, allocated to any Limited Partner for federal income tax purposes may be increased or reduced. In addition, in the event a Limited Partner withdraws all or part of its capital account from the Partnership, the General Partner, in its sole discretion, may make a special allocation to said Limited Partner for federal income tax purposes of taxable capital gains and losses (including short-term capital gains and losses) and ordinary income and losses recognized by the Partnership in such manner as will reduce the amount, if any, by which such Limited Partner's capital account (as adjusted under the Partnership Agreement) differs from its adjusted federal income tax basis in its Interest before such allocation.

The amount of any Partnership loss (including capital loss) allocated to a Limited Partner pursuant to the Partnership Agreement is includible on its personal income tax return subject to various limitations discussed below. As a result of these limitations, a Limited Partner may not be able to deduct fully its distributive share of Partnership losses in the year such losses are incurred.

Adjusted Tax Basis of Interests. A Limited Partner may not deduct its allocable share of the Partnership's losses to the extent it exceeds the amount of its adjusted tax basis in its Interest. A Limited Partner's adjusted tax basis in its Interest also determines the amount of gain or loss on a sale or other disposition of the Interest. Generally, the adjusted tax basis of an Interest equals the amount paid by a Limited Partner reduced (but not below zero) by the Limited Partner's allocable share of cash distributions from the Partnership and losses and increased by its share of taxable Partnership income and Partnership indetedness.

Cash Distributions and Withdrawal of Interests. The amount of cash distributions from the Partnership generally will not be equivalent to the amount of Partnership income as determined for federal income tax purposes. Cash distributions generally will not be reported as taxable income by a Limited Partner for federal income tax purposes, but it will reduce (but not below zero) the adjusted tax basis of its Interest. Any cash distribution in excess of a Limited Partner's adjusted tax basis will be taxable as a gain from a sale or exchange of its Interest and generally will be treated as a sale of a capital asset. A Limited Partner will recognize a loss from a withdrawal only in the case of a complete withdrawal and only to the extent of the excess of its adjusted tax basis over the amount of cash distributions received following the complete withdrawal of its Interest and will not recognize any loss if it receives property in kind (other than "unrealized receivables" or certain types of inventory) or a combination of cash and property in kind (other than "unrealized receivables" or certain types of inventory) in connection with its withdrawal. A complete withdrawal of a Limited Partner's interest in the Partnership will generally be treated as if the Limited Partner had sold its interest in the Partnership. *See "Sale or Taxable Exchange of Interests" below*.

***Distributions of Property*.** A partner's receipt of a distribution of property from a partnership is generally not taxable. However, under Section 731 of the Code, a distribution consisting of marketable securities generally is treated as a distribution of cash (rather than property) for purposes of computing gain (but not loss) as described in the preceding paragraph unless the distributing partnership is an "investment partnership" within the meaning of Section 731(c)(3)(C)(i) and the recipient is an "eligible partner" within the meaning of Section 731(c)(3)(C)(iii). The Partnership will determine at the appropriate time whether it qualifies as an "investment partnership." Assuming it so qualifies, if a Limited Partner is an "eligible partner", which term should include a Limited Partner whose contributions to the Partnership consisted solely of cash, the rule treating a distribution of marketable securities as a distribution of cash would not apply.

Sale or Taxable Exchange of Interests. Upon the sale or taxable exchange of Interests or a complete withdrawal from the Partnership, a selling or withdrawing Limited Partner generally will recognize capital gain or loss measured by the difference between the consideration received and the adjusted tax basis of the Interests sold (adjusted for the Limited Partner's allocable share of Partnership income, gain, loss or deduction attributable to such Interests for the portion of the year such Interests are owned by the Limited Partner). To the extent capital gain or loss is recognized by a Limited Partner on a sale or withdrawal (or, as discussed in "Cash Distributions and Withdrawals of Interests" above, upon certain Partnership distributions), then the capital gain or loss recognized will be long-term or short-term or will be divided between long-term and short-term capital gain or loss depending on the timing of the Limited Partner's contribution or contributions to the Partnership. However, a selling or withdrawing Limited Partner will recognize ordinary income to the extent such Limited Partner's allocable share of the Partnership's "unrealized receivables" exceeds the Limited Partner's basis in such unrealized receivables (as determined pursuant to the Regulations). For these purposes, accrued but untaxed market discount, if any, on securities held by the Partnership will be treated as an unrealized receivable, with respect to which a withdrawing Limited Partner would recognize ordinary income. See "*Income and Losses from Passive Activities*" below, regarding the characterization of gains and losses resulting from the sale or transfer of Interests.

Capital Gain and Loss Provisions. Currently, the tax rate for adjusted capital gains realized by non-corporate taxpayers for holding periods of greater than one year is a maximum of 20%. A non-corporate taxpayer can deduct up to $3,000 ($1,500 for married taxpayers filing separately) of net capital losses against ordinary income in any year. Excess capital losses which are not used to reduce ordinary income in a particular taxable year may be carried forward to, and treated as capital losses incurred in, future years. A corporate taxpayer can deduct capital losses only against capital gains, and any net capital loss can generally be carried back three years and carried forward five years.

Qualifying Dividend Income. Currently, the maximum tax rate for "qualified dividend income" is 20%. Subject to certain exceptions, qualified dividend income includes certain dividends received from domestic corporations and qualified foreign corporations. Qualified foreign corporations include foreign corporations whose shares are listed on U.S. exchanges, those incorporated in a possession of the United States and foreign corporations eligible for benefits under a comprehensive income tax treaty identified by the IRS, but do not include foreign corporations that are treated as "passive foreign investment companies" or "PFICs".

In order for Limited Partners to qualify for the lower tax rate with respect to dividends received by the Partnership, however, the Partnership must hold the shares of stock producing the dividend for at least 61 days during the 121-day period beginning on the date that is 60 days before the date such shares become ex-dividend. For preferred stock, the required periods are increased from 61 days to 91 days and from 121 days to 181 days if the dividends are attributable to periods totaling more than 366 days; if the preferred dividends are attributable to periods totaling less than 367 days, the 60 day holding period discussed herein applies. A dividend is not qualified dividend income to the extent that the Partnership is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. To the extent the Partnership realizes dividend income, the Partnership will determine the amount of dividends that are treated as qualifying dividends and whether such dividend income is derived from domestic corporations or qualifying foreign corporations, and will report such amount to the Limited Partners.

Notwithstanding the above, a Limited Partner's allocable share of qualifying dividend income will not qualify for the reduced rate to the extent such Limited Partner elects to include such dividend income as

investment income for purposes of the investment interest expense deduction discussed below. Investment interest expense is deductible to the extent of investment income. If such interest expense exceeds investment income, then it is not currently deductible but may be carried forward indefinitely. Moreover, a Limited Partner's foreign tax credit may be limited to the extent it relates to qualified dividend income taxed at the reduced rates of tax. Therefore, prospective Limited Partners are urged to consult their own tax advisor with respect to the effect of an investment in the Partnership on their own personal tax situation.

Alternative Minimum Tax. The Code provides a two-tier, graduated rate schedule for the alternative minimum tax applicable to non-corporate taxpayers. A taxpayer is liable for the alternative minimum tax in addition to, but only to the extent its exceeds, the taxpayer's regular tax. A taxpayer's alternative minimum taxable income is essentially its taxable income, as adjusted for certain items and increased by items of tax preference. The alternative minimum tax is not imposed on the Partnership, as such. Instead, each Limited Partner takes into account its share of the Partnership's tax preference and other items for the purpose of computing its liability for the alternative minimum tax. Therefore, prospective Limited Partners are urged to consult their own tax advisors with respect to the effect of an investment in the Partnership on their own alternative minimum tax situation.

Medicare Contribution Tax. A 3.8% Medicare contribution tax will generally apply to all or a portion of the net investment income of a Limited Partner that is an individual, that is not a nonresident alien for federal income tax purposes, and that has adjusted gross income (subject to certain adjustments) that exceeds a threshold amount ($250,000 if married filing jointly or if considered a "surviving spouse" for federal income tax purposes, $125,000 if married filing separately, and $200,000 in other cases). This 3.8% tax will also apply to all or a portion of the undistributed net investment income of certain Limited Partners that are estates and trusts. For these purposes, a Limited Partner's distributive share of income characterized as interest, dividend and capital gain income from the Partnership will generally be taken into account in computing such Limited Partner's net investment income.

Limitation on the Deduction of Certain Expenses. All or a portion of the Partnership's expenses, including the Management Fee and investment expenses (other than investment interest and other interest deductible under Section 163 of the Code), may be treated as miscellaneous itemized deductions that are disallowed for individual, estate, and trust Limited Partners to the extent the deductions do not exceed 2% of adjusted gross income. The deductible portion, if any, of such expenses becomes part of the Limited Partner's total itemized deductions, which total is, in the case of certain individuals, subject to further reduction by an amount equal to the lesser of three percent of the excess of a Limited Partner's adjusted gross income over a threshold level or eighty percent of the Limited Partner's otherwise allowable total itemized deductions. The limitation would apply to the Limited Partner's expenses if the Partnership is not considered to be a trader engaged in a trade or business but, instead, is considered an investor.

A Limited Partner will not be permitted to deduct syndication expenses, including placement fees, paid by such Limited Partner or the Partnership. Any such amounts will be included in the Partnership's adjusted tax basis of its Interest. The Partnership may elect to deduct up to $5,000 of start-up expenses and $5,000 of organizational expenses (each $5,000 amount subject to reduction (but not below zero) by the amount by which the cumulative cost of start-up or organizational expenditures exceeds $50,000, respectively) in the taxable year in which the Partnership begins investment operations. Start-up and organizational expenses not deductible in such year will be amortized for federal income tax purposes over a 15-year period

Limitations on Deductions of Partnership Interest Expense. The deduction by a Limited Partner of its

allocable share of interest expense of the Partnership, or of any interest expense of the Limited Partner paid or accrued on indebtedness properly allocable to its Interest, may be subject to the investment interest limitation rules of Section 163(d) of the Code. Section 163(d) of the Code limits an individual taxpayer's deduction of investment interest expense in any year to its net investment income from all investment activities (*i.e.*, the excess of income from interest, dividends and gain from the disposition of investment property over expenses incurred in earning such income) for such year. Subject to certain elections, the Code generally excludes net capital gains attributable to the disposition of investment property from investment income for purposes of computing this investment interest deduction limitation. For this purpose, property held for investment includes property that produces income that would be "portfolio income" under the passive activity loss rules and any interest in a trade or business activity that is not a passive activity and in which the holder does not materially participate. Any item of income or expense taken into account under the passive activity loss limitation is excluded from investment income and expense for purposes of computing net investment income. The amount disallowed may be carried over to and deducted in subsequent years to the extent it would be deductible if incurred in that year. This limitation, if applicable, will be computed separately by each Limited Partner and not by the Partnership.

For each taxable year, Section 1277 of the Code limits the deduction of the portion of any interest expense on indebtedness incurred by a taxpayer to purchase or carry a security with market discount which exceeds the amount of interest (including original issue discount) includible in the taxpayer's gross income for such taxable year with respect to such security ("Net Interest Expense"). In any taxable year in which the taxpayer has Net Interest Expense with respect to a particular security, such Net Interest Expense is not deductible except to the extent that it exceeds the amount of market discount that accrued on the security during the portion of the taxable year during which the taxpayer held the security. Net Interest Expense that cannot be deducted in a particular taxable year under the rules described above can be carried forward and deducted in the year in which the taxpayer disposes of the security. Alternatively, at the taxpayer's election, such Net Interest Expense can be carried forward and deducted in a year prior to the disposition of the security, if any, in which the taxpayer has net interest income from the security.

Section 1277 would apply to a Limited Partner's share of the Partnership's Net Interest Expense attributable to a security held by the Partnership with market discount. In such case, a Limited Partner would be denied a current deduction for all or part of that portion of its distributive share of the Partnership's ordinary losses attributable to such Net Interest Expense and such losses would be carried forward to future years, in each case as described above. Although no guidance has been issued regarding the manner in which an election to deduct previously disallowed Net Interest Expense in a year prior to the year in which a bond is disposed of should be made, it appears that such an election would be made by the Partnership rather than by the Limited Partner. Section 1277 would also apply to the portion of interest paid by a Limited Partner on money borrowed to finance its investment in the Partnership to the extent such interest was allocable to securities held by the Partnership with market discount.

Income and Losses from Passive Activities. Section 469 of the Code significantly restricts the deductibility of losses incurred from business activities in which the taxpayer (limited to individuals, certain estates and trusts, personal service corporations or closely-held corporations) does not materially participate ("passive activities"). Such losses generally will be deductible only to the extent of income from other passive activities. Income and losses derived by a limited partner from a limited partnership are typically regarded as income and losses from a passive activity. However, portfolio income (such as dividends, interest, royalties and gains from the sale of property producing such income or held for investment) is not treated as income from a passive activity. Further, under temporary Treasury regulation section 1.469-1T(e)(6), an activity of trading personal property for the account of owners of an interest in the activity is not to be considered a passive activity. Therefore, a Limited Partner's allocable

share of the Partnership's income or gain should be treated as income not derived from a passive activity and may not be offset by passive losses which the Limited Partner may have from other investments.

"At Risk" Limitations. A Limited Partner that is subject to the "at risk" limitations (generally, non-corporate taxpayers and closely held corporations) may not deduct losses of the Partnership to the extent that they exceed the amount such Limited Partner has "at risk" with respect to its Interest at the end of the year. The amount that a Limited Partner has "at risk" will generally be the same as its adjusted tax basis as described above, except that it will generally not include any amount attributable to liabilities of the Partnership, or any amount borrowed by the Limited Partner on a non-recourse basis. Losses denied under the basis or "at risk" limitations will be suspended and may be carried forward in subsequent taxable years, subject to these and other applicable limitations.

Mandatory Basis Adjustment. Unless the Partnership is eligible to make, and makes, an election to be subject to certain alternative rules, the Partnership is mandatorily required to make downward basis adjustments where the Partnership has a "substantial built-in loss". Unless the Partnership makes such an election, the Partnership must make downward basis adjustments following (i) a transfer of an Interest if the Partnership's adjusted tax basis in its property exceeds the property's fair market value by more than $250,000 at such time; or (ii) a transfer or liquidation of a Limited Partner's Interest if such Limited Partner contributed property to the Partnership with a built-in loss and such transfer or liquidation occurs at a time when the Partnership holds property with more than a $250,000 built-in loss. In addition, the Partnership may make such adjustments following any distribution of Partnership property to a Limited Partner with respect to which there is a substantial basis reduction as would be required if a Code Section 754 election were in effect (e.g., a downward adjustment of more than $250,000).

Tax Elections. The General Partner may, in its sole and absolute discretion, make any or all elections which the General Partner is entitled to make on behalf of the Partnership and the Limited Partners for federal, state and local tax purposes, including without limitation, an election pursuant to Section 754 of the Code.

Possible Tax Audits. Under the Code, adjustments in tax liability with respect to Partnership items generally will be made at the Partnership level in a single Partnership proceeding rather than in separate proceedings with each Limited Partner. The General Partner will represent the Partnership as the "tax matters partner" during any audits and in any dispute with the IRS. Each Limited Partner will be informed by the General Partner of the commencement of an audit of the Partnership. In general, the General Partner may enter into a settlement agreement with the IRS on behalf of, and binding upon, the Limited Partners. Prior to settlement, however, a Limited Partner may file a statement with the IRS providing that the General Partner does not have authority to settle on behalf of such Limited Partner.

The period for assessing a deficiency against a partner in a partnership, such as the Partnership, with respect to a partnership item generally is the later of three (3) years after the partnership files its returns or the last day for filing such return for such year (determined without regard to extensions). Under certain circumstances, if the name, address, and taxpayer identification number of the partner do not appear on the partnership return, the period for assessing a deficiency with respect to a partnership item for such taxable year will not will not expire with respect to such partner until one (1) year after the IRS is furnished with such information. The General Partner may consent on behalf of the Partnership to an extension of the period for assessing a deficiency with respect to a Partnership item. As a result, a Limited Partner's federal income tax return may be subject to examination and adjustment by the IRS for a Partnership item more than three (3) years after such return has been filed.

If adjustments are made to items of Partnership income, gain, loss, deduction or credit as the result of an audit of the Partnership, the tax returns of the Limited Partners may be reviewed by the IRS, which could result in adjustments of non-Partnership items as well as Partnership items.

Foreign Taxes. It is possible that certain dividends, interest, and other income directly or indirectly received by the Partnership from sources within foreign countries will be subject to withholding taxes imposed by such countries. In addition, the Partnership may also be subject to capital gains taxes in some of the foreign countries where it purchases and sells securities. Limited Partners will generally be entitled to a foreign tax credit with respect to creditable foreign taxes paid on the income and gains of the Partnership. However, there are complex rules contained in the Code that may, depending on each Limited Partner's circumstances, limit the availability or use of foreign tax credits. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. It is impossible to predict in advance the rate of foreign tax the Partnership will pay since the amount of the Partnership's assets to be invested in various countries is not known. Tax exempt Limited Partners will not ordinarily benefit from any credits or deductions generally granted by the United States in respect of foreign taxes.

Currency Fluctuations – "Section 988" Gains and Losses. To the extent that its investments are made in securities denominated in foreign currency, gain or loss realized by the Partnership frequently will be affected by the fluctuation in the value of such foreign currencies relative to the value of the U.S. dollar. Generally, gains or losses with respect to the Partnership's investments in common stock of foreign issuers will be taxed as capital gains or losses at the time of the disposition of such stock. However, under Section 988 of the Code, gains or losses of the Partnership on the acquisition and disposition of foreign currency (*i.e.*, the purchase of foreign currency and subsequent use of the currency to acquire stock) will be treated as ordinary income or loss. Moreover, under Section 988, gains or losses on disposition of debt securities denominated in a foreign currency that are attributable to the fluctuations of such currency between the date of acquisition of the debt security and the date of disposition will be treated as ordinary income or loss. Similarly, gains or losses attributable to fluctuations in exchange rates that occur between the time the Partnership accrues interest or other receivables or accrues expenses or other liabilities denominated in a foreign currency and the time the Partnership actually collects such receivables or pays such liabilities may be treated as ordinary income or ordinary loss.

The Partnership may acquire foreign currency forward contracts, enter into foreign currency futures contracts and acquire put and call options on foreign currencies. Generally, foreign currency regulated futures contracts and option contracts that qualify as "Section 1256 Contracts" (see "Section 1256 Contracts" below), will not be subject to ordinary income or loss treatment under Section 988. However, if the Partnership acquires currency futures contracts or option contracts that are not Section 1256 Contracts, or any currency forward contracts, any gain or loss realized by the Partnership with respect to such instruments will be ordinary, unless (i) the contract is a capital asset in the hands of the Partnership and is not a part of a straddle transaction and (ii) the Partnership makes an election (by the close of the day the transaction is entered into) to treat the gain or loss attributable to such contract as capital gain or loss.

Section 1256 Contracts. In the case of Section 1256 Contracts, the Code generally applies a "mark to market" system of taxing unrealized gains and losses on such contracts and otherwise provides for special rules of taxation. A Section 1256 Contract includes certain regulated futures contracts, certain foreign currency forward contracts, and certain options contracts. Under these rules, Section 1256 Contracts held by the Partnership at the end of each taxable year of the Partnership are treated for Federal income tax purposes as if they were sold by the Partnership for their fair market value on the last business day of such taxable year. The net gain or loss, if any, resulting from such deemed sales (known as "marking to

market"), together with any gain or loss resulting from actual sales of Section 1256 Contracts, must be taken into account by the Partnership in computing its taxable income for such year. If a Section 1256 Contract held by the Partnership at the end of a taxable year is sold in the following year, the amount of any gain or loss realized on such sale will be adjusted to reflect the gain or loss previously taken into account under the "mark to market" rules.

Capital gains and losses from such Section 1256 Contracts generally are characterized as short-term capital gains or losses to the extent of 40% thereof and as long-term capital gains or losses to the extent of 60% thereof. Such gains and losses will be taxed under the general rules described above. Gains and losses from certain foreign currency transactions will be treated as ordinary income and losses. (*See "Currency Fluctuations–'Section 988' Gains and Losses"*). If an individual taxpayer incurs a net capital loss for a year, the portion thereof, if any, which consists of a net loss on Section 1256 Contracts may, at the election of the taxpayer, be carried back three years. Losses so carried back may be deducted only against net capital gain to the extent that such gain includes gains on Section 1256 Contracts.

Mixed Straddle Election. The Code allows a taxpayer to elect to offset gains and losses from positions that are part of a "mixed straddle." A "mixed straddle" is any straddle in which one or more, but not all, positions are Section 1256 Contracts. Pursuant to Temporary Regulations, the Partnership may be eligible to elect to establish one or more mixed straddle accounts for certain of its mixed straddle trading positions. The mixed straddle account rules require a daily "marking to market" of all open positions in the account and a daily netting of gains and losses from positions in the account. At the end of a taxable year, the annual net gains or losses from the mixed straddle account are recognized for tax purposes. The application of the Temporary Regulations' mixed straddle account rules is not entirely clear. Therefore, there is no assurance that a mixed straddle account election by the Partnership will be accepted by the IRS.

Short Sales. Gain or loss from a short sale of property is generally considered as capital gain or loss to the extent the property used to close the short sale constitutes a capital asset in the Partnership's hands. Except with respect to certain situations where the property used to close a short sale has a long-term holding period on the date the short sale is entered into, gains on short sales generally are short-term capital gains. A loss on a short sale will be treated as a long-term capital loss if, on the date of the short sale, "substantially identical property" has been held by the Partnership for more than one year. In addition, these rules may also terminate the running of the holding period of "substantially identical property" held by the Partnership.

Gain or loss on a short sale will generally not be realized until such time that the short sale is closed. However, if the Partnership holds a short sale position with respect to stock, certain debt obligations or partnership interests that have appreciated in value and then acquires property that is the same as or substantially identical to the property sold short, the Partnership generally will recognize gain on the date it acquires such property as if the short sale were closed on such date with such property. Similarly, if the Partnership holds an appreciated financial position with respect to stock, certain debt obligations, or partnership interests and then enters into a short sale with respect to the same or substantially identical property, the Partnership generally will recognize gain as if the appreciated financial position were sold at its fair market value on the date it enters into the short sale. The subsequent holding period for any appreciated financial position that is subject to these constructive sale rules will be determined as if such position were acquired on the date of the constructive sale.

Affect of Straddle Rules on Limited Partners' Securities Positions. The IRS may treat certain positions in securities held (directly or indirectly) by a Partner and its indirect interest in similar securities held by

the Partnership as "straddles" for Federal income tax purposes. The application of the "straddle" rules in such a case could affect a Partner's holding period for the securities involved and may defer the recognition of losses with respect to such securities.

Constructive Ownership Transactions. Section 1260 of the Code treats a taxpayer as having entered into a constructive ownership transaction with respect to any financial asset (defined as an equity interest in any pass-through entity, and, to the extent provided in Treasury regulations, any debt instrument and any stock in a corporation that is not a pass-through entity) if the taxpayer holds a long position under a notional principal contract with respect to the asset; enters into a forward or futures contract to acquire the asset; is the holder of a call option and is the grantor of a put option with respect to the asset, and such options have substantially equal strike prices and substantially contemporaneous maturity dates; or, to the extent provided in regulations, enters into one or more other transactions (or acquires one or more positions) that have substantially the same effect as the transactions described above. In instances where Section 1260 applies and where the taxpayer has gain from a "constructive ownership transaction" that would otherwise be treated as long-term capital gain without regard to Section 1260, the gain is instead treated as ordinary income to the extent in excess of the "net underlying long-term gain" (with interest being charged on the tax attributable to this ordinary income to the extent this income is allocated under Section 1260 to prior taxable years) and, to the extent the gain nevertheless qualifies for long-term gain treatment, the determination of the capital gains rate(s) applicable to the gain is determined on the basis of the respective rate(s) applicable to the underlying long-term capital gain. The net underlying long-term gain means the amount of net capital gain that the taxpayer would have realized if it had acquired the financial asset for its fair market value on the date the constructive ownership transaction was entered into and sold the asset on the date the constructive ownership transaction was closed.

Wash Sales. Section 1091 of the Code disallows any deduction for losses arising from the sale or other disposition of "shares of stock or securities", where, within a period beginning 30 days before such sale or disposition and ending 30 days afterwards, the taxpayer acquires by purchase or by an exchange on which the entire amount of gain or loss is recognized "substantially identical" stock or securities. The disallowance also applies where, within the 61-day period, the taxpayer enters into a contract or option to acquire substantially identical stock or securities. In instances where this rule applies, appropriate adjustments are made to the basis of the stock, securities or options the acquisition of which resulted in application of the rule. Hence, if the Partnership were to effect a "wash sale" the Partnership would not be able to recognize any loss realized in connection with the sale.

PFICs. The Partnership may invest in stocks of foreign corporations most of whose income is dividends, interest, gains, or other passive income or most of whose assets produce passive income. Such a foreign corporation might be a passive foreign investment company (a "PFIC") for federal income tax purposes. To the extent the Partnership owns stock of a PFIC, the Partnership's U.S. Partners will be subject to the highest rate of tax on ordinary income in effect for the applicable taxable year and to an interest charge based on the value of deferral of tax for the period during which the stock of the PFIC is owned with respect to certain "excess distributions" on and dispositions of PFIC stock. However, if the Partnership makes a timely election to treat a PFIC as a qualified electing fund ("QEF") with respect to its interest therein for the first year of its holding period or the PFIC stock (or if the Partnership makes a "purging" election that could result in the recognition of gain in the year the election is made) and the PFIC provides required financial information, the above-described rules generally will not apply. Instead, by making the election, the Partnership and, hence, the U.S. Partners, would include annually in gross income its *pro rata* share of the PFIC's ordinary earnings and net capital gain regardless of whether such income or gain was actually distributed. In addition, subject to certain limitations, if the Partnership owns, actually or constructively, marketable (as specifically defined in Section 1296 of the Code) stock in a PFIC, it will be

permitted to elect to mark to market that stock annually, rather than be subject to the excess distribution regime of Section 1291 of the Code. Amounts included in or deducted from income under this alternative (and actual gains and losses realized upon disposition, subject to certain limitations) will be treated as ordinary gains or losses.

Investment By ERISA and Other Tax-Exempt Entities. Before investing in the Partnership, a tax-exempt investor should consider the special income tax rules applicable to it. The following discussion relates solely to the federal income tax consequences to an investor that is tax-exempt and does not address state or local income tax matters.

Tax exempt entities, including ERISA-type plans and charitable remainder trusts ("Exempt Investors"), may be subject to federal income tax with respect to any UBTI (determined in accordance with Code Sections 511-514) and are required to file federal income tax returns if they have gross unrelated business income in excess of $1,000, whether or not any tax is actually due. A tax-exempt entity is entitled to a $1,000 deduction and to other specified deductions so long as these expenses are directly connected with the unrelated business income. A net operating loss deduction is also available under certain circumstances.

UBTI includes income derived from a trade or business carried on by a tax-exempt entity or by a partnership of which the entity is a member. Certain specified investment income (*e.g.*, interest, dividends, rents from rental property, and gains on sale of assets held for investment) is generally not included in unrelated business income. Furthermore, under Section 512(b)(5) of the Code, the term "unrelated business taxable income" does not include gains realized on the expiration or termination of options (assuming such options are not considered property includible in inventory or are held primarily for sale to third parties) to buy or sell securities when the options have been written in connection with the tax-exempt entity's investment activities. Under the Code, any gain or income earned from "debt financed" property is treated as income from an unrelated business, even if the income otherwise would have been excluded. The Partnership may incur debt to purchase securities. Further, if an Exempt Investor incurs a debt to acquire its Interests, the income such Exempt Investor derives from the Partnership will be unrelated business income. Accordingly, an investment in the Partnership may result in some unrelated business taxable income for an Exempt Investor and any Exempt Investors are urged to consult their own tax advisor.

The Partnership may lend its securities and engage in short sales. These transactions will effectively provide the Partnership with leverage, in that the Partnership will be able to acquire additional securities using cash collateral that the Partnership does not own. Nevertheless, securities loans and short sales by a tax-exempt organization ordinarily are not considered to create "acquisition indebtedness" for purposes of the UBTI rules, and a tax-exempt organization's income and gain (if any) from securities loans and short sales ordinarily is not treated as UBTI. In addition to the UBTI rules, certain tax-exempt investors may be subject to special set-aside requirements and excise taxes as to which they should consult their own tax advisers.

Accordingly, an investment in the Partnership may not be appropriate for U.S. IRAs, pension plans and other tax-exempt entities because it may produce debt-financed income that would be taxable to such entities. Such entities should consider investing in the Offshore Fund.

Tax Shelter Reporting. An investment in the Partnership is not intended to generate tax losses or credits and the Partnership will not be registered as a "tax shelter" under the applicable provisions of the Code. Under recently issued Treasury regulations, however, the activities of the Partnership may include one or

more "reportable transactions," (as defined in Treasury Regulation Section 1.6011-4(b)) requiring the Partnership, and in certain circumstances, Partners to file information returns, as described below. In addition, the General Partner and other "material advisors" to the Partnership may each be required to maintain for a specified period of time a list containing certain information regarding the reportable transaction and the Partnership's investors, which information may be inspected, upon request, by the IRS.

If the Partnership engages in a reportable transaction, the Treasury regulations require the Partnership to complete and file Form 8886 with its tax return for each taxable year in which the Partnership participates in such reportable transaction. Each Partner treated as participating in a reportable transaction of the Partnership is also required to file Form 8886 with its tax return. The Partnership intends to notify those Partners that it believes (based on information available to the Partnership) are required to report a transaction of the Partnership, and intends to provide such Partners with any available information needed to complete and submit Form 8886 with respect to the Partnership's transactions. Generally, the amount of penalty with respect to the failure to disclose will be 75 percent of the decrease shown on the tax return as a result of such transaction (or which would have resulted from such transaction if it had been respected for U.S. federal income tax purposes). The maximum penalty will not exceed (i), in the case of a listed transaction, $100,000 for a natural person and $200,000 for all others, and (ii), for all other reportable transactions, $10,000 for natural persons and $50,000 for all others. The minimum penalty will not be less than $10,000 ($5,000 in the case of natural persons).

Under the above rules, a Limited Partner's recognition of a loss upon its disposition of an interest in the Partnership could also constitute a "reportable transaction" for such Limited Partner. Prospective investors should consult with their advisors concerning the application of these reporting obligations to their specific situations.

U.S. Withholding. The Master Fund intends to comply with the requirements of Section 1471 through 1474 of the Code, commonly known as FATCA. The governments of the United States and the Cayman Islands have entered into and signed an agreement (the "IGA") related to implementing the FATCA. Moreover, on 4 July 2014, the Cayman Islands government issued The Tax Information Authority (International Tax Compliance) (United States of America) Regulations, 2014 (the "FATCA Regulations") to accompany The Tax Information Authority Law (2013 Revision) (the "TIA Law"). The FATCA Regulations implement the provisions of the Cayman IGA. The FATCA Regulations provide for the identification of and reporting on certain direct and indirect United States investors. Pursuant to the IGA, the TIA Law and the FATCA Regulations, unless the Master Fund timely agrees to register with the IRS and collect and disclose to the Cayman Islands certain information with respect to its respective investors and to satisfy certain other obligations, payments made to the Master Fund on or after July 1, 2014 (or, in certain cases, after later dates) of interest and certain other categories of income from sources within the U.S., and payments made no earlier than on or after January 1, 2017 of proceeds from the sale of property that can produce interest or dividends from sources within the United States, will generally (subject to certain grandfathering rules) be subject to a 30% U.S. federal withholding tax. If the Master Fund timely agrees to collect and disclose to the government of the Cayman Islands the information required to be collected and disclosed pursuant to the IGA, then the Master Fund may not be subject to such withholding; however, 30% withholding may then apply to certain payments by the Master Fund to its partners that fail to comply with reasonable requests for such information and to partners that are "foreign financial institutions" and that fail to agree to provide similar information to the Cayman Islands or to the IRS, as applicable, with respect to their own (and possibly certain of their affiliates') account holders and, in addition, Master Fund may be required to terminate the accounts of such noncompliant partners.

Reporting Requirements. Regulations generally impose an information reporting requirement on a U.S. person's direct and indirect contributions of cash or property to a foreign partnership such as the Master Fund (i) where, immediately after the contribution, the U.S. person owns (directly, indirectly or by attribution) at least a 10% interest in the foreign partnership or (ii) the value of the cash and/or property transferred during the twelve-month period ending on the date of the contribution by the transferor (or any related person) exceeds $100,000[1]. Under these rules, a Limited Partner will be deemed to have transferred a proportionate share of the cash and property contributed by the Partnership to the Master Fund. Furthermore, if a U.S. person was required to report a transfer to a foreign partnership of appreciated property under the first sentence of this paragraph, and the foreign partnership disposes of the property while such U.S. person remains a direct or indirect partner, that U.S. person must report the disposition by the partnership. However, a Limited Partner will not be required to file information returns with respect to the events described in this paragraph if the Partnership complies with the reporting requirements. The General Partner intends to file the required reports with the IRS so as to relieve the Limited Partners of these reporting obligations.

State and Local Taxes. Prospective investors should consider, in addition to the U.S. federal income tax consequences described, potential state and local tax considerations in investing in the Partnership. State and local laws often differ from U.S. federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. A Limited Partner's distributive share of the taxable income or loss of the Partnership generally will be required to be included in determining its reportable income for state and local tax purposes in the jurisdiction in which the Limited Partner is a resident. A prospective Limited Partner should consult his, her or its tax advisor with respect to the availability of a credit for such tax in the jurisdiction in which the Limited Partner is a resident.

The foregoing statements are not intended as tax advice or as a substitute for careful tax planning, particularly since certain of the income tax consequences of an investment in the Partnership may not be the same for all taxpayers. In addition, the foregoing does not discuss state and local tax, estate tax, gift tax or other estate planning aspects of the investment. There can be no assurance that the Partnership's or a Limited Partner's tax returns will not be audited by the IRS, or that no adjustments to the returns will be made as a result of such an audit. Accordingly, prospective investors in the Partnership are urged to consult their tax advisors with specific reference to their own tax situations under federal law and the provisions of applicable state laws before subscribing for Interests.

ERISA AND OTHER BENEFIT PLAN CONSIDERATIONS

THIS DISCUSSION WAS WRITTEN TO SUPPORT THE OFFERING OF THE INTERESTS. THIS DISCUSSION WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING ANY FEDERAL TAX PENALTIES THAT THE INTERNAL REVENUE SERVICE MAY ATTEMPT TO IMPOSE. EACH RECIPIENT OF THIS MEMORANDUM SHOULD SEEK ADVICE BASED ON THAT PERSON'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

THE FOLLOWING SUMMARY OF CERTAIN ASPECTS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), AND OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), IS BASED UPON ERISA, THE CODE, JUDICIAL DECISIONS, AND DEPARTMENT OF LABOR REGULATIONS AND RULINGS IN EXISTENCE ON THE DATE HEREOF. THIS SUMMARY IS GENERAL IN NATURE AND DOES NOT ADDRESS EVERY ERISA ISSUE THAT MAY BE APPLICABLE TO THE PARTNERSHIP OR A PARTICULAR INVESTOR. ACCORDINGLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL IN ORDER TO UNDERSTAND THE ERISA AND CODE ISSUES AFFECTING THE PARTNERSHIP AND THE INVESTOR.

Investment in the Partnership or Offshore Fund. *The General Partner does not generally anticipate accepting subscriptions for Interests in the Partnership by either ERISA Plans, Qualified Plans or other Benefit Plan Investors, as those terms are defined below. It is anticipated that such potential investors will prefer to invest in the Offshore Fund, an exempted company formed under the laws of the Cayman Islands, which has been established to give U.S. tax-exempt investors (as well as non-U.S. investors) the opportunity to pursue a parallel investment strategy to that of the Partnership, and which will also invest substantially all its assets in the Master Fund. However, Benefit Plan Investors who are otherwise eligible may, in the discretion of the General Partner, purchase Interests in the Partnership.*

In General. In considering whether to invest assets of any benefit plan in the Partnership, and, as a result, in the Master Fund, the persons acting on behalf of the plan should consider in the plan's particular circumstances whether the investment will be consistent with their responsibilities and any special constraints imposed by the terms of the plan and by applicable U.S., state or other law, including ERISA and the Code. Some of the responsibilities and constraints imposed by ERISA on employee benefit plans subject to the fiduciary responsibility provisions of Title I of ERISA ("ERISA Plans") and by the Code on retirement plans subject to Code Section 4975, including plans covering only partners or other self-employed individuals ("Keogh" plans) and individual retirement accounts (collectively, "Qualified Plans" and, together with ERISA Plans, "Plans"), are summarized below. The following is merely a summary of those particular laws, however, and should not be construed as legal advice or as complete in all relevant respects. In addition, governmental plans, certain church plans, non-U.S. plans and other benefit plans not subject to ERISA or the prohibited transaction provisions of the Code may nevertheless be subject to similar federal, state, foreign or other laws.

All investors are urged to consult their legal advisors before investing assets of a benefit plan, including an ERISA Plan or Qualified Plan, in the Partnership, and must make their own independent decisions. In addition, ERISA Plans and Qualified Plans should consider the applicability to them of the Code provisions relating to unrelated business taxable income or "UBTI." *See above under "Certain Federal Income Tax Matters – Investment by ERISA and Other Tax-Exempt Entities."*

Fiduciary Responsibilities With Respect to ERISA Plans. Persons acting as fiduciaries on behalf of an ERISA Plan are subject to specific standards of behavior in the discharge of their responsibilities pursuant to Section 404(a)(1) of ERISA. Consequently, in determining whether to invest assets of an ERISA Plan in the Partnership, and, as a result, the Master Fund, the Plan's fiduciaries must conclude that an investment in the Partnership and, as a result, the Master Fund, would be prudent and in the best interests of Plan participants and their beneficiaries. They must also determine that any such investment would be in accordance with the documents and instruments governing the ERISA Plan, would provide the Plan with sufficient liquidity in light of the limitations upon an investor's ability to withdraw or transfer Interests in the Partnership, and would satisfy applicable diversification requirements. In making those determinations, such persons should take into account, among the other factors described in this Memorandum, that the Partnership and the Master Fund will invest their assets in accordance with the investment objectives and policies expressed in this Memorandum without regard to the particular objective or investment policies of any class of investors, including ERISA Plans and Qualified Plans. Such persons should also take into account, as discussed below, that it is not expected that the Partnership's or the Master Fund's assets will constitute the "plan assets" of any investing ERISA Plan or Qualified Plan, so that neither the Partnership, the Master Fund, the General Partner nor the Investment Manager, nor any of their principals, agents, employees, or affiliates, will be a fiduciary as to any investing ERISA Plan or Qualified Plan. *See also "Identification of Plan Assets" below.*

Prohibited Transactions. ERISA Plans and Qualified Plans are subject to special rules limiting direct and indirect transactions involving the assets of the Plan and certain persons related to the Plan, termed "parties in interest" under ERISA and "disqualified persons" under the Code. Disqualified persons and parties in interests include any fiduciary to a Plan, any service provider to a Plan, the employer sponsoring a Plan, and certain persons affiliated with a fiduciary, service provider or employer. In addition, ERISA and the Code prohibit fiduciaries of a Plan from engaging in various acts of self-dealing. A party in interest engaging in a "prohibited transaction" may be subject to substantial excise tax penalties and possibly personal liability. Further, any fiduciary to an ERISA Plan taking or permitting any action which the fiduciary knows or should know constitutes a "prohibited transaction" may be personally liable for any loss resulting to the ERISA Plan from such transaction, and subject to forfeiture of any gain derived by the fiduciary from the transaction. The persons acting on behalf of an investing Plan should consider whether an investment of Plan assets in the Partnership might constitute such a prohibited transaction, as might occur for example if the General Partner or the Investment Manager or one of their affiliates were a fiduciary to the investing Plan with respect to the purchase of Interests in the Partnership. *See also "Identification of Plan Assets" below.*

Identification of Plan Assets. Under Section 3(42) of ERISA and U.S. Department of Labor Regulations Section 2510.3-101, as modified by Section 3(42) of ERISA (together, the "Plan Asset Rules"), the fiduciary, prohibited transaction and other provisions of ERISA and the Code, including the rules for determining who is a party in interest or disqualified person, would generally be applied by treating an investing Plan's assets as including its investment in the Partnership or the Master Fund but not including any of the underlying assets of the Partnership or the Master Fund. Under the Plan Asset Rules, however, assets of the Partnership or the Master Fund, respectively, may be considered to include assets of the investing Plans only if, immediately after any acquisition of an equity interest in the Partnership or the Master Fund, respectively, twenty-five percent (25%) or more of the value of any class of equity interests in the Partnership or the Master Fund, respectively, is held by "Benefit Plan Investors." For this purpose, a Benefit Plan Investor means an ERISA Plan, a Qualified Plan, or an entity deemed to hold plan assets under the Plan Asset Rules by reason of investment in the entity by ERISA Plans or Qualified Plans. However, entities which hold plan assets are generally considered to be Benefit Plan Investors only to the

extent that their equity interests are held by Benefit Plan Investors, although special rules apply to certain entities, including insurance companies investing assets of their separate accounts and bank collective trust funds. In performing the twenty five percent (25%) calculation (the "25% Threshold"), interests in the Partnership or the Master Fund held by persons (and their affiliates) who provide investment advice to the Partnership or the Master Fund, respectively, for a fee, direct or indirect (including the General Partner and the Investment Manager), or have discretionary authority over the Partnership's or the Master Fund's assets, are disregarded. In addition, under the Plan Asset Rules each Illiquid Investment is treated as a separate entity for purposes of determining whether such Illiquid Investment is deemed to hold Plan Assets.

If the Offshore Fund is considered to hold "plan assets" under the Plan Asset Rules, then, depending upon the level of investment by Benefit Plan Investors in the Offshore Fund directly or through other feeder funds, the Master Fund may also be considered to hold the "plan assets" of the Plans investing in the Offshore Fund. The "plan asset" status of the Master Fund should not cause the assets of the Master Fund to be considered the "plan assets" of those Plans investing in the Partnership unless investment by Benefit Plan Investors in the Partnership itself also exceeds the 25% Threshold. However, it could indirectly affect all investors in the Partnership, without regard to whether they are Plans, as the Master Fund, the General Partner, and the Investment Manager would be subject to the fiduciary investment standards and prohibited transaction provisions of ERISA which may affect their ability to make certain investments.

Consequences of Plan Asset Status. Under ERISA and the Code, a person who exercises any discretionary authority or discretionary control respecting the management or disposition of the assets of a Plan or who renders investment advice for a fee to a Plan is generally considered to be a fiduciary of such Plan. Consequently, should the 25% Threshold be exceeded as to any class of equity interest in the Partnership or the Master Fund, the General Partner and/or the Investment Manager could be characterized as fiduciaries of the investing Plans. As a result, various transactions between the Partnership or the Master Fund on the one hand and the General Partner and/or the Investment Manager or their affiliates or other parties in interest or disqualified persons with respect to the investing Plans on the other hand could constitute prohibited transactions under ERISA or the Code. In addition, the prudence standards and other provisions of Title I of ERISA applicable to investments by ERISA Plans and their fiduciaries would extend to investments made by the Partnership and/or the Master Fund, and the ERISA Plan fiduciaries who made a decision to invest the Plan's assets in the Partnership could, under certain circumstances, be liable as co-fiduciaries for actions taken by the Partnership and/or the Master Fund, the General Partner and/or the Investment Manager. Finally, certain other requirements of ERISA, such as the "indicia of ownership" rules (*see below under "Holding of Indicia of Ownership*"), may become applicable to, but not be satisfied as to, the assets of the Partnership and/or the Master Fund.

Benefit Plan Investment in the Partnership and the Master Fund in General. As noted above, although it is anticipated that Benefit Plan Investors will prefer to invest in the Offshore Fund, which has been established to give U.S. tax-exempt investors (as well as non-U.S. investors) the opportunity to pursue a parallel investment strategy to that of the Partnership, Benefit Plan Investors may invest in the Partnership. In order that the assets of the Partnership and the Master Fund are not deemed to be plan assets under ERISA and the Code, the Partnership and the Master Fund do not currently intend to permit the investment by Benefit Plan Investors in any class of the Partnership's or the Master Fund's equity interests to equal or exceed the 25%Threshold at any time. Accordingly, the Partnership and the Master Fund have the right, in their sole and absolute discretion, to reject any proposed investment by a prospective or existing investor, to deny approval for a transfer of Interests or equity interests, and to require any Limited Partner to withdraw all or any portion of its Interests. However, the Partnership and the Master Fund each reserve the right, in its sole discretion, to permit investment by Benefit Plan

Investors in the Partnership or the Master Fund to exceed the 25% Threshold, and in the case of the Master Fund, to comply thereafter with the applicable provisions of ERISA and the Code.

Benefit Plan Investment in the Partnership

As the Partnership does not intend to permit investment by Benefit Plan Investors to exceed the 25% Threshold, it does not anticipate that the assets of the Partnership will be treated as Plan Assets of investing Plans. However, notwithstanding any provision of this Memorandum to the contrary, during any period in which any assets of the Partnership or the Offshore Fund are treated as Plan Assets: (i) all of the Partnership's assets, cash and short-term investments awaiting or otherwise pending contribution to the Master Fund, distributions to investors or payment of expenses and other reserves for similar contingencies) (collectively, "Investible Assets") will be invested in the Master Fund, (ii) all assets of the Partnership other than Investible Assets will be maintained in the account of the Partnership at the bank currently used by the Partnership for this purpose or another nationally recognized banking institution, (iii) the Partnership may not invest a portion of its assets directly rather than investing through the Master Fund, (iv) any Management Fee paid to the Investment Manager or Performance Allocation paid to the General Partner shall related to their services for, and position with respect to, the Master Fund, (v) the Partnership will make distributions in cash, except in circumstances when the proceeds of the Partnership's corresponding withdrawals from the Master Fund are illiquid and are paid in-kind, (vi) no portion of the marketing expenses of the Partnership will be borne by Limited Partners, respectively, who are ERISA Plans or Qualified Plans; (vii) net asset valuations of the Partnership will be determined by reference to the value of the Partnership's interest in the Master Fund, and by reference to third party sources with respect to the other assets of the Partnership and (viii) all investments of Illiquid Investments that were previously made at the Partnership level will instead be maintained, and all leveraging will take place, at the Master Fund level.

The Partnership believes that, given the limited purpose and role of the Partnership and given the requirement that the Partnership follow the directions of the fiduciaries of each Benefit Plan Investor investing in the Partnership, as set forth in the subscription agreement, which require such investment of the Investible Assets of the Partnership in the Master Fund, neither the Partnership nor any other entity providing services to the Partnership is exercising any discretionary authority or control with respect to the assets of the Partnership. Accordingly, Partnership believes that no entity providing services to the Partnership will act as a fiduciary (as defined in Section 3(21) of ERISA or Section 4975(e) of the Code) with respect to the assets of the Partnership or any Benefit Plan Investor in the Partnership. Rather, the Partnership believes that the fiduciaries of each Benefit Plan Investor in the Partnership have retained the exclusive fiduciary authority and responsibility with respect to such Partner's initial and continuing investment in the Partnership.

Representations by Benefit Plan Investors. The fiduciaries of each ERISA Plan or Qualified Plan proposing to invest in the Partnership will be required to represent that they have been informed of and understand the Partnership's investment objectives, policies and strategies and that the decision to invest such Plan's assets in the Partnership is consistent with the Plan's terms and the applicable provisions of ERISA and the Code, including, without limitation, terms and provisions that require diversification of Plan assets and impose other fiduciary responsibilities. The fiduciaries of investing Plans will also be required to represent that they are not relying upon the investment or other advice of the General Partner, the Investment Manager or their respective affiliates in investing in the Partnership, and that the acquisition and holding of Interests in the Partnership will not constitute a non-exempt "prohibited transaction" under ERISA or the Code.

Each investor investing the assets of a Plan in the Partnership will also be required to acknowledge and agree that during any period in which the assets of the Partnership or the Offshore Fund include Plan Assets: (i) by investing in the Partnership, it is deemed to direct the Partnership to invest the amount of such assets directly in the Master Fund; and (ii) neither the General Partner nor the Investment Manager of the Partnership is intended to be a fiduciary with respect to the assets of the Plan for purposes of ERISA or the Code.

Finally, any entity that is a Benefit Plan Investor immediately prior to its acquisition of an interest in the Partnership or at any time thereafter while it continues to hold any interest in the Partnership must notify the Partnership of its status as a Benefit Plan Investor prior to its initial acquisition of an interest in the Partnership, or, if it first becomes a Benefit Plan Investor after its initial acquisition of an interest in the Partnership, a reasonable time in advance of becoming a Benefit Plan Investor. Each entity that is a Benefit Plan Investor must also advise the Partnership of the percentage of its assets which are considered to constitute "plan assets," and must notify the Partnership a reasonable time in advance of any change in such percentage.

Holding of Indicia of Ownership. Assets of ERISA Plans must at all times comply with the "indicia of ownership" rules set forth in Section 404(b) of ERISA, which require the fiduciaries of ERISA Plans to maintain the indicia of ownership of any assets of the Plans within the jurisdiction of the United States district courts. For purposes of ERISA, a Limited Partner's ownership will be evidenced by the Limited Partner's fully executed subscription agreement document. Fiduciaries of ERISA Plans who are considering an investment of Plan assets in the Partnership should consult their own legal advisers regarding compliance with these rules.

Reporting Requirements. ERISA Plans and Qualified Plans are required to determine the fair market value of their assets as of the close of each Plan's fiscal year. ERISA Plans and certain Qualified Plans are also required to file annual reports (Form 5500 series and Form 5498) with the Department of Labor and the Internal Revenue Service. To facilitate such determinations, and generally to enable fiduciaries of ERISA Plans subject to annual reporting requirements under ERISA or the Code to file annual reports as they relate to an investment in the Partnership, investors will be furnished annually with audited financial statements as described in this Memorandum. There can be no assurance (a) that any value established on the basis of such statements could or will actually be realized by investors upon the Partnership's liquidation, (b) that Limited Partners could realize such value if they were able to, and were to sell their Interests, or (c) that such value will in all circumstances satisfy the applicable ERISA or Code reporting requirements. In addition, the fiduciaries of Plans investing in the Partnership are notified that the information in this Memorandum in relation to: (w) the compensation or other amounts received by the General Partner and the Investment Manager hereunder; (x) the services provided by the Investment Manager for such compensation and the position of the General Partner with respect to such other amounts and the purpose therefor; (y) a description of the formula used to calculate the compensation and other amounts; and (z) the identity of the parties paying and receiving the compensation and other amounts, is intended to satisfy the alternative reporting option with respect to compensation of the General Partner and the Investment Manager that is reportable on Schedule C of the Form 5500 filed on behalf of the Plans.

SUMMARY OF THE LIMITED PARTNERSHIP AGREEMENT

The rights and obligations of the Partners are governed by the Limited Partnership Agreement of the Partnership (the "Partnership Agreement"), a form of which is attached as Exhibit A to this Memorandum. Each prospective investor should review the entire Partnership Agreement carefully before investing in the Partnership. The statements herein concerning the Partnership Agreement are merely a brief summary of certain provisions thereof, do not purport to be complete and are qualified in their entirety by reference to the Partnership Agreement itself.

Certain capitalized terms used but not otherwise defined herein have the respective meanings set forth in the Partnership Agreement.

Term

The Partnership was organized as a limited partnership under Delaware law on April 5, 2012 and will continue indefinitely, subject to termination upon the removal, resignation, bankruptcy or withdrawal of the last general partner without replacement by a successor as provided in the Partnership Agreement; the election of the General Partner to dissolve the Partnership; the business of the Partnership becoming unlawful; or an order of dissolution by a court of competent jurisdiction.

General Partner of the Partnership

The General Partner has, and will continue to have, full and complete management and control of the business and operations of the Partnership. The General Partner has delegated responsibilities for investment management of the Partnership's assets to the Investment Manager pursuant to the Investment Management Agreement. The General Partner may admit additional general partners to the Partnership. The Limited Partners do not participate in the management or control of the Partnership's business or affairs.

The General Partner will devote such of its time during normal business days and hours as the General Partner, in its discretion, shall deem necessary and sufficient for the management of the affairs of the Partnership. The General Partner and any principal, member, manager, affiliate or employee of the General Partner shall not be precluded from (i) engaging, presently or in the future, consistent with the foregoing, and without accountability to the Partnership, in any other business venture or ventures of any nature and description including, without limitation, the management, financing, syndication or development of other ventures similar to the Partnership, or from acting as an investment manager or advisor to others, a trustee of any trust or a general partner of another limited partnership, or (ii) directly or indirectly purchasing, selling and holding securities for its own account or the accounts of such other business, irrespective of whether any such securities are purchased, sold or held for the account of the Partnership. Neither the Partnership nor any Partner shall have any rights in or to such other business ventures or the income or profits derived therefrom by virtue of the Partnership Agreement nor shall the General Partner or any principal, member, manager, affiliate or employee of the General Partner or any member be under any obligation to first offer any investment opportunities to the Partnership or to allocate investments, as between the Partnership, other persons, or otherwise, in any particular manner, other than as it in its sole discretion shall determine. When the General Partner deems the purchase and sale of securities to be in the best interest of the Partnership and of other clients, it may aggregate the securities to be purchased or sold.

The General Partner may at any time determine to liquidate and dissolve the Partnership without any action by the Limited Partners. A general partner may only be removed upon an affirmative vote of the Limited Partners holding at least 90% of the aggregate capital accounts of the Limited Partners, or the affirmative vote of the general partners holding a majority of the aggregate Capital Account balances of the general partners. A general partner may resign at any time, except that the resignation of the last remaining general partner will not be effective for ninety (90) days after notice is given to the Limited Partners. Upon the voluntary resignation, withdrawal or the adjudication of bankruptcy or insolvency of the last of the general partners, the Limited Partners may, upon the written consent of the Limited Partners holding a majority of the aggregate balances in the Capital Accounts of Limited Partners, continue the Partnership and appoint a successor General Partner (and each Limited Partner shall have the right to withdraw its Capital Account for a period of thirty (30) days thereafter). In the absence of such written consent, the Partnership will be dissolved.

Partner Liability

The General Partner generally has unlimited liability for Partnership obligations to third parties not otherwise satisfied by the Partnership. The Limited Partners are not liable for Partnership obligations except to the extent of their respective Capital Accounts and not in excess thereof. A Limited Partner has no obligation to make contributions to the Partnership beyond its initial Capital Contribution. The Interests are nonassessable, except as may otherwise be provided under Delaware law.

Under the exculpatory provisions of the Partnership Agreement, the General Partner, its affiliates and members and any of their respective principals, shareholders, members, partners, officers and employees, and the legal representatives of any of them (collectively, the "Affiliated Parties") shall not be liable to any Partner or the Partnership for (i) any trade errors, acts or omissions, or alleged acts or omissions, arising out of, related to or in connection with the Partnership or any entity in which the Partnership has an interest, any transaction or activity relating to the Partnership or any entity in which it has an interest, any investment or proposed investment made or held, or to be made or held by the Partnership, or arising out of the Partnership Agreement or any similar matter, unless such action or inaction constitutes fraud, willful misconduct or gross negligence by any Affiliated Party, or (ii) any trade errors, acts or omissions, or alleged acts or omissions, of any broker or agent of any Affiliated Party, provided that the selection, engagement or retention of such broker or agent was made with reasonable care. Each of the Affiliated Parties may consult with counsel and accountants in respect of the Partnership's affairs and be fully protected and justified in any action or inaction that is taken in accordance with the advice or opinion of such counsel or accountants, provided that they shall have been selected with reasonable care.

The Partnership has agreed to indemnify and hold harmless the Affiliated Parties from and against any loss, cost, damage or expense suffered or sustained by an Indemnified Party by reason of (i) acts or omissions, alleged acts or omissions or trade errors arising out of or in connection with the Partnership or any entity in which it has an interest, any investment or proposed investment made or held, or to be made or held by the Partnership or any similar matter, including, without limitation, any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding, investigation or claim, provided that such acts, omissions, alleged acts or omissions or trade error upon which such actual or threatened action, proceeding, investigation or claim did not constitute fraud, willful misconduct or gross negligence by any Affiliated Party, or (ii) any trade errors, acts or omissions, or alleged acts or omissions, of any broker or agent of any Affiliated Party, provided that the selection, engagement or retention of such broker or agent was made with reasonable care. The rights of indemnification provided in the Partnership Agreement will be in addition to any rights to which such Indemnified Party may otherwise be entitled by contract or as a

matter of law and shall extend to its successors and assigns. The Partnership may, in the discretion of the General Partner, advance to any Affiliated Party reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding that arises out of the foregoing whether or not the provisos of (i) or (ii) apply. In the event that such an advance is made by the Partnership, the Affiliated Party shall agree to reimburse the Partnership for such fees, costs and expenses to the extent that it shall be finally determined by non-appealable order of a court of competent jurisdiction that it was not entitled to indemnification

Partner Capital Accounts

The Partnership will maintain a capital account for each Class of Partner and such capital account shall be adjusted as provided in the Partnership Agreement and in such other manner as the General Partner shall determine to be necessary or desirable to fairly account for segregated portfolios or other variations in capital accounts between Partners, including, where deemed appropriate, by the creation of additional separate classes of interests, reserve accounts, or otherwise. The Master Fund shall establish a Sub-Account for each of its classes that correspond to each Limited Partner's capital account in the corresponding Class of the Partnership. As such, the description of the allocation of profits and losses described herein will also generally apply to the Sub-Accounts of each Class. A Partner's capital account for a Class will initially consist of its initial capital contribution to that Class. The amount in each capital account will be increased by any Partner's additional capital contributions to such Class and allocable share of Net Profits (after the General Partner receives such a *pro rata* share of any Performance Allocation from the Master Fund) and decreased by the amount of the Partner's capital withdrawals, distributions and allocable share of Net Losses, if any. Additional capital contributions to a Class made by a Limited Partner will result in a separate Class Capital Account that will be considered separately for purposes of calculating the applicable Lock-Up Period. Two or more Capital Accounts of the same Class held by the same Limited Partner in the Partnership may be combined after the expiration of all Lock-Up Periods applicable to such Limited Partner or at such other times as the General Partner may determine. No Limited Partner will be required or obligated at any time to contribute any additional amount to its Capital Account. Limited Partners may, with the consent of the General Partner, make Additional Capital Contributions as of the first day of each month or at such other times as the General Partner shall determine, in its sole discretion.

Allocation of Net Profits and Net Losses

For each fiscal year (a "Valuation Period") in which a Limited Partner has a net profit from the Partnership, such net profit shall first be allocated to all Partners (including the General Partner) in proportion to each Partner's respective Opening Capital Balance as of the start of the year. Thereafter, from the amount allocated to each Limited Partner's Capital Account, to the extent applicable, a Performance Allocation shall be re-allocated to the General Partner. If in any fiscal year the Partnership has a net loss, such net loss generally will be allocated 100% to all Partners (including the General Partner) in proportion to their respective Opening Capital Balances for that fiscal year. If Capital Contributions or withdrawals are made during a fiscal year, an interim allocation of Net Profit and Net Loss will be made for the period preceding such Capital Contribution or withdrawal (an "Interim Valuation Period"). Such interim allocation will be made to all Partners based upon their Opening Capital Balances at the start of such Interim Valuation Period. Except with respect to a Limited Partner withdrawing capital, no Performance Allocation to the General Partner will be made on account of an Interim Valuation Period. Performance Allocations will be made at the close of the fiscal year, based upon the aggregate of all Interim Valuation Periods for each Limited Partner in the year.

Net Profits and Net Losses are calculated for a period by combining the aggregate net realized and unrealized changes in the value of the Partnership's assets with all other income and expenses of any kind for such period, including the Management Fee (without reduction for the Performance Allocation). Net Profits and Net Losses from "new issues", as defined in Rule 5130, and Illiquid Investments will be allocated only to Partners eligible to participate therein.

Tax Allocations

For federal income tax purposes, all items of deduction other than realized capital losses, and all items of income other than realized capital gains, shall be allocated, as nearly as is practicable, in accordance with the manner in which such items of deduction or income affected the amounts which were either deducted from or added to the Capital Accounts of the Partners. Capital gains and capital losses (short term and long term, as the case may be) recognized by the Partnership shall be allocated, as nearly as is practicable, in accordance with the manner in which the aggregate of the increase or decrease in the value of the Securities positions giving rise to such gains or losses was added to or deducted from the Capital Accounts of the Partners in the Partnership.

Under the Partnership Agreement, the General Partner has the discretion to allocate specially an amount of the Partnership's ordinary income/loss and capital gain/loss (including short-term capital gain/loss) for U.S. federal income tax purposes to a withdrawing Limited Partner to the extent that the Limited Partner's Capital Account exceeds such Limited Partner's U.S. federal income tax basis in his or her Interest, or such Limited Partner's U.S. federal income tax basis exceeds such Limited Partner's Capital Account, as the case may be. No assurance can be given that, if the General Partner makes such a special allocation, the IRS will accept the allocation. If the IRS successfully challenges the allocation, the Partnership's income/gains or losses allocable to the remaining Limited Partners would be increased or decreased, as the case may be.

Distributions

The General Partner is not required to make any distributions of net profits, and it is not anticipated that any distributions will be made. Subject to the Limited Partners' withdrawal rights, under most circumstances all earnings of the Partnership will be reinvested. Any distribution of net profits is in the sole discretion of the General Partner and shall be made ratably to all Limited Partners in accordance with their capital accounts at the time of such distribution. Distributions may be in cash or other assets of the Partnership, or any combination thereof, in the sole discretion of the General Partner.

Each Limited Partner is required to take into account its allocable share of all items of income, gain, loss, deduction or credit for the Partnership regardless of whether such Limited Partner has received any distributions from the Partnership. Because the General Partner is not required to make any distributions of net profits, a Limited Partner's income tax liability in a particular year may exceed the amount of cash actually received by it.

Purchases of "New Issues"

From time to time the Partnership may purchase "new issues", as defined in Rule 5130. Rules 5130 and 5131 identify certain persons may be restricted from participating in new issues ("Restricted Persons"), including FINRA members, other broker-dealers and their affiliates, certain personnel of broker-dealers, certain finders and fiduciaries and portfolio managers of certain entities and accounts, including collective

investment accounts (which include hedge funds) and directors and executive officers of U.S. public companies and other companies that meet certain financial thresholds.

Rule 5130 permits a collective investment account that desires to purchase new issues to segregate the interests of Restricted Persons from non-Restricted Persons so that Restricted Persons do not participate in new issues purchased by the account. Rule 5130 does not prescribe a particular manner, however, for segregating such interests. The Partnership intends to utilize such "carve-out" mechanisms as are necessary to comply with Rule 5130 to permit the Partnership to participate in new issues without allowing Restricted Persons to benefit therefrom. The Partnership Agreement will provide the General Partner with the authority to exclude participation in new issues by any Partner who would be deemed to be a Restricted Person.

Rule 5130 also contains a de minimis exemption to accommodate accounts with only a small percentage of Restricted Persons. This exemption will permit an account to purchase new issues without employing the carve-out mechanisms described above if Restricted Persons, in the aggregate, own less than 10% of the account. The Partnership may, in the discretion of the General Partner, rely on such exemption.

As a matter of fairness to Partners that do not participate in the Partnership's investments in new issues, a use-of-funds charge may be debited to the capital account(s) of those Partners that participate in new issues and credited to all other Partners, *pro rata* in accordance with the aggregate capital account balances of such other Partners as of the beginning of each period in which the Partnership's investment portfolio includes investments in new issues. The debited amount would be equal to the interest on the funds used to purchase the new issues at the annual rate being paid by the Partnership for borrowed funds during the applicable period. If funds have not been borrowed during that period, the annual rate will be the rate the General Partner, or its delegate, determines would have been paid if funds had been borrowed by the Partnership during such period. For the avoidance of doubt, the General Partner is not required to debit any such use-of-funds charge as described above

The procedures and policies of the Partnership regarding new issues may be changed from time to time in the General Partner's discretion, including based upon the General Partner's evaluation of FINRA rules and relevant interpretations.

Valuations

The Partnership will make investments primarily through the Master Fund, therefore, the General Partner may rely on the valuations of such securities provided by the Master Fund. Valuation of the Partnership's investments has been delegated by the General Partner to the Investment Manager, subject to the overall supervision of the General Partner.

The foregoing valuations and methods may be modified by the Investment Manager, in consultation with the General Partner:

1) No value will be assigned to goodwill;

2) All accrued debts and liabilities will be treated as liabilities, including, but not limited to, all fees payable to the General Partner and the Investment Manager which have been earned but not yet paid (e.g., the Incentive Allocation), any allowance for the Partnership's estimated annual audit and legal fees and other operating expenses and any contingencies for which reserves are required;

3) Distributions on the Interests, if any, after the date as of which the total net assets are being determined to Limited Partners of record prior to such date will be treated as liabilities;

4) The market value of positions in securities and options will be as follows: (A) securities that are listed on an exchange or the NASDAQ National Market and are freely transferable will be valued at their last sale price during the regular or primary trading session on the primary exchange on the date of determination or "official closing price" (if applicable), or, if no sales occurred on such date, at the mid-point of the bid and the ask price at the close of business on such day; (B) securities traded over the counter and not listed on an exchange or the NASDAQ National Market including most fixed income and debt securities that are freely transferable will be valued at the mid-point of the "bid" and "ask" price at the close of business on such day; and (C) options that are listed on a securities exchange shall be valued at the mean between the last "bid" and "asked" prices for such options on such date. Notwithstanding the foregoing, if in the reasonable judgment of the Investment Manager, the listed price for any of the foregoing securities or options held by the Partnership, or that the Partnership sells short, does not accurately reflect the value of such security or option, the Investment Manager may value such security or option at a price that is (i) less than the quoted market price for such securities or options that the Partnership holds long and (ii) more than the quoted market price for securities or options that the Partnership sells short;

5) The market value of a commodity future, forward or similar contract or any option on any such instrument traded on an exchange shall be the most recent available closing quotation on such exchange; provided, that if the Investment Manager determines that such closing price does not accurately reflect market value due to price limit constraints, such contract or option will be valued at fair market value as determined by the Investment Manager;

6) Securities contributed to the Partnership as subscription proceeds shall be treated as if purchased by the Partnership at market value on the date of contribution, and securities distributed from the Partnership as withdrawal proceeds will be treated as if sold by the Partnership at market value on the date of distribution;

7) Net profits and net losses from New Issues will be credited or debited to the net asset value of the capital accounts of the Limited Partners that are not Restricted Persons (or who have elected to not participate in New Issues);

8) All other assets of the Partnership, including, but not limited to, Illiquid Investments held in Side Pocket Accounts, will be valued in the manner determined by the General Partner, in consultation with the Investment Manager, to reflect their fair market value; and

9) Notwithstanding the Partnership's intention to follow GAAP, the General Partner may elect to capitalize and amortize organizational and initial offering expenses over a period of up to 60 months from the date the Partnership commences operations.

In valuing any of the Partnership's portfolio securities, commodities, options or other financial instruments, the General Partner may apply a discount at its discretion, taking into consideration its valuation experience and circumstances existing at the time, such as marketability, liquidity and business

fundamentals relative to such security. If the General Partner determines, in its sole discretion, that the valuation of any security, commodity, option or other financial instrument pursuant to the foregoing does not fairly represent its market value, the General Partner shall value such security, commodity, option or other financial instrument as it reasonably determines.

All other assets of the Partnership will be valued in the manner determined by the General Partner, or its delegate(s) to reflect their fair market value.

The foregoing valuations and methods may be modified by the Investment Manager, in consultation with the General Partner. Portfolio securities shall be valued as set forth above, provided that the General Partner may determine that the listed prices of the securities and instruments as determined in accordance with the valuation procedures set forth above do not reflect the actual value of the securities or instruments and the Investment Manager, in consultation with the General Partner, may make such appropriate and reasonable modifications thereto to reflect the value of the instruments and securities, including to reflect liquidity conditions or other factors affecting such value. Valuation of securities or other assets not specifically described above similarly shall be as determined by the Investment Manager, in consultation with the General Partner, which determination shall be final.

Although the fair value of each portfolio security, commodity, option or other financial instrument will be as estimated in good faith by the Investment Manager, the actual value of the security, commodity, option or other financial instrument may prove significantly different, and such event may materially affect the net asset value calculations. Prospective investors should be aware that situations involving uncertainties as to the valuation of portfolio positions could have an adverse effect on the Partnership's net assets. Absent bad faith or manifest error, net asset value determinations are conclusive and binding on all Limited Partners.

The Partnership's accounts are maintained in U.S. Dollars. Assets and liabilities denominated in other currencies are translated at the exchange rates in effect at the relevant valuation date and translation adjustments are reflected in the results of operations. Portfolio transactions and income and expenses are translated at the exchange rates in effect at the time of each transaction.

Side Pocket Accounts

The General Partner, in consultation with the Investment Manager, may designate that certain investments be carried in one or more separate memorandum accounts (a "Side Pocket Account") for such period of time as the General Partner determines. Such investments may include assets or securities through direct investments or private placements that are subject to legal or contractual restrictions on transferability, or that the Investment Manager believes either lack a readily assessable market value (without impairing the value of such investments) or should be held until the resolution of a special event or circumstance (each, as designated by the General Partner, along with follow-on investments, if any, an "Illiquid Investment"). Additionally, the General Partner, in consultation with the Investment Manager, may determine that, for various reasons, an asset that initially was not an Illiquid Investment should be categorized as an Illiquid Investment, or that a follow-on investment should be categorized as a new Illiquid Investment.

The Investment Manager may allocate up to 10% of the Partnership's net asset value (measured at the time that such Illiquid Investments are placed in the Side Pocket Account) to Side Pocket Accounts. Illiquid Investments held in a Side Pocket Account shall be carried at their fair value as determined by the Investment Manager, in consultation with the General Partner. At the election of the Investment Manager or upon the sale or disposition of an Illiquid Investment, such investment (or the proceeds thereof) shall

be reallocated, pro rata, to the capital accounts of participating Partners. Until such reallocation, a Limited Partner may not make withdrawals from its capital account that are attributable to the value of Illiquid Investments held in a Side Pocket Account. Illiquid Investments may be held in a Side Pocket Account until the occurrence of a Realization Event.

At any time, Illiquid Investments may constitute a greater than 10% share of the value of a particular Limited Partner's investment due to various factors including the following: (i) the 10% limitation is applied on a Partnership-wide, rather than a Partnership-specific, basis and (ii) Illiquid Investments are valued based on their fair value at the time the Side Pocket Accounts are created (which may be cost for this purpose) rather than the current fair value.

A "Realization Event" occurs when (i) the securities, commodities, options or other financial instruments held in a Side Pocket Account become liquid (including, without limitation, when there is a public offering of the securities, commodities, options and other financial instruments held in the Side Pocket Account, which offering the Investment Manager determines reasonably values such instruments), (ii) the securities, commodities, options or other financial instruments held in a Side Pocket Account are liquidated, sold or otherwise disposed of, in part or in their entirety, by the Partnership (except that partial liquidations shall only constitute Realization Events with respect to the instruments liquidated), or (iii) circumstances otherwise exist that, in the judgment of the Investment Manager, conclusively establish a more reliable value for the securities, commodities, options or other financial instruments held in the Side Pocket Account other than fair value (including, without limitation, when instruments substantially similar to the instruments held in the Side Pocket Account have been publicly issued by the issuer of such instruments).

Upon a Realization Event, the value of the instruments held or the proceeds thereof shall be reallocated, at such time as the General Partner determines in its sole and absolute discretion, in consultation with the Investment Manager, from the Side Pocket Account to the capital accounts of each Partner participating therein pro rata in accordance with such Partner's interest in the Side Pocket Account. The Performance Allocation shall not be allocated in respect of any Illiquid Investment held in a Side Pocket Account until such investment (or the proceeds thereof) has been reallocated to the capital accounts of the participating Partners. Upon such reallocation, a Limited Partner that has withdrawn all of its capital from the Partnership other than the capital attributable to such Side Pocket Account shall receive an amount equal to its interest in the related Side Pocket Account net of (i) if applicable, any unpaid Management Fees, plus interest and (ii) the Performance Allocation, if any, with respect thereto) within 60 days after such reallocation. To the extent that the Realization Event occurs prior to the date calculated to determine the Management Fee Reserve, the Partnership shall reimburse the Management Fee Reserve for the periods following the month that the Realization Event occurred.

Newly admitted Limited Partners will not participate in Illiquid Investments that were placed in a Side Pocket Account prior to their admission. Any expenses relating specifically to a Side Pocket Account will be charged to the Partners participating in such account. If in its discretion the Investment Manager designates any investment as a follow-up investment to an existing Illiquid Investment, only the Partners participating in such original investment will participate in such follow-up investment in proportion to their interest in the related Side Pocket Account.

In addition to the foregoing with respect to Side Pocket Accounts, to the extent that certain Limited Partners are restricted from participating in any other transactions of the Partnership by applicable laws or regulations, or for any other reason determined by the General Partner in good faith, the General Partner may, in its discretion, establish one or more separate memorandum accounts to hold applicable

investments and isolate ownership away from certain Limited Partners. Only those Limited Partners who the General Partner determines are eligible shall participate in such accounts.

Withdrawals by Limited Partners

Generally, after the expiration of the three (3) month period following the establishment of the applicable capital account of a Class A Limited Partner (the "Class A Soft Lock-Up Period"), a Class A Limited Partner may withdraw all or part (subject to a minimum withdrawal of fifty thousand dollars ($50,000)) of such capital account as of the last day of any month by providing a written withdrawal notice at least sixty (60) days prior to the withdrawal date (a "Withdrawal Notice") to the Administrator by facsimile at +1 914-729-9500 and to the Investment Manager via email at dgvp@dgcapitalmgmt.com (before 5 pm New York time), and in such other amounts and at such other times as the General Partner may determine in its sole discretion. Notwithstanding the foregoing, a Class A Limited Partner may elect to withdraw all or part of the balance in its capital account as of the last day of any month occurring prior to the expiration of the Class A Soft Lock-Up Period by providing a Withdrawal Notice, subject to a fee equal to five percent (5%) of the withdrawal proceeds otherwise payable to such Limited Partner after making the Performance Allocation, if any, to the General Partner (a "Withdrawal Fee"). Any Withdrawal Fee will be deducted by the Partnership from the withdrawal proceeds and will be paid to the Master Fund and will be considered and treated as net profits of the Master Fund for purposes of calculating the Performance Allocation and maintaining the Loss Recovery Sub-Accounts. The Withdrawal Fee may be waived, reduced or rebated by the General Partner in its sole discretion.

Generally, after the expiration of the twenty-four (24) month period following the establishment of the applicable capital account of a Class B Limited Partner (the "Class B Hard Lock-Up Period"), a Class B Limited Partner will have the one time right, as of the end of the month immediately following such Class B Hard Lock-Up Period (the "Class B Withdrawal Date"), to withdraw all or any portion of such capital account (subject to a minimum withdrawal of fifty thousand dollars ($50,000)) by providing a Withdrawal Notice at least sixty (60) days prior to such date to the Administrator by facsimile at +1 914-729-9500 and to the Investment Manager via email at dgvp@dgcapitalmgmt.com (before 5 pm New York time), and at such other times as the General Partner may determine in its sole discretion.

Legacy Class Limited Partners may redeem all or part of their Legacy Class Interests as further described in the Legacy Class Supplement. Together, the Class A Soft Lock-Up Period and Class B Hard Lock-Up Period shall hereinafter be referred to as a "Lock-Up Period".

Additional capital contributions by an existing Limited Partner in an applicable Class will be deemed to have been placed in a separate capital account with a corresponding new Lock-Up Period. The General Partner may combine two or more capital accounts of the same Class and held by the same Limited Partner after the expiration of the applicable Lock-Up Period and at such other times as the General Partner may determine. Distributions to Limited Partners having more than one capital account in an applicable Class will be deemed made on a "first-in, first-out" basis.

Except in the sole discretion of the General Partner, the Partnership will not accept a partial withdrawal request that would reduce the aggregate balance in a Limited Partner's capital accounts below one million dollars ($1,000,000). In addition, unless otherwise approved by the General Partner, in its sole discretion, a Limited Partner may not submit more than six (6) withdrawal Notices in any fiscal year. The General Partner, in its sole discretion, may permit withdrawals at other times or otherwise modify or waive such withdrawal conditions and requirements. If the General Partner in its discretion permits a Limited Partner to withdraw capital other than on a regularly scheduled withdrawal date, the General Partner may impose

an additional administrative fee to cover the legal, accounting, administrative, brokerage, and any other costs and expenses associated with such withdrawal.

Limited Partners generally will receive the proceeds from any withdrawal (less any applicable Management Fee, Performance Allocation, Withdrawal Fee, holdbacks for reserves and/or actual or estimated expenses associated with processing the withdrawal, which may include a pro rata portion of any unamortized organizational expenses) within thirty (30) days of the effective date of the withdrawal, provided, however, that if a Limited Partner elects to withdraw ninety percent (90%) or more of the estimated aggregate value of its capital account in any year, ninety percent (90%) of such estimated value (computed on the basis of unaudited data and in the General Partner's sole discretion) generally will be distributed to the Limited Partner within thirty (30) days after the effective date of such withdrawal and the balance not later than thirty (30) days after the completion of the Partnership's year-end audit. In furtherance of the foregoing, if a Limited Partner makes more than one withdrawal from its capital account in any year, the amount of the holdback from subsequent withdrawal(s) within such year may be greater than ten percent (10%) of such withdrawal(s), but not greater than ten percent (10%) of the aggregate capital withdrawn from such capital account during such year. If, after the completion of the Partnership's year-end audit, the General Partner determines that the amount previously distributed to a Limited Partner exceeded the amount to which such Limited Partner was actually entitled, then the Limited Partner shall be required to return such excess amount to the Partnership within ten (10) days of notification of such excess payment. Except where the full amount of a withdrawal is not available for payment to the Limited Partner as described below, the entire withdrawal amount shall be deemed to be withdrawn as of the effective date of the withdrawal and no interest shall be paid on amounts held back.

All withdrawal amounts may be paid in cash (by wire transfer) or in kind (or in a combination thereof), in the General Partner's sole discretion, and will be subject to the General Partner's establishment of necessary reserves for loss contingencies and liabilities existing as of the effective date of the withdrawal. The payment of withdrawal proceeds will not be paid to a third party account.

The General Partner may require any Limited Partner to withdraw all or any part of the balance in its capital account for any reason, at any time upon five (5) days prior written notice. The General Partner may also limit or suspend withdrawal rights for any and all Limited Partners upon the occurrence of certain events.

The General Partner may withdraw a portion of the balance in its capital account on the same terms as the Limited Partners or at such other times as it determines; provided that the General Partner may not withdraw capital from the Partnership if the General Partner suspends withdrawal rights in accordance with the immediately preceding paragraph or unless all liabilities of the Partnership have been paid or the Partnership has sufficient assets to pay such liabilities. The General Partner may withdraw the Performance Allocation at any time in the General Partner's sole and absolute discretion.

A Limited Partner may not withdraw any of the amounts in its capital account that are attributable to Illiquid Investments held in a Side Pocket Account until such time that the investment (or the proceeds thereof) is reallocated to the Limited Partner's capital account. At the discretion of the Investment Manager (subject to the General Partner's ultimate discretion), an Illiquid Investment may be held in a Side Pocket Account until the occurrence of a Realization Event.

Special Withdrawal Right

Limited Partners shall have the right to withdraw from the Partnership in the event that Dov Gertzulin dies, becomes incompetent or is disabled (i.e., unable, by reason of disease, illness or injury, to perform his functions as the principal member, manager and controlling person of the General Partner and the Investment Manager) for 90 consecutive days. In such event, the Partnership shall provide written notice thereof to the Limited Partners (the "Partnership Notice") and each Limited Partner shall have the right to withdraw all or a portion of the balance in its capital account from the Partnership by providing written notice thereof to the Partnership (the "Limited Partner Notice") within thirty (30) days after the Partnership Notice is sent. The effective date of such withdrawal shall occur as of the last day of the first full month after the Partnership receives the Limited Partner Notice.

A Limited Partner exercising such special withdrawal right will be paid 90% of its estimated capital account balance (excluding Side Pocket Accounts), determined as of the end of such month, within 30 days following the end of such month. The balance of such Limited Partner's capital account (excluding Side Pocket Accounts) will be paid (subject to adjustments), without interest, within 30 days after completion of a special audit of the Partnership for the period ending as of the end of such month. Amounts in Designated Investment Accounts will be distributed to the Limited Partners as soon as practicable after the orderly liquidation of the related Illiquid Investments, as determined by the General Partner in its discretion.

Notwithstanding the foregoing, if the General Partner determines that the aggregate amount of capital to be withdrawn from the Partnership pursuant to Limited Partner Notices is significant, the General Partner may, in its sole discretion, elect to commence the orderly liquidation of the Partnership. Upon such occurrence, the Limited Partner Notices shall be null and void and all Partners will receive their pro rata portion of the proceeds resulting from the liquidation of the Partnership pursuant to the terms of the Partnership Agreement.

Suspension of Withdrawals

The General Partner, by written notice to the Limited Partners, may suspend the right of any Limited Partner to withdraw the balance in each of such Limited Partner's Capital Accounts, in whole or in part, (i) during any period in which the Master Fund has suspended redemption rights or the determination of net asset value, (ii) during the existence of any state of affairs as a result of which, in the opinion of the General Partner, disposal of investments by the Partnership or the determination of its net asset value, would not be reasonably practicable or would be seriously prejudicial to the non-withdrawing Partners, (iii) during any breakdown in the means of communication normally employed in determining the price or value of the Partnership's assets or liabilities, or of current prices in any stock market as aforesaid, or when for any other reason the prices or values of any assets or liabilities of the Partnership cannot reasonably be promptly and accurately ascertained, or (iv) during any period when the transfer of funds involved in the realization or acquisition of any investments cannot, in the opinion of the General Partner, be effected at normal rates of exchange. In addition, the General Partner, by written notice to any Limited Partner, may suspend payment of withdrawal proceeds to such Partner if the General Partner reasonably deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the Partnership, the General Partner, the Investment Manager or their affiliates, subsidiaries or associates or any of the Partnership's other service providers.

Gate

If withdrawal requests are received by the Master Fund for any date in an aggregate amount exceeding 25% of the net asset value of the Master Fund (excluding any Illiquid Investments) as of any withdrawal

date, the General Partner may, in its discretion, limit the withdrawals from the Master Fund so that not more than twenty five percent (25%) of the aggregate net assets of the Master Fund (excluding any Illiquid Investments) is withdrawn as of such date. In such event, withdrawals by each Limited Partner withdrawing as of such date (on a pro rata basis with each other withdrawing limited partner and each redeeming shareholder in the Offshore Fund) will be limited on a corresponding basis so that not more than 25% of the aggregate assets of the Master Fund are withdrawn as of such date (excluding any Illiquid Investments). Any amount that a Limited Partner is not permitted to withdraw as of such date shall remain invested in the Partnership until the actual effective date of the withdrawal. Capital withdrawal requests that are deferred due to such limitation may be revoked by the withdrawing Limited Partner, and if not revoked, will be given priority at subsequent redemption dates. In the interim, all of the remaining capital in such Limited Partner's capital account (including the capital subject to any such deferred withdrawal request) shall remain subject to the performance of the Partnership.

Delay in Payments

If on any redemption date, assets of the Partnership are invested in investments which the Partnership is unable to realize, or if realized would be at a value determined by the Investment Manager, in consultation with the General Partner, to be a discount to their true value or the Partnership is unable (or it is not practicable) to distribute any such investment to the withdrawing Partner, then, in the discretion of the General Partner, payment to the Partner of the portion of his requested withdrawal may be delayed until such time as such investment may be realized or may be realized at a value which is not, in the determination of the General Partner, a discounted value or the Partnership is able to distribute such investment to such Partner and the amount otherwise due such Partner will be increased or decreased to reflect the performance of such investment through the date on which such investment is realized by the Partnership or to reflect the increase or decrease in the value of the investment through the date on which it is distributed to such Partner or otherwise disposed of by the Partnership.

Compulsory Withdraw

The General Partner may require any Limited Partner to withdraw all or any part of the balance in its capital account for any reason, at any time upon five (5) days prior written notice. Payment shall be made in accordance with the procedure applicable to voluntary withdrawal requests.

Transfer or Assignment of Interests

A Limited Partner may not sell, assign, pledge or transfer its Interest without the prior written consent of the General Partner, which consent may be granted or refused by the General Partner in its sole discretion. A transferee of all or any part of an Interest shall become a substituted Limited Partner only with the consent of the General Partner, which consent may be granted or refused in the sole discretion of the General Partner, and only upon compliance with all applicable provisions of law. All costs and expenses incurred in connection with the transfer of an Interest, including, but not limited to, the legal fees of the Partnership, shall be paid by the transferee.

The death, incompetency or dissolution of a Limited Partner will not terminate the Partnership, but such Limited Partner's share of Partnership profits and losses and its obligations under the Partnership Agreement will devolve on its representatives. Such representatives or their assignee may become a substituted Limited Partner only with the written consent of the General Partner.

The Limited Partners have not been, and will not be, granted the right to require the registration of the Interests under the Securities Act or any state securities laws, and the Partnership has no intention to so register the Interests.

Partnership Amendments

The Partnership Agreement may be amended at any time upon the written consent of the General Partner solely for the purpose of (i) reflecting new Partners; (ii) changing the name of the Partnership or the location of its office; (iii) creating and admitting one or more additional classes or series of Partners; (iv) correcting ambiguities, inconsistencies or incompleteness in the Partnership Agreement; (v) conforming the Partnership Agreement and Partnership operations to federal or state tax, legal, securities or other requirements or regulations, including amendments necessary to preserve the Partnership's qualification to be taxed as a partnership, to preserve the Partnership's eligibility to purchase New Issues and to prevent the Partnership from in any manner being deemed an "investment company" subject to the provisions of the 1940 Act; (vi) reflecting changes validly made in the membership of the Partnership and the Capital Contributions and interests of the Partners; (vii) making a change in any provision of the Partnership Agreement that requires any action to be taken by or on behalf of the General Partner or the Partnership pursuant to applicable Delaware law if the provisions of applicable Delaware law are amended, modified or revoked so that the taking of such action is no longer required; and (viii) effecting such other amendments as may be deemed by the General Partner to be necessary and/or desirable to conduct the Partnership's business, and not adverse in any material respects to the interests of existing Limited Partners. The Partnership Agreement may also be amended at any time by written consent of the General Partner and of Limited Partners holding a majority of the aggregate balances in the Capital Accounts of all the Limited Partners to the extent permitted by law; provided, however, that without the specific consent of each Partner adversely affected thereby, no amendment may (i) reduce the Capital Account of any Partner or impair its rights of withdrawal with respect thereto, (ii) change the respective liabilities of the General Partner and the Limited Partners, (iii) have the effect of allocating Net Profits and Net Losses generally other than in proportion to the respective Opening and Closing Capital Balances of the Partners, subject to the existing allocation provisions, or (iv) change the provisions of the Partnership Agreement regarding such amendments. Notwithstanding the foregoing, the Partnership Agreement may be amended at any time by written consent of the General Partner and of Limited Partners holding a majority of the aggregate balances in the Capital Accounts of all the Limited Partners to change the "key man" provision. Accordingly, prospective Limited Partners should be aware that other than the specific amendments enumerated above, amendments to the Partnership Agreement affecting their Interests may be made without necessarily obtaining their individual consent.

Financial Records and Reports

After the end of each fiscal year (generally within 120 days or as soon thereafter as is reasonably practicable) the Partnership will prepare and deliver to each Limited Partner such Partner's Schedule K-1, or equivalent report, and the Partnership's audited financial statements prepared in accordance with United States generally accepted accounting principles (except to the extent that the General Partner determines that certain matters shall not be prepared in accordance with generally accepted accounting principles). If the General Partner is unable to deliver such Schedule K-1 by April 15, the General Partner will provide Limited Partners with estimates of the taxable income or loss allocated to their investment in the Partnership. The General Partner also will provide each Limited Partner with unaudited performance information and account statements at least monthly. Unless otherwise restricted by law, all reports, financial statements, and other information may be delivered to Limited Partners electronically.

Tax Matters Partner

The Partnership Agreement designates the General Partner as the "Tax Matters Partner" of the Partnership. As such, the General Partner would receive the IRS's initial notice with respect to any Partnership administrative adjustment initiated by the IRS. Although each Limited Partner is entitled to participate in the administrative proceedings at the Partnership level, the General Partner will determine whether the Partnership, as such, will challenge any adjustment proposed by the IRS.

SUBSCRIPTION FOR INTERESTS

The Offering

The Partnership is offering Interests as of the first day of each month or at such other times as the General Partner may determine in its sole discretion. The Partnership is offering Interests on the terms described herein with a minimum initial investment of one million dollars ($1,000,000). The General Partner, in its sole and absolute discretion, may accept contributions of a lesser amount. The Partnership is currently offering class A limited partnership interests ("Class A Interests"), class B limited partnership interests ("Class B Interests"), as well as legacy class limited partnership interests ("Legacy Class Interests", collectively with the Class A Interests and the Class B Interests, the "Interests") to certain investors. The General Partner may establish or provide for the establishment of additional classes of Interests, series or segregated accounts with such rights and characteristics (which may differ from the rights and characteristics attached to any existing classes of Interests), as the General Partner may determine in its sole discretion without notice to, or the consent of, any other Limited Partners.

The offering is being made only to a limited number of qualified persons, is not being registered under the Securities Act in reliance upon an exemption from registration provided in Section 4(a)(2) of the Securities Act and Regulation D thereunder and is not being qualified for public sale under the securities laws of any states of the United States. The decision whether and, if so, when to continue to offer Interests will be made by the General Partner, in its sole discretion. The General Partner may terminate the offering of Interests at any time. The General Partner, in its sole discretion, may decline to accept the subscription of any prospective investor and may permit a Limited Partner (including, without limitation, an affiliate of the General Partner) to make an initial or additional capital contribution, in whole or in part, in the form of marketable or other securities. The General Partner reserves the right to request from each investor, information with respect to the occurrence of certain disciplinary events as set forth in Rule 506(d) under the Securities Act. For purposes of determining such Limited Partner's capital contribution, any such securities will be valued in a manner and amount determined by the General Partner in its sole discretion.

The General Partner's intention is to accept subscriptions for Interests solely from individual and institutional investors (i) that qualify as "accredited investors," as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act; (ii) that qualify as "qualified purchasers" as that term is defined in Section 2(a)(51)(A) of the 1940 Act; and (iii) whose participation in the Partnership would not require the Partnership to register or qualify the Interests for offer or sale under state securities laws.

Each prospective investor must complete the Subscription Agreement included in the subscription materials and meet certain financial criteria that the Partnership has established as an indication of an investor's financial sophistication and ability to bear the risk of an investment in the Partnership.

With the consent of the General Partner, a Limited Partner may make additional capital contributions to the Partnership in amounts of at least fifty thousand dollars ($50,000), subject to the discretion of the General Partner to accept lesser amounts. No Limited Partner will be required or obligated at any time to contribute additional capital to the Partnership.

There will be no sales charges payable to the Partnership in connection with the sale of Interests. However, the Partnership or the General Partner may enter into agreements with one or more third parties

providing for, among other things, (i) payments to such third parties of a fully disclosed sales charge, which may be paid from the investments of certain investors that agree thereto or (ii) payments by the General Partner to one or more of such third parties of a one-time or ongoing fee based upon the capital contributions of certain investors. The General Partner may pay other forms of consideration to other qualified persons in connection with the sale of Interests, which will not be paid by the Partnership. Such arrangements with third parties will be made in compliance with all applicable rules and regulations.

The Subscription Agreement also provides for certain representations and undertakings to be given by prospective investors, including an agreement to indemnify and hold harmless the Partnership and its directors, officers and agents and other representatives against any loss, liability, cost or expense (including attorneys' fees, taxes and penalties) which may result, directly or indirectly, from any misrepresentation or breach of any warranty, condition, covenant or agreement set forth therein or in any other document delivered by the subscriber to the Partnership.

This investment involves a high degree of risk and is suitable only for persons having substantial financial resources that understand the long-term nature of, the consequences of and the risks associated with the investment. A subscription for Interests will be accepted only from a person with respect to whom the General Partner has reasonable grounds to believe (generally based solely on the Subscription Agreement of such Limited Partner), and shall believe immediately prior to sale, after making reasonable inquiry, either (a) has knowledge and experience in financial and business matters such that he/she is capable of evaluating the merits and risks of this investment, or (b) alone or together with his/her Purchaser Representative (as that term is defined in Regulation D promulgated under the Securities Act) has such knowledge and experience in financial and business matters that he/she is capable of evaluating the merits and risks of this investment and that such person is able to bear the economic risk of this investment. The General Partner shall have the right to accept or reject any subscription for Interests, in its sole discretion.

Subscription Documents

To subscribe for Interests, prospective subscribers must:

1. submit a completed, dated and executed Subscription Agreement;

2. submit two dated, executed and notarized Limited Partner signature pages; and

3. arrange for a wire transfer for the amount of the subscription in accordance with the instructions in the Subscription Agreement.

These documents (which are all contained in the subscription documents given to you contemporaneously with this Memorandum) should be delivered to DG Value Partners II, LP, c/o DG Capital Management, LLC, Attention: Investor Services, via email at: dgvp@dgcapitalmgmt.com or facsimile at: (212) 202-4639 (with the original documents to follow by mail/courier to DG Capital Management, LLC, 460 Park Avenue, 22nd Floor, New York, NY 10022). Copies of the subscription documents must also be sent to the Administrator by facsimile to: +1 (914) 729-9500. Unless otherwise determined by the General Partner, the subscription documents must be received by the Administrator no later than 5:00 pm (New York time) at least five (5) business days prior to the relevant subscription date and cleared funds must be received into the Partnership's subscription account no later than 5:00 pm (New York time) at least two (2) business days prior to the relevant subscription date. If a subscription or payment is not accepted, all documents and funds will be promptly returned to the subscriber without interest, and less any applicable

wire charges and/or bank fees and without any liability to the General Partner, the Investment Manager, the Partnership or the Administrator.

The General Partner will return to such investor whose subscription has been accepted a countersigned Subscription Agreement and an executed copy of the Partnership Agreement. All original documentation relating to subscriptions and the formation of the Partnership will be kept at the offices of the Partnership. Each prospective investor or its authorized representative may review such documents at any reasonable time, upon reasonable written notice to the General Partner. Prospective investors are invited to speak with the General Partner so that it may answer any questions raised by them or their representatives in connection with the offering and may provide them with any additional related information available to the General Partner or which can be acquired without unreasonable effort or expense.

The Interests have not been registered under the Securities Act. The Interests are being offered and will be sold in the absence of any registration by reason of an exemption under Section 4(a)(2) of the Securities Act. The availability of such exemption is dependent, in part, upon the "investment intent" of each Limited Partner and the suitability of such an investment. Accordingly, each subscriber of Interests is required to make certain representations and warranties to the General Partner and the Partnership and to agree to indemnify, hold harmless and pay all judgments and claims against the General Partner for any liability incurred as a result of any representation or any warranty not performed by the subscriber. Each subscriber's attention is directed to the Subscription Agreement for a complete description of these warranties and representations. However, the following are of special importance: Each subscriber must warrant that it meets the suitability standards set forth above, has the ability and experience to analyze the merits and risks of this investment, and has received and read a copy of this Memorandum. Each subscriber must also represent that it is aware that there are restrictions on the withdrawal and the transfer of Interests that will make their sale very difficult; that there is the possibility that the subscriber will lose its entire investment; and that the tax effects that may be expected by the Partnership are not susceptible to precise prediction, and new developments in rulings of the IRS, court decisions or legislative changes may have an adverse effect on the tax treatment elected by the Partnership.

OTHER MATTERS

Regulatory Matters

The Partnership is not registered as an investment company under the 1940 Act. The Partnership relies on the exception from the definition of an investment company provided in Section 3(c)(7) of the 1940 Act. The Investment Manager is currently registered with the SEC as an investment adviser under the Advisers Act. However, potential investors should note that being registered as an investment adviser does not imply a certain level of skill or training, nor does it imply any governmental approval or recommendation. The General Partner has claimed an exemption from registration with the CFTC as a commodity pool operator with respect to the Partnership and the Master Fund pursuant to Rule 4.13(a)(3) under the CEA, but may, in its sole and absolute discretion, or as otherwise required by applicable law or regulation, become so registered in the future. Unlike a registered commodity pool operator, the General Partner is not required to deliver a disclosure document and a certified report to investors in the Partnership. The Investment Manager has claimed an exemption from registration with the CFTC as a commodity trading advisor pursuant to Rule 4.14(a)(8) under the CEA.

Anti-Money Laundering

In order to comply with applicable regulations aimed at the prevention of money laundering, the Partnership or its designee may require verification of identity and the source of funds from all prospective investors and current Partners from time to time. The Partnership or its designee also reserves the right to request such identification evidence in respect of a transferee of a Partnership interest. In the event of delay or failure to produce any information and/or documentation required for verification purposes, the Partnership may refuse to accept and the Administrator may refuse to process a subscription, approve a transfer or process a withdrawal request and (in the case of a subscription for Interests) any funds received will be returned without interest to the account from which the monies were originally debited. In order to comply with any applicable laws, including anti-money laundering regulations, the General Partner and the Administrator each reserves the right to require additional identifying information/documentation of a potential investor and/or the source of funds of a potential investor. Any delay in providing this information by a potential investor will delay the processing of any application for a subscription of Interests and may cause the application to be held over until the next applicable offering day.

The Partnership also reserves the right to refuse to make any withdrawal payment or other distribution to a Partner, other than to the account from which the corresponding subscription funds were paid, if the Partnership or its designee suspects or is advised that the payment of any withdrawal moneys or other distribution to such Partner might result in a breach or violation of any applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure the compliance by the Partnership with any such laws or regulations in any relevant jurisdiction. Investors should note specifically that withdrawal proceeds will be paid to the same account from which the investor's investment in the Partnership was originally remitted (in the name of the investor) or to an alternate account in the investor's name (if so requested by the investor) subject to sole discretion of the Partnership and the Administrator. The withdrawal proceeds will not be paid to a third party account.

Each applicant for interests will be required to make such representations as may be required by the Partnership in connection with anti-money laundering programs, including, without limitation, representations that such applicant is not a prohibited country, territory, individual or entity listed on the United States 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. Each applicant will also be required to represent that subscription monies are not directly or indirectly derived from activities that may contravene United States federal or state, or international, laws and regulations, including anti-money laundering laws and regulations. The Partnership and/or the Administrator may develop additional procedures to comply with applicable anti-money laundering laws and regulations.

Additional Information

The General Partner will make available to any prospective Limited Partner any additional information that it possesses, or which it can acquire without unreasonable effort or expense, necessary to verify or supplement the information set forth herein. Please direct inquiries to DG Capital Management, LLC, 460 Park Avenue, 22nd Floor, New York, NY 10022, Attn: Investor Services.