

NUMBER 361

FOR THE EXCLUSIVE USE OF Societe Generale

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**CONFIDENTIAL INFORMATION MEMORANDUM**

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**CAPSTONE VOL (OFFSHORE) LIMITED**

*(A Cayman Islands Exempted Company)*

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**Redeemable Participating Shares**

**Minimum Investment U.S. \$1,000,000**

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**CAPSTONE INVESTMENT ADVISORS, LLC**

**Investment Manager**

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**October 2013**

**PURSUANT TO AN EXEMPTION FROM THE U.S. COMMODITY FUTURES TRADING COMMISSION (THE “CFTC”) IN CONNECTION WITH POOLS WHOSE PARTICIPANTS ARE LIMITED TO QUALIFIED ELIGIBLE PERSONS, AN OFFERING MEMORANDUM FOR THIS POOL IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE CFTC. THE CFTC DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A POOL OR UPON THE ADEQUACY OR ACCURACY OF AN OFFERING MEMORANDUM. CONSEQUENTLY, THE CFTC HAS NOT REVIEWED OR APPROVED THIS OFFERING OR ANY OFFERING MEMORANDUM FOR THIS POOL.**

## GENERAL NOTICES

This Confidential Information Memorandum (the “Memorandum”) is intended solely for the use of the person to whom it has been delivered for the purpose of enabling the recipient to evaluate an investment in Capstone Vol (Offshore) Limited (the “Fund”), and it is not to be reproduced or distributed to any other persons (except to a prospective investor’s professional advisors). This Memorandum constitutes an offer only if the name of an offeree appears in the appropriate space provided on the cover page hereof and only if delivery of this Memorandum is properly authorized by the Fund.

Prospective investors should not construe the contents of this Memorandum as legal, tax or financial advice. Each prospective investor must consult its own professional advisors as to the legal, tax, financial or other matters which may be relevant to the suitability and propriety of an investment in the Fund for such investor.

No person is authorized to make any representations concerning the Fund other than those contained in this Memorandum.

Neither this Memorandum nor the shares described herein (the “Shares”) have been qualified for offer, sale or distribution under the laws of any jurisdiction governing the offer or sale of Shares or other securities, and this Memorandum shall not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of such Shares in any jurisdiction in which such offer, solicitation or sale is not authorized or to any person to whom it is unlawful to make such offer, solicitation or sale.

**THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OF THE SHARES TO ANY MEMBER OF THE PUBLIC OF THE CAYMAN ISLANDS.**

No regulatory agency has passed upon the merits of investing in the Shares or upon the adequacy or accuracy of this Memorandum.

The Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “1933 Act”), or the securities laws of any of the states of the United States, and the Fund has not been and will not be registered under the U.S. Investment Company Act of 1940 (the “Investment Company Act”). Direct or indirect acquisition or ownership of Shares by “United States Persons” (as defined in this Memorandum) without compliance with applicable United States securities laws or in contravention of the relevant provisions of the constituent documents of the Fund is prohibited.

All monetary amounts set forth herein are expressed in U.S. Dollars unless otherwise indicated.

No application has been made for the Shares to be listed on any stock exchange, although the Fund reserves the right to do so in the future. Even if the Shares became listed, the Directors of the Fund (the “Directors”), whose names appear in the “Directory”, do not expect that an active secondary market will develop for the Shares.

This Memorandum summarizes certain provisions of the Memorandum and Articles of Association, the Subscription Agreement, the Investment Management Agreement and other transactions and documents. The summaries do not purport to be complete and (whether or not so stated herein) are subject to, are qualified in their entirety by reference to, and incorporate by reference, the provisions of the actual documents (including definitions of terms), except where any such document incorporates this Memorandum by reference, in which case the terms of this Memorandum shall govern. Copies of the

Memorandum and Articles of Association and the Investment Management Agreement are available on request from the Fund and the Investment Manager (as defined below).

This Memorandum contains forward-looking statements, which can be identified by words like “anticipate”, “believe”, “plan”, “hope”, “goal”, “initiative”, “expect”, “future”, “intend”, “will”, “could” and “should” and by similar expressions. Other information herein, including any estimated, targeted or assumed information, may also be deemed to be, or to contain, forward-looking statements. Prospective investors should not place undue reliance on forward-looking statements. Actual results could differ materially from those referred in forward-looking statements for many reasons, including the risks described in the section entitled “CERTAIN RISK FACTORS”. Forward-looking statements are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying any forward-looking statements will not materialize or will vary significantly from actual results. Variations of assumptions and results may be material.

Without limiting the generality of the foregoing, the inclusion of forward-looking statements herein should not be regarded as a representation by any of the Fund, the Investment Manager, the Intermediate Fund Manager (as defined below), any Selling Agent with respect to the Shares or any of their respective affiliates or any other person of the results that will actually be achieved by the Fund or the Shares. None of the foregoing persons has any obligation to update or otherwise revise any forward-looking statements, including any revision to reflect changes in any circumstances arising after the date hereof relating to any assumptions or otherwise.

This Memorandum is accurate as of its date, and no representation or warranty is made as to its continued accuracy after such date. None of the Fund or any of its authorized representatives has any obligation to update this Memorandum at any time in the future. Information contained in this Memorandum is subject to modification, supplementation and amendment at any time and from time to time.

Except as otherwise specified herein or as the context may otherwise require: (i) capitalized terms used in this Memorandum have the respective meanings assigned them herein for all purposes of this Memorandum, and the definitions of such terms are equally applicable both to the singular and plural forms of such terms and to the masculine, feminine and neuter genders of such terms; (ii) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Memorandum as a whole (including any attachments hereto) and not to any particular section or other subdivision; (iii) the word “including” and correlative words shall be deemed to be followed by the phrase “without limitation” unless actually followed by such phrase or a phrase of like import; (iv) unless used in conjunction with the word “either”, the word “or” is always used inclusively herein (for example, the phrase “a or b” means “a or b or both”, not “either a or b but not both”); (v) references to a person include references to such person’s successors and assigns; (vi) all determinations, including calculations, conclusions, judgments, elections and decisions made by the Investment Manager shall be final and conclusive; (vii) references to an agreement or other document are to it as amended, supplemented, restated and otherwise modified from time to time and to any successor document; (viii) references to a statute, regulation or other government rule are to it as amended from time to time and, as applicable, are to corresponding provisions of successor governmental rules; (ix) the word “discretion”, where used to refer to the discretion of the Investment Manager, shall be deemed to be preceded by the phrase “sole and absolute” unless actually preceded by such phrase or a phrase of like import; and (x) the terms “purchase” or “sale” and similar expressions include any form of participation or transfer of such participation rights, respectively.

As the Fund conducts all of its investing and trading activities through and invests all of its investable assets (indirectly through the Intermediate Fund) in the Master Fund, references to the term

“Master Fund” as used in this Memorandum in the context of the Master Fund’s portfolio, investment program and related risks should be understood to mean the Master Fund, any other vehicle through which the Master Fund makes investments or enters into transactions, and, indirectly through their investments in the Master Fund, the Intermediate Fund and the Fund. References to the Investment Manager and its investment strategy and operations refer to Capstone Investment Advisors, LLC, as investment manager of the Fund, the Master Fund, Capstone Onshore (as defined herein) and the Intermediate Fund, as applicable, and its roles in connection with each respectively, unless the context suggests otherwise. References to the Intermediate Fund Manager and its investment strategy and operations refer to Capstone Fund Services, LLC, as manager of the Intermediate Fund.

Notwithstanding anything to the contrary in this Memorandum, each investor (and each employee, representative or other agent of such investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of (i) the Fund, the Intermediate Fund and the Master Fund and (ii) any of the Fund’s, the Intermediate Fund’s or the Master Fund’s transactions, and all materials of any kind (including opinions or other tax analyses) that are provided to such investor relating to such tax treatment and tax structure, it being understood that “tax treatment” and “tax structure” do not include the name or the identifying information of (i) the Fund, the Intermediate Fund or the Master Fund, or (ii) the parties to a transaction.

***An investment in the Fund involves significant risks. There can be no assurance that the Fund will be able to realize its objectives or avoid substantial or total losses. An investment in the Fund also is speculative and should not be considered by investors who cannot afford the total loss of their investments. Prospective investors are referred to the section entitled “CERTAIN RISK FACTORS”.***

## **U.S. FEDERAL SECURITIES LAW NOTICES**

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE FUND AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED, APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE “SEC”), ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY. NONE OF THE FOREGOING AUTHORITIES HAVE PASSED UPON, OR ENDORSED THE MERITS OF, THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THE SHARES HAVE NOT BEEN REGISTERED WITH THE SEC UNDER THE 1933 ACT, OR UNDER THE SECURITIES LAWS OF ANY STATES, AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND SUCH STATE LAWS. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE 1933 ACT AND SUCH APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREUNDER. INVESTORS MUST EXPECT TO BE REQUIRED TO RETAIN OWNERSHIP OF THE SECURITIES AND BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD.**

## **ADDITIONAL CFTC NOTICE**

**YOU SHOULD ALSO BE AWARE THAT THIS COMMODITY POOL MAY TRADE FOREIGN FUTURES OR OPTIONS CONTRACTS. TRANSACTIONS ON MARKETS LOCATED OUTSIDE THE UNITED STATES, INCLUDING MARKETS FORMALLY LINKED TO A UNITED STATES MARKET, MAY BE SUBJECT TO REGULATIONS WHICH OFFER DIFFERENT OR DIMINISHED PROTECTION TO THE POOL AND ITS PARTICIPANTS. FURTHER, UNITED STATES REGULATORY AUTHORITIES MAY BE UNABLE TO COMPEL THE ENFORCEMENT OF THE RULES OF REGULATORY AUTHORITIES OR MARKETS IN NON-UNITED STATES JURISDICTIONS WHERE TRANSACTIONS FOR THE POOL MAY BE EFFECTED.**

# CAPSTONE VOL (OFFSHORE) LIMITED

## TABLE OF CONTENTS

	Page
GENERAL NOTICES .....	i
SUMMARY OF THE OFFERING.....	1
DIRECTORY .....	20
INVESTMENT OBJECTIVE AND STRATEGY .....	22
Objective .....	22
Investment Strategy .....	22
Quantitative Tools.....	23
Evolving and New Strategies and Allocations.....	23
Risk Management .....	24
Credit Risk .....	24
Leverage.....	25
Cash Management.....	25
MANAGEMENT OF THE FUND .....	25
Board of Directors.....	25
The Investment Manager .....	28
Management of the Fund .....	28
UK Advisor.....	29
Intermediate Fund Manager .....	29
Disciplinary Disclosures .....	29
The Investment Management Agreement .....	30
Other Activities of the Investment Manager, its Principals and Affiliates .....	30
Trading Error Policy .....	30
Proxy Voting Policy.....	31
THE ADMINISTRATOR.....	31
CUSTODIAL AND BROKERAGE ARRANGEMENTS .....	32
General.....	32
Prime Brokers .....	32
Executing Brokers.....	33
Soft Dollars .....	33
CERTAIN RISK FACTORS .....	33
Strategy Risks .....	33
Risks Relating to Certain Investment Instruments.....	36
Other Strategy Risks .....	39
Systemic Risks.....	42
Operating Risks.....	43
Regulatory Risks.....	47
POTENTIAL CONFLICTS OF INTEREST .....	51
Conflicts Generally .....	51
Material Non-Public Information .....	51

Other Clients and Investment Activities of the Investment Manager and Its Affiliates .....	51
Brokerage Commissions .....	52
Related Party Transactions .....	53
The Intermediate Fund Manager’s Performance Allocation.....	53
Asset Valuation.....	53
NET ASSET VALUATION .....	54
SHARES .....	55
Share Capital.....	55
New Issues .....	56
Voting Rights.....	57
Non-Voting Shares.....	57
Class Rights .....	57
Registration of Shares.....	58
Stock Exchange Listing .....	58
SUBSCRIPTIONS AND INVESTMENT REQUIREMENTS .....	58
Subscription Terms.....	58
Eligible Investors .....	59
Compliance with Anti-Money Laundering laws.....	59
ADDITIONAL INFORMATION RELATING TO LIQUIDITY .....	62
Compulsory Redemptions.....	62
Suspension of the Determination of Net Asset Value and Redemption Rights .....	62
Transfers .....	63
TAX ASPECTS .....	63
ERISA CONSIDERATIONS .....	70
General.....	70
Plan Assets Defined .....	71
Plan Asset Consequences.....	72
Limitation on Investments by Benefit Plan Investors.....	72
Representations by Plans .....	73
ERISA Plans and Individual Retirement Funds Having Prior Relationships with the Investment Manager or its Affiliates.....	73
Eligible Indirect Compensation .....	73
Future Regulations and Rulings.....	74
CAYMAN ISLANDS MUTUAL FUNDS LAW.....	74
ADDITIONAL INFORMATION .....	75
Books and Records; Reports to Shareholders .....	75
Legal Counsel .....	75
Access to Information.....	76
Inquiries .....	76
REGULATION S DEFINITION OF U.S. PERSON.....	1

## **Annexes and Exhibits**

Annex 1 – Definition of “United States Person” .....	Annex 1-1
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## CAPSTONE VOL (OFFSHORE) LIMITED

### SUMMARY OF THE OFFERING

*The information set out below should be read in conjunction with the full text of this Memorandum and is qualified in its entirety by the remainder of this Memorandum, the Memorandum and Articles of Association of the Fund and the agreements, documents, statutes and regulations noted herein.*

#### The Fund

##### **The Fund**

Capstone Vol (Offshore) Limited (the “Fund”) is a Cayman Islands exempted company that was incorporated on March 8, 2007 to operate as a private investment fund primarily for the benefit of non-U.S. persons and certain tax-exempt U.S. investors. The Fund commenced investment operations on or about August 1, 2007. The Fund’s Shares (as defined below) are not listed on any stock exchange.

##### **The Intermediate Fund**

Capstone Volatility Intermediate (Cayman) Limited (the “Intermediate Fund”) is a Cayman Islands exempted company that was incorporated on December 12, 2007. The Intermediate Fund is not required to register with the Cayman Islands Monetary Authority (“Monetary Authority”) and, accordingly, it is not regulated thereby. The Intermediate Fund commenced investment operations effective on or about January 1, 2008.

The Fund intends to invest all of its investable assets in the Intermediate Fund. The sole shareholders of the Intermediate Fund are currently the Fund and Capstone Fund Services, LLC, the manager of the Intermediate Fund (the “Intermediate Fund Manager”) which is an affiliate of the Investment Manager (as defined below). Other investment vehicles managed by the Investment Manager or its affiliates may invest in the Intermediate Fund in the future. In its capacity as the manager of the Intermediate Fund, the Intermediate Fund Manager will have overall responsibility for the general investment objectives and strategies of the Intermediate Fund. The Intermediate Fund Manager will hold the Class M Shares of the Intermediate Fund through which the Intermediate Fund Manager will receive the Performance Allocation (as defined below). The Intermediate Fund intends to invest all of its investable assets in the Master Fund (as defined below).

##### **The Master Fund**

Capstone Volatility Master (Cayman) Limited (the “Master Fund”) is a Cayman Islands exempted company that was incorporated on March 8, 2007. The Master Fund commenced investment operations on or about June 25, 2007.

The Master Fund serves as the master fund in a “master-feeder” structure. The Intermediate Fund and Capstone Vol (US), LP, a



Delaware limited partnership (“Capstone Onshore”) are currently the sole shareholders of the Master Fund and will invest all of their investable assets in the Master Fund. In this master-feeder structure, the Fund (through its investment in the Intermediate Fund) serves as the offshore feeder fund, and Capstone Onshore serves as the U.S. feeder fund for the benefit of taxable U.S. investors. Other investment vehicles managed by the Investment Manager or its affiliates may invest in the Master Fund in the future (together with Capstone Onshore, the “Other Feeder Funds”).

As the Fund conducts all of its investing and trading activities and invests all of its investable assets (indirectly through the Intermediate Fund) in the Master Fund, references to the term “Master Fund” as used in this Memorandum in the context of the Master Fund’s portfolio, investment program and related risks should be understood to mean the Master Fund, any other vehicle through which the Master Fund makes investments or enters into transactions, and, indirectly through their investments in the Master Fund, the Intermediate Fund and the Fund. References to the Investment Manager and its investment strategy and operations refer to Capstone Investment Advisors, LLC, as investment manager of the Fund, the Master Fund, Capstone Onshore (as defined herein) and the Intermediate Fund, as applicable, and its roles in connection with each respectively, unless the context suggests otherwise. References to the Investment Manager and its investment strategy and operations refer to Capstone Investment Advisors, LLC, as Investment Manager of the Fund, the Master Fund, Capstone Onshore and the Intermediate Fund, as applicable, and Capstone Fund Services, LLC, as Intermediate Fund Manager of the Intermediate Fund, and their roles in connection with each respectively, unless the context suggests otherwise.

### **Investment Objective and Strategy**

The primary objective of the Fund is to achieve long term capital appreciation that is uncorrelated or negatively correlated with global equity markets. The Fund seeks to achieve its investment objective by investing all of its investable assets in the Intermediate Fund, which in turn invests all of its investable assets in the Master Fund, which shares their investment objective.

The Master Fund attempts to achieve its investment objective primarily through a combination of Risk-On and Risk-Off strategies, as well as other investment strategies that the Investment Manager believes are complementary to its overall portfolio construction. The Master Fund seeks its trading opportunities primarily in U.S. markets, and secondarily in European and Asian markets. Currently the focus of the Master Fund’s volatility arbitrage strategy is in the equity, fixed income,

commodities, credit and foreign exchange markets. It may also pursue volatility arbitrage opportunities outside of such markets and its focus may move to any such other markets away from the markets listed above. The Investment Manager also undertakes non-volatility based strategies, including statistical arbitrage, spread trading, corporate bonds and event-driven strategies. The Investment Manager may add additional related strategies or modify existing strategies, as it sees fit.

Certain strategies in which the Master Fund engages may be leveraged. Such leverage increases the potential for higher profits as well as greater losses, expressed as a percentage of the Net Asset Value (as defined below) of the Master Fund. The Fund and the Master Fund may also borrow to pay for operating expenses.

While the Master Fund seeks its trading opportunities primarily in the U.S. markets and secondarily in the European and Asian markets, it may also pursue trading opportunities outside of such markets and its focus may move to any such other markets away from the markets listed above.

See “INVESTMENT OBJECTIVE AND STRATEGY” for more information regarding the objectives and strategies of the Master Fund.

There can be no assurance that the Master Fund will be able to realize its objectives or avoid substantial or total losses. See “CERTAIN RISK FACTORS.”

#### **The Investment Manager and the UK Advisor**

The Fund (acting through its Board of Directors (the “Board of Directors” or the “Directors”)) has appointed Capstone Investment Advisors, LLC (the “Investment Manager” and together with the UK Advisor (as defined below) or each individually as the context may require, “Capstone”) to be responsible for all aspects of the Fund’s investment management activities. The Investment Manager is a Delaware limited liability company formed on March 8, 2007. Paul Britton is the Investment Manager’s Chief Executive Officer and in that capacity is the principal person responsible for the Investment Manager’s trading, risk management and operations. The Investment Manager is also the investment manager of the Master Fund, the Intermediate Fund and Capstone Onshore.

One or more private equity funds managed by NB Dyal Advisors LLC (“Dyal”) holds a passive, non-voting, minority equity interest in the Investment Manager and the Intermediate Fund Manager. Dyal is ultimately controlled by Neuberger Berman. Dyal has no control over the investment process or day-to-day operations of the Investment Manager, the

Intermediate Fund Manager, the Fund, the Intermediate Fund or the Master Fund, but has certain information rights and consent rights relating to actions by the Investment Manager and the Intermediate Fund Manager.

Capstone Investment Advisors (UK), LLP (the “UK Advisor”), a limited liability partnership incorporated under the laws of England and Wales on July 27, 2007, is authorized and regulated by the U.K. Financial Conduct Authority. The UK Advisor has been appointed under the First Amended and Restated Investment Management Agreement between the Master Fund and the UK Advisor dated March 1, 2009 and has responsibility for the investment and reinvestment of a portion the assets of the Master Fund, subject to the overall supervision of the board of directors of the Master Fund. The UK Advisor is compensated by the Investment Manager and, accordingly, the Master Fund is not charged separate fees and is not subject to separate allocations as a result of the UK Advisor’s advisory services.

The Intermediate Fund Manager and/or certain of the Investment Manager’s principals or affiliates have made an investment in Capstone Onshore or the Fund, including as part of Capstone’s compensation deferral program. However, except as required by the deferral program, no such person is obligated to maintain any such investment, and any such person may withdraw any such investment at any time without notice to Shareholders (as defined below). Such investments are subject to different terms (including with respect to fees and redemption rights) than offered to investors generally (see “—Variance of Investment Terms”, below).

The Investment Manager’s offices are located at 7 World Trade Center, 250 Greenwich Street, 30<sup>th</sup> Floor, New York, New York 10007, U.S.A.; telephone number: (212) 232-1420; facsimile number: (212) 232-1421. See “MANAGEMENT OF THE FUND”.

## **Past Performance**

The Fund commenced investment operations on or about August 1, 2007. The performance history of the Fund is available upon request. *Past performance is not necessarily indicative of future results.*

## **Administration**

Northern Trust Global Fund Services Cayman Limited (the “Administrator”), a Cayman Islands company, is responsible for the administrative functions of the Fund, and in that capacity acts as the Fund’s registrar and transfer agent and is responsible for communicating with Shareholders. The Investment Manager may select a different administrator in the future without the consent of the Shareholders. The Administrator will perform similar services for the Intermediate Fund and the Master Fund.

**Prime Brokers**

Goldman Sachs Execution & Clearing, L.P., Goldman Sachs International, Deutsche Bank Securities Inc. and Barclays Capital Inc., and/or certain of their respective affiliates, serve as the Master Fund's prime brokers (collectively, the "Prime Brokers"). The Investment Manager may select additional or different prime brokers in the future without the consent of the Shareholders. The Master Fund's cash and securities will be held at the Prime Brokers and such other broker/dealers, banks or other financial institutions selected by the Investment Manager. Certain of the Master Fund's Prime Brokers or other Master Fund brokers and/or affiliates thereof may also be significant derivatives counterparties to the Master Fund.

**Board of Directors**

The Fund has a Board of Directors, which is comprised of three members, two of whom are unaffiliated with the Investment Manager (the "Independent Directors"). The Board of Directors generally supervises the operations of the Fund and meets semi-annually, and otherwise as required, to review the performance of the Fund.

The current Directors are Paul Britton, Ebony Myles-Berry and Geoff Ruddick. These three persons also serve as Directors of the Intermediate Fund and the Master Fund. The terms "Directors", "Board of Directors" and related terms are used in this Memorandum with respect to the Fund, the Intermediate Fund and the Master Fund and should be interpreted as the context requires.

**The Offering; the Shares****Eligible Investors**

Redeemable participating shares in the Fund (the "Shares") may be purchased only by eligible investors that satisfy the requirements set forth in the relevant subscription agreement (each, a "Subscription Agreement"). Investors that purchase Shares will become shareholders ("Shareholders") in the Fund. With the exception of qualified U.S. tax-exempt organizations, subscriptions are not accepted from "United States Persons" (as defined in Annex 1 to this Memorandum). In lieu of an investment in the Fund, a United States Person who is not exempt from U.S. federal income taxation may want to consider and should consult with the Investment Manager regarding an investment in Capstone Onshore.

The Fund is a suitable investment only for a limited portion of the risk segment of an investor's portfolio. See "SUBSCRIPTIONS AND INVESTMENT REQUIREMENTS – Eligible Investors".

**ERISA**

Entities subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), may purchase Shares. Investment in Shares by entities subject to ERISA

requires special consideration. Trustees or administrators of such entities are urged to carefully review the matters discussed in this Memorandum. The Fund will not limit investments by “benefit plan investors”, as defined in Section 3(42) of ERISA and any regulations promulgated thereunder (“Benefit Plan Investors”) except to the extent that such investments would cause the assets of the Master Fund to be treated as “plan assets” (as defined in Section 3(42) of ERISA and any regulations promulgated thereunder). Accordingly, the Fund will limit the participation of Benefit Plan Investors to the extent necessary to ensure that Benefit Plan Investors in the aggregate will own less than 25% (or such greater percentage as may be provided in regulations promulgated by the U.S. Department of Labor (the “DOL”) of the value of each class of equity interests in the Master Fund. (See “ERISA CONSIDERATIONS”).)

### **Suitability**

The Shares are a speculative, specialized, leveraged investment involving substantial risk of loss. The Fund concentrates on volatility trading primarily in U.S., and secondarily in European and Asian markets, but may also invest outside those markets. This is a highly specialized market sector in which option trading is a primary component. The options markets are generally significantly less liquid than markets in the assets underlying the options. In addition, many of the Fund’s other non-option based investments and strategies are sophisticated and complex and may in certain conditions be illiquid. Each prospective investor, either individually or together with its advisors, must have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Fund.

### **Minimum Investment**

Each investor must subscribe for a minimum investment of \$1,000,000, subject to the Fund’s discretion to accept smaller subscriptions; provided always that the Fund shall not accept an initial investment of less than \$100,000. Additional subscriptions may be made in increments of \$1,000,000, subject to the Fund’s discretion to accept smaller increments.

### **Plan of Distribution; Classes of Shares**

Investments in the Fund are made through the purchase of Shares of the Fund (par value \$0.01 each). Shares are offered as of the first Business Day (as defined below) of each calendar month and at such other times as the Directors may determine in their sole discretion (each, a “Dealing Day”). Shares will be offered in series at a purchase price of \$1,000 per Share.

The Shares offered pursuant to this Memorandum are of the following classes (each a “Class”) (i) the “Class A Shares” and the “Class B Shares” (together, the “Quarterly Shares”). Class A Shares will be issued only to investors that are “unrestricted” for New Issues (as defined herein) purposes. The Class B Shares will be issued to investors that are “restricted” for New Issues

purposes. Except for allocation of profits and losses from participation in New Issues, the terms of each class of Shares offered hereunder are substantially identical. See “—New Issues” below. The Fund has previously offered “Class D Shares” and Class E Shares” (together, the “Monthly Shares”), but such Monthly Shares are no longer available for subscription. Class C Shares are held by a strategic investor and are not being offered pursuant to this Memorandum (See “—Variance of Investment Terms”).

Applications for Shares together with subscription monies in full in readily available funds, must be received by the Administrator no less than three Business Days prior to the applicable Dealing Day (or such shorter period as is determined by the Directors in general or in any particular case). A “Business Day” is any day in which banks in New York, New York and the Cayman Islands are authorized to open for business or such other day classified as a Business Day according to criteria adopted by the Directors, from time to time. The Fund may partially or completely accept or reject any subscription in its sole discretion. See “SUBSCRIPTIONS AND INVESTMENT REQUIREMENTS”.

### **Selling Arrangements**

The Fund offers Shares directly and may from time to time engage appropriately registered third-party selling agents (“Selling Agents”) to assist in the offering of Shares on an exclusive or non-exclusive basis. Such Selling Agents may charge a Shareholder a fully disclosed one-time or ongoing sales charge, with such Shareholder’s consent. Any such sales charge may be paid separately by such Shareholder to the Selling Agent. Investors who do not make their subscription to the Fund through Selling Agents will not be subject to any such sales charge.

Alternatively, the Investment Manager and the Intermediate Fund Manager may share a portion of the Management Fee (as defined below) and/or the Performance Allocation (as defined below), as applicable, with a Selling Agent in return for such Selling Agent’s services to the Fund. In no event will any sales charges be payable for the benefit of the Fund, the Investment Manager or the Intermediate Fund Manager.

### **New Issues**

The Master Fund may invest in “new issues,” as defined in Rule 5130 of the Financial Industry Regulatory Authority. See “SHARES—New Issues” for more detailed information.

### **Series of Shares**

On each relevant Dealing Day, the Fund will issue a different series of Shares of each Class (each, a “Series”), each of which will be accounted for separately from other previously issued Series of Shares of such Class. Each Series will generally invest in a corresponding series of the Intermediate Fund. Separate Series are issued generally for the purpose of permitting



Performance Allocations to be calculated separately with respect to the returns on shares of the Intermediate Fund issued at different times. See “SHARES”. The structure of the Intermediate Fund will generally parallel the structure of the Fund, establishing a series of shares to correspond to each Series of Shares in the Fund.

Shares of any issued and outstanding Series of a Class (other than the initial Series issued in respect of such Class) will generally be redesignated and converted by way of compulsory redemption and reissue into Shares of the oldest Series of such Class for which a Performance Allocation has been made in respect of the relevant series in the Intermediate Fund. Such redesignation will be made after the payment of any Management Fee and the allocation of the Performance Allocation at the end of such period as the Directors may determine (generally expected to be at the end of each calendar quarter) at the prevailing Share NAV (as defined below) of the oldest Series of such Class for which a Performance Allocation has been made in respect of the relevant series of the Intermediate Fund. No compulsory redemption of Shares pursuant to this paragraph shall require prior notice in writing to be given to Shareholders. Corresponding conversions of series of shares will generally occur at the Intermediate Fund level as well.

## **Risks and Potential Conflicts of Interest**

An investment in the Fund involves significant risks and potential conflicts of interest. These are discussed in further detail in the sections entitled “CERTAIN RISK FACTORS” and “CONFLICTS OF INTEREST”.

## **Allocations, Fees, Costs and Expenses**

### **Performance Allocation**

Pursuant to the Articles of Association of the Intermediate Fund (the “Intermediate Fund Articles”) and resolutions adopted by the Directors of the Intermediate Fund (the “Intermediate Fund Resolutions”), at the close of each calendar quarter, the Class M Shares of the Intermediate Fund held by the Intermediate Fund Manager will be credited with a performance allocation (the “Performance Allocation”), debited from the net asset value of each share of the Intermediate Fund, equal to 20% of any New Appreciation (as defined below) achieved by such share during each calendar quarter.

The Performance Allocation being made with respect to shares at the Intermediate Fund level will have the effect of reducing the Share NAV of each corresponding Share in the Fund but will not reduce the amount of Appreciation (as defined below) for purposes of calculating future Performance Allocations (*i.e.* the

amount of past Performance Allocations does not need to be recovered before future Performance Allocations are made).

The Performance Allocation is also calculated (and credited to the Class M Shares) as of the date of redemption of any shares of the Intermediate Fund redeemed to fund the redemption of corresponding Shares in the Fund.

“Appreciation” includes all forms of realized and unrealized gains, as well as interest income, and is reduced by all realized and unrealized losses (including losses at the Master Fund level due to the payment of Master Fund expenses and including the Management Fee paid or accrued at the Fund level), Intermediate Fund liabilities and expenses, including extraordinary expenses and reserves, paid or accrued with respect to each share. The Performance Allocation itself does not reduce Appreciation. Liabilities and expenses, including extraordinary expenses and reserves, paid or accrued by the Fund with respect to a Series will be attributed for purposes of determining the Performance Allocation to the corresponding series of shares of the Intermediate Fund.

“New Appreciation” is only recognized with respect to a Share to the extent that cumulative Appreciation exceeds the highest level of cumulative Appreciation as of the end of any prior calendar quarter, or \$0, if higher (the “High Water Mark”). New Appreciation is calculated separately with respect to each share of each series of shares of the Intermediate Fund (*i.e.*, separately with respect to investments that are made on different Dealing Days). Consequently, shares of different series within a class in the Intermediate Fund will have different High Water Marks and different Share NAVs.

If any Shares are redeemed or a distribution is made when the corresponding Intermediate Fund shares’ cumulative Appreciation is below the High Water Mark, cumulative Appreciation and the High Water Mark will be reduced for purposes of calculating whether New Appreciation has subsequently been achieved with respect to the shares remaining in the Intermediate Fund series that was subject to the redemption or distribution in the following manner: cumulative Appreciation and the High Water Mark will each be multiplied by a fraction, (i) the numerator of which is the value of the Shares of such Series outstanding immediately after such redemption or distribution and (ii) the denominator of which is the value of the Shares of such Series outstanding immediately prior to such redemption or distribution.

All computations of the Performance Allocations will be determined separately on each series of shares of the Intermediate Fund. Therefore, Shareholders who have



subscribed for Shares at different times may be assessed a Performance Allocation on certain but not all of their corresponding shares of the Intermediate Fund, notwithstanding the fact that their corresponding Intermediate Fund shares, in the aggregate, have experienced losses.

Performance Allocations, once made, will be retained in the investment account of the Class M Shares and, will not be re-allocated to the applicable Intermediate Fund series if such Intermediate Fund series experiences future losses. This could result in substantial Performance Allocations being made to the Class M Shares (and then distributed to the Intermediate Fund Manager) despite the fact that a decline in Share NAV has occurred. Performance Allocations are assessed with regard not only to realized profits, but unrealized profits as well.

Pursuant to the Intermediate Fund Articles and the Intermediate Fund Resolutions, the Intermediate Fund Manager may receive amounts previously allocated to it through the Performance Allocation by way of a cash dividend from time to time.

*The Performance Allocation distributable to the Intermediate Fund Manager, an affiliate of the Investment Manager, may give the Investment Manager an incentive to invest in a more risky or speculative manner than otherwise would be the case or may give the Investment Manager the incentive to cause the assets of the Intermediate Fund to be valued in a way that increases the Performance Allocation. The Intermediate Fund Manager may receive increased compensation on the basis of unrealized appreciation as well as realized gains in the Intermediate Fund's account.*

## **Management Fee**

The Investment Manager is entitled to receive a monthly management fee (the "Management Fee") from the Fund equal to 0.1667% (approximately 2.0% per annum) of the month-end Share NAV of each Share after reduction for all other fees and expenses for the month (other than the current month's Management Fees and the Net Asset Value reduction corresponding to Performance Allocations made or accrued at the Intermediate Fund level or ongoing selling commissions, if any). The Management Fee is paid in arrears as of the end of each calendar month. The Management Fee is paid whether or not the Fund is profitable in a given month. If a Shareholder redeems Shares on a date other than on a Redemption Date (as defined below), the Management Fee for such partial month will be pro-rated.

The Management Fee will be paid at the Fund level, unless the Investment Manager determines in its sole discretion that it is administratively convenient to pay the Management Fee at the Intermediate Fund or the Fund level. To the extent the

Management Fee is charged at the Master Fund or Intermediate Fund level, it will not be charged at the Fund level. The Investment Manager may, in its discretion, reduce or waive any Management Fees at any time for any Shareholder.

### **Investment and Operating Costs**

In addition to the Management Fee payable to the Investment Manager and the Performance Allocation allocable to the Intermediate Fund Manager, the Fund bears expenses incurred directly or indirectly by the Fund in connection with its investments, operations and administration. These expenses include the Fund's *pro rata* share of expenses incurred by the Master Fund, the expenses incurred by the Intermediate Fund and its *pro rata* share of expenses incurred by the Investment Manager and its affiliates for goods and services that benefit the Fund or are related to the Fund's investments, operation and administration, in each of the foregoing cases as determined by Capstone in its discretion.

Without limiting the generality of the foregoing, expenses include (i) clearing and executing broker fees, (ii) data feed and market data costs (and related software and hardware expenses), (iii) trading, research, risk management and operations costs (and related software and hardware expenses), (iv) exchange membership expenses, (v) interest expenses, (vi) stock loan expenses, (vii) regulatory and self-regulatory fees, (viii) other transactional charges, (ix) expenses relating to cash management, (x) expenses relating to the continuing offering of Shares, including the cost of producing and distributing offering memoranda and other marketing materials, expenses paid to third-party vendors and travel expenses (xi) legal, compliance, Independent Director expenses, audit, accounting, tax and custodial fees and expenses, including fees and expenses related to the Investment Manager's compliance with its reporting requirements with respect to the Fund, (xii) fees and expenses of the Administrator and the costs of printing and distributing periodic and annual reports and statements, and (xiii) fees and expenses of the consultants engaged by the Fund, the Master Fund or the Intermediate Fund or by the Investment Manager for their benefit. Each Shareholder will generally be responsible for its *pro rata* share of such expenses. As used herein, "expenses" includes fees, except where the context otherwise clearly requires. Commencing January 1, 2014, the Investment Manager or its affiliates will employ certain individuals that previously served as external consultants to the Investment Manager with respect to information technology matters relating to the Fund. The *pro rata* costs of the salary, bonuses and benefits payable by the Investment Manager or its affiliates to these individuals relating to the work done for the benefit of the Funds will be borne by the Fund following such date.

To the extent that any expense is incurred for both the Fund and any of the Investment Manager's other client accounts, the Investment Manager generally will allocate such expenses to the Fund and such other accounts on a *pro rata* basis based on the relative net asset values of the various accounts (or in the case of Capstone's tail hedging strategies, the annual premium spend of such account), as determined by the Investment Manager in its discretion. In certain circumstances, the Investment Manager may make such allocations on another basis deemed equitable by the Investment Manager.

The Investment Manager pays for its overhead and administrative expenses. Such overhead and administrative expenses do not include any of the expenses described above. The Investment Manager is entitled to reimbursement from the Fund for expenses that the Investment Manager pays out of pocket on behalf of, or for the benefit of, the Fund.

### **Organizational and Offering Costs**

The Fund paid all of its organizational and initial offering costs and expenses and its allocable portion of the Master Fund's and Intermediate Fund's organizational expenses, and has fully amortized these expenses as of the date of this Memorandum. Ongoing offering expenses, which include the cost of updating this Memorandum, are generally paid by the Fund as incurred and may be amortized from the date when incurred, or expensed to one or more Classes or Series of Shares, as the Fund determines equitable.

### **Liquidity and Limitations Thereon**

### **General Redemption Rights**

Subject to the limitations described below, holders of Quarterly Shares will be permitted to redeem their Quarterly Shares on the last Business Day of each calendar quarter and at such other times as the Directors may determine in their sole discretion (each, a "Quarterly Redemption Date" or "Redemption Date"). Holders of Quarterly Shares must request the redemption of their Quarterly Shares on no fewer than 60 calendar days' prior written notice to the Administrator, or on such other dates or upon such shorter notice as may be permitted by the Directors.

Holders of existing Monthly Shares are generally permitted to redeem their Monthly Shares on the last Business Day of each calendar month upon at least 30 calendar days' prior written notice.

#### *Additional Redemption Right*

Notwithstanding the foregoing notice requirements, if the Class C Shareholder requests the redemption of an amount in excess of 25% of the Net Asset Value of the Master Fund as of any

Redemption Date, the Fund will provide each Shareholder with prompt notice of such redemption request. Each Shareholder will then be granted an opportunity to redeem, on the same day as the Class C Shareholder, a portion of their Shares equal to the portion of Class C Shares requested to be redeemed by the Class C Shareholder on reasonably shorter notice than the notice requirements described above. Shares redeemed pursuant to this paragraph will not be subject to any Redemption Charge. Further, Shareholders, solely in respect of their Shares being redeemed pursuant to this paragraph, will be able to exercise any additional rights that the Class C Shareholder is exercising in respect of its Class C Shares being redeemed.

### **Redemption Procedures and Limitations**

A redemption notice once made cannot be cancelled without the Directors' written consent to such cancellation. No partial redemption will be permitted if such redemption will cause the Net Asset Value of the Shareholder's remaining Shares to fall below \$1,000,000 (or, if less, the aggregate amount of the Shareholder's initial investments), unless approved by the Directors.

Notwithstanding the foregoing, Shares may only be redeemed following the one-year anniversary of the effective date of the issuance of such Shares to the Shareholder (the "Lock-Up Period"). However, subject to the other restrictions on redemptions described herein, the Directors may in their discretion determine to allow a Shareholder to redeem all or a portion of such Shares prior to the expiration of the Lock-Up Period upon payment of the applicable Redemption Charge assessed against such early redemption. The "Redemption Charge" with respect to the Quarterly Shares will be 2% of the Share NAV of each Share being redeemed.

Such Redemption Charge will be deducted from the redemption proceeds of the Shares being redeemed and will be paid to the Master Fund.

The Redemption Charge described above is intended generally to cover anticipated expenses relating to the liquidation of the Master Fund's assets required to fund the relevant redemptions, including "breakage costs". The Directors of the Fund in consultation with the Investment Manager may waive or reduce the Redemption Charge for any redeeming Shareholder to the extent that they determine in their sole discretion that the Fund will not incur such expenses or that the Fund will not otherwise be materially disadvantaged by such reduction or waiver. The Directors, however, will in no event be obligated to reduce or waive such Redemption Charge, including when there are no such expenses. Shares that are redeemed after the expiration of

the relevant Lock-Up Period will not be subject to a Redemption Charge.

With respect to multiple investments made by a single Shareholder, such multiple investments shall be analyzed on an investment-by-investment and first-in, first-out basis for determining whether the Lock-Up Period with respect to the relevant Shares has expired.

### **Gating Limitations**

Further, the Fund may (but is not required to) limit redemptions that in the aggregate, together with all other redemptions or withdrawals from any Other Feeder Funds as of any Redemption Date, exceed certain portions of the Net Asset Value of the Master Fund as applicable to the Shares, as described below.

As of each Quarterly Redemption Date, the Fund may (but is not required to) limit redemptions of Quarterly Shares that in the aggregate, together with all other redemptions or withdrawals of Other Quarterly Interests (as defined below) as of such Quarterly Redemption Date, exceed an amount equal to 20% of the sum of the Net Asset Value of the Master Fund plus the aggregate value of any direct investments (including, for purposes of clarity, any cash or cash equivalents) of the Fund, the Intermediate Fund and any Other Feeder Fund, each as of such Quarterly Redemption Date, but prior to reducing the Net Asset Value for redemptions of any Monthly Shares being redeemed as of such Quarterly Redemption Date (the “Quarterly Gating Limitation” or “Gating Limitation”). Thus, if the Fund receives redemption requests from the Shareholders and/or the Other Feeder Funds receive withdrawal or redemption requests from their respective investors (“Other Feeder Fund Investors”) as of any Quarterly Redemption Date that in the aggregate exceed the 20% amount, the Fund and the Other Feeder Funds may defer to the next Quarterly Redemption Date that amount of redemptions of Quarterly Shares and withdrawals of Other Quarterly Interests that exceed such 20% amount. The Monthly Shares are subject to a different gate provision and Monthly Shares redeemed do not in any way reduce or limit the amount of Quarterly Shares or Other Quarterly Interests Redeemed on such Quarterly Redemption Date.

“Other Quarterly Interests” shall mean interests in any Other Feeder Fund that are subject to terms that are substantially similar to the terms applicable to Quarterly Shares.

If, in the future, the Fund wishes to amend the current terms of redemption such that all Shareholders, including holders of Quarterly Shares, will be permitted to redeem Shares as of the last Business Day of each calendar month, subject to a 20% gating limitation across all such Classes of Shares and interests in any Other Feeder Funds, each Quarterly Shareholder is

deemed to have consented to such amendment (whether or not such consent is determined to be required).

### **Deferred Redemptions**

If the Fund and the Other Feeder Funds invoke a Gating Limitation, the Fund will honor all timely redemption requests on a *pro rata* basis based on each Shareholder's and Other Feeder Fund Investor's respective ownership interests, up to the applicable Gating Limitation (subject to all the other limitations and conditions applicable to such redemptions). Any deferred redemption requests will not be given priority on subsequent Redemption Dates and will be satisfied *pari passu* with new redemption requests on subsequent applicable Redemption Dates. The Gating Limitations will in no event operate to defer any redemption for more than 12 months after the first imposition of the applicable Gating Limitation in respect of the Shareholder (subject to all the other limitations and conditions applicable to such redemptions). It is intended that, in respect of the operation of the Gating Limitations, Shareholders in the Fund and the Other Feeder Fund Investors will be treated on a *pari passu* basis, without regard to the particular feeder fund into which they have invested.

### **Key-Person Event**

A "Key-Person Event" shall occur if Paul M. Britton or Joseph Lucas dies, becomes incapacitated, retires, or otherwise permanently ceases for any reason to be substantially involved in the management of the Investment Manager. The Fund will provide written notice to the Shareholders and all of the investors in the Other Feeder Funds ("Key Person Event Notice") promptly after the Investment Manager becomes aware of the occurrence of a Key-Person Event. Following such notice, the Shareholders and all of the investors in the Other Feeder Funds will have the right to redeem all or a portion of their Shares or interests in the Other Feeder Funds by submitting a redemption request no later than the 15th day following the Key Person Event Notice. Such redemption will be effective as of the last Business Day of the month falling at least thirty (30) days after such request. Shares that are redeemed pursuant to the Key-Person Event will not be subject to any Lock-Up Period or Redemption Charge but will otherwise be subject to the conditions and limitations on redemptions.

### **Redemption Payments**

Redemption payments generally will be made as soon as practicable (generally not more than 10 Business Days) after the Redemption Date, unless such redemption requires a computation that cannot be completed within such 10 Business Day period or a delay is required, in the opinion of the Investment Manager, to effectuate an orderly liquidation of portfolio holdings in a manner that is not detrimental to the Fund or the Fund's remaining Shareholders, in which event payment



will be made as soon thereafter as practicable; provided that, if a Shareholder elects to redeem 95% or more of its Shares, the Fund may hold back a portion of such Shareholder's redemption proceeds (the "Hold Back") such that 95% of its estimated redemption proceeds (computed on the basis of unaudited data) will be paid within 10 Business Days of the Redemption Date and the balance will be paid within 30 days after the completion of the Fund's year end audit. No interest will be paid on any such balance.

The Fund may make redemption payments at other times as the Directors may determine. Redemption payments generally will be made in cash in U.S. Dollars; however, the Fund reserves the right to make redemption payments in-kind. In-kind distributions may be comprised of, among other things, interests in special purpose vehicles holding investments or participations (or similar derivative instruments) in investments. Amounts redeemed will cease to participate in the profits and losses of the Fund from the effective date of their redemption, irrespective of when the redemption proceeds are paid out.

Redemption payments will not be made until a signed redemption notice has been timely received by the Administrator. In connection with a given Redemption Date, it is the Shareholder's responsibility to confirm timely receipt of the redemption notice by the Fund.

### **Compulsory Redemption**

The Fund reserves the right to compulsorily redeem all or part of the Shares of any Shareholder for any reason or for no reason at any time upon no fewer than three calendar days' prior written notice or, in certain circumstances, immediately. See "ADDITIONAL INFORMATION RELATING TO LIQUIDITY".

### **Suspension of Net Asset Valuation and Redemption Rights**

The Directors, in consultation with the Investment Manager, may in their sole discretion temporarily suspend the determination of the Net Asset Value of the Fund in certain situations, as described under "ADDITIONAL INFORMATION RELATING TO LIQUIDITY—Suspension of the Determination of Net Asset Value and Redemption Rights". The Shareholders' right to redeem their Shares or to receive redemption payments will be automatically suspended during any period in which the determination of Net Asset Value is suspended. Furthermore, the Fund will not accept subscriptions during any such suspension period.

### **Transfers**

Shareholders may not assign, transfer, exchange, sell, pledge, hypothecate or otherwise dispose of, for value, by gift or otherwise, any of their Shares or any interest therein without

written notice to and the prior written consent of the Directors, which may be withheld in their absolute discretion.

## **Dividends**

The Fund expects that it will not declare or pay any dividends. All earnings of the Fund are retained for reinvestment, subject to Shareholders' periodic redemption privilege. However, the Board of Directors, in its discretion, may declare and pay a dividend or distribution out of funds lawfully available for distribution.

## **Miscellaneous**

## **Taxation**

Based on the Fund's, the Intermediate Fund's and the Master Fund's organizational structure, anticipated methods of operation and features as described herein, the Fund, the Intermediate Fund and the Master Fund generally do not expect to be subject to U.S. federal income tax on gains from trading in securities and commodities. In addition, interest from U.S. sources earned on bank deposits and "portfolio interest" as defined under the U.S. Internal Revenue Code of 1986, as amended, are not subject to withholding for U.S. federal income tax. However, certain other income, including dividend income, certain "dividend equivalent payments" and certain other interest from U.S. sources are subject to 30% withholding.

The Fund, the Intermediate Fund and the Master Fund are exempted companies under Cayman Islands law. The Fund, the Intermediate Fund and the Master Fund have received undertakings from the Governor in Cabinet of the Cayman Islands which provide that, for a period of 20 years from the date of issue of the undertaking, no law thereafter enacted in the Cayman Islands imposing any taxes or duty to be levied on income or capital assets, gains or appreciation will apply to any income or property of the Fund, the Intermediate Fund or the Master Fund.

There can be no assurance that the U.S. or Cayman Islands tax laws will not be changed adversely with respect to the Fund, the Master Fund or their shareholders, or that the Fund's or the Master Fund's income tax status will not be successfully challenged by such authorities.

Potential shareholders should consult their own advisors regarding tax treatment by the jurisdiction applicable to them. Shareholders should rely only upon advice received from their own tax advisors based upon their own individual circumstances and the laws applicable to them. (See "TAX ASPECTS".)

## **Limited Liability**

Shareholders investing in the Fund will have limited liability and will not be responsible for liabilities of the Fund (other than



through reductions in returns on their investments and potential losses thereof).

## **Reports**

Each Shareholder will be provided with audited financial statements of the Fund by April 30<sup>th</sup> of the following year, expected to be prepared in accordance with U.S. GAAP in all material respects except as disclosed herein, after the close of each calendar year. Periodic unaudited interim reports of the Fund's results also will be provided to the Shareholders, as more fully described herein.

## **Fiscal Year; Auditors**

The fiscal year of the Fund, the Intermediate Fund and the Master Fund ends on December 31. The Fund's auditors are PricewaterhouseCoopers, Cayman Islands. The Fund's auditors may be replaced by the Fund without the consent of Shareholders. The Master Fund's auditors are PricewaterhouseCoopers, Cayman Islands and PricewaterhouseCoopers LLP.

## **Variance of Investment Terms**

The Fund may accept subscriptions for Shares from certain investors upon terms that are different than the terms the Fund generally is offering pursuant to this Memorandum. Such arrangements may be memorialized in side letters or similar written agreements with certain Shareholders. The terms varied by such arrangements may include, but are not limited to, different performance allocations, fees or expenses, redemption rights, notice provisions, capacity rights and transparency and reporting rights. Further, the Investment Manager may assign its right to receive all or any portion of its Management Fee, and the Intermediate Fund Manager may effectively assign its right to receive all or any portion of its Performance Allocation to a third party or any Shareholder.

In particular, an initial strategic investor has been granted certain special rights, including different management fees, enhanced reporting and transparency of information and, under certain circumstances, special redemption rights. Such initial strategic investor has been issued Shares of a separate Class C to facilitate such investment.

In addition, the Fund and Capstone Onshore have waived and generally intend to waive the performance allocations and fees allocated or paid to the Intermediate Fund Manager and the Investment Manager with respect to investments by principals, employees and affiliates of the Investment Manager, their family members and trusts and other entities for their benefit. The Fund and Capstone Onshore may modify certain other terms with respect to such investments.

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**AN INVESTMENT IN THE FUND IS SPECULATIVE AND INVOLVES SIGNIFICANT RISKS.**

**THERE CAN BE NO ASSURANCE THAT THE FUND WILL BE ABLE TO REALIZE ITS  
OBJECTIVES OR AVOID SUBSTANTIAL OR TOTAL LOSSES.**

**THE SHARES ARE SUITABLE ONLY FOR FINANCIALLY SOPHISTICATED INVESTORS  
THAT ARE PREPARED TO LOSE ALL OR SUBSTANTIALLY ALL OF THE CAPITAL THAT  
THEY INVEST IN THE FUND.**

**SEE “CERTAIN RISK FACTORS”.**

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**Registered Office of the Fund, the  
Intermediate Fund and the Master  
Fund**

**Administrator**

**Investment Manager**

**Intermediate Fund Manager**

**Directors**

## **DIRECTORY**

**Capstone Vol (Offshore) Limited**  
**Capstone Volatility Intermediate (Cayman) Limited**  
and  
**Capstone Volatility Master (Cayman) Limited**  
c/o Intertrust Corporate Services (Cayman) Limited  
190 Elgin Avenue  
George Town, Grand Cayman, KY1-9005  
Cayman Islands

**Northern Trust Global Fund Services Cayman Limited**  
Harbor Centre  
42 North Church Street  
P.O. Box 1348  
Grand Cayman KY1-1108  
Cayman Islands  
telephone: (345) 943-5499  
facsimile: (345) 943-3703  
Email: investorservices@ntrs.com

**Capstone Investment Advisors, LLC**  
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**Mr. Paul Britton**  
**Mr. Geoff Ruddick**  
**Ms. Ebony Myles-Berry**

**Prime Brokers****Goldman Sachs Execution & Clearing, L.P.**

30 Hudson Street  
Jersey City, New Jersey 07302, U.S.A.

**Goldman Sachs International**

Peterborough Court, 133 Fleet Street  
London EC4A 2BB  
United Kingdom

**Deutsche Bank Securities Inc.**

60 Wall Street  
New York, New York 10005, U.S.A.

**Barclays Capital Inc.**

745 Seventh Avenue  
New York, New York 10019, U.S.A.

**Auditors****PricewaterhouseCoopers**

Strathvale House  
PO Box 258  
Grand Cayman KY1-1104  
Cayman Islands

**Legal Advisors**

Cayman Islands legal counsel to the Fund, Intermediate Fund and Master Fund:

**Walkers**

190 Elgin Avenue  
George Town, Grand Cayman KY1-9001  
Cayman Islands

United States legal counsel to the Investment Manager:

**Schulte Roth & Zabel LLP**

919 Third Avenue  
New York, New York 10022

## INVESTMENT OBJECTIVE AND STRATEGY

### Objective

The primary objective of the Fund is to achieve long term capital appreciation that is uncorrelated or negatively correlated with global equity markets. The Fund seeks to achieve its investment objective by investing all of its investable assets (indirectly through the Intermediate Fund) in the Master Fund, which shares the Fund's investment objective.

### Investment Strategy

The Master Fund attempts to achieve its investment objective primarily through a combination of Risk-On and Risk-Off strategies, as well as other investment strategies that the Investment Manager believes are complementary to its overall portfolio construction. The Master Fund seeks its trading opportunities primarily in U.S. markets, and secondarily in European and Asian markets. Currently the focus of the Master Fund's volatility arbitrage strategy is in the equity, fixed income, commodities, credit and foreign exchange markets. It may also pursue volatility arbitrage opportunities outside of such markets and its focus may move to any such other markets away from the markets listed above. The Investment Manager also undertakes non-volatility based strategies, including statistical arbitrage, spread trading, corporate bonds and event-driven strategies. The Investment Manager may add additional related strategies or modify existing strategies, as it sees fit.

Narrowly defined, arbitrage is the simultaneous purchase and sale of an asset in two different markets in order to secure a riskless profit on the difference in price. It has come to mean more generally the identification of two apparently similar or highly correlated assets whose relationship or correlation appears to be dislocated, and the establishment of complementary positions in each such that the arbitrageur profits from that dislocation when the relationship or correlation is re-established.

Generally, volatility is the degree to which the daily movements of a financial asset deviate from its mean. The higher the volatility of an asset, the riskier its return stream is thought to be. Therefore, the higher the volatility, the more uncertain it is that an option will finish "in-the-money", and the more of a risk premium is placed on holding that option. Historical or "realized" volatility is the volatility of a financial instrument based on historical returns. This phrase is used particularly to distinguish between the actual volatility of an instrument looking backward, and the future volatility predicted or "implied" by the market.

A volatility trader generally seeks to buy or sell volatility by holding an option (long or short) and hedging out what the trader deems to be that option's exposure to the market risk of the underlying asset (a process known as "delta hedging").

The objective of a volatility arbitrage strategy is to take advantage of perceived inefficiencies in the price of volatility implied in the pricing of different but related derivatives. The Investment Manager bases its assessment of implied volatility on a variety of proprietary trading tools. Generally, the Master Fund's volatility trading strategies seek to profit from differences between the Investment Manager's assumption of the theoretical price of an option (mainly dependent on the Investment Manager's implied volatility assumption), the price of the option in the marketplace and the Investment Manager's assessment of how events in the near future are likely to affect the relationship between those two factors.

The Investment Manager believes that to benefit fully from these inefficiencies it is important to practice a diverse mix of strategies that can capitalize on such inefficiencies opportunistically and such that each may act as a natural hedge to others in the portfolio. The Master Fund's use of various "Risk-

On” and “Risk-Off” strategies (as described below) is intended to create diversification across different market environments. The strategies are expected to have varying degrees of correlation (or negative correlation) to each other, which is intended to enable the Master Fund to produce more consistent returns regardless of market conditions. Generally, each investment undertaken by the Investment Manager on behalf of the Master Fund, irrespective of the strategy pursuant to which it is made, is intended to be additive and complementary, and not solely to add diversification to the portfolio.

The Investment Manager employs a mix of what it calls “Risk-On” strategies and “Risk-Off” strategies, with the intent and expectation of being able to emphasize its Risk-On strategies during stable market conditions and Risk-Off strategies during more uncertain markets. By utilizing a mix of these strategies, and maintaining a flexible and liquid portfolio, the Investment Manager seeks to take advantage of varying market environments, reducing concentration risk and providing a more non-correlated, market-neutral return.

By “Risk-On,” the Investment Manager means strategies that are employed during more benign, settled market environments, characterized by normal volumes and liquidity, lower than average volatility and correlation, more ample deal flow and an upward-sloping term structure of volatility. The Investment Manager’s Risk-On strategies generally include *Fixed Income and Inflation, Dispersion, Special Situations, Corporate Credit and Systematic Strategies*. Typical Risk-On themes include long Gamma and long Vega trades, long carry trades, long event volatility trades and market bullish trades.

“Risk-Off” means the opposite: markets characterized generally by more tentative, fearful or panicky investor sentiment, higher than average volatility and correlation, scarcer liquidity, higher cash positions, lack of deal flow and a flat or downward sloping term structure of volatility. The Investment Manager’s Risk-Off strategies generally include *Equity and Commodity Volatility Relative Value, World Index Relative Value and Sovereign Fixed Income and Currency Relative Value*. Typical Risk-Off trading themes include short Vega, short carry trades and market bearish positions.

The Investment Manager does not generally seek to anticipate whether a market environment on any day or during any period is a Risk-On or Risk-Off market environment. Rather, the Investment Manager intends to diversify its strategies and investments at all times so that it remains poised to take advantage of opportunities regardless of market environment, and to use risk management to execute stop-losses on out of favor strategies. However, as the markets change, the Fund’s balance of Risk-On and Risk-Off will fluctuate.

## **Quantitative Tools**

The Investment Manager utilizes a number of proprietary tools created for the benefit of the Master Fund by the Investment Manager’s trading, information technology and financial engineering groups. These tools are designed to assist the investment team to find and execute trade ideas. These applications scan instruments worldwide in the equity, fixed income, commodity and foreign exchange markets. Data input into the models is sorted into three main categories: historical, current and forward-looking. The applications sort through all the data quantitatively following proprietary criteria and rank the instruments’ volatility in terms of richness and cheapness. The Investment Manager then extracts this data and scrubs it with qualitative methods to arrive at actionable positions. Quantitative methods are also used to validate models and back test trade ideas versus historical market conditions.

## **Evolving and New Strategies and Allocations**

The Investment Manager believes that the development of a successful, diversified portfolio of investment strategies is an ongoing and dynamic process. The Investment Manager has complete

flexibility in selecting the assets traded and the investment strategies implemented by the Master Fund, provided that such assets are traded and such strategies are pursued in a manner consistent with the Master Fund's volatility-based strategies and the other strategies described in this Memorandum. The investment strategies, approaches and techniques pursued by the Fund may evolve over time due to, among other things, the prevailing economic environment, market developments and trends, new regulatory constraints, the emergence of new or enhanced investment products, changing industry practice and technological innovation.

***Except as otherwise described in this Memorandum, there are no material restrictions on the strategies, leverage, markets or instruments which may be incorporated into the Master Fund's portfolio or the percentage of the Master Fund's assets that may be committed to any of the foregoing. The investment strategies employed by the Investment Manager may be modified from time to time.***

## **Risk Management**

The Master Fund's primary market risks relate to the inability of the Investment Manager to predict correctly price movements in the instruments underlying the options and other derivatives and other investments in the Master Fund's portfolio and changes in the implied volatility of the options and other derivatives in the Master Fund's portfolio.

The Investment Manager's Risk Management Committee is mandated with monitoring and managing the Master Fund's market, credit and operational risks. The Investment Manager has a disciplined approach to risk management that is intended to limit downside risk by evaluating (a) the different ways that the Master Fund can suffer negative performance and (b) the absolute dollars at risk. The Investment Manager has established specific risk limits for each trader, each underlying instrument and industry sector and for the Master Fund's portfolio in the aggregate. Moreover, the Investment Manager performs scenario analyses and stress tests (including VaR analyses) in an attempt to reduce outsized risks. Correlations between strategies and between traders are also monitored and used in the risk allocation process.

The risk management software used by the Investment Manager is intended to provide the Investment Manager the ability to identify quickly positions that have moved outside of these parameters so that it may take corrective action. This risk management software is intended to allow the Investment Manager to: (1) analyze risk according to each underlying instrument, individual trader, industry group, or contract expiration date, (2) evaluate the effect of potential movements in the market on the Master Fund's portfolio as well as each individual position in the Master Fund's inventory and (3) attempt to hedge price exposure.

While the Investment Manager seeks to manage the Master Fund's risk as described above, there can be no assurances that its risk management approach or tools will prevent the Master Fund from suffering substantial or total losses.

## **Credit Risk**

The Master Fund primarily trades listed and exchange-traded instruments with respect to which the relevant exchange clearinghouses are the counterparty to every listed or exchange-traded contract, and as such, there is very limited counterparty credit risk related to these instruments. To the extent the Master Fund trades OTC or other unlisted derivatives, counterparty credit risk will be present. The extent and nature of the Master Fund's OTC trading will vary from time to time, but is generally expected to remain less than 30% of the Master Fund's gross exposure (although it may exceed such limit from time-to-time). The Investment Manager monitors the Master Fund's counterparty exposure on a daily basis



and may seek to mitigate counterparty risks by closing out positions with certain counterparties or hedging such exposures through purchasing protection via credit default swaps.

## **Leverage**

The Master Fund does not currently employ a considerable amount of leverage in its trading strategy, but reserve the right to do so. Most of the derivative instruments held by the Master Fund, including options and futures contracts, are inherently leveraged. The Master Fund may also take advantage of margin and/or other cash or synthetic borrowing facilities with its Prime Brokers. Accordingly, the Master Fund may make investments that in the aggregate have notional exposure substantially greater than the Master Fund's equity. The use of leverage increases the amount of both profits and losses on investments in proportion to the degree of leverage utilized.

## **Cash Management**

The Fund's counterparties – the relevant exchanges or any of its dealer counterparties – tend to require a limited amount of margin to secure a given notional exposure (e.g., for \$100 in notional exposure to a futures contract, an exchange may require \$10 in margin). Additionally, obtaining \$100 in notional exposure via an option contract may only require \$10 in premium. Thus, even if the Fund's exposure is somewhat "notionally" leveraged (based on the ratio of notional exposure to the Net Asset Value of the Fund), it can be expected that the Fund's capital may not always be "fully invested". At times, the amount of the Fund's capital that is not so invested may be significant relative to the overall Net Asset Value of the Fund. The Fund's excess cash that is not devoted to investing and trading generally will be invested for the benefit of the Master Fund by the Investment Manager in income-producing cash-equivalent or other short-term instruments (including U.S. government and agency securities, money market funds, short-term bond mutual funds, repurchase and reverse repurchase agreements, certificates of deposit, bankers' acceptances and commercial paper) in the Investment Manager's discretion.

The Investment Manager or the Intermediate Fund Manager on behalf of the Fund or the Intermediate Fund (as the case may be) may retain cash at the Master Fund, at the Intermediate Fund level and the Fund level for, among other reasons, liquidity purposes or to pay expenses of the Master Fund, the Intermediate Fund or the Fund, respectively, and such cash in the Master Fund also may be invested by the Investment Manager or the Intermediate Fund Manager in cash-equivalent instruments, in the Investment Manager's or Intermediate Fund Manager's (as the case may be) discretion.

***An investment in the Fund is speculative and involves significant risks. There can be no assurance that the Fund will be able to realize its objectives or avoid substantial or total losses. In fact, many of the techniques used by the Fund, such as leverage and short selling, can exacerbate the adverse impact of particular transactions or conditions on the Fund's investment program. The Shares are suitable only for financially sophisticated investors that are prepared to lose all or substantially all of the capital which they invest in the Fund. The business of the Fund includes the realization and distribution of the Fund's assets to Shareholders during a wind-down of the Fund's operations.***

## **MANAGEMENT OF THE FUND**

### **Board of Directors**

The operations of the Fund, the Intermediate Fund and the Master Fund are generally supervised by their respective Boards of Directors. The Boards of Directors of the Fund, the Intermediate Fund and the Master Fund currently comprise three directors, two of whom are independent of the Investment



Manager: Paul Britton, Ebony Myles-Berry and Geoff Ruddick. Additional Directors may be appointed from time to time. The address of the Directors for the purposes of the Fund is that of the registered office of the Fund.

**Paul Britton.** Paul Britton started his career with Saratoga Limited trading options on the LIFFE in 1994. Mr. Britton co-founded the private trading partnership Mako Global Derivatives in 1999; and in 2001, Mr. Britton moved from the U.K. to New York to set up and manage their U.S. operations. In 2004, Mr. Britton bought the U.S. operations of the Mako Group to form Capstone Holdings Group L.L.C. Leveraging the firm's experience as market makers, Capstone managed partners' capital from 2004 to 2007 as a proprietary trading group. Capstone Investment Advisors, LLC was formed, and opened to external capital, in March 2007 as a manager seeking to capitalize on perceived inefficiencies in the pricing of volatility across global derivatives markets.

Mr. Britton focuses on risk management and capital allocation for the Capstone Volatility and Tail Hedging strategies. He acts as Chief Executive Officer for the Investment Manager, and is a member of its Management Team, Investment Committee and Risk Committee.

Mr. Britton graduated from London Guildhall University/London Metropolitan University in 1994 with a bachelor's degree in European Business Systems.

**Ebony Myles-Berry.** Ebony Myles-Berry, BBA, EMBA, Acc. Dir., is employed by International Management Services Ltd ("IMS"), and serves as a director on the boards of alternative investment funds and special purpose vehicles. Prior to joining IMS, she was a Vice President at Maples Fiduciary Services (Cayman) Limited where she served as a director for several years on a wide range of investment funds, including multi-manager funds, hedge funds, private equity funds and segregated portfolio companies. In addition to providing director services, she also specialized in providing fiduciary services to unit trusts. Prior to that, she worked at Walkers SPV Limited as a Business Analyst and at the Cayman Islands Monetary Authority as a Treasury Analyst. She has a Bachelor of Business Administration in International Business and Finance from Florida International University and a Certificate in Executive MBA studies from the University of Toronto. She also earned a Diploma in Fund Administration (Merit) from the University of Manchester. She is a member of the Cayman Islands Directors Association and she is an Accredited Director by the Chartered Secretaries of Canada. She is also a Notary Public of the Cayman Islands.

**Geoff Ruddick.** Geoff Ruddick, B.Comm, CA, CFA, FICA, a resident of the Cayman Islands, is a Chartered Accountant, a member of the Institute of Chartered Financial Analysts, and a fellow of the International Compliance Association. Mr. Ruddick is employed as a Senior Company Manager for IMS. Prior to joining IMS he was the Managing Director of Hedgeworks Fund Services Ltd. and before that, he was a Director and Compliance Officer with Derivatives Portfolio Management Ltd. (now DPM Mellon). Prior to entering the commercial side of fund management, Mr. Ruddick worked with KPMG in Vancouver auditing mutual funds, banks, and insurance companies and later with KPMG in the Cayman Islands, where he worked in its Corporate Recovery Department involving the liquidation of mutual funds and other regulated entities.

The services of Ms. Myles-Berry and Mr. Ruddick as Independent Directors are provided by IMS. IMS is licensed under the Cayman Islands Mutual Funds Law (as amended) to provide directors to Cayman Islands registered mutual funds.

The Board of Directors meets semi-annually and as otherwise required, to review the investment and administrative affairs of the Fund. The Directors have delegated investment of the Fund's assets to the Investment Manager, and the Independent Directors are not responsible for the day-to-day conduct of

the Fund's investment program. The Directors have delegated certain administrative, accounting, back-office, data processing and related functions of the Fund to the Administrator.

Any Director may hold any other office in connection with the Fund (other than the office of the Fund's independent auditors) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine. Any Director also may act in a professional capacity (other than as the Fund's independent auditor) and he or his firm will be entitled to remuneration for such services as if he were not a Director. A Director may contract with the Fund provided that the Director declares his interest or gives notice of his interest as soon as practicable after the Director obtains such interest.

A Director may vote or be counted in the quorum in respect of contracts in which the Director is materially interested, provided that such Director declares such interest prior to the taking of the vote.

The Independent Directors are entitled to appropriate remuneration from the Fund for their services to the Fund. The Fund has an arrangement with IMS under which the Director services of Ms. Myles-Berry and Mr. Ruddick will be paid by the Fund. The Directors also may be paid all traveling, hotel and other expenses properly incurred by them in attending meetings of the Directors or any committee of the Directors or any general meeting held in connection with the business of the Fund. The Fund will bear these expenses. The Directors of the Fund also serve as the directors of the Intermediate Fund and the Master Fund, and each of the Intermediate Fund and the Master Fund has a similar arrangement with IMS under which the director services of Ms. Myles-Berry and Mr. Ruddick will be paid by the Intermediate Fund or the Master Fund, as the case may be. Paul Britton does not receive any compensation for serving as a Director, but may receive reimbursement for his out of pocket expenses related to his role as a Director of the Fund, the Intermediate Fund or the Master Fund.

The Fund's Articles of Association (the "Articles of Association") provide that every Director, alternate Director, the secretary, assistant secretary, or other officer for the time being and from time to time of the Fund (but not including the Fund's auditors) and their personal representatives shall be indemnified and secured harmless out of the assets and funds of the Fund against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in or about the conduct of the Fund's business or affairs or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Fund or their respective affairs in any court whether in the Cayman Islands or elsewhere unless such losses and others were the direct result of such indemnified party's gross negligence (as determined in accordance with the laws of the State of New York), willful misconduct or bad faith.

The Articles of Association further provide that no Director, alternate Director, secretary, assistant secretary or other officer of the Fund (but not including the Fund's auditors) shall be liable (a) for the acts, receipts, neglects, defaults or omissions of any other Director or officer or agent of the Fund, (b) for any loss on account of defect of title to any property of the Fund, (c) on account of the insufficiency of any security in or upon which any money of the Fund shall be invested, (d) for any loss incurred through any bank, broker or other similar person, (e) for any loss occasioned by any negligence, default, breach of duty, breach of trust, error of judgment or oversight on his part, or (f) for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers, authorities, or discretions of his office or in relation thereto, unless in each case the same shall happen through his own gross negligence (as determined in accordance with the laws of New York), willful misconduct or as otherwise required by law.

The Intermediate Fund's Articles of Association and the Master Fund's Articles of Association contain similar indemnification and exculpation provisions.

### **The Investment Manager**

The Fund has appointed the Investment Manager to serve as the investment manager of the Fund pursuant to the Fourth Amended and Restated Investment Management Agreement between the Fund and the Investment Manager (as amended from time to time, the "Investment Management Agreement"). The Investment Manager is a Delaware limited liability company that was formed on March 8, 2007. The Investment Manager is also the investment manager of Capstone Onshore, the Intermediate Fund and the Master Fund.

The Investment Manager is currently registered with the U.S. Securities and Exchange Commission (the "SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Investment Manager and the UK Advisor (as defined below) have filed a single Form ADV in reliance on the position expressed by the SEC in American Bar Association, Business Law Section, SEC No-Action Letter (January 18, 2012). Accordingly, the UK Advisor is not separately registered as an investment adviser with the SEC, but is considered to be registered investment advisers by virtue of the Investment Manager's registration with the SEC. Additional information about the Investment Manager and the UK Advisor is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

The Investment Manager currently is a member of the National Futures Association (the "NFA") and is registered with the U.S. Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator (a "CPO"). The Investment Manager is exempt from registration with the CFTC as a commodity trading advisor. The Investment Manager, with respect to the Fund, the Intermediate Fund and the Master Fund, has claimed an exemption from certain of the CFTC's disclosure, reporting and record-keeping requirements applicable to registered CPOs pursuant to CFTC Rule 4.7.

### **Management of the Fund**

#### ***Paul Britton, Chief Executive Officer.***

Paul Britton, as the Chief Executive Officer, has general oversight responsibility for the Investment Manager and primary responsibility for the management of the Fund's risk.

#### ***Joseph Lucas, Chief Operating Officer.***

Joe Lucas joined Capstone as its Chief Operating Officer in January 2011. Until then, Joe was the Chief Financial Officer of Stark Investments, a hedge fund firm with peak assets under management of over \$15 billion, which he joined in 1994. At Stark, Joe was responsible for all financial operations, including capital structuring and financing, back office operations, financial and corporate accounting, and liquidity management. Prior to 1994, Joe was the Chief Financial Officer for S/W Trading, then one of the largest global proprietary option trading firms in the United States. Joe began his career as a regulatory auditor on the Chicago Board of Trade, auditing the compliance and financial aspects of member clearing firms. Joe received a Bachelor of Arts in Public Accounting from Loyola University in 1982.

## **UK Advisor**

Capstone Investment Advisors (UK), LLP (the “UK Advisor”), a limited liability partnership incorporated under the laws of England and Wales on July 27, 2007, is authorized and regulated by the U.K. Financial Conduct Authority. The UK Advisor has been appointed under the First Amended and Restated Investment Management Agreement between the Master Fund and the UK Advisor dated March 1, 2009 and has responsibility for the investment and reinvestment of a portion the assets of the Master Fund, subject to the overall supervision of the board of directors of the Master Fund. The UK Advisor is compensated by the Investment Manager and, accordingly, the Master Fund is not charged separate fees and is not subject to separate allocations as a result of the UK Advisor’s advisory services.

## **Intermediate Fund Manager**

The Intermediate Fund Manager, a Delaware limited liability company formed on March 8, 2007, serves as the manager of the Intermediate Fund and in that capacity will be responsible for the overall investment objectives and strategies of the Intermediate Fund. The Intermediate Fund Manager will hold the Class M Shares of the Intermediate Fund through which the Intermediate Fund Manager will receive the Performance Allocation. The Intermediate Fund Manager and the Investment Manager have the same principal owners and management team members.

## **Disciplinary Disclosures**

On October 19, 2006, Capstone Trading, LLC (“CT”) (a proprietary trading business affiliated with Capstone that is no longer in operation), Scott Brindley (a trader with the Investment Manager), and a former employee settled a charge by the Chicago Board Options Exchange, Incorporated (“CBOE”) alleging that CT, Brindley and the former employee failed to maintain a sufficient in-person trading percentage for a floor market maker and initiated and entered orders from off of the CBOE trading floor on behalf of a market-maker account with CBOE floor broker members, while not registered with CBOE as a market-maker. CT, Scott Brindley and the former employee neither admitted nor denied the alleged violations but agreed to be censured and to pay a fine.

Separately, on August 7, 2007, CT settled a charge by the CBOE alleging that CT failed to maintain sufficient continuous quotes in its appointed options classes in its capacity as a remote market maker. CT neither admitted nor denied the alleged violations but agreed to be censured and to pay a fine.

In addition, on April 14, 2010, Capstone Fixed Income LLC (“CFI”) (a proprietary trading entity that is no longer in operation and was affiliated with Capstone) entered into a settlement with the Board of Trade of the City of Chicago, Inc. (“CBOT”). The settlement relates to CFI’s alleged violations of CBOT regulations in August 2007. Specifically, the CBOT alleged that CFI engaged in pre-execution communications to facilitate certain transactions and did not properly enter orders in the e-cbot electronic trading platform in violation of a legacy CBOT regulation. CFI neither admitted nor denied the CBOT’s findings. In connection with this settlement, CFI has paid a fine to the CME Group Inc.

CFI and CT were proprietary trading businesses affiliated with Capstone and are no longer in operation. Neither the Investment Manager nor any of its subsidiary investment management entities was a party to these disciplinary proceedings.

Furthermore, the Investment Manager and its affiliates operate in a heavily regulated industry and, as a result, routinely receive information requests in connection with various inquiries and investigations by legal, administrative, regulatory and self-regulatory bodies involving trading and other matters. The Investment Manager and its affiliates fully cooperate in connection with all such matters.

With respect to any and all such pending matters, the Investment Manager and its affiliates, as appropriate, do not view them as material to their respective businesses.

### **The Investment Management Agreement**

Pursuant to the Investment Management Agreement, the Fund has agreed, to the fullest extent permitted by applicable law, to indemnify, defend and hold harmless the Investment Manager, its affiliates and their respective shareholders, partners, members, officers, directors, principals, employees, agents and controlling persons (“Advisor Parties”) from and against any and all losses, damages, costs, liabilities, expenses or claims (together, “Losses”) relating to or arising out of any claim asserted or threatened to be asserted in connection with the Investment Manager performing services pursuant to the Investment Management Agreement; provided, however, that the Advisor Party will not be entitled to any such indemnification with respect to any Losses which were caused (i) by any misstatement of any material fact or any other misrepresentation concerning the Fund by the Advisor Party or (ii) as the direct result of the Advisor Party’s gross negligence, willful misconduct, bad faith or reckless disregard of any of the Investment Manager’s obligations under the Investment Management Agreement. Notwithstanding the foregoing, no indemnification shall be permitted under the Investment Management Agreement to the extent such indemnification would be inconsistent with the requirements of applicable law. The UK Advisor is indemnified directly or indirectly by the Master Fund on substantially similar terms as those described above.

Further, except as otherwise required by applicable law, neither the Investment Manager nor any other Advisor Party will be subject to any liability to the Fund, its affiliates and their respective shareholders, partners, members, officers, directors, principals, employees, agents or controlling persons for any Losses occasioned by any act or omission of the Investment Manager in connection with the performance of its services thereunder, other than as a result of the Investment Manager’s gross negligence, willful misconduct, bad faith or reckless disregard of any of the Investment Manager’s obligations under the Investment Management Agreement. Notwithstanding the foregoing, nothing in the Investment Management Agreement shall be construed to constitute a waiver of any rights the Fund or the Shareholders may have under the U.S. securities laws or other applicable laws.

The Investment Management Agreement may be terminated by the Fund on no less than seven days’ written notice or as otherwise with the mutual written agreement of the parties, or upon the bankruptcy, liquidation or dissolution of the Investment Manager or the Fund. The Investment Manager has agreed that it will not terminate the Investment Management Agreement upon less than thirty days’ written notice or as otherwise agreed to with the mutual written consent of the parties.

The Investment Manager has entered into separate investment management agreements with the Intermediate Fund and the Master Fund on terms substantially similar to the Investment Management Agreement. In addition, the UK Advisor has entered into a separate investment management agreement with the Master Fund on terms substantially similar to the Investment Management Agreement.

### **Other Activities of the Investment Manager, its Principals and Affiliates**

The Investment Manager, its principals and affiliates engage in other activities. See “CONFLICTS OF INTEREST”.

### **Trading Error Policy**

It is expected that from time to time trading errors will occur in the ordinary course of the Master Fund’s investment activities. The Investment Manager has adopted a trading error policy that applies to



the Master Fund and the Investment Manager's other client accounts. Pursuant to this policy, as a general matter and to the extent not inconsistent with the Investment Manager's or any third party's contractual arrangements with the Master Fund or applicable law, trading errors will be absorbed (in the case of a trading loss) or retained (in the case of a trading gain) by the Master Fund.

### **Proxy Voting Policy**

Due to the nature of the Investment Manager's advisory services with respect to the Master Fund, and more specifically because the Investment Manager largely uses quantitative valuation models and a largely systematic approach to trading rather than a long-term investment approach, its strategy is generally not dependent upon the outcome of proxy contests. Because of the high turn-over of securities in the Master Fund's portfolio, in most cases neither the Master Fund nor the Investment Manager will vote proxies.

If, however, the Master Fund or the Investment Manager receives a proxy request with respect to a security that the Investment Manager determines the Master Fund will continue to hold, and the Investment Manager determines that the costs and expenses associated with voting do not outweigh the potential benefit to the Master Fund of voting, the Investment Manager will seek to vote the proxy in the best interest of the Master Fund.

### **THE ADMINISTRATOR**

Northern Trust Global Fund Services Cayman Limited is the Administrator for the Fund. The Administrator is a company that provides services to alternative investment vehicles, including hedge funds that may be competitors of the Fund.

The Administrator provides certain Services (as defined in the Administration Agreement) typical of a fund administrator as set out with specificity in the Professional Services Agreement with the Fund (the "Administration Agreement"). The Administrator has no implied duties and the Services are not exclusive to the Fund. The Administrator may employ agents or delegate or sub-contract certain of their duties or functions under the Administration Agreement.

The Administrator shall be responsible for sourcing independent product pricing and valuation for the Fund investments in accordance with pricing policies set forth in the valuation guidelines provided by the Investment Manager.

The Administrator (i) is not responsible for any trading decisions of the Fund; (ii) may rely upon all information provided to it by the Fund or its agents; (iii) is entitled to rely on instructions from the Fund; and (iv) is not responsible for determining whether the Fund is in compliance with the investment guidelines and restrictions set forth in this Memorandum, or for monitoring the terms of any side letters or similar agreements with an investor.

The Administration Agreement does not create any contractual rights against, or right to rely upon, the Administrator by any investor in the Fund. The Administrator is not a fiduciary of the Fund or any investor in the Fund. The Administrator is not liable for any losses or damages arising from any act or omission of the Administrator unless such act or omission is due directly to the gross negligence, fraud or willful misconduct of the Administrator. The aggregate liability of the Administrator for any losses or damages arising out of the Administration Agreement will not exceed the aggregate amount of fees received by the Administrator pursuant to the Administration Agreement in the twenty-four months prior to the date the first Claim (as defined in the Administration Agreement) arises or five million dollars,

whichever is greater. The Administrator shall not be liable to the Fund or to any investor for any special, indirect, punitive, incidental or consequential damages.

The Fund is obligated to indemnify the Administrator and its affiliates against all claims and liabilities that arise out of the business of the Fund's or the Administrator's performance of the Services so long as the conduct of the Administrator or its affiliates giving rise to such claims or liabilities did not constitute gross negligence, fraud or willful misconduct.

The Administration Agreement shall continue until December 31 in each year and shall automatically renew for additional one year terms until terminated by either party by giving not less than 120 days' prior written notice or earlier, if in accordance with the Administration Agreement.

The Administrator will perform similar services for the Intermediate Fund and the Master Fund pursuant to the Administration Agreement.

## **CUSTODIAL AND BROKERAGE ARRANGEMENTS**

### **General**

The assets of the Fund, the Intermediate Fund and the Master Fund will be held in cash or securities at the banks, brokerage firms, clearing firms and other financial institutions selected by the Investment Manager. No cash or securities of the Fund, the Intermediate Fund or the Master Fund will be held in the actual custody of the Investment Manager or its affiliates.

The Investment Manager has complete authority over the selection of the brokerage firms used to execute and clear portfolio transactions on behalf of the Master Fund and custody assets of the Fund, the Intermediate Fund or the Master Fund.

### **Prime Brokers**

The trades executed by the Master Fund are cleared through the Prime Brokers and potentially such other prime brokers as may be selected by the Investment Manager in the future on terms individually negotiated with each such prime broker. In general, the Master Fund pays the Prime Brokers interest on debit balances in the Master Fund's accounts and receives interest on credit balances in accordance with normal commercial practice.

The Investment Manager reserves the right to select additional or different prime brokers at any time, except that affiliates of the Investment Manager will not be used to execute or otherwise broker any transactions on behalf of the Master Fund.

Certain of the Master Fund's prime brokers or other Master Fund brokers and/or affiliates thereof may also be significant derivative counterparties to the Master Fund.

Each of the Prime Broker's Form BD, which includes SEC-mandated disclosures, including certain disciplinary information, may be accessed at <http://brokercheck.finra.org>. Prospective investors and Shareholders may obtain additional information regarding each Prime Broker from the Investment Manager upon request.

## Executing Brokers

The Master Fund uses various executing brokers, in each case subject to the Investment Manager's obligation to obtain best execution. In selecting brokerage firms or in negotiating commissions to be paid, the Investment Manager may consider the firm's financial responsibility and reputation, range and quality of the services made available to the Investment Manager's clients and the firm's professional services, including execution, clearance procedures and ability to provide research information for consideration, analysis and evaluation by the Investment Manager. If the Investment Manager determines in good faith that the amount of transaction costs imposed by a brokerage firm is reasonable in relation to the value of the execution services such brokerage firm provides, the Investment Manager may incur transaction costs in an amount greater than the amount that might be incurred if another firm were used. For more information regarding the Investment Manager's payment of brokerage commissions, see "CONFLICTS OF INTEREST—Brokerage Commissions."

Certain of the Master Fund's executing brokers and/or affiliates thereof may also be significant derivatives counterparties to the Master Fund.

## Soft Dollars

The Investment Manager does not intend to use "soft dollar" arrangements. To the extent the Investment Manager determines that the use of "soft dollar" arrangements is appropriate for the Fund, such arrangements will fall within the safe harbor for fiduciaries' use of soft dollar payments established by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). See "CONFLICTS OF INTEREST—Brokerage Commissions".

## CERTAIN RISK FACTORS

*An investment in the Shares is speculative and involves significant risks. The Fund's strategies are specialized and highly leveraged, and the Shares are suitable only for financially sophisticated investors that are prepared to lose all or substantially all of the capital that they invest in the Fund. The Fund's strategies and operations involve a variety of material risks, including the following:*

### Strategy Risks

***The Master Fund is Subject to the Risk of Price Movements.*** The Master Fund will derive revenues by purchasing, holding, selling and hedging options and other derivatives linked to various investment instruments (including stocks, ETFs, indexes, bonds, commodities and currencies) that may underlie such derivatives. These activities expose the Master Fund's capital to significant risks based on the movement, or lack thereof, in the prices of such instruments, including instruments underlying options. Each of these positions is premised on a view or views regarding the frequency and magnitude of future movements in various world asset markets. In any period, the Master Fund may experience significant losses on transactions if such views prove incorrect.

Since U.S. equity listed options expire on the third Friday of each month while performance is determined as of the end of each month, the change in the rate of decay of the options in the Master Fund's options investments may have the unintended effect of shifting the Master Fund's profits and/or losses between months.

***The Master Fund is Dependent on the Investment Manager and the Investment Manager's Ability to Identify Investment Opportunities.*** The operations of the Master Fund substantially depend upon the skill, judgment and expertise of Mr. Britton and the traders. In the event of the death, disability



or other unavailability of Mr. Britton and/or certain of the traders, the Master Fund may incur significant losses.

The Master Fund's trading activities require the Investment Manager continually to monitor and analyze market activity, price movements, individual transactions, the Master Fund's positions and a wide range of other information regarding market demand for particular options or derivatives. The Investment Manager may fail to identify and take advantage of profit opportunities and opportunities to hedge the Master Fund's positions. This may be due to flaws in the Investment Manager's overall strategy to identify these opportunities or the Investment Manager's inability to implement that strategy. The information that the Investment Manager monitors and analyzes is voluminous and generally fluctuates, at times dramatically, throughout each day. The success of the Master Fund depends on the Investment Manager's ability to process this data quickly into information upon which it can base a view that a trading opportunity exists, and then to execute (or decide not to execute) while the opportunity is still live. If the Investment Manager fails to process the large amounts of data accurately, completely and timely, it may fail to recognize trading opportunities, may interpret them incorrectly, may recognize them too late, or may fail to recognize the risks associated with any such opportunity. Any of these results could result in the Master Fund incurring significant losses.

***The Master Fund's Strategies Rely on the Subjective Determinations of the Investment Manager.*** Although the Investment Manager uses quantitative valuation models in evaluating the economic components of its trades and valuations for its derivatives/options positions, the Investment Manager's strategies are by no means wholly systematic; the market judgment and discretion of the Investment Manager's personnel are fundamental to the implementation of these strategies. The greater the importance of subjective factors, the more unpredictable a trading strategy becomes.

***Options Trading Involves Certain Inherent Risks.*** Trading volatility is one of the most complex of all financial strategies and requires significant quantitative and mathematical resources and capabilities. The pricing of options involves a wide variety of factors—including the variability of interest rates, the time to expiration, the price of the underlying, the volatility of the underlying and general market sentiment. Not only will different traders differ among themselves concerning the correct theoretical value for a given option, but also actual and theoretical values may diverge for extended periods of time. There can be no assurance that the Investment Manager will correctly value the Master Fund's options positions or that the market will, in fact, regress to theoretical values; consequently, substantial losses could be incurred by the Master Fund.

- ***Risks Relating to the Volatility of Options.*** Options are often quoted in terms of implied volatility. This generally means the annualized percentage change in the underlying, for a one standard deviation move. When the options imply a higher volatility than ultimately occurs, and the measurement of the volatility corresponds to the same periodicity as the portfolio's flattening of its market exposure, an investor will earn less than the Treasury rate (all else being equal). Even if individual equities are more volatile than expected, the Master Fund could suffer losses from increased diversification in the index, resulting in less than expected movement in the index.

While volatility can create profit opportunities for the Master Fund, it can also result in the Master Fund incurring significant losses. At any given time, different market participants will have different views on the level of market volatility; if the Investment Manager incorrectly establishes market volatility, the Investment Manager will misprice the options which it trades which may result in the Master Fund incurring significant losses.

- ***Risks Relating to the Time Value of Options.*** The longer the duration of an option, the greater its value. As an option nears expiration, its true value declines at an accelerating rate. The longer-dated

options tend to be far less liquid than near-term (three months or less) options. Certain trades which the Investment Manager may execute for the Master Fund will value longer-dated options. These trades will potentially generate substantial premium income and/or result in substantial gains from long positions held by the Master Fund, but have material incremental liquidity risk.

- *“Pin Risk”*. Concentrated equity option positions become more risky at expiration if the underlying is trading at or near the strike price because the underlying option’s sensitivity to the underlying can change from zero to one for one over small changes in the underlying. This results in a difficult portfolio management environment. Similarly, if an option closes right at strike, the Master Fund could lose the entire premium on the option and possibly additional money on its hedge.
- *Interest Rate Risk*. Prevailing interest rates are a principal component of options pricing, options conveying the right to buy or sell the referenced asset without having to pay the purchase price (in the case of a long position) or receiving the sale price (in the case of a short position). Consequently, unexpected changes in interest rates can result in the Master Fund incurring significant losses, even though the Investment Manager had otherwise established what would have been a profitable option position. The Investment Manager’s strategies generally do not attempt to forecast interest rates; therefore changes in such rates are risks to which the Master Fund is exposed without such risks being directly incorporated into the Investment Manager’s strategies.

***Stagnant Markets May Result in a Decrease in Profitability.*** The volatility strategies implemented by the Master Fund depend on changes in volatility. In periods of trendless, stagnant markets and/or deflation, these strategies have materially diminished prospects for profitability. Stagnant markets with static credit positions present the least opportunities for the Master Fund.

***Quantitative Strategies Generally.*** The success of the Master Fund’s quantitative investment strategy is heavily dependent on the mathematical models used by the Investment Manager in attempting to exploit short-term and long-term relationships among prices and volatility. The Investment Manager may select models that are not well-suited to prevailing market conditions. Models that have been formulated on the basis of past market data may not be predictive of future price movements. Models may not be reliable if unusual events specific to particular issuers, or major events external to the operations of markets, cause extreme market moves that are inconsistent with the historic correlation and volatility structure of the market. Models also may have hidden biases or exposure to broad structural or sentiment shifts. Furthermore, the effectiveness of such models tends to deteriorate over time as more traders seek to exploit the same market inefficiencies through the use of similar models.

***Inadequate Quantitative Models Could Negatively Affect the Master Fund’s Investment Portfolio.*** Options pricing is both highly complex and highly mathematical. Furthermore, there are different views upon the proper pricing of options and different models implementing these views (e.g., Black-Scholes, Leland O’Brien Rubinstein, etc.). The Investment Manager’s volatility trading will be highly model driven, and will be materially subject to possible flaws in the model. As market dynamics (for example, due to changed market conditions and participants) shift over time, a previously highly successful model often becomes outdated or inaccurate, perhaps without the Investment Manager recognizing that fact before substantial losses are incurred. In particular, the Master Fund may incur major losses in the event of disrupted markets and other extraordinary events that cause the Investment Manager’s options pricing models to generate prices which deviate from the market. The risk of loss to the Master Fund in the case of disrupted markets is compounded by the number of different investment models of derivatives pricing, each of which may independently become wholly unpredictable during market disruptions. In addition, in disrupted derivatives markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. There can be no

assurance that the Investment Manager will be successful in continuing to develop and maintain effective quantitative models.

The Master Fund's model risk extends to the valuation of a number of the Master Fund's less liquid as well as longer-term volatility positions, which are made on the basis of the Investment Manager's internal valuation models, taking into account market inputs, where available, and the results of any valuation analyses of independent valuation consultants retained by the Investment Manager, in the absence of any readily-determinable market values. The valuations so determined may differ materially from the value ultimately realized upon the liquidation of such investments.

***Statistical Arbitrage Techniques May be Subject to Correlation Risks.*** In addition to model risk and the other risks relating to arbitrage trading, recent events have shown that statistical arbitrage strategies are subject to particular correlation risks. While the Investment Manager will utilize proprietary models to build its Stat Arb portfolios, it is possible that other statistical arbitrage hedge funds' own distinct, proprietary models will generate very similar portfolios, so that buying and selling by the Master Fund will coincide with buying and selling activities by such other funds. This circumstance could (and has in the past) produce exaggerated movements in the prices of the stocks in the portfolio that were not anticipated by the models, resulting in losses to the Master Fund.

***The Master Fund's Dispersion Strategy is Subject to the Risk of Mismatched Performance of Related Positions.*** As part of its investment strategy, the Master Fund may buy and sell ETFs, futures and/or index and ETF options to hedge the Master Fund's other holdings or positions pursuant to a "dispersion" strategy (e.g., short-selling stock index options while simultaneously buying options on the stocks comprising the index). There is a risk that certain of the Master Fund's positions may underperform the other positions to which they relate, which could result in losses for the Master Fund.

***Event Driven Investing Involves Substantial Uncertainty.*** The Master Fund may take positions in respect of companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar corporate transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved does not occur as anticipated and the Master Fund may be required to dispose of its positions at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in respect of which the Master Fund may trade, there is a potential risk of loss by the Master Fund of its investment in respect of such companies.

## **Risks Relating to Certain Investment Instruments**

***Futures May Have Highly Volatile Prices and Will Involve Leverage.*** Futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to investors. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.

***Investments in Equity Securities May Not Yield Dividends and will be Subordinated to Senior Creditors.*** Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied.

***The Value of the Master Fund's Investment in Fixed Income Securities is Subject to Credit Risk and Interest Rate Fluctuations.*** The value of fixed income securities in which the Master Fund

may invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Valuations of other fixed income instruments may fluctuate in response to changes in the economic environment that may affect future cash flows. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed income securities generally can be expected to decline.

***Investing in High-Yield Debt Securities and Lower Rated Loans Generally Involves Greater Risks.*** The Master Fund may invest in “high yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with high ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold.

***Investing in Bridge Loans Involves Particular Risks.*** It is a common practice for financial institutions to commit to providing bridge loans to facilitate acquisitions, including leveraged buyouts, where they serve as advisers to the purchaser. Bridge loans are frequently made because, for timing or market reasons, longer-term financing is not available at the time the funds are needed, which is often at the time of the closing of an acquisition. In the past, these commitments were not frequently drawn upon due to the availability of other sources of financing; however, due to market conditions affecting the availability of these other sources of financing (principally high-yield bond transactions), bridge loan commitments have been and may be drawn upon more regularly. Since these commitments were not regularly drawn upon in the past, there is little history for investors to rely upon in evaluating investments in bridge loans. Bridge loans often have shorter maturities. Borrower and lenders typically agree to shorter maturities based on the anticipation that the bridge loans will be replaced with other forms of financing within such shorter time period. However, the source and timing of such replacement financing may be uncertain and can be affected by, among other things, market conditions and the financial condition of the borrower at the maturity date of the bridge. If the borrower is unable to obtain replacement financing and repay the bridge loan at maturity, the terms of the bridge loan may provide for the bridge loan to be converted to a longer term loan. If bridge loans are not repaid (or cannot be disposed of on favorable terms) on the dates projected by the Investment Manager, there may be an adverse effect upon the ability of the Investment Manager to manage the assets of the Master Fund in accordance with its models and projections or an adverse effect upon the Master Fund’s performance and ability to make distributions.

***Investing in Mortgage Backed Securities Involves Particular Risks.*** The Master Fund may invest in mortgage backed securities (“MBS”). MBS have yield and maturity characteristics corresponding to their underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain MBS (principally relating to residential mortgages) include both interest and a partial payment of principal. This partial payment of principal may be comprised of a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing, or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of MBS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and an MBS issuer would be required to reinvest the proceeds

at the lower interest rates then available. Prepayments of mortgages that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of MBS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment feature.

The extent of prepayments of principal of the mortgage loans underlying an MBS may be affected by a number of factors, including, without limitation, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the mortgage loans, possible changes in tax laws, other opportunities for investment, homeowner mobility and other economic, social, geographic, demographic and legal factors. In general, any factors that increase the attractiveness of selling a mortgaged property or refinancing a mortgage loan, enhance a borrower's ability to sell or refinance or increase the likelihood of default under a mortgage loan, would be expected to cause the rate of prepayment in respect of a pool of mortgage loans to accelerate. In contrast, any factors having an opposite effect would be expected to cause the rate of prepayment of a pool of mortgage loans to slow.

***OTC Derivatives Transactions.*** To the extent not mitigated by implementation of the Dodd-Frank Act (as defined below), if at all, the risks posed by OTC derivatives transactions, which can be extremely complex and may involve leveraging of the Master Fund's assets, include: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset or commodity); (3) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (4) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

***Certain of the Master Fund's Assets will be Illiquid.*** The Master Fund may invest and trade, from time to time, in illiquid and restricted, as well as thinly-traded, instruments and investment products including privately-placed securities and instruments. There may be no trading market for illiquid instruments and the Master Fund might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, the Master Fund may be required to hold such instruments despite adverse price movements. In addition, if the Master Fund makes a short sale of an illiquid security or instrument, it may have difficulty in covering the short sale, resulting in a potentially unlimited loss on that position. Under stressed market conditions, even higher-rated securities may become illiquid, and the yields and prices of such securities may become as volatile as certain much lower-rated securities.

The Investment Manager may, under certain circumstances, value the illiquid securities and instruments in the Master Fund's portfolio in its good faith discretion; however, there can be no assurance that these valuations will accurately predict the price at which an arm's-length buyer would be willing to purchase the securities or instruments.



## Other Strategy Risks

### ***The Master Fund May Become Highly Leveraged, Which Will Increase Risks to Investors.***

The Master Fund employs leverage in the execution of its investment strategies, both through its borrowings with its Prime Brokers and through the effective leverage embedded in its investments in derivative instruments, such as options, futures and swaps. Transactions in options, futures and swaps are inherently and at times substantially leveraged. This is because a relatively small dollar amount enables the Master Fund to achieve a considerably larger exposure to the instrument underlying the options and futures. While the Master Fund generally holds a substantial amount of cash, thereby reducing the effective leverage of the Master Fund, it is not required to hold any specific amount of cash, and the effective leverage may be substantial. The use of leverage increases any losses incurred on investments in direct proportion to the degree of leverage employed.

The Master Fund trades based upon its assumptions regarding the availability of leverage under current margin rules and arrangements. If controlling authorities increase margin requirements or the Master Fund is no longer entitled to exemptions from the general margin rules, the Master Fund may not be able to pursue its objectives and may be required to liquidate positions at inopportune times or at unfavorable prices.

***The Master Fund's Investments May Not be Adequately Hedged.*** Although certain of the Master Fund's investments are intended, in part, to hedge the Master Fund's other holdings, there is no guarantee that they will do so to the degree predicted by theory or otherwise to a satisfactory extent. In calculating the Master Fund's overall exposure to the investments, the Investment Manager must make certain determinations, including its prediction of the future volatility of the investments. If the Investment Manager were unable to forecast accurately any one or more of the components used to determine how best to hedge the Master Fund's investments, the Master Fund could, in practice, find itself over- or under-hedged, which could materially and adversely affect the performance of the Master Fund.

The Master Fund generally expects to enter into offsetting transactions in related instruments from which it expects to earn profits or hedge exposure to risk. If the value of a position changes in a direction or manner that the Investment Manager has failed to protect against with hedging transactions, or if the instruments used in the Master Fund's hedging transactions are not as "related" as anticipated, the Master Fund may have an imperfect hedge. The Master Fund also may not be able to maintain a short position in an instrument, in which case that instrument would be eliminated as a hedge (though others may exist). In any of these cases, the Master Fund may incur significant losses. The Master Fund also may incur significant losses in option transactions that are not offset by changes in the value of the underlying instruments. Therefore, hedging transactions do not guarantee that the Master Fund will avoid incurring significant losses.

The Investment Manager is not required to hedge the Master Fund's positions and there can be no assurance that hedging transactions will be available. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of instruments denominated in non-U.S. currencies because the value of those instruments is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that the Master Fund's portfolio will always be exposed to certain risks that cannot be hedged, such as counterparty credit risk. Furthermore, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

***Short-Selling Involves Market and Regulatory Risks.*** The Master Fund generally plans to engage in short-selling as part of its investment program; however, short-selling, and especially short-

selling on margin, is a risky strategy. If the Master Fund were to sell an instrument short, it would be selling an instrument it did not own. To make delivery of those instruments sold, the Master Fund would have to borrow those instruments. The gain or loss realized would be the difference between the price at which those instruments were sold and the price at which those instruments were subsequently repurchased. If the market price of the instrument were to increase, the Master Fund could be forced to cover the short position at a higher price. Since there is theoretically no limit on the price of an instrument, an unhedged short sale theoretically involves unlimited risk. Furthermore, the Master Fund could be prematurely forced out of a position if the lender from which the Master Fund borrowed the instrument to effect the short sale were to recall such instrument at a time when such instrument could not be borrowed from other sources.

The U.S. government and certain foreign jurisdictions have at times taken measures to impose restrictions on the ability of investors to enter into short sales, including a complete prohibition on taking short positions in respect of certain issuers. Such restrictions may negatively affect the ability of the Master Fund to implement its strategies. It cannot be determined how future regulations may limit the Master Fund's ability to engage in short-selling and how such limitations may impact the Master Fund's performance.

***The Master Fund May Experience Possible Positive Correlation with Stocks and Bonds.*** One of the goals in incorporating a non-traditional investment such as the Master Fund into a portfolio is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important, that the Master Fund will, in fact, experience a low level of correlation with a traditional portfolio of stocks and bonds.

***The Master Fund is Exposed to the Risk of Market Stagnation.*** Certain changes in general market conditions — for example, stagnation in the volatility levels of the equity markets or declining interest rates — could materially reduce the Master Fund's profit potential. In general, the Master Fund is materially less likely to be profitable in stagnant than in volatile markets.

***The Master Fund Depends on the Availability of Financing.*** The use of leverage is integral to many of the Master Fund's volatility strategies. Moreover, such leverage involves not only the leverage embedded in the options traded by the Master Fund, but also outright borrowings by the Master Fund. The Master Fund will depend on the availability of credit in order to finance its portfolio and meet margin calls. There can be no assurance that the Master Fund will be able to maintain adequate financing arrangements under all market circumstances. The financing available to the Master Fund from banks, dealers and other counterparties is likely to be restricted in disrupted markets.

As a general matter, the banks and dealers that provide financing to the Master Fund have unfettered discretion over their own margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated if such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel the Master Fund to liquidate all or a portion of its portfolio at disadvantageous prices.

***The Investment Manager is Dependent on the Integrity of Financial Reporting.*** Many of the strategies to be implemented by the Master Fund rely on the financial information made available by issuers. The Investment Manager has no ability to verify independently the financial information



disseminated by the thousands of such issuers and will be dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses that investors such as the Master Fund can incur as a result of corporate mismanagement, fraud and accounting irregularities.

The Master Fund's strategies focus primarily on attempting to predict future changes in volatility levels. In certain cases, these strategies can be materially affected by corporate mismanagement, fraud and/or accounting irregularities. For example, the announcement of financial reporting fraud at an issuer held long by the Master Fund could lead to a dislocation in the market pricing of its securities or even a suspension of trading (temporarily eliminating market volatility), resulting in the Master Fund incurring significant losses.

***The Master Fund's Portfolio Turnover Rate May Result in Additional Costs.*** The turnover rate of the Master Fund's investment portfolio is expected to be significant, involving substantial brokerage commissions, fees and other transaction costs. The Fund will bear its *pro rata* share of such costs.

***The Master Fund's Investments May Lack Diversification.*** Although diversification is an integral part of the Investment Manager's overall portfolio risk management process, the Investment Manager is not restricted as to the percentage of the Master Fund's assets that may be invested in any particular issuer, industry, instrument, market or strategy. The Master Fund does not and will not maintain any fixed requirements for diversifying its portfolio among issuers, industries, instruments, markets or strategies. In attempting to maximize the Master Fund's returns, the Investment Manager may concentrate the holdings of the Master Fund in certain industries, companies, instruments or markets. Consequently, a loss in any such concentrated holding (including a concentration in options of a particular issuer, even if across various strikes and/or maturities) could ultimately result in significant losses to the Master Fund and a proportionately higher reduction in the Net Asset Value of the Master Fund than if its investments had been more diversified. Additionally, even at times when the Investment Manager believes the Master Fund is adequately diversified, events may occur that cause assets that are usually uncorrelated to behave similarly, and under such circumstances the Master Fund's portfolio will be less effectively diversified.

***The Investment Manager has Broad Discretion to Change the Master Fund's Strategy.*** The Investment Manager is not restricted from using the Master Fund's capital to develop new investment strategies within the Master Fund's mandate to pursue volatility-based strategies and the other strategies described in this Memorandum. There can be no assurance that the Investment Manager will be successful in applying or changing existing strategies or developing and implementing new strategies within its mandate. Additionally, any new strategies that are initiated by the Investment Manager may work at cross purposes to the performance of other strategies, or may be more correlated with world equity, fixed income and commodities markets than the volatility arbitrage strategies.

***Transaction Volume and Market Liquidity May Impair the Master Fund's Performance.*** A decline in cash flows into the capital markets or a slowdown in investment activity in the capital markets, as well as other factors, may cause a decline in transaction volumes in the option markets. The Master Fund's investment activities may be affected materially by transaction volumes in the option markets. Higher market volume typically provides greater opportunities to engage in revenue-generating transactions. Therefore, a decline in transaction volumes may result in the Master Fund incurring significant losses.

If the liquidity of the secondary market decreases substantially for an option contract held by the Master Fund, the Master Fund may not be able to close out a position prior to its expiration or exercise and may have to purchase or sell the underlying instrument, make or receive a cash settlement, or meet ongoing margin requirements. An illiquid secondary market could be caused by a number of factors, including a thin trading market in the particular instrument, severe market unrest and trading suspensions. This may result in the Master Fund incurring significant losses.

***The Master Fund is Exposed to Global Market Risks and Emerging Market Risks.*** The Master Fund will invest primarily in U.S. markets, and also in European and Asian markets, but may invest on a more global basis in both developed and, from time to time, emerging markets. In doing so, the Master Fund is subject to: (i) currency exchange-rate risk; (ii) the possible imposition of withholding, income or excise taxes; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and little or potentially biased government supervision and regulation; and (iv) economic and political risks, including expropriation, currency exchange control and potential restrictions on foreign investment and repatriation of capital.

In particular, emerging markets present unusual risks, including government instability, political risk, lack of or less than transparent priority, the imposition of currency controls, expropriation risk and the application of various laws and regulations, including anti-money laundering laws and non-U.S. tax laws. Volatility-related strategies, and credit-related strategies more specifically, in emerging markets are subject to unusual risks due to the uncertainty of such countries' legal regimes and procedures as well as the risk of other market participants having better access to relevant market information.

## **Systemic Risks**

***Systemic Risks Generally.*** Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Master Fund interacts, as well as the Master Fund, are all subject to systemic risk. A systemic failure could have material adverse consequences on the Master Fund and on the markets for the Securities in which the Master Fund seeks to invest.

***Trading Suspensions May Have a Material Adverse Impact on the Master Fund's Performance.*** An exchange may from time to time suspend or limit trading. This can pose particular risks as the Master Fund could be caught in a position in which it cannot trade while other markets are still active (and move against the Master Fund's open positions). Such a suspension could render it difficult or impossible for the Master Fund to liquidate affected positions and thereby expose it to losses. There is also no assurance that non-exchange markets will remain liquid enough for the Master Fund to close out positions. Additionally, during a period of suspended trading, volatility may approach zero, which may have a material adverse impact on the Master Fund's performance.

***The Master Fund is Exposed to Counterparty Risks.*** The prime brokers with which the Master Fund clears and settles its listed and exchange-traded instruments and with which it custodies such assets may encounter financial difficulties and default on their respective obligations to the Master Fund. Any such default could result in the Master Fund incurring significant losses and/or impair the operational capabilities or the capital position of the Master Fund despite statutory and regulatory customer protection regimes.

Markets in which the Investment Manager effects transactions may include OTC or "interdealer" markets, and may also include unregulated private markets. The participants in such markets are typically not subject to the same level of credit evaluation and regulatory oversight as are members of the

exchange-based markets. This exposes the Master Fund 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 Master Fund to suffer a loss. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Investment Manager has concentrated its transactions with a single or small group of counterparties. The Investment Manager is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. Moreover, the Investment Manager has no internal credit function which evaluates the creditworthiness of the Master Fund's counterparties. The ability of the Investment Manager to transact business with any one or number of counterparties, the lack of any meaningful or independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Master Fund.

***The Master Fund is Exposed to Certain Institutional Risks.*** There is also the risk that the Master Fund's counterparties or brokers will be required to restrict the amount of credit previously granted to the Master Fund due to their own financial difficulties, resulting in forced liquidation of substantial portions of the Master Fund's portfolio.

***The Fund is Exposed to the Risk of Investors Redeeming from the Fund.*** There also is the risk that major institutional investors in the Fund or Capstone Onshore may redeem. Substantial redemptions could require the Master Fund to liquidate its positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. These factors could adversely affect the value of the Shares redeemed and of the Shares remaining outstanding.

***Assumption of Business, Terrorism and Catastrophe Risks.*** The Master Fund may be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Fund and the Shareholders' investments therein.

## **Operating Risks**

***Certain Fees and Expenses are Borne by the Fund.*** The Master Fund incurs charges from the payment of transaction fees and interest expenses to the Prime Brokers and, potentially, other brokers. In addition, the Investment Manager will be entitled to a Management Fee and the Intermediate Fund Manager may be entitled to a Performance Allocation. These costs and expenses (except the Intermediate Fund Manager's Performance Allocation), as well as the operating and administrative expenses of the Fund, including any consultants engaged by the Fund, the Intermediate Fund or the Master Fund or by the Investment Manager for their benefit, will be borne by the Fund regardless of the profitability of the Fund.

All computations of the Performance Allocations will be determined separately on each series of shares of the Intermediate Fund. Therefore, especially where the Intermediate Fund experiences periods of loss followed by periods of profitability, New Appreciation may occur with respect to certain shares of the Intermediate Fund corresponding to certain Shares, and thus a Performance Allocation would be assessed, while the other shares of the Intermediate Fund corresponding to other Shares would experience no New Appreciation and would not be so assessed. Therefore, under such circumstances, Shareholders who have subscribed for Shares at different times may be assessed a Performance Allocation on certain but not all of their corresponding shares of the Intermediate Fund, notwithstanding the fact that their corresponding Intermediate Fund shares, in the aggregate, have experienced losses.

***The Fund's Performance May Differ from that of Capstone Onshore.*** While Capstone Onshore has an investment objective and strategy that is substantially similar to that of the Fund, due to tax, regulatory or other considerations, the portfolio of Capstone Onshore may be different from the portfolio of the Fund. As a result of such portfolio differences, the return on investment in the Fund may differ from that of Capstone Onshore.

***There Are Risks Related to Valuation of the Master Fund's Assets.*** The value of the Master Fund's assets is generally based on quotes provided by exchanges, brokers and other competent third-party pricing sources. However, these values may not reflect the actual prices which would be realized upon a sale of a particular asset. The option markets are characterized by materially different options pricing models. Not only do different market participants use different valuation assumptions directly impacting the pricing of the Master Fund's open positions, but different models place different emphases on different components of options pricing. Accordingly, a third-party dealer could have a materially different method for assessing the Master Fund's options positions than the Investment Manager or other third-party dealers. In the absence of actual disposition transactions, it is difficult to test the reliability of preliminary quotes even when multiple broker-dealers are providing "bid" and "ask" prices.

In addition, the Investment Manager has the discretion to override the Administrator's determinations of the value of the Master Fund's positions in such manner as the Investment Manager deems necessary and equitable (including the authority to overrule third-party dealer valuations). If the Investment Manager's pricing overrides are inaccurate, the effect on the Master Fund, and in turn, the Intermediate Fund and the Fund could be material and adverse.

In the event the Fund is required by United States law or by agreement with the United States Treasury Department or similar government division or department to withhold amounts in respect of a Shareholder, the Fund may, in the discretion of the Investment Manager, reduce the Share NAV of the such Shareholder's Shares or compulsorily redeem all or a portion of such Shareholder's Shares so as to ensure that no other Shareholder in the Fund shall suffer any reduction in the value of their Shares as a consequence of such withholding and the Fund shall be entitled to convert such Shareholder's Shares to a different Class or Series for the same purpose.

Prospective investors should be aware that situations involving uncertainties as to the valuation of portfolio securities could dramatically affect the Net Asset Value of the Fund, particularly where the Fund seeks to sell positions, if the Administrator's or the Investment Manager's judgments regarding appropriate valuations should prove incorrect. See "CONFLICTS OF INTEREST—Asset Valuation" and "NET ASSET VALUATION".

***Shareholders May be Subject to Compulsory Redemptions.*** The Shares of any Shareholder may be compulsorily redeemed by the Fund, upon no fewer than three days' prior notice and in some cases, immediately, for any reason or no reason in the discretion of the Board of Directors. Payment will be made in accordance with the same procedures applicable to Shares which are redeemed at the request of the holder.

***Identity of Beneficial Ownership and Withholding on Certain Payments.*** In order to avoid a U.S. withholding tax of 30% on certain payments (including payments of gross proceeds) made with respect to certain actual and deemed U.S. investments, the Fund, the Intermediate Fund and the Master Fund generally will be required to register with the U.S. Internal Revenue Service (the "Service") by June 30, 2014 and agree to identify certain direct and indirect U.S. account holders (including debtholders and equityholders). A non-U.S. investor in the Fund will generally be required to provide to the Fund information which identifies its direct and indirect U.S. ownership. Any such information provided to the Fund will be shared with the Service. A non-U.S. investor that is a "foreign financial institution" within

the meaning of Section 1471(d)(4) of the U.S. Internal Revenue Code of 1986, as amended (the “IRC”), will also generally be required to register with the Service by June 30, 2014 and agree to identify certain of its own direct and indirect U.S. account holders (including debtholders and equityholders). A non-U.S. investor who fails to provide such information to the Fund, or register and agree to identify such account holders, as applicable, may be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the Fund. The Directors may take any action in relation to an investor’s Shares or redemption proceeds to ensure that such withholding is economically borne by the relevant investor whose failure to provide the necessary information or comply with such requirements gave rise to the withholding. Shareholders should consult their own tax advisors regarding the possible implications of these rules on their investments in the Fund.

***The Fund May Reduce the Amount Payable to Shareholders Upon a Redemption.*** The Fund may reduce the redemption proceeds in respect of any Shareholder to the extent the Fund is required by United States law or by agreement with the United States Treasury Department or similar government division or department to withhold in respect of a payment of redemption proceeds to such Shareholder or otherwise withhold any amount in respect of such Shareholder.

***Tax Audits.*** The Master Fund, the Intermediate Fund or the Fund may be audited by U.S. federal, state or other tax authorities. An income tax audit may result in an increased tax liability of the Fund, including with respect to years when an investor was not a Shareholder of the Fund, which could reduce the Net Asset Value of the Master Fund, the Intermediate Fund or the Fund and affect the return of all Shareholders.

***The Investment Manager’s Success Depends on Certain Software and Technology Licensing.*** The Investment Manager, the Fund, the Intermediate Fund and the Master Fund rely upon licenses of certain vital trading technologies, software and systems necessary for a material portion of the Master Fund’s investment operations. The Investment Manager, the Fund, the Intermediate Fund and the Master Fund may enter into software or technology licenses and service agreements with third parties. If any of the licensed technology, systems, analytical tools, data or software should, for any reason, become unavailable or fail to operate properly, the Investment Manager’s ability to invest or manage the Master Fund’s portfolio may be substantially impaired, which likely would result in the Master Fund incurring significant losses.

***A Shareholder’s Investment in the Fund is Non-Transferable and Illiquid.*** A Shareholder may not assign, transfer or otherwise dispose of its Shares without written notice to and the prior written consent of the Board of Directors, which the Directors do not, in general, intend to give. There will be no market for the Shares. Consequently, except for the right to make monthly or quarterly redemptions, Shareholders generally will not be able to liquidate their investment in the Fund. However, the redemption rights are subject to substantial limitations as described herein, including the Gating Limitation, the Hold Back, the ability of the Fund to suspend redemptions and/or the payment of redemption proceeds and the limitation that Shares can generally only be redeemed during the applicable Lock-Up Period subject to the Redemption Charge.

***In-Kind Payments.*** Under certain circumstances a redeeming Shareholder may receive securities in lieu of, or in combination with, cash. Such distributions may include interests in one or more special purpose vehicles holding securities owned by the Master Fund, or participations therein. To the extent a redeeming Shareholder is paid in interests in special purpose vehicles, such redeeming Shareholder will continue to be at risk with respect to the Fund’s business. The value of the securities paid in kind may increase or decrease before they are sold either by the redeeming Shareholder, if received directly, or by the Investment Manager or its affiliates, if held through a special purpose vehicle. In either case, the redeeming Shareholder will incur transaction costs in connection with the sale of any such securities and,



in the case of interests in a special purpose vehicle, will bear a proportionate share of the operating and other expenses borne by such vehicle. Securities distributed in kind may not be readily marketable. The risk of loss and delay in liquidating these securities will be borne by the Shareholder, with the result that such Shareholder may ultimately receive less cash than it would have received on the date of redemption if it had been paid in cash. Furthermore, to the extent that a redeeming Shareholder receives interests in special purpose vehicles, such redeeming Shareholder will generally have no voting rights or any control over when and at what price the securities in which such vehicles have an interest are sold.

***Certain Shareholders May be Subject to More Favorable Information Rights and Business Terms.*** Certain investors may invest on terms that provide access to information that is not generally available to other Shareholders and, as a result, may be able to act on such additional information that other Shareholders do not receive. Certain investors may receive other favorable business terms from the Fund or the Investment Manager, including redemption rights, which, when combined with more favorable information rights, may disadvantage other Shareholders. See “SUMMARY OF THE OFFERING—Variance of Investment Terms”.

***Shareholders will be Exposed to Cross-Class Liabilities.*** The Fund is established under the laws of the Cayman Islands as an exempted company with multiple Classes of Shares. Currently, only two classes of Shares are contemplated to be offered to investors on a general basis – Class A Shares and Class B Shares. Under such laws, the Classes of the Fund are not subject to legal segregation and are not bankruptcy-remote from one another. As a result, the assets of each Class may be used to meet the liabilities of the other Classes. In addition, the Fund is a single legal entity that may operate or have assets held, and liabilities incurred, on its behalf without regard to a particular Class. In this case, the assets of the Fund’s Classes will not be segregated. For these reasons, among others, no representation is made that a Class will never be required to bear any liabilities incurred by any other Class. In particular, unless the Fund holds such investments in a separate limited liability entity, the Fund’s investments in new issues will not typically be legally segregated from the other assets of the Fund, including assets of the Fund in respect of Classes that do not participate in new issues.

***The Master-Feeder Structure is Subject to Certain Additional Risks.*** The Fund invests all of its investable assets through a “master-feeder” structure, which presents certain risks to investors. The Master Fund is a single entity and creditors of the Master Fund may enforce claims against all assets of the Master Fund. In addition, to the extent the Fund’s assets are invested in the Master Fund (through the Intermediate Fund), certain conflicts of interest may exist due to different tax considerations applicable to the Fund and other feeder funds. In selecting and structuring investments appropriate for the Master Fund, the Investment Manager will consider the investment and tax objectives of the Fund, the Onshore Fund and their underlying investors as a whole, not the investment, tax or other objectives of any investor individually.

***Shareholder Consent is Not Required for Certain Modifications to this Memorandum.*** The provisions of this Memorandum may be modified subject to the satisfaction of various conditions precedent. In certain cases, the consent of the Shareholders is required for such modifications, but, in certain cases, such consent is not required, such as when the interests of any Shareholders would not be materially adversely affected by such modification.

***Multi-PM Structure.*** While the Master Fund has established certain risk parameters for its traders, each trader will have discretion to function independently in making investment decisions with respect to the portion of the Master Fund’s assets allocated to him or her for management, provided that such decisions are consistent with the Master Fund’s general investment strategy. Consequently, it is conceivable that, from time to time, the Master Fund may simultaneously have both long and short positions in a given security entered into by different traders, or that one or more of the traders may

achieve positive returns at a time when one or more other traders, or the Master Fund as a whole, is experiencing losses.

## **Regulatory Risks**

***The Fund May be Subject to Additional Government or Market Regulation.*** Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased governmental as well as self-regulatory scrutiny of the “hedge fund” industry in general. Legislation proposing greater regulation of the “alternative investment” industry periodically is considered by the Congress, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in regulation applicable to the Master Fund, the Intermediate Fund, the Fund, the Investment Manager, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse impact on the profit potential of the Master Fund, as well as require increased transparency as to the identity of the Shareholders. The possibility of additional regulation should be considered in light of recent government actions in response to market disruptions. See “—The Markets are Subject to Market Disruption and Related Governmental and Regulatory Intervention”.

***Dodd-Frank Act.*** The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was enacted in July 2010. The Dodd-Frank Act has resulted in extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. Additionally, under the Dodd-Frank Act, the SEC has mandated (and will mandate) new recordkeeping and reporting requirements for investment advisers, which add costs to the legal, operational and compliance obligations of the Investment Manager and the Master Fund and increase the amount of time that the Investment Manager spends on non-investment-related activities. The Dodd-Frank Act affects a broad range of market participants with whom the Master Fund interacts or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders and broker dealers, and may change the way in which the Investment Manager conducts business with its counterparties. It may take years to understand the impact of the Dodd-Frank Act on the financial industry as a whole, and therefore, the continued uncertainty may make markets more volatile and make it difficult for the Investment Manager to execute the investment strategy of the Master Fund.

***Central Clearing.*** In order to mitigate counterparty risk and systemic risk in general, various regulatory and legislative initiatives are underway to require certain over-the-counter derivatives to be cleared through a clearinghouse. In the United States, clearing requirements were part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. It is expected that the CFTC and the SEC will introduce clearing requirements for other derivatives in the future. While such clearing requirements may be beneficial for the Master Fund in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Master Fund would be exposed under non-cleared derivatives), the Master Fund could be exposed to new risks such as the risk that the majority of such derivatives may be required to be standardized and/or cleared through a clearinghouse, as a result of which the Master Fund may not be able to hedge its risks or express an investment view as well as it would using customizable derivatives available in the over-the-counter markets. Also, each clearinghouse only covers a limited range of products and the Master Fund may have to spread its derivative portfolio across multiple clearinghouses, which in turn reduces the benefits of netting that derivatives users rely on to mitigate counterparty risk.

Another risk is that the Master Fund will likely be subject to more onerous and more frequent (daily or even intraday) margin calls from both the clearinghouse and the dealer through which the Master Fund will access the clearinghouse, which may force the Master Fund to use temporary credit facilities of



the dealer to meet margin calls related to cleared trades and increase the costs of cleared trades to the Master Fund. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Master Fund to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Master Fund. In addition, clearinghouses may not allow the Master Fund to portfolio-margin its positions, which may cause an increase in the costs to the Master Fund. Further, clearinghouses are encouraged to model risks and implement margin requirements in typical market environments. Many of the risk models, however, are subject to change at any time and, therefore, the Master Fund may be subject to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Master Fund.

Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse or any counterparty the Master Fund utilizes as a clearing agent or broker, subjecting the Master Fund to the risk that the assets of the clearing entity are insufficient to satisfy all of the clearing entity's payment obligations, leading to a payment default. The failure of a clearinghouse could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on member firms during a financial crisis, which could lead member firms to default and thus worsen the crisis. Because these potential clearinghouses are still in the approval stage and are still being analyzed for bankruptcy risk, it is difficult to speculate what the actual risks would be to the Master Fund related to the default of a clearinghouse. There is no one international standard for clearinghouses; existing clearinghouses both domestically and internationally have different waterfalls that apply upon the insolvency of a clearinghouse or a clearinghouse member and it is possible that the Master Fund could be in a worse position if a clearinghouse were to fail than a traditional derivative counterparty. Also, a clearinghouse will likely require that the Master Fund relinquish control of its transactions if the clearinghouse were to become insolvent, and, therefore, the Master Fund would not be able to terminate and close out of a defaulting clearinghouse's positions, but would become subject to regulators' control over those positions. In such a circumstance, the Master Fund may not be able to take actions that it deems appropriate to lessen the impact of such clearinghouse default.

Applicable regulations may also require the Master Fund to make public information regarding its swaps volume, position size and/or trades, which could detrimentally impact the Master Fund's ability to achieve its investment objectives.

***Alternative Investment Fund Managers Directive.*** The Alternative Investment Fund Managers Directive (the "AIFM Directive") of the European Union ("EU") took effect across the EU on July 22, 2013. The AIFM Directive regulates (i) alternative investment fund managers ("AIFM") based in the EU, (ii) the management of any alternative investment fund ("AIF") established in the EU (irrespective of where an AIF's AIFM is based), and (iii) the marketing in the EU of the securities of any AIF, such as the Fund, whether conducted by an EU AIFM, a non-EU AIFM or a third party. To be authorized to market the Fund in the EU, the Investment Manager is required to comply with numerous obligations in relation to its own operations and in relation to the AIFs that it manages, which may create significant compliance costs and burdens.

Pursuant to the AIFM Directive, the Investment Manager, as a non-EU AIFM marketing a non-EU AIF (*i.e.*, the Fund) to persons within the EU, will be required to, among other things: (i) confirm that U.S. regulatory authorities have entered into a cooperation-and-information-sharing agreement with the regulator of each EU country into which the Fund is to be marketed; (ii) confirm that the Cayman Islands is not listed as a non-cooperative country for the purposes of the Financial Action Task Force; and (iii) provide EU investors and the regulators of such investors' EU countries with the Fund's annual financial report and certain additional information about the Fund.

In addition, the Fund, as a non-EU AIF managed by a non-EU AIFM, may only be marketed to investors in the EU in accordance with applicable national private placement rules. Each EU country has discretion over its own national private placement rules and has the authority to remove these rules or enact new rules that may require AIFs to become registered with the local regulator before securities can be offered in that country. “Reverse solicitation”, where an EU investor approaches a non-EU AIFM regarding shares in a non-EU AIF, is outside the scope of the AIFM Directive and remains permissible in EU jurisdictions as it is at present. Although the AIFM Directive should have been implemented in the national law of each EU country on July 22, 2013, several EU countries have failed to pass new implementing legislation and certain other EU countries have effected a one-year transitional period so that those non-EU AIFMs that had marketed their AIFs in the particular country before July 22, 2013 may continue to market those AIFs in the relevant EU country until end of day on July 21, 2014 without the AIFM Directive having any effect. As a result, it is not currently possible to ascertain the precise impact that the AIFM Directive will have on the Fund, the Intermediate Fund, the Master Fund or the Investment Manager. The Fund, the Intermediate Fund, the Master Fund or the Investment Manager may be required to take significant measures to comply with national rules implementing the AIFM Directive in those countries of the EU where the Fund is to be marketed. Compliance with the requirements of the AIFM Directive and marketing rules in the EU may be costly (e.g., if numerous EU registrations are required) or could require significant amendments to be made to the structure of the Fund (such as redomiciling the Fund, if EU investors were to become the principal target for fund-raising).

Any regulatory changes arising from implementation of the AIFM Directive may increase the expenses of the Fund, the Intermediate Fund, the Master Fund or the Investment Manager related to compliance therewith and may impair the ability of the Investment Manager to market Shares in the EU in the future. As a result, such regulatory changes may have a material adverse effect on the Master Fund’s ability to achieve its investment objective.

***Accounting Changes Could Make Certain Strategies Obsolete.*** There are a number of accounting initiatives that have been launched or may be proposed by the auditing professional standards board. Certain of these proposed initiatives could render obsolete trading strategies which have been used routinely for many years. For example, changes affecting consolidation, the valuation of OTC, out-of-the-money options and other matters could adversely affect the viability of certain aspects of the Master Fund’s strategies.

The accounting for derivatives such as those to be traded by the Master Fund have been a particular source of accounting scrutiny in recent years.

***The Master Fund’s Value May Be Affected by Accounting for Uncertainty in Income Taxes.*** ASC 740, “Income Taxes” (in part formerly known as “FIN 48”), provides guidance on the recognition of uncertain tax positions. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity’s financial statements. It also provides guidance on recognition, measurement, classification and interest and penalties with respect to tax positions. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the Net Asset Value of the Master Fund, including reducing the Net Asset Value of the Master Fund to reflect reserves for income taxes that may be payable in respect of prior periods by the Master Fund. This could cause benefits or detriments to certain investors, depending upon the timing of their entry and exit from the Fund.

***The Markets Are Subject to Market Disruption and Related Governmental and Regulatory Intervention.*** The global financial markets have recently undergone, and continue to undergo, pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention, including regulators unexpectedly taking positions that resulted in entire strategies being prohibited.

Such intervention has 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. These interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

Confusion and uncertainty have also resulted from the apparent inconsistency which has characterized recent governmental actions. Such inconsistency has caused both severe losses for a number of market participants — who assumed either no intervention or intervention consistent with past precedent — and contributed to the general uncertainty and resulting illiquidity of the markets.

A number of countries have at times imposed bans on short-selling, typically on an “emergency” basis, making it impossible for numerous market participants either to continue to implement their strategies or to control the risk of their open positions. Any ongoing regulatory limitations on short-selling could materially adversely affect the Investment Manager’s ability to implement its strategies for the benefit of the Master Fund.

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.

***An Investment in the Fund Involves Certain Tax Considerations and Risks.*** An investment in the Fund involves a number of material tax risks and considerations. See “TAX ASPECTS”.

***An Investment in the Fund by Benefit Plan Investors Involves Particular Risks.*** An investment in the Fund by an investor subject to ERISA or Section 4975 of the Code involves a number of material risks and considerations. See “CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS”.

***Shareholders May Bear Risks Due to the Absence of U.S. Government Regulation.*** The offering of Shares has not been registered under the U.S. securities laws or the laws of any applicable jurisdiction. Furthermore, the Fund will not register as an investment company under the U.S. Investment Company Act of 1940 (the “Investment Company Act”). Therefore, investors in the Fund do not have the benefit of all of the protections afforded by the U.S. Securities Act of 1933 (the “1933 Act”) (which, among other things, requires certain specified disclosure in connection with the offering of securities), the Investment Company Act (which, among other things, requires investment companies to have a majority of disinterested directors and regulates the relationship between an advisor and an investment company, including the type of compensation paid to the advisor). Additionally, the Investment Manager, with respect to the Fund, the Intermediate Fund and the Master Fund, has claimed an exemption from certain of the CFTC’s disclosure, reporting and record-keeping requirements applicable to registered CPOs pursuant to CFTC Rule 4.7.

The Master Fund will have the ability to execute trades on various exchanges as well as OTC markets in various non-U.S. jurisdictions. Such exchanges and markets are not subject to comprehensive regulation by any U.S. governmental agency as are other exchanges and markets, and, accordingly, the protections afforded by such regulation will not be available to such investments.

***The foregoing list of risk factors does not purport to be a complete explanation of the risks involved in investing in the Fund. Potential investors should read this entire Memorandum and consult with their own legal, financial and tax advisors before determining whether to invest in the Shares.***

## POTENTIAL CONFLICTS OF INTEREST

The Investment Manager, its principals and affiliates will be subject to various actual or potential conflicts of interest of which prospective Shareholders should be aware, including the following:

### Conflicts Generally

The members of the Investment Manager's management team may engage in other activities, whether or not related to the business of the Fund, and may only devote to the Fund so much of their time as they believe is appropriate in connection with the Fund's activities.

### Material Non-Public Information

In connection with its investment activities, the Investment Manager may come into possession of material non-public information or other confidential information with respect to various securities held by the Fund. In such case, the Investment Manager would be limited in its ability to trade such securities, to the extent required by applicable law. As a result, the Investment Manager may be prevented from initiating a transaction for the Fund's account that the Investment Manager otherwise might have initiated (including taking a new position or adding to an existing position), or the Investment Manager may be prevented from liquidating an existing open position for the Fund's account.

### Other Clients and Investment Activities of the Investment Manager and Its Affiliates

The Investment Manager, its principals and affiliates may manage other client accounts or collective investment vehicles in addition to the Fund and Capstone Onshore, and these accounts or vehicles may pursue the same, similar or different investment objectives and strategies. The Investment Manager and its affiliates currently manage several other accounts which pursue tail-risk hedging strategies. If the fees and other remuneration to the Investment Manager from such other investment activities are higher than those generated by the Fund, the Investment Manager would have financial or other incentives to favor such other accounts over the Fund. Further, the Investment Manager may form additional investment vehicles that trade in parallel with any of its other funds or accounts, including the Fund. Such parallel funds may have more favorable terms, including liquidity and reporting, than the Fund, Capstone Onshore and the Master Fund but may hold substantially similar assets or pursue strategies similar to, or overlapping with, those of the Fund. Certain investment positions may be appropriate for both the Fund and any other fund or account managed by the Investment Manager or any of its affiliates.

The Investment Manager will endeavor to act in a manner that it considers reasonable and equitable in allocating investment opportunities to the Fund and its other client accounts, but there are no specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Fund and other accounts or any restrictions on the nature or timing of investments for the account of the Fund. Investors should be aware that the Investment Manager is not required to accord exclusivity or priority to the Fund with respect to any investment opportunities.

To the extent that an expense is incurred by the Investment Manager or its affiliates for goods or services that benefit or relate to the Fund and the Investment Manager's other client accounts, the Investment Manager will allocate such expenses to the Fund and such other accounts generally on a *pro rata* basis based on the relative net asset values of the various accounts (or in the case of the Investment Manager's tail hedging strategies, the annual premium spend of such account), as determined by the Investment Manager in its discretion. The determination of whether an expense should be borne by the Fund (and if so, in what proportion relative to other accounts, as applicable) shall be final and binding on

all Shareholders. The Investment Manager's determinations as to how certain expenses should be allocated among itself and the Fund, as well as among the Fund and the Investment Manager's other clients may be subject to conflicts of interest.

The members, officers, and employees thereof, and of organizations affiliated with the Investment Manager, may buy and sell securities, futures or other derivative instruments for their own account and/or the accounts of others. All of the foregoing trading may be similar to, or different from, the investment strategies pursued on behalf of the Fund.

### **Brokerage Commissions**

The Master Fund uses various executing brokers, in each case subject to the Investment Manager's obligation to obtain best execution. The Master Fund is not required to allocate either a stated dollar amount or stated percentage of its transactions to any broker-dealer, and the Investment Manager will review such relationships from time to time.

The Investment Manager currently has no material soft dollar arrangements. However, the Investment Manager uses full-service broker-dealers that provide research or other products or services to most or all of their customers, without being requested to do so. As a result, the Investment Manager may on occasion receive and use such services provided by these broker-dealers.

Such services may include research and other brokerage services. Because, the Investment Manager believes that the research it receives is not material in nature and quantity and is provided by most broker-dealers with which the Investment Manager deals, the Investment Manager's receipt of such research is generally not expected to have a material effect on the Investment Manager's selection of broker-dealers. However, in such instances, the Investment Manager may have an incentive to select broker-dealers based on its interest in receiving such research rather than based on the Master Fund's interest in receiving the most favorable execution.

Such full services brokers-dealers may also provide other products, including consulting services, risk analytics and capital introductory services to the Investment Manager. In these situations, the Investment Manager receives a benefit because it does not have to pay for such services. Additionally, the capital introductory services provided by full service brokers-dealers provide the Investment Manager with an opportunity to solicit new investor and client referrals. The Investment Manager does not separately compensate such broker-dealers for the provision of such services and does not believe that it "pays up" for such services. However, the receipt of such services may pose a conflict of interest for the Investment Manager, as the Investment Manager may have an incentive to select broker-dealers based on its interest in receiving such services rather than based on the Master Fund's interest in receiving the most favorable execution.

Although the Investment Manager does not currently have any material soft dollar arrangements, the investment management agreement entered into between the Master Fund and the Investment Manager (the "Master Fund Investment Management Agreement") provides that the Investment Manager may select the prime brokers for the Master Fund, and specifically authorizes it to direct brokerage to firms which provide research services and brokerage services in exchange for receiving commissions. Products and services acquired this way are generally referred to as services acquired with "soft dollars" (collectively "Soft Dollar Services"). It is the Investment Manager's policy to enter into arrangements for Soft Dollar Services only to the extent that they are within the "safe harbor" provided by Section 28(e) of the Exchange Act. Accordingly, the Investment Manager may in the future cause the Master Fund to pay a broker-dealer that provides brokerage services (either directly or through third-party relationships) an amount of commission or transaction cost in excess of that which another broker-dealer would have



charged, if the Investment Manager determines in good faith that such commission or transaction cost is reasonable in relation to the value of brokerage, research or other services provided.

If the Investment Manager were to receive Soft Dollar Services that are bundled by the broker in exchange for the price of execution, there is a risk that the Investment Manager would pay more on a bundled basis for the combined services than the Investment Manager would need to pay to obtain the services separately if available on that basis. Any Soft Dollar Services received from brokers may be used by the Investment Manager in servicing other accounts, and not all such information and soft dollar benefits may be used by the Investment Manager in connection with the Master Fund. The Investment Manager and its affiliates will not be required to allocate Soft Dollar Services *pro rata* or on any other equitable basis among their accounts.

### **Related Party Transactions**

The Investment Manager will not act as principal, either buying securities or other financial instruments from any of the Master Fund, the Intermediate Fund or the Fund or selling securities or other financial instruments to any of the Master Fund, the Intermediate Fund or the Fund, either on behalf of its own account or on behalf of the account of any of its subsidiaries, parents or affiliates of common ownership, or any principals or vehicles of which such persons are the majority owners.

The Investment Manager may, to the extent consistent with the previous paragraph and as permitted under applicable law, effect certain client cross-transactions, including where the Investment Manager causes a transaction to be effected between (i) the Master Fund, the Intermediate Fund or the Fund and (ii) another account advised by it or any of its affiliates.

### **The Intermediate Fund Manager's Performance Allocation**

The Shares are indirectly subject to a Performance Allocation as described in this Memorandum. The total amount (as opposed to the percentage) of the Performance Allocation is variable and cannot be determined in advance. Depending upon the Intermediate Fund's rate of return, the amount of the Performance Allocation allocated to the Intermediate Fund Manager, an affiliate of the Investment Manager, may be materially greater than would a more customary fixed fee paid to a money manager for managing a comparable amount of assets, and may provide an incentive to the Investment Manager to engage in more speculative investment strategies in an effort to maximize the Intermediate Fund's rate of return or may give the Investment Manager the incentive to cause the assets of the Intermediate Fund to be valued in a way that increases the Performance Allocation. The Intermediate Fund Manager may receive increased compensation on the basis of unrealized appreciation as well as realized gains in the Intermediate Fund's account.

### **Asset Valuation**

The Investment Manager may be involved in the determination of the value of the Fund's investment positions and Net Asset Value. This role may give the Investment Manager the incentive to overstate the Fund's investment positions or understate liabilities in order to generate more compensation for itself and its affiliates, since that compensation is based on the values of the Fund's investment positions. The Investment Manager also may have an incentive to cause the Fund to trade in less liquid positions since the Investment Manager may have more discretion in its involvement in valuing those positions and thus a greater ability to overstate the values of those positions.

## NET ASSET VALUATION

The Administrator is responsible for sourcing independent product pricing and valuation for the Fund's, the Intermediate Fund's and the Master Fund's portfolio investments and liabilities in accordance with pricing policies set forth in the valuation guidelines provided in the Administration Agreement, and for determining the Net Asset Value of the Fund, the Intermediate Fund and the Master Fund and the Share NAV, under the ultimate supervision of the Investment Manager. Such values are calculated by the Administrator as of the end of each month and on such other dates as the Directors determine. The Directors, in consultation with the Investment Manager, may in their sole discretion temporarily suspend the determination of the Net Asset Value of the Fund or of a Shareholder's Shares in the circumstances described under "ADDITIONAL INFORMATION RELATING TO LIQUIDITY — Suspension of the Determination of Net Asset Value and Redemption Rights".

The "Net Asset Value" of the Fund, the Intermediate Fund or the Master Fund equals the total assets of the relevant entity (including, in the case of the Fund, its investment in the Intermediate Fund and, in the case of the Intermediate Fund, its investment in the Master Fund) less its total liabilities (including accrued liabilities, irrespective of whether such liabilities may in fact never be allocated). Net Asset Value will in each case be determined in accordance with U.S. GAAP except for the amortization of organizational expenses and any other exceptions. The value of any asset includes unrealized profits and losses on such asset.

"Share NAV" as of any calculation date equals: (i) initially, the issuance price of the Share and, thereafter, the Share NAV on the day immediately following the previous calculation date ("BNAV"), plus (ii) the relevant Share's Share NAV Profit or Loss, less (iii) the Management Fees to the Investment Manager and the Net Asset Value reduction corresponding to the Performance Allocations to the Intermediate Fund Manager at the Intermediate Fund level, if any, with respect to the Share for such calculation period. For purposes of this Memorandum, Share NAV also refers to an equivalent measurement in respect of the Intermediate Fund's shares.

"Share NAV Profit or Loss" as of a calculation date with respect to a Share equals: (i) BNAV, divided by (ii) the aggregate Net Asset Value of the Fund as of the date of issue, or thereafter, the day immediately following the previous calculation date, attributed to the Shares of the relevant class (after adjustment for additions and redemptions to the Fund on such date but prior to the commencement of trading on such date), multiplied by (iii) the aggregate net profits or losses of the Fund attributed to the Shares of the relevant class for the calculation period as of the calculation date.

The Fund may establish such reserves for contingencies as the Investment Manager, in its discretion, deems to be appropriate.

Pursuant to the valuation guidelines provided in the Administration Agreement and adopted by the Investment Manager, in consultation with the Board of Directors, as modified from time to time, generally, exchange-listed equity, convertible and fixed income securities are valued at their closing price on their principal exchange, exchange listed options are valued at their closing mid-market prices on their principal exchange, and third-party marks are obtained for all other portfolio investments. Where available, the Fund will defer to third-party marks from an independent pricing source over marks from a single counterparty. For securities and assets for which there is no active trading market and for which third party marks are unavailable, the Investment Manager may in good faith determine such securities' fair value. All values assigned by the Fund to investments and other property and liabilities will be final and conclusive as to all Shareholders.



The Investment Manager has formed a Valuation Committee that meets monthly. The Valuation Committee's purpose is to determine the best method to obtain accurate valuations of the Fund's assets and to set policies regarding how the Investment Manager determines the value of the Fund's assets.

Upon request, the Investment Manager will provide a Shareholder with a copy of the complete policies and procedures relating to Fund valuations then in effect. The Fund's valuation policies and procedures may be modified by the Investment Manager, in consultation with the Board of Directors, in its discretion, if and to the extent the Investment Manager will determine that such modifications are advisable to reflect other factors affecting the fair value of assets or to reflect changes in factors or the significance thereof. The Investment Manager will notify all Shareholders of any material change in such policies and procedures.

If a pricing error occurs, the Investment Manager will take immediate steps to correct the price on a going-forward basis and to determine its materiality. The Investment Manager will ascertain whether the error had a significant impact on the Shares of any Shareholder. If there was no material impact, no retroactive corrective action will be required. If there was a material impact, the Investment Manager will recommend corrective action(s) to make the affected Shareholders whole (if such error resulted in a loss to any Shareholder).

## **SHARES**

### **Share Capital**

The Fund has an authorized share capital of \$50,000 consisting of 5,000,000 Shares, par value \$0.01, which may be issued in such classes (in addition to the Classes of Shares described herein) as the Directors may in their discretion determine. Such additional classes of Shares may differ in terms of the fees charged and performance allocations allocated (directly or indirectly), functional currency, redemption and subscription rights, voting rights and other aspects from the Shares described herein. The Shares are currently offered and issued to investors generally in one of two Classes, the Class A Shares are for Shareholders who are not "restricted" for new issues purposes, and the Class B Shares are for Shareholders who are "restricted" for new issues purposes.

Each Series of a Class of Shares will be identified by its date of issue. The Shares offered hereby are entitled to receive any dividends which may be declared by the Board of Directors with respect to such Shares. However, the Fund does not anticipate declaring or paying any such dividends. Subject to the foregoing, each of the Shares of a particular Class will participate ratably with all other outstanding Shares in the same Class in the Fund's assets and earnings, will have the redemption rights discussed below and, unless issued without the right to vote, generally is entitled, on a poll, to one vote per Share at any meeting of Shareholders.

Shares are available for purchase as of each Dealing Day. The issue price for each Series of Shares issued on any Dealing Day will be \$1,000 per Share. The Fund does not have a uniform Share NAV; instead, each Series of Shares within each Class is individually accounted for with respect to calculation of the Share NAV, Performance Allocations and Management Fees.

The share capital of the Intermediate Fund and the Master Fund, and the rights and restrictions of the shares of the Intermediate Fund to be issued to the Fund and of the Master Fund to be issued to the Intermediate Fund, will be substantially identical to those of the Fund, save with respect to restrictions as to redemptions and in connection with the fees and allocations described herein.

As described above, the Fund expects to invest all of its investable assets in the Intermediate Fund. The Intermediate Fund will issue shares to the Fund in classes and series that correspond to the Classes and Series of the Shares of the Fund. In addition, the Intermediate Fund will issue to the Manager Class M Shares. Class M Shares are voting shares which carry the right to receive the Performance Allocation. Class M Shares are not subject to the Management Fee or the Performance Allocation.

## **New Issues**

The Master Fund may invest in “New Issues” (*i.e.*, initial public offerings of U.S. equity securities). The Board of Governors of the U.S. Financial Industry Regulatory Authority (the “FINRA”) has published the Restrictions on the Purchase and Sale of Initial Equity Public Offerings rule (“New Issues Rule 5130”), which implements in part the requirement that FINRA members (principally broker-dealers and investment bankers) make a bona fide public distribution at the public offering price of securities of an initial public offering (a “new issue”). New Issues Rule 5130 restricts FINRA members and their associated persons from, among other things, selling, with limited exception, any new issue securities to any FINRA member, to any associated person of an FINRA member, to any senior officer of a registered investment advisory firm, bank, savings and loan institution or insurance company, or to certain other restricted persons (collectively, “5130 Restricted Persons”). New Issues Rule 5130 prohibits FINRA members from selling securities in a new issue to the Fund if 5130 Restricted Persons would be allocated in aggregate more than 10% of profits and losses relating to those new issues. 5130 Restricted Persons may participate in profits and losses attributable to New Issues to the extent the aggregate Shares held by 5130 Restricted Persons constitute less than 10% of the Net Asset Value of the Fund. Consequently, to enable the Fund to participate in New Issues, the Fund may choose to purchase such securities and reduce the 5130 Restricted Persons’ aggregate share in the gains and losses resulting from such securities to 10%. For clarity, to the extent a Shareholder is a collective investment vehicle, unless such Shareholder specifies that no new issues income or loss will be allocated to 5130 Restricted Persons, such Shareholder will be treated as restricted for new issues allocation purposes. Accordingly, the Fund does not allow investors using the *de minimis* exception (*i.e.*, not allocating more than 10% of profits and losses relating to new issues to 5130 Restricted Persons) to the New Issues Rule to participate as unrestricted investors.

In addition, FINRA has published Rule 5131, “New Issue Allocations and Distributions” (“New Issues Rule 5131” and, together with New Issues Rule 5130, the “New Issues Rules”), in accordance with which certain persons with respect to a particular company (“5131 Restricted Persons” and, together with 5130 Restricted Persons, “Restricted Persons”) may be restricted from, or, in the sole discretion of the Investment Manager, limited in, participating in the gains and losses attributable to new issues, if such persons receive more than 25% of the beneficial interests in new issues profits and losses of the Fund, subject to certain conditions.

The Investment Manager may modify its allocation of new issues to Shareholders (including converting the class of Shares a Shareholder holds as it relates to new issues to such other appropriate class of Shares (by way of redemption and reissue)) at any time after notifying the affected Shareholders.

To enable the Fund to participate in new issues, Class A Shares will be issued to Shareholders that are not restricted. Class B Shares will be issued to Shareholders who are restricted. Class B Shares are identical in all other respects to the Class A Shares, respectively, except that the Class B Shares generally are expected to participate in new issues in a more limited manner. To avoid any violation of the New Issues Rule, investors subscribing for Shares must provide information demonstrating whether or not they are Restricted Persons. Failure to provide such information will result in the investor receiving restricted Shares. The Investment Manager, subject to oversight by the Board of Directors, decides whether a Shareholder is a Restricted Person.

## **Voting Rights**

Unless a Shareholder is issued Shares of a Class which do not have the right to vote, each Shareholder of the Fund is generally entitled on a show of hands to have one vote and, on a poll, to one vote for each Share held on any matter presented to a meeting of Shareholders.

General meetings of the Fund's Shareholders will be held at such place as the Directors may determine from time to time as required by law or when called for by the Board of Directors. The Fund will mail a notice to each Shareholder entitled to such notice at least 30 days in advance of any such meeting (or at least 10 days, if the Board of Directors determines that prompt Shareholder action is advisable). If the proxy sent with the notice of meeting is not completed and returned prior to the meeting, and the Shareholder does not personally attend the meeting, such Shares will be voted in the discretion of the proxy and attorney-in-fact designated in the Subscription Agreement executed by each Shareholder.

At any meeting of Shareholders, the favorable vote of a majority of the Shares represented thereat generally is sufficient for the approval of any action unless such action is a matter requiring special resolution in which case a two-thirds majority will be required. The quorum required for voting upon resolutions at any meeting of Shareholders is one or more Shareholders holding at least 50% of the Shares having voting rights, except where a resolution is proposed to appoint or remove a Director, in which case, the required quorum is one or more Shareholders holding at least two-thirds of the Shares having voting rights.

## **Non-Voting Shares**

To enable investors that are subject to regulatory or legal restrictions that impose prohibitions or limitations on their ownership of voting securities (e.g., investors subject to the U.S. Bank Holding Company Act of 1956, as amended (the "BHCA")) to participate in the Fund, the Fund may issue one or more classes or series of non-voting Shares as the Directors determine in their discretion, with the consent of the Investment Manager. Such non-voting Shares will rank *pari passu* with the Class A Shares or Class B Shares, as applicable, except that holders of such non-voting Shares will not be entitled to vote on any matters presented at a meeting of Shareholders. Prospective Shareholders that are subject to the BHCA or that otherwise require non-voting Shares should inform the Fund of such needs in their completed subscription documentation.

## **Class Rights**

The Fund's Articles of Association provide that the rights attaching to any Class or Series of Shares (unless otherwise provided by the terms of issue of the Shares of that Class or Series) only be materially adversely varied or abrogated with the consent in writing of the holders of two thirds of the issued Shares of that Class or Series, or with the sanction of a resolution passed by at least a two thirds vote of the holders of Shares of the Class or Series present in person or by proxy at a separate general meeting of the holders of the Shares of the Class or Series. To every such separate general meeting, the provisions of the Fund's Articles of Association relating to general meetings of the Fund shall apply, *mutatis mutandis*, but so that the necessary quorum will be at least one person holding or representing by proxy at least two thirds of the issued Shares of the Class or Series and that any holder of Shares of the Class or Series present in person or by proxy may demand a poll. For the purpose of convening and/or holding a meeting, the Directors may treat all the Classes or Series or any two or more Classes or Series as forming one, if they consider that all such Classes or Series would be affected in the same way by the proposals, but in any other case shall treat them as separate Classes or Series.

The Fund's Articles of Association also provide that the rights conferred upon the holders of the Shares of any Class or Series issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that Class or Series, be deemed materially adversely varied or abrogated by, *inter alia*, the creation, allotment or issue of further Shares ranking in priority to, *pari passu* with, or subsequent to them, by an amendment to or variation of any investment objective in this Memorandum or any other Memorandum issued in relation to the offering of that Class or Series of Shares (as the case may be), by the liquidation of the Fund and distribution of its assets to the Shareholders in accordance with their rights, the vesting of the assets in, or in trustees for, the Shareholders *in specie* or by the purchase or redemption by the Fund of its own Shares or by an amendment to any fees payable to any service provider to the Fund.

As a consequence of these provisions, it is possible that the Fund may, in the discretion of the Board of Directors, create new Classes of Shares, or Series within Classes, with rights and preferences different and/or senior to those Classes issued or to be issued in accordance with this Memorandum without the need to notify the Shareholders or seek the consent or approval of the Shareholders.

### **Registration of Shares**

Shares are issued only in registered form. The Fund does not issue bearer Shares. A current register of the names and addresses of the Fund's Shareholders and their shareholdings ("Register of Members") is maintained at the office of the Administrator in the Cayman Islands. (Shareholder registers of the Fund are not required by any current law to be furnished on a regular basis to any governmental authority in any jurisdiction.) The Register of Members will continue to be maintained outside the United States. Shares are registered in book entry form.

### **Stock Exchange Listing**

The Shares have not been listed on any stock exchange, although the Fund reserves the right to do so in the future.

## **SUBSCRIPTIONS AND INVESTMENT REQUIREMENTS**

### **Subscription Terms**

Applications for Shares may be made by completing and returning to the Administrator the appropriate Subscription Agreement. Shareholders who are "restricted" for New Issues purposes will be issued Class B Shares, while Shareholders who are not "restricted" for New Issues purposes will be issued Class A Shares.

The minimum subscription is \$1,000,000, subject to the Fund's discretion to consent to a lesser amount, provided always that at no time shall an initial investment of less than \$100,000 be accepted. Additional subscriptions, available on each Dealing Day, may be made in increments of \$1,000,000, subject to the Fund's discretion to accept smaller increments. The issue price of any series of Shares of any class on any Dealing Day will be \$1,000 per Share.

Each new investor must agree to be bound by all the terms of the constituent documents of the Fund. Subject to applicable laws, the Fund reserves the right to reject any subscription or to accept any subscription in whole or in part. Shares are only issued as fully paid-up.

Shares are available for subscription on each Dealing Day, and the offering of Shares will continue until terminated in the discretion of the Fund.

Completed Subscription Agreements must be received by the Administrator no less than three Business Days prior to the applicable Dealing Day (or such shorter period as is acceptable to the Fund). It is the subscribers' responsibility to confirm timely receipt of the subscription documents by the Administrator. Subscriptions are payable in full, in immediately available funds, no less than three Business Days prior to the relevant Dealing Day. The Fund has the authority, which may be exercised in certain special circumstances and in its discretion, to accept payment for subscriptions which have been remitted on or after such date. All funds submitted in connection with subscriptions for Shares will be deposited in the Fund's bank account and any interest earned thereon through the date of admission accrues to the benefit of the Fund as a whole (and not the Shareholder or prospective Shareholder alone). Any subscription funds submitted by rejected applicants will be promptly returned to them, without interest.

No Shares will be allotted or issued during any period when the determination of Net Asset Value of the Fund, the Intermediate Fund or the Master Fund, or Share NAV is suspended. For example, the determination of the Net Asset Value of the Fund or Share NAV may be suspended by the Directors when, among other things, there exists, in the opinion of the Directors, in consultation with the Investment Manager, a state of affairs where the calculation of the Net Asset Value of the Fund or Share NAV would not be reasonably practicable or would be seriously prejudicial to the Shareholders. (See "ADDITIONAL INFORMATION RELATING TO LIQUIDITY—Suspension of the Determination of Net Asset Value and Redemption Rights".) In addition, the Directors reserve the right at any time without notice to discontinue the issuance or sale of Shares of any Class pursuant to this Memorandum.

Where subscription documents are sent to the Administrator by facsimile, the original must follow by next-day courier. It is the subscribers' responsibility to ensure timely receipt of subscription documents by the Administrator.

### **Eligible Investors**

The Shares may not be offered or sold in the United States of America, its territories or possessions or areas subject to its jurisdiction (collectively the "United States"), or to or for the benefit of a United States Person, as defined in Annex 1 to this Memorandum, except with the consent of the Investment Manager in a transaction which does not require the registration of the Shares under applicable United States federal or state securities laws. The Fund does not intend to permit ownership of Shares by United States Persons other than certain tax-exempt organizations which are "accredited investors" (as defined in Regulation D under the 1933 Act) and "qualified purchasers" (as defined in the Investment Company Act), except with the prior approval of the Fund. Prospective investors may be required to demonstrate their qualification under the eligibility standards applicable under securities laws of the United States and jurisdictions other than the United States. The Fund will have the right to permit ownership of Shares by other United States Persons if such ownership and the related offers and sales would not result in the requirement to register the offer or sale of Shares under the 1933 Act or to register the Fund under the Investment Company Act.

The Investment Manager, with respect to the Fund, the Intermediate Fund and the Master Fund, has claimed an exemption from certain of the CFTC's disclosure, reporting and record-keeping requirements applicable to registered CPOs pursuant to CFTC Rule 4.7.

### **Compliance with Anti-Money Laundering laws**

***Identity Verification.*** As part of the Fund's responsibility to comply with regulations aimed at the prevention of money laundering and terrorist financing, the Fund or the Administrator may require a



detailed verification of the identity of any subscriber or Shareholder, the identity of any beneficial owner of a subscriber or Shareholder, and the source of any Shareholder's subscription payment.

In some cases, the Board of Directors or the Administrator on the Fund's behalf may be satisfied that full due diligence may not be required where an exemption applies under the Money Laundering Regulations (as amended) of the Cayman Islands, as amended and revised from time to time (the "Cayman Islands AML Regulations"), or applicable law. Depending on the circumstances of each application, a detailed verification of identity might not be required where:

- (a) the subscriber makes the payment for their investment from an account held in the subscriber's name at a recognized financial institution and redemptions/dividends are repaid directly to the subscriber;
- (b) the subscriber is regulated by a recognized regulatory authority or listed on a recognized stock exchange (or is a subsidiary of either) and is based or incorporated in, or formed under the law of, a recognized jurisdiction; or
- (c) the application is made through an intermediary that is regulated by a recognized regulatory authority and is based in or incorporated in, or formed under the law of a recognized jurisdiction and an assurance is provided in relation to the procedures undertaken on the underlying investors.

For the purposes of these exceptions, recognition of a financial institution, regulatory authority, stock exchange or jurisdiction will be determined in accordance with the Cayman Islands AML Regulations by reference to those jurisdictions recognized by the Monetary Authority as having equivalent anti-money laundering regulations to the Cayman Islands.

The Fund and the Administrator each reserves the right to request such information as is necessary to verify the identity of any subscriber, Shareholder and any beneficial owner of a subscriber or Shareholder. Each of the Fund and the Administrator also reserves the right to request such identification evidence in respect of a transferee of Shares. In the event of delay or failure by a subscriber or Shareholder to produce any information required for verification purposes, the Fund or the Administrator may (i) refuse to accept or delay the acceptance of a subscription; (ii) in the case of a transfer of Shares, refuse to register the relevant transfer of Shares; (iii) in the case of a subscription for Shares, refuse to allot the Shares subscribed for, in which event subscription moneys will be returned without interest to the account from which such moneys were originally debited; or (iv) cause the redemption of any such Shareholder from the Fund.

*Freezing Accounts.* Each of the Fund and the Administrator reserves the right, and the Fund may be obligated, pursuant to any applicable anti-money laundering laws or the laws, regulations, and Executive Orders administered by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC"), or other laws or regulations in any relevant jurisdiction (collectively, "AML/OFAC Obligations"), to "freeze the account" of a subscriber or Shareholder, either by (i) rejecting the subscription of a subscriber or Shareholder; (ii) segregating the assets in the account in compliance with applicable laws or regulations; (iii) declining any redemption request of a Shareholder; (iv) suspending payment of redemption proceeds to a Shareholder; and/or (v) refusing to make any dividend payment to a Shareholder. The Fund may be required to report such action and to disclose the subscriber's or Shareholder's identity to OFAC or other applicable governmental and regulatory authorities.

*Required Representations.* Each subscriber and Shareholder will be required to make such representations to the Fund as the Fund, the Investment Manager or the Administrator will require in

connection with applicable AML/OFAC Obligations, including, without limitation, representations to the Fund that such subscriber or Shareholder (or any person controlling or controlled by the subscriber or Shareholder; if the subscriber or Shareholder is a privately held entity, any person having a beneficial interest in the subscriber or Shareholder; or any person for whom the subscriber or Shareholder is acting as agent or nominee in connection with the investment) is not (i) a country, territory, individual or entity named on an OFAC list; (ii) a person or entity prohibited under the programs administered by OFAC; or (iii) a senior foreign political figure,<sup>\*</sup> or any immediate family member<sup>\*\*</sup> or close associate<sup>\*\*\*</sup> of a senior foreign political figure. Further, such subscriber or Shareholder must represent to the Fund that it is not a prohibited foreign shell bank<sup>\*\*\*\*</sup>.

Such subscriber or Shareholder will also be required to represent to the Fund that amounts contributed by it to the Fund were not directly or indirectly derived from activities that may contravene applicable laws and regulations, including, without limitation, any applicable anti-money laundering laws and regulations.

Each subscriber and Shareholder must notify the Fund promptly in writing should it become aware of any change in the information set forth in its representations.

*Required Reporting.* If any person resident in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or is involved with terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Crime Law, 2008 of the Cayman Islands, if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the Financial Reporting Authority, pursuant to the Terrorism Law (as amended) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report will not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

*Master Fund Obligations.* As a regulated mutual fund in the Cayman Islands, the Master Fund is also subject to the same legislation and regulations aimed at the prevention of money laundering that are applicable to the Fund. The Master Fund will discharge its obligations by implementing procedures substantially similar to the Fund.

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<sup>\*</sup> For these purposes, the term "senior foreign political figure" means a current or former senior official in the executive, legislative, administrative, military or judicial branches of a non-U.S. government (whether elected or not), a current or former senior official of a major non-U.S. political party, or a current or former senior executive of a non-U.S. government-owned commercial enterprise. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure. For purposes of this definition, the term "senior official" or "senior executive" means an individual with substantial authority over policy, operations, or the use of government-owned resources.

<sup>\*\*</sup> For these purposes, an "immediate family member" of a senior foreign political figure means spouses, parents, siblings, children and a spouse's parents and siblings.

<sup>\*\*\*</sup> For these purposes, a "close associate" of a senior foreign political figure means a person who is widely and publicly known (or is actually known) to be a close associate of a senior foreign political figure.

<sup>\*\*\*\*</sup> For these purposes, the term "prohibited foreign shell bank" means a non-U.S. bank that does not have a physical presence in any country, and is not a "regulated affiliate", i.e., (i) an affiliate of a depository institution, credit union, or non-U.S. bank that maintains a physical presence in the U.S. or a non-U.S. country, as applicable, and (ii) is subject to supervision by a banking authority in the country regulating the affiliated depository institution, credit union, or foreign bank.



*Delegation.* Where permitted, and subject to certain conditions, the Fund may delegate the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

## **ADDITIONAL INFORMATION RELATING TO LIQUIDITY**

*The following section describes additional information relating to the compulsory redemption of Shares, the Fund's ability to suspend redemptions and the transferring of Shares. For information relating to the other aspects of the Fund's liquidity, see "SUMMARY OF THE OFFERING—Liquidity".*

### **Compulsory Redemptions**

The Fund reserves the right to compulsorily redeem all or part of the Shares of any Shareholder for any reason or for no reason, on any date on not less than three calendar days' prior written notice. In addition, the Fund without notice may require, at any time, redemption of the Shares of any Shareholder (i) that it determines is an employee benefit plan subject to ERISA or Section 4975 of the Code in order for the assets of the Fund not to be treated as Plan Assets under ERISA or Section 4975 of the Code, (ii) which made a misrepresentation to the Fund or the Investment Manager in connection with its purchase of Shares or ongoing investment in the Fund, or (iii) if such Shareholder's ownership of Shares would result in the violation of applicable laws or regulations by the Fund, the Investment Manager or any affiliate or a Shareholder. The Shares held by a Shareholder thus designated will be redeemed without further action on the part of the Shareholder. Shares will be redeemed at their applicable Share NAV (determined as of the close of business on the date set forth in the redemption notice or, if no notice, at the Share NAV immediately prior to the opening of business on the date of such redemption), and will be subject to any applicable wire transfer fees and/or transaction costs.

### **Suspension of the Determination of Net Asset Value and Redemption Rights**

The Directors, in consultation with the Investment Manager, may in their sole discretion temporarily suspend the determination of the Net Asset Value of the Fund, of a Class or of a series of Shares in certain situations, such as during: any period when any exchange or over-the-counter market on which any portion of the Fund's investments are quoted is closed, other than for ordinary holidays and weekends, or during periods in which dealings are restricted or suspended; the existence of any state of affairs which, in the Investment Manager's opinion, constitutes a situation during which liquidation of the Fund's investments would not be reasonably practicable or would be seriously harmful to the Shareholders; any breakdown in the means of communication normally employed in determining the price or value of any portion of the Fund's investments, or of current prices in any market or when for any other reason the prices or values of any portion of the investments owned by the Fund cannot reasonably be promptly and accurately ascertained; any period when the transfer of funds involved in the realization or acquisition of any investments cannot, in the Investment Manager's opinion, be effected at normal rates of exchange; any period during which redemptions would materially impair the Fund's operations or jeopardize the Fund's tax status; any other period during which liquidating some or all of the Fund's assets or calculating the Fund's Net Asset Value would not be reasonable or practicable, or would be prejudicial to the Shareholders; any period during which the Fund is unable to receive redemption proceeds from the Intermediate Fund or the Intermediate Fund is unable to receive redemption proceeds from the Master Fund; or under such other circumstances as may be described in the Articles of Association. The Directors of the Intermediate Fund and the Master Fund may cause the Intermediate Fund or the Master Fund, as applicable, to suspend the determination of its net asset value and redemptions on substantially similar terms.

The Fund will not accept subscriptions during any period in which the determination of Net Asset Value is suspended, and Shareholders' right to redeem their Shares will be automatically suspended during any such period. Further, the Fund may in its discretion delay the distribution of redemption proceeds during any period when the determination of the Fund's Net Asset Value is suspended. The Fund will notify Shareholders promptly of any suspension of redemption rights and subscriptions, and the termination of such suspension, in writing. If a pending redemption request or subscription for Shares is not withdrawn during the period of suspension, that redemption or subscription will be effected on the last Business Day of the month following the end of the suspension period, or at such other date determined by the Board of Directors, in consultation with the Investment Manager, in its discretion.

## **Transfers**

Each prospective investor must represent and warrant in its Subscription Agreement that it is purchasing the Shares for its own account, and not with a view to the assignment, transfer or disposition of such Shares. Shareholders may not assign, transfer, exchange, sell, pledge, hypothecate or otherwise dispose (each a "Transfer") of, for value, by gift or otherwise, any of their Shares or any interest therein without written notice to and the prior written consent of the Directors. The notice to the Fund must include evidence satisfactory to the Fund that the proposed Transfer is exempt from registration under the 1933 Act and otherwise in accordance with the laws applicable to the Shareholder and the proposed assignee, that the proposed assignee meets any requirements imposed by the Fund with respect to investor and/or transferee eligibility and suitability, and must be accompanied by the proposed assignee's agreement, in a form satisfactory to the Fund, to be bound by the provisions of the constituent documents of the Fund.

If a Transfer occurs by reason of the death of a Shareholder or assignee, the notice may be given by the duly authorized representative of the estate of the Shareholder or assignee. The notice must be supported by proof of legal authority and valid assignment acceptable to the Fund. Assignments, if permitted, will only be allowed at month-end.

## **TAX ASPECTS**

**CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

THE DISCUSSION HEREIN IS FOR INFORMATIONAL PURPOSES ONLY AND IS A DISCUSSION PRIMARILY OF THE U.S. TAX CONSEQUENCES TO PROSPECTIVE SHAREHOLDERS. EACH PROSPECTIVE SHAREHOLDER SHOULD CONSULT ITS PROFESSIONAL TAX ADVISOR WITH RESPECT TO THE TAX ASPECTS OF AN INVESTMENT IN THE COMPANY. TAX CONSEQUENCES MAY VARY DEPENDING UPON THE PARTICULAR STATUS OF A PROSPECTIVE SHAREHOLDER. IN ADDITION, SPECIAL CONSIDERATIONS (NOT DISCUSSED HEREIN) MAY APPLY TO PERSONS WHO ARE NOT DIRECT SHAREHOLDERS IN THE COMPANY BUT WHO ARE DEEMED TO OWN SHARES AS A RESULT OF THE APPLICATION OF CERTAIN ATTRIBUTION RULES.

Neither the Fund, the Intermediate Fund nor the Master Fund has sought a ruling from the Service or any other U.S. federal, state or local agency with respect to any of the tax issues affecting the Fund, the Intermediate Fund or the Master Fund, nor has any obtained an opinion of counsel with respect to any tax issues.

The following is a summary of certain potential U.S. federal tax consequences which may be relevant to prospective shareholders. The discussion contained herein is not a full description of the complex tax rules involved and is based upon existing laws, judicial decisions and administrative regulations, rulings and practices, all of which are subject to change, retroactively as well as prospectively. A decision to invest in the Fund should be based upon an evaluation of the merits of the trading program, and not upon any anticipated U.S. tax benefits.

#### U.S. Trade or Business

Section 864(b)(2) of the IRC provides a safe harbor (the “Safe Harbor”) applicable to a non-U.S. corporation (other than a dealer in securities) that engages in the U.S. in trading securities (including contracts or options to buy or sell securities) for its own account pursuant to which such non-U.S. corporation will not be deemed to be engaged in a U.S. trade or business. The Safe Harbor also provides that a non-U.S. corporation (other than a dealer in commodities) that engages in the U.S. in trading commodities for its own account is not deemed to be engaged in a U.S. trade or business if “the commodities are of a kind customarily dealt in on an organized commodity exchange and if the transaction is of a kind customarily consummated at such place.” Pursuant to proposed regulations, a non-U.S. taxpayer (other than a dealer in stocks, securities, commodities or derivatives) that effects transactions in the United States in derivatives (including (i) derivatives based upon stocks, securities, and certain commodities and currencies, and (ii) certain notional principal contracts based upon an interest rate, equity, or certain commodities and currencies) for its own account is not deemed to be engaged in a United States trade or business. Although the proposed regulations are not final, the Service has indicated in the preamble to the proposed regulations that for periods prior to the effective date of the proposed regulations, taxpayers may take any reasonable position with respect to the application of Section 864(b)(2) of the IRC to derivatives, and that a position consistent with the proposed regulations will be considered a reasonable position.

The Investment Manager intends to conduct the business of the Fund, and each of the Intermediate Fund and the Master Fund (which intend to operate as partnerships for U.S. tax purposes, in which case the Intermediate Fund and the Master Fund would not in any event be subject to U.S. income tax) in a manner so as to meet the requirements of the Safe Harbor. Based on the foregoing, the Fund’s and the Master Fund’s securities and commodities trading activities are not expected to constitute a U.S. trade or business and, except in the limited circumstances discussed below, the Fund does not expect to be subject to the regular U.S. income tax on any of its or the Master Fund’s trading profits. There can be no assurance, however, that the Service will agree that each of such transactions qualifies for the Safe Harbor. If the Fund’s, the Intermediate Fund’s or the Master Fund’s activities were determined not to be of the type described in the Safe Harbor, the Fund’s, the Intermediate Fund’s or the Master Fund’s activities may constitute a U.S. trade or business, in which case the Fund would be subject to U.S. income and branch profits tax on its share of the income and gain from those activities and related activities, if any.

Even if the Fund’s, the Intermediate Fund’s or the Master Fund’s securities trading activity does not constitute a U.S. trade or business, gains realized from the sale or disposition of stock or securities (other than debt instruments with no equity component) of U.S. Real Property Holding Corporations (as defined in Section 897 of the IRC) (“USRPHCs”), including stock or securities of certain Real Estate Investment Trusts (“REITs”), will be generally subject to U.S. income tax on a net basis. However, a

principal exception to this rule of taxation may apply if such USRPHC has a class of stock which is regularly traded on an established securities market and the Fund generally did not hold (and was not deemed to hold under certain attribution rules) more than 5% of the value of a regularly traded class of stock or securities of such USRPHC at any time during the five year period ending on the date of disposition.<sup>1</sup> Moreover, if the Fund, the Intermediate Fund or the Master Fund were deemed to be engaged in a U.S. trade or business as a result of owning a limited partnership interest in a U.S. business partnership or a similar ownership interest, income and gain realized from that investment would be subject to U.S. income and branch profits tax.

### U.S. Subsidiaries

The Company or the Master Fund (directly or indirectly) may invest in certain businesses or assets, including U.S. loan origination activities, through one or more U.S. corporate entities (each, a “U.S. Subsidiary”). Each U.S. Subsidiary will be subject to U.S. income tax on its net taxable income at regular U.S. Federal rates and applicable state and local tax rates. The Fund’s allocable share of dividend distributions from a U.S. Subsidiary will be subject to a 30% withholding tax (see “U.S. Withholding Taxes”, below). However, cash distributions by the U.S. Subsidiary upon its complete liquidation are not subject to withholding tax under current law.

### Identity of Beneficial Ownership and Withholding on Certain Payments

In order to avoid a U.S. withholding tax of 30% on certain payments (including payments of gross proceeds) made with respect to certain actual and deemed U.S. investments, the Fund, the Intermediate Fund and the Master Fund generally will be required to register with the Service by June 30, 2014 and agree to identify certain direct and indirect U.S. account holders (including debtholders and equityholders). A non-U.S. investor in the Fund will generally be required to provide to the Fund information which identifies its direct and indirect U.S. ownership. Any such information provided to the Fund will be shared with the Service. A non-U.S. investor that is a “foreign financial institution” within the meaning of Section 1471(d)(4) of the IRC will also generally be required to register with the Service by June 30, 2014 and agree to identify certain of its own direct and indirect U.S. account holders (including debtholders and equityholders). A non-U.S. investor who fails to provide such information to the Fund, or register and agree to identify such account holders, as applicable, may be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed U.S. investments of the Fund and may cause the Fund as a whole to be subject to the same. The Directors may take any action in relation to an investor’s Shares or redemption proceeds to ensure that such withholding is economically borne by the relevant investor whose failure to provide the necessary information or comply with such requirements gave rise to the withholding. Shareholders should consult their own tax advisors regarding the possible implications of these rules on their investments in the Fund.

Non-U.S. shareholders may also be required to make certain certifications to the Fund as to the beneficial ownership of the Shares and the non-U.S. status of such beneficial owner, in order to be exempt from U.S. information reporting and backup withholding on a redemption of Shares.

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<sup>1</sup> The Fund will also be exempt from tax on direct or indirect dispositions of REIT shares, whether or not those shares are regularly traded, if less than 50% of the value of such shares is held, directly or indirectly, by non-U.S. persons at all times during the five-year period ending on the date of disposition. However, even if the direct or indirect disposition of REIT shares would be exempt from tax on a net basis, distributions from a REIT (whether or not such REIT is a USRPHC), to the extent attributable to the REIT’s disposition of interests in U.S. real property, are subject to tax on a net basis when directly or indirectly received by the Fund and may be subject to the branch profits tax. Distributions from certain publicly traded REITs to non-U.S. shareholders owning 5% or less of the shares are subject to a 30% gross withholding tax on those distributions and are not subject to tax on a net basis.

## U.S. Withholding Tax

In general, under Section 881 of the IRC, a non-U.S. corporation which does not conduct a U.S. trade or business is nonetheless subject to tax at a flat rate of 30% (or lower tax treaty rate) on the gross amount of certain U.S. source income which is not effectively connected with a U.S. trade or business, generally payable through withholding. Income subject to such a flat tax rate is of a fixed or determinable annual or periodic nature, including dividends, certain “dividend equivalent payments” and certain interest income. There is presently no tax treaty between the U.S. and the Cayman Islands.

Certain types of income are specifically exempted from the 30% tax and thus withholding is not required on payments of such income to a non-U.S. corporation. The 30% tax does not apply to U.S. source capital gains (whether long or short-term) or to interest paid to a non-U.S. corporation on its deposits with U.S. banks. The 30% tax also does not apply to interest which qualifies as portfolio interest. The term “portfolio interest” generally includes interest (including original issue discount) on an obligation in registered form which has been issued after July 18, 1984 and with respect to which the person who would otherwise be required to deduct and withhold the 30% tax receives the required statement that the beneficial owner of the obligation is not a U.S. person within the meaning of the IRC. If any credit default swap is characterized as a contract of insurance or a guarantee, payments received under such credit default swap may be subject to an excise tax or a withholding tax.

## Redemption of Shares

Gain realized by shareholders who are not U.S. persons within the meaning of the IRC (“non-U.S. shareholders”) upon the sale, exchange or redemption of Shares held as a capital asset should generally not be subject to U.S. federal income tax *provided* that the gain is not effectively connected with the conduct of a trade or business in the U.S. However, in the case of nonresident alien individuals, such gain will be subject to the 30% (or lower tax treaty rate) U.S. tax if (i) such person is present in the U.S. for 183 days or more during the taxable year (on a calendar year basis unless the nonresident alien individual has previously established a different taxable year) and (ii) such gain is derived from U.S. sources.

Generally, the source of gain upon the sale, exchange or redemption of Shares is determined by the place of residence of the shareholder. For purposes of determining the source of gain, the IRC defines residency in a manner that may result in an individual who is otherwise a nonresident alien with respect to the U.S. being treated as a U.S. resident only for purposes of determining the source of income. Each potential individual shareholder who anticipates being present in the U.S. for 183 days or more (in any taxable year) should consult his tax advisor with respect to the possible application of this rule.

Gain realized by a non-U.S. shareholder engaged in the conduct of a U.S. trade or business will be subject to U.S. federal income tax upon the sale, exchange or redemption of Shares if such gain is effectively connected with its U.S. trade or business.

## Tax-Exempt U.S. Persons

The term “Tax-Exempt U.S. Person” means a U.S. person within the meaning of the IRC that is exempt from payment of U.S. federal income tax. Generally, a Tax-Exempt U.S. Person is exempt from federal income tax on certain categories of income, such as dividends, interest, capital gains and similar income realized from securities investment or trading activity. This type of income is exempt even if it is realized from securities trading activity which constitutes a trade or business. This general exemption from tax does not apply to the “unrelated business taxable income” (“UBTI”) of a Tax-Exempt U.S. Person. Generally, except as noted above with respect to certain categories of exempt trading activity,



UBTI includes income or gain derived from a trade or business, the conduct of which is substantially unrelated to the exercise or performance of the Tax-Exempt U.S. Person's exempt purpose or function. UBTI also includes (i) income derived by a Tax-Exempt U.S. Person from debt-financed property and (ii) gains derived by a Tax-Exempt U.S. Person from the disposition of debt-financed property.

In 1996, Congress considered whether, under certain circumstances, income derived from the ownership of the shares of a non-U.S. corporation should be treated as UBTI to the extent that it would be so treated if earned directly by the shareholder. Subject to a narrow exception for certain insurance company income, Congress declined to amend the IRC to require such treatment. Accordingly, based on the principles of that legislation, a Tax-Exempt U.S. Person investing in a non-U.S. corporation such as the Fund is not expected to realize UBTI with respect to an unleveraged investment in Shares. Tax-Exempt U.S. Persons are urged to consult their own tax advisors concerning the U.S. tax consequences of an investment in the Fund.

There are special considerations which should be taken into account by certain beneficiaries of charitable remainder trusts that invest in the Fund. Charitable remainder trusts should consult their own tax advisors concerning the tax consequences of such an investment on their beneficiaries.

#### Reporting Requirements for U.S. Persons

The Fund is considered a passive foreign investment company ("PFIC") within the meaning of the IRC. Any United States person within the meaning of the IRC who holds shares in a PFIC such as the Fund is required to report its investment in the PFIC on an annual basis.

Any U.S. person within the meaning of the IRC owning 10% or more (taking certain attribution rules into account) of either the total combined voting power or total value of all classes of the shares (the "10% Amount") of a non-U.S. corporation such as the Fund will likely be required to file an information return with the Service containing certain disclosure concerning the filing shareholder, other shareholders and the corporation. Any U.S. person within the meaning of the IRC who within such U.S. person's tax year (A) acquires shares in a non-U.S. corporation such as the Fund, so that either (i) without regard to shares already owned, such U.S. person acquires the 10% Amount or (ii) when added to shares already owned by the U.S. person, such U.S. person's total holdings in the non-U.S. corporation reaches the 10% Amount or (B) disposes of shares in a non-U.S. corporation so that such U.S. person's total holdings in the non-U.S. corporation falls below the 10% Amount (in each such case, taking certain attribution rules into account), will likely be required to file an information return with the Service containing certain disclosure concerning the filing shareholder, other shareholders and the corporation. The Fund has not committed to provide all of the information about the Fund or its shareholders needed to complete these returns. In addition, a U.S. person within the meaning of the IRC that transfers cash to a non-U.S. corporation such as the Fund may be required to report the transfer to the Service if (i) immediately after the transfer, such person holds (directly, indirectly or by attribution) at least 10% of the total voting power or total value of such corporation or (ii) the amount of cash transferred by such person (or any related person) to such corporation during the twelve-month period ending on the date of the transfer exceeds \$100,000.

Certain U.S. persons ("potential filers") who have an interest in a foreign financial account during a calendar year are generally required to file Form TD F 90-22.1 (an "FBAR") with respect to such account. Failure to file a required FBAR may result in civil and criminal penalties. Under existing regulatory guidance, potential filers who do not own (directly or indirectly) more than 50% of the voting power or total value of the shares of the Fund, generally are not obligated to file an FBAR with respect to an investment in the Fund. However, potential filers should consult their own advisors regarding the current status of this guidance.



Furthermore, certain U.S. persons within the meaning of the IRC may have to file Form 8886 (“Reportable Transaction Disclosure Statement”) with their U.S. tax return, and submit a copy of Form 8886 with the Office of Tax Shelter Analysis of the Service if the Fund engages in certain “reportable transactions” within the meaning of U.S. Treasury Regulations. If the Service designates a transaction as a reportable transaction after the filing of a reporting shareholder’s tax return for the year in which the Fund or such reporting shareholder participated in the transaction, the reporting shareholder may have to file Form 8886 with respect to that transaction within 90 days after the Service makes the designation. Shareholders required to file this report include a U.S. person within the meaning of the IRC if the Fund is treated as a “controlled foreign corporation” and such U.S. person owns a 10% voting interest. In certain situations, there may also be a requirement that a list be maintained of persons participating in such reportable transactions, which could be made available to the Service at its request. Moreover, if a U.S. person within the meaning of the IRC recognizes a loss upon a disposition of Shares, such loss could constitute a “reportable transaction” for such shareholder, and such shareholder would be required to file Form 8886. A significant penalty is imposed on taxpayers who fail to make the required disclosure. The maximum penalty is \$10,000 for natural persons and \$50,000 for other persons (increased to \$100,000 and \$200,000, respectively, if the reportable transaction is a “listed” transaction). Shareholders who are U.S. persons within the meaning of the IRC (including Tax-Exempt U.S. Persons) are urged to consult their own tax advisors concerning the application of these reporting obligations to their specific situations and the penalty discussed above.

#### Estate and Gift Taxes

Individual holders of Shares who are neither current or former U.S. citizens nor U.S. residents (as determined for U.S. estate and gift tax purposes) are not subject to U.S. estate and gift taxes with respect to their ownership of such Shares.

#### Cayman Islands

There is, at present, no direct taxation in the Cayman Islands and interest, dividends and gains payable to the Fund, the Intermediate Fund and the Master Fund will be received free of all Cayman Islands taxes. The Fund, the Intermediate Fund and the Master Fund are each registered as “exempted companies” pursuant to the Companies Law (as amended). The Fund, the Intermediate Fund and the Master Fund have each received undertakings from the Governor in Cabinet of the Cayman Islands to the effect that, for a period of 20 years from such date, no law that thereafter is enacted in the Cayman Islands imposing any tax or duty to be levied on profits, income or on gains or appreciation, or any tax in the nature of estate duty or inheritance tax, will apply to any property comprised in or any income arising under the Fund, the Intermediate Fund or the Master Fund (as the case may be), or to the Shareholders thereof, in respect of any such property or income.

#### United Kingdom

The Directors and intend to manage and the affairs of the Fund, the Intermediate Fund and the Master Fund in such a way that none of the Fund, the Intermediate Fund or the Master Fund is resident in the United Kingdom for United Kingdom tax purposes. In these circumstances, none of the Fund, the Intermediate Fund or the Master Fund should be subject to United Kingdom tax on its income and gains, provided that it is not treated as carrying on a trade in the United Kingdom through a fixed place of business or an agent situated therein which constitutes its United Kingdom “permanent establishment” (although interest and certain other kinds of income which have a United Kingdom source may be received after deduction of United Kingdom withholding taxes).

Since the Fund intends to invest substantially all of its assets in the Intermediate Fund, and the Intermediate Fund intends to invest substantially all of its assets in the Master Fund, the Directors do not believe that the Fund or the Intermediate Fund will, in the normal course of their activities, be carrying on a trade for United Kingdom taxation purposes. Although the Master Fund may in certain circumstances be regarded for these purposes as carrying on a trade in the United Kingdom through the agency of the UK Advisor, the Directors, the Investment Manager and the UK Advisor each intend to organize their affairs in such a way that the UK Advisor does not constitute a United Kingdom “permanent establishment” of the Master Fund, by reason of an exemption contained in section 1142 and sections 1146 to 1150 (inclusive) of the United Kingdom Corporation Tax Act 2010. It cannot, however, be guaranteed that the conditions of this exemption will at all times be met.

### European Union Savings Directive

Shareholders who are individuals resident in a Member State of the European Union or certain other jurisdictions referred to below should be aware of the provisions of the EU Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the “Directive”), pursuant to which income realized upon the sale or redemption of shares in undertakings for collective investment, as well as any income in the form of dividends or other distributions made by such undertakings for collective investment, may (depending upon the location, classification and investment portfolio of the undertaking) become subject to the reporting regime or withholding tax regime imposed by the Directive, if such payment is made by a paying agent established either in a Member State of the European Union or in certain other jurisdictions which have introduced an equivalent reporting or withholding tax regime in respect of such payments.

However, as a result of the classification by the Cayman Islands of funds such as the Fund established in its jurisdiction, payments made directly by the Fund through the Administrator to shareholders who are individuals should not be subject to the reporting (or withholding tax) regime. Nevertheless, because these rules are complex and their implementation is effected by each Member State and the other jurisdictions referred to above through their own national legislation, application of the regime to payments deriving from the Fund but ultimately made by certain other entities (e.g., acting as nominee) located elsewhere in the European Union or in these other jurisdictions, although not anticipated, cannot be entirely excluded. Accordingly, shareholders who are individuals or acting as nominees and who are resident in the European Union or in any of the other jurisdictions referred to above should consult their own tax advisers.

Shareholders to whom the Directive may be relevant should also be aware that the EU Commission has recently adopted a proposal to amend the Directive, and that this proposal includes a possible extension of the types of funds or other undertakings for collective investment that are within the scope of the Directive. This extension, if implemented, might mean that in the future payments made by the Fund through the Administrator to relevant shareholders upon the redemption of Shares, or in the form of dividends or other distributions, could become subject to the reporting (or withholding tax) regime.

### Other Jurisdictions

Interest, dividend and other income realized by the Fund, the Intermediate Fund or the Master Fund from non-U.S. sources, and capital gains realized, or gross sale or disposition proceeds received, on the sale of securities of non-U.S. issuers, may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced. The Investment Manager and its affiliates intend to operate the Fund, the Intermediate Fund and the Master Fund such that their activities will not result in the Fund’s, the Intermediate Fund’s or the Master Fund’s having a permanent establishment in jurisdictions

outside of the United States or being required to file tax returns in such jurisdictions. However, the activities of the Fund, the Intermediate Fund or the Master Fund may give rise to a permanent establishment and tax filing requirement for the Fund, the Intermediate Fund or the Master Fund (or possibly the shareholders) in one or more non-U.S. jurisdictions. In addition, the Fund, the Intermediate Fund or the Master Fund may organize subsidiaries in certain jurisdictions with respect to particular investments. It is impossible to predict the rate of foreign tax the Fund, the Intermediate Fund or the Master Fund will pay since the amount of the assets to be invested in various countries and the ability of the Fund, the Intermediate Fund or the Master Fund to reduce such taxes, are not known.

#### Future Changes in Applicable Law

The foregoing description of U.S., U.K., and Cayman Islands income tax consequences of an investment in and the operations of the Fund, the Intermediate Fund and the Master Fund is based on laws and regulations which are subject to change through legislative, judicial or administrative action. Other legislation could be enacted that would subject the Fund, the Intermediate Fund or the Master Fund to income taxes or subject shareholders to increased income taxes.

#### Other Taxes

Prospective shareholders should consult their own counsel regarding tax laws and regulations of any other jurisdiction which may be applicable to them.

THE TAX AND OTHER MATTERS DESCRIBED IN THIS CONFIDENTIAL MEMORANDUM DO NOT CONSTITUTE, AND SHOULD NOT BE CONSIDERED AS, LEGAL OR TAX ADVICE TO PROSPECTIVE SHAREHOLDERS.

### **ERISA CONSIDERATIONS**

***Circular 230 Notice – The following notice is based on U.S. Treasury Regulations governing practice before the Service: (1) any U.S. federal tax advice contained herein, including any opinion of counsel referred to herein, is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding U.S. federal tax penalties that may be imposed on the taxpayer; (2) any such advice is written to support the promotion or marketing of the transactions described herein (or in any such opinion of counsel); and (3) each taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax adviser.***

*The following summary of certain aspects of ERISA is based upon ERISA, judicial decisions, U.S. Department of Labor (“DOL”) 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 Fund, the Intermediate Fund, the Master Fund or a particular investor. Accordingly, each prospective investor should consult with its own counsel in order to understand the ERISA issues affecting the Fund, the Intermediate Fund, the Master Fund and the investor.*

#### **General**

Persons who are fiduciaries with respect to a U.S. employee benefit plan or trust within the meaning of and subject to the provisions of ERISA (an “ERISA Plan”), an individual retirement account or a Keogh plan subject solely to the provisions of the Internal Revenue Code\* (an “Individual Retirement

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\* References hereinafter made to ERISA include parallel references to the Internal Revenue Code.

Fund”) should consider, among other things, the matters described below before determining whether to invest in the Fund (and thus the Intermediate Fund and the Master Fund).

ERISA imposes certain general and specific responsibilities on persons who are fiduciaries with respect to an ERISA Plan, including prudence, diversification, avoidance of prohibited transactions and compliance with other standards. In determining whether a particular investment is appropriate for an ERISA Plan, DOL regulations provide that a fiduciary of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan’s portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan’s purposes, the risk and return factors of the potential investment, the portfolio’s composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan, the projected return of the total portfolio relative to the ERISA Plan’s funding objectives, and the limitation on the rights of Shareholders to redeem all or a portion of their Shares or to transfer their Shares. Before investing the assets of an ERISA Plan in the Fund (and thus the Intermediate Fund and the Master Fund), a fiduciary should determine whether such an investment is consistent with its fiduciary responsibilities and the foregoing regulations. For example, a fiduciary should consider whether an investment in the Fund (and thus the Intermediate Fund and the Master Fund) may be too illiquid or too speculative for a particular ERISA Plan and whether the assets of the ERISA Plan would be sufficiently diversified. If a fiduciary with respect to any such ERISA Plan breaches its responsibilities with regard to selecting an investment or an investment course of action for such ERISA Plan, the fiduciary may be held personally liable for losses incurred by the ERISA Plan as a result of such breach.

### **Plan Assets Defined**

ERISA and applicable DOL regulations describe when the underlying assets of an entity in which “benefit plan investors”, as defined in Section 3(42) of ERISA and any regulations promulgated thereunder (“Benefit Plan Investors”), invest are treated as “plan assets” for purposes of ERISA. Under ERISA, the term Benefit Plan Investors is defined to include an “employee benefit plan” that is subject to the provisions of Title I of ERISA, a “plan” that is subject to the prohibited transaction provisions of Section 4975 of the Internal Revenue Code, and entities the assets of which are treated as “plan assets” by reason of investment therein by Benefit Plan Investors.

Under ERISA, as a general rule, when an ERISA Plan invests assets in another entity, the ERISA Plan’s assets include its investment, but do not, solely by reason of such investment, include any of the underlying assets of the entity. However, when an ERISA Plan acquires an “equity interest” in an entity that is neither: (a) a “publicly offered security”; nor (b) a security issued by an investment fund registered under the Company Act, then the ERISA Plan’s assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established that: (i) the entity is an “operating company”; or (ii) the equity participation in the entity by Benefit Plan Investors is limited.

Under ERISA, the assets of an entity will not be treated as “plan assets” if Benefit Plan Investors hold less than 25% (or such greater percentage as may be provided in regulations promulgated by the DOL) of the value of each class of equity interests in the entity. Equity interests held by a person with discretionary authority or control with respect to the assets of the entity and equity interests held by a person who provides investment advice for a fee (direct or indirect) with respect to such assets or any affiliate of any such person (other than a Benefit Plan Investor) are not considered for purposes of determining whether the assets of an entity will be treated as “plan assets” for purposes of ERISA. The Benefit Plan Investor percentage of ownership test applies at the time of an acquisition by any person of the equity interests. In addition, an advisory opinion of the DOL takes the position that a redemption of an equity interest by an investor constitutes the acquisition of an equity interest by the remaining investors (through an increase in their percentage ownership of the remaining equity interests), thus

triggering an application of the Benefit Plan Investor percentage of ownership test at the time of the redemption.

### **Plan Asset Consequences**

The Investment Manager anticipates that the aggregate investment in the Fund (and thus the Intermediate Fund) by Benefit Plan Investors may, from time to time, equal or exceed 25% (or such greater percentage as may be provided in regulations promulgated by the DOL) of the value of any class of equity interests in the Fund and the Intermediate Fund. In such circumstances, the assets of the Fund and the Intermediate Fund would be treated as “plan assets” for purposes of ERISA. Equity interests held by the Investment Manager or its affiliates are not considered for purposes of determining the level of equity participation by Benefit Plan Investors in the Fund and the Intermediate Fund. As a general rule, if the assets of the Fund or the Intermediate Fund were treated as “plan assets” of a Benefit Plan Investor, the Investment Manager would be deemed a “fiduciary” (as defined in ERISA and the Internal Revenue Code) with respect to each ERISA Plan and Individual Retirement Fund investing in the Fund (and thus the Intermediate Fund). However, the Investment Manager believes that, given the limited purpose and role of the Fund and the Intermediate Fund and given the requirement that the Investment Manager implement the direction of the investors in the Fund to invest the assets of the Fund in the Master Fund through the Intermediate Fund, as set forth in this Memorandum, neither the Investment Manager nor any other entity providing services to the Fund or the Intermediate Fund is exercising any discretionary authority or control with respect to the investment of the assets of the Fund in the Intermediate Fund or the investment of the assets of the Intermediate Fund in the Master Fund. Accordingly, the Investment Manager believes that neither the Investment Manager nor any other entity providing services to the Fund or the Intermediate Fund acts as a “fiduciary” (as defined in ERISA and the Internal Revenue Code) with respect to the assets of the Fund, the assets of the Intermediate Fund or any ERISA Plan or Individual Retirement Fund investor in connection with the investment by the Fund in the Master Fund through the Intermediate Fund. Further, by investing in the Fund, each of the Shareholders of the Fund that is a Benefit Plan Investor will represent and warrant that it does not intend its investment in the Fund to establish any relationship which would cause the Investment Manager or any other person to be a “fiduciary” (as defined in ERISA and the Internal Revenue Code) with respect to such Benefit Plan Investor in connection with the investment by the Fund in the Master Fund through the Intermediate Fund, and each such Benefit Plan Investor will further represent and warrant that it will not take any position to the contrary.

### **Limitation on Investments by Benefit Plan Investors**

It is the current intent of the Investment Manager to monitor the investments in the Master Fund to ensure that the aggregate investment by Benefit Plan Investors does not equal or exceed 25% (or such greater percentage as may be provided in regulations promulgated by the DOL) of the value of any class of equity interests in the Master Fund so that assets of the Master Fund will not be treated as “plan assets” under ERISA. Equity interests held by the Investment Manager or its affiliates are not considered for purposes of determining whether the assets of the Master Fund will be treated as “plan assets” for the purpose of ERISA. If the assets of the Master Fund were treated as “plan assets” of a Benefit Plan Investor, the Investment Manager would be a “fiduciary” (as defined in ERISA and the Internal Revenue Code) with respect to each such Benefit Plan Investor, and would be subject to the obligations and liabilities imposed on fiduciaries by ERISA. In such circumstances, the Master Fund would be subject to various other requirements of ERISA and the Internal Revenue Code. In particular, the Master Fund would be subject to rules restricting transactions with “parties in interest” and prohibiting transactions involving conflicts of interest on the part of fiduciaries which might result in a violation of ERISA and the Internal Revenue Code unless the Master Fund obtained appropriate exemptions from the DOL allowing the Master Fund to conduct its operations as described herein. The Master Fund Board of



Directors may, in its sole discretion, compulsorily redeem all or any portion of the shares held by any shareholder, including, without limitation, to ensure compliance with the percentage limitation on investment in the Master Fund by Benefit Plan Investors as set forth above. As described above under “Redemptions – Required Redemptions”, similar compulsory redemption terms apply to investors in the Fund. The Investment Manager reserves the right, however, to waive the percentage limitation on investment indirectly in the Master Fund by Benefit Plan Investors and thereafter to comply with ERISA.

If the assets of the Fund are treated as “plan assets” for purposes of ERISA, the Investment Manager will not purchase a fidelity bond satisfying the requirements of Section 412 of ERISA with respect to the assets of the Fund owned by ERISA Plans. If an investor is an ERISA Plan, it must cause the Investment Manager to be covered under its bond with respect to the assets invested by such investor in the Fund.

### **Representations by Plans**

An ERISA Plan proposing to invest in the Fund (and thus the Intermediate Fund and the Master Fund) will be required to represent that it is, and any fiduciaries responsible for the ERISA Plan’s investments are, aware of and understand the Fund’s, the Intermediate Fund’s and the Master Fund’s investment objectives, policies and strategies, and that the decision to invest plan assets in the Fund (and thus the Intermediate Fund and the Master Fund) was made with appropriate consideration of relevant investment factors with regard to the ERISA Plan and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under ERISA.

*Whether or not the assets of the Fund, the Intermediate Fund or the Master Fund are treated as “plan assets” for purposes of ERISA, an investment in the Fund (and thus the Intermediate Fund and the Master Fund) by an ERISA Plan is subject to ERISA. Accordingly, fiduciaries of ERISA Plans should consult with their own counsel as to the consequences under ERISA of an investment in the Fund (and thus the Intermediate Fund and the Master Fund).*

### **ERISA Plans and Individual Retirement Funds Having Prior Relationships with the Investment Manager or its Affiliates**

Certain prospective ERISA Plan and Individual Retirement Fund investors may currently maintain relationships with the Investment Manager or other entities that are affiliated with the Investment Manager. Each of such entities may be deemed to be a party in interest to, and/or a fiduciary of, any ERISA Plan or Individual Retirement Fund to which any of the Investment Manager or its affiliates provides investment management, investment advisory or other services. ERISA prohibits ERISA Plan assets to be used for the benefit of a party in interest and also prohibits an ERISA Plan fiduciary from using its position to cause the ERISA Plan to make an investment from which it or certain third parties in which such fiduciary has an interest would receive a fee or other consideration. Similar provisions are imposed by the Internal Revenue Code with respect to Individual Retirement Funds. ERISA Plan and Individual Retirement Fund investors should consult with counsel to determine if participation in the Fund (and thus the Intermediate Fund and the Master Fund) is a transaction that is prohibited by ERISA or the Internal Revenue Code.

### **Eligible Indirect Compensation**

The disclosures set forth in this Memorandum constitute the Investment Manager’s good faith efforts to comply with the disclosure requirements of Form 5500, Schedule C and allow for the treatment of its compensation as eligible indirect compensation.



## **Future Regulations and Rulings**

The provisions of ERISA are subject to extensive and continuing administrative and judicial interpretation and review. The discussion of ERISA contained herein is, of necessity, general and may be affected by future publication of regulations and rulings. Potential investors should consult with their legal advisers regarding the consequences under ERISA of the acquisition and ownership of Shares.

## **CAYMAN ISLANDS MUTUAL FUNDS LAW**

The Fund and the Master Fund are each regulated as a mutual fund under the Mutual Funds Law. The Monetary Authority has supervisory and enforcement powers to ensure compliance with the Mutual Funds Law. Regulation under the Mutual Funds Law entails the filing of prescribed details and audited accounts annually with the Cayman Islands Monetary Authority (the “Monetary Authority”). The Monetary Authority may at any time instruct each of the Fund and the Master Fund to have their accounts audited and to submit them to the Monetary Authority within such time as the Monetary Authority specifies. Failure to comply with these requests by the Monetary Authority may result in substantial fines on the part of the Board of Directors and may result in the Monetary Authority applying to the court to have the Fund and the Master Fund wound up.

Neither the Fund nor the Master Fund will, however, be subject to supervision in respect of its investment activities or the constitution of the Fund’s or the Master Fund’s portfolio by the Monetary Authority or any other governmental authority in the Cayman Islands, although the Monetary Authority does have the power to investigate the activities of the Fund and the Master Fund in certain circumstances. Neither the Monetary Authority nor any other governmental authority in the Cayman Islands has passed judgment upon or approved the terms or merits of this Memorandum. There is no investment compensation scheme available to investors in the Cayman Islands.

The Monetary Authority may take certain actions if it is satisfied that a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due or is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Monetary Authority include the power to require the substitution of Directors, to appoint a person to advise the Fund or the Master Fund on the proper conduct of its affairs or to appoint a person to assume control of the affairs of the Fund or the Master Fund. There are other remedies available to the Monetary Authority including the ability to apply to court for approval of other actions.

The Fund, the Intermediate Fund, the Master Fund and any their directors or agents domiciled in the Cayman Islands, may be compelled to provide information, subject to a request for information made by a regulatory or governmental authority or agency under applicable law; *e.g.*, by the Monetary Authority, either for itself or for a recognized overseas regulatory authority, under the Monetary Authority Law (as amended), or by the Tax Information Authority, under the Tax Information Authority Law (as amended) or Reporting of Savings Income information (European Union) Law (as amended) and associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws will not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the Fund, the Intermediate Fund, the Master Fund, and any of its or their directors or agents, may be prohibited from disclosing that the request has been made.

## **ADDITIONAL INFORMATION**

### **Books and Records; Reports to Shareholders**

The most recent available books and records of the Fund, the Intermediate Fund and the Master Fund will be maintained at the offices of the Administrator. Following the close of each calendar quarter, the Administrator will prepare and deliver to each Shareholder an account statement indicating the Shares held by that Shareholder, the quarter-end Share NAV of those Shares, and subscription, redemption or transfer of Shares by that Shareholder for the quarter in question, and any change in Share NAV since the prior quarter-end. Weekly estimated Share NAV information will be available from the Administrator upon request. Certain strategic investors also may receive enhanced or more frequent reports or information, pursuant to special arrangements with the Fund or the Investment Manager.

In addition, an audited annual report of financial condition will be prepared and mailed to Shareholders, expected to be not later than 120 days after the close of the Fund's fiscal year. It is expected that the Fund's audited annual reports will be prepared in accordance with U.S. GAAP in all material respects except as disclosed herein.

Copies of the foregoing statements and reports will be mailed to Shareholders at their registered addresses, except to the extent that the Fund elects to deliver or make available to Shareholders certain of these statements or reports electronically (see the following paragraph).

The Fund, or the Administrator on behalf of the Fund, may elect to deliver such notices and documents by e-mail to the Shareholders' addresses in the Fund's records, or by posting any such notices and documents on a password protected website. When delivering documents by e-mail, the Fund will generally distribute them as attachments to e-mails in Adobe's Portable Document Format (PDF) (Adobe Acrobat Reader software is available free of charge from Adobe's web site at [www.adobe.com](http://www.adobe.com) and the Reader software must correctly be installed on the investor's system before the investor will be able to view documents in PDF format). To the extent the Fund determines to deliver notices and documents electronically, Shareholders who do not wish to receive such documents electronically, or who wish to change the method of notice, should elect to do so by notifying the Fund (c/o the Administrator) in writing.

### **Legal Counsel**

Schulte Roth and Zabel LLP ("SRZ") has been engaged by the Investment Manager to represent it as U.S. legal counsel in connection with this offering of Shares. SRZ also has been engaged by the Board of Directors to represent the Fund, the Intermediate Fund and the Master Fund, respectively, in connection with these matters and other matters for which it is retained to do so. Walkers ("Walkers", and together with SRZ, "Legal Counsel") has been engaged to act as Cayman Islands legal counsel by the Board of Directors to represent the Fund, the Intermediate Fund and the Master Fund, respectively, in connection with this offering of Shares. No separate counsel has been engaged to independently represent the Shareholders in connection with these matters.

Each Legal Counsel will represent the Fund, the Intermediate Fund and the Master Fund on matters for which it is retained to do so. Other counsel may also be retained where the Investment Manager, on its own behalf, or the Board of Directors determines that to be appropriate.

Each Legal Counsel's representation of the Fund, the Intermediate Fund and the Master Fund is limited to specific matters as to which they have been consulted by the Fund, the Intermediate Fund or the Master Fund. There may exist other matters that could have a bearing on the Fund, the Intermediate Fund

or the Master Fund as to which a Legal Counsel has not been consulted. In connection with the preparation of this Memorandum, SRZ is responsible only for matters of United States law and does not accept responsibility in relation to any other matters referred to or disclosed in this Memorandum, and Walkers is responsible only for matters of Cayman Islands law and does not accept responsibility in relation to any other matters referred to or disclosed in this Memorandum. In advising the Fund, the Intermediate Fund, the Master Fund and the Investment Manager with respect to the preparation of this Memorandum, each Legal Counsel has relied upon information that has been furnished to it by the Fund, the Intermediate Fund, the Master Fund, the Investment Manager and their affiliates, and has not independently investigated or verified the accuracy or completeness of the information set forth herein. In addition, Legal Counsel does not monitor the compliance of the Fund, the Intermediate Fund, the Master Fund or the Investment Manager with the investment guidelines, valuation procedures and other guidelines set forth in this Memorandum, the Fund's, the Intermediate Fund's and the Master Fund's terms or compliance with applicable laws.

There may be situations in which there is a "conflict" between the interests of the Investment Manager and those of the Fund, the Intermediate Fund and the Master Fund. In these situations, such parties will determine the appropriate resolution thereof, and may seek advice from Legal Counsel in connection with such determinations. The Investment Manager, the Fund, the Intermediate Fund and the Master Fund have each consented to Legal Counsel's concurrent representation of such parties in such circumstances. In general, independent counsel will not be retained to represent the interests of the Fund or the Shareholders.

### **Access to Information**

The Fund will answer all reasonable inquiries from prospective investors and/or their designated representatives or advisors concerning the Fund, the Intermediate Fund, the Master Fund, the Investment Manager and any other matters relating to the organization of the Fund and the offering and sale of Shares of the Fund. The Fund will afford to prospective investors and/or their representatives and professional advisors the opportunity to obtain any additional information (to the extent that the Fund possesses such information or can acquire it without unreasonable effort or expense) necessary to verify the accuracy of any representations or information set forth in this Memorandum, provided that the Fund will not be required to disclose any confidential proprietary information belonging to the Investment Manager, including information concerning the Fund's, the Intermediate Fund's or the Master Fund's proprietary investment techniques. In its reasonable determination, the Investment Manager will permit Shareholders to visit the Investment Manager's office periodically during regular business hours for a reasonably in-depth review of the Fund's investment portfolios. The Investment Manager will make appropriate senior executives of the Investment Manager reasonably available to meet with Shareholders.

### **Inquiries**

Inquiries concerning the Fund (including information concerning subscription and redemption procedures) should be directed to the Administrator at its principal office as indicated in the Directory.

***This Memorandum does not purport to be and should not be construed as a complete description of the Fund. Any prospective investor should carefully review the Fund's Memorandum and Articles of Association in addition to consulting appropriate legal and tax advisors.***

**DEFINITION OF “UNITED STATES PERSON”**

The terms “U.S. Person” or “United States Person” means a person described in one or more of the following paragraphs:

1. With respect to any person, any individual or entity that would be a U.S. Person under Regulation S promulgated under the Securities Act. The Regulation S definition is set forth in this Annex 1.
2. With respect to individuals, any U.S. citizen or “resident alien” within the meaning of U.S. income tax laws as in effect from time to time. Currently, the term “resident alien” is defined under U.S. income tax laws to generally include any individual who (i) holds an Alien Registration Card (a “green card”) issued by the U.S. Immigration and Naturalization Service or (ii) meets a “substantial presence” test. The “substantial presence” test is generally met with respect to any current calendar year if (a) the individual was present in the U.S. on at least 31 days during such year and (b) the sum of the number of days on which such individual was present in the U.S. during the current year,  $\frac{1}{3}$  of the number of such days during the first preceding year, and  $\frac{1}{6}$  of the number of such days during the second preceding year, equals or exceeds 183 days.
3. With respect to persons other than individuals:
  - (i) a corporation or partnership created or organized in the United States or under the laws of the United States or any state;
  - (ii) a trust where (a) a U.S. court is able to exercise primary supervision over the administration of the trust and (b) one or more U.S. Persons have the authority to control all substantial decisions of the trust; and
  - (iii) an estate which is subject to U.S. tax on its worldwide income from all sources.

Each prospective purchaser is urged to consult with its own advisers to determine the suitability of an investment in the Shares, and the relationship of such an investment to the purchaser’s overall investment program and financial and tax position. Each purchaser of Shares is required to represent that it has evaluated the risks of investing in the Fund, understands there are substantial risks of loss incidental to the purchase of Shares and has determined that the Shares are a suitable investment for such purchaser.

## REGULATION S DEFINITION OF U.S. PERSON

Pursuant to Rule 902(k) of Regulation S under the Securities Act:

- (1) “U.S. person” means:
  - (i) any natural person resident in the United States;
  - (ii) any partnership or corporation organized or incorporated under the laws of the United States;
  - (iii) any estate of which any executor or administrator is a U.S. person;
  - (iv) any trust of which any trustee is a U.S. person;
  - (v) any agency or branch of a foreign entity located in the United States;
  - (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
  - (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and
  - (viii) any partnership or corporation if:
    - (A) organized or incorporated under the laws of any foreign jurisdiction; and
    - (B) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts.
- (2) The following are not “U.S. persons”:
  - (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. person by a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States;
  - (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. person if:
    - (A) an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate; and
    - (B) the estate is governed by foreign law;
  - (iii) any trust of which any professional fiduciary acting as trustee is a U.S. person, if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust

assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. person;

- (iv) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country;
- (v) any agency or branch of a U.S. person located outside the United States if:
  - (A) the agency or branch operates for valid business reasons; and
  - (B) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and
- (vi) The International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organizations, their agencies, affiliates and pension plans.



# **Capstone Vol (Offshore) Limited**

## **Subscription Documents**

### **For Class A Shares and Class B Shares**

#### **(FOR NON-U.S. INVESTORS)**

##### **Administrator:**

**Northern Trust Global Fund Services Cayman Limited**

**Harbor Centre**

**42 North Church Street**

**P.O. Box 1348**

**Grand Cayman KY1-1108**

**Cayman Islands**

## INVESTMENT PROCEDURES

Prospective investors should read the Confidential Information Memorandum for Capstone Vol (Offshore) Limited (the "Fund") and this booklet prior to subscribing to the Fund.

If you are interested in purchasing Shares (as defined herein), please complete all applicable pages as indicated below and promptly return this booklet to the Fund's administrator, Northern Trust Global Fund Services Cayman Limited, Harbor Centre, 42 North Church Street, P.O. Box 1348, Grand Cayman KY1-1108, Cayman Islands (the "Administrator"):

- ☐ Investor Profile Form (pages 13-17)
- ☐ General Eligibility Representations (pages 18-30)
- ☐ Form W-8 (page 20)
- ☐ Signature Page (page 31)

## WIRING INSTRUCTIONS

You must wire the payment from an account in your name. If you are not wiring your payment from a bank located in an Approved FATF Country\* you must contact the Administrator for further instructions prior to wiring your payment, which may result in a delay in your subscription.

Bank:	JPMorgan Chase Bank, NA.
SWIFT	CHASUS33
ABA Routing Number:	021000021
Account Name:	CAPSTONE VOL OFFSHORE LIMITED
Account Number:	816247274

## IMPORTANT

1. Please have the wiring bank identify the name of the prospective investor on the wire transfer.
2. We recommend that the wiring bank charge its wiring fees separately so that the amount you have elected to invest may be invested.

**CLEARED FUNDS MUST BE IN THE FUND'S ACCOUNT PRIOR TO THE DATE ON WHICH SHARES WILL BE ISSUED TO THE INVESTOR.**

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\* As of the date hereof, approved countries that are members of the Financial Action Task Force on Money Laundering (each, an "Approved FATF Country") are: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States.

## SUBSCRIPTION AGREEMENT

Capstone Vol (Offshore) Limited  
c/o Northern Trust Global Fund Services Cayman Limited  
Harbor Centre  
42 North Church Street  
P.O. Box 1348  
Grand Cayman KY1-1108  
Cayman Islands  
Attn.: Investor Services

### Re: Capstone Vol (Offshore) Limited—Issuance of Shares

The undersigned (the "Investor") wishes to become a shareholder of Capstone Vol (Offshore) Limited (the "Fund"), a Cayman Islands exempted company, and to purchase Class A shares or Class B Shares ("Shares") in the Fund upon the terms and conditions set forth herein, in the Confidential Information Memorandum of the Fund, as the same may be supplemented, updated or modified from time to time (the "Memorandum"), and in the Memorandum of Association and the Articles of Association of the Fund, as each may be amended from time to time (collectively, the "Articles of Association"; together with the Memorandum, the "Fund Documents"). Capitalized terms used herein but not defined herein shall have the meanings assigned to them in the Memorandum. All references herein to "dollars" or "\$" are to U.S. dollars.

Accordingly, the Investor agrees as follows:

### **I. SUBSCRIPTION FOR SHARES**

- (A) The Investor agrees to become a shareholder of the Fund and, in connection therewith, subscribes for and agrees to make the investment for the number of Shares (including fractional Shares) which can be purchased with this subscription at the purchase price per Share set forth in the Memorandum. Payment in cleared funds for Shares must be received prior to the subscription date established by the Fund. The Investor's payment (the "Payment") will be held by the Fund in a non-interest bearing account. The minimum initial subscription is \$1,000,000, subject to the discretion of the board of directors of the Fund (the "Board of Directors") to accept a lower amount. At no time will the Fund accept a minimum subscription of less than \$100,000, or such other amount as specified under Cayman Islands law from time to time.
- (B) The Investor understands and agrees that the Fund reserves the right to reject this subscription for Shares for any reason or no reason, in whole or in part, and at any time prior to its acceptance. If the subscription is rejected, the Payment will be returned promptly to the Investor and this subscription agreement (the "Subscription Agreement") shall have no force or effect. Upon acceptance of this subscription by the Fund, the Investor shall become a shareholder of the Fund and shall be subject to the terms of the Fund Documents.

### **II. REPRESENTATIONS AND COVENANTS OF THE INVESTOR**

- (A) The Investor represents and warrants that it is not a U.S. Person.\* The Investor agrees that it will not resell, reoffer or otherwise transfer any Shares to a U.S. Person without registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or an exemption therefrom. The Investor acknowledges that the Shares subscribed for hereunder have not been and will not be registered

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\* See the section of the Memorandum captioned "Subscriptions and Investment Requirements—Eligible Investors" and Annex 1 to the Memorandum for the definition of a "U.S. Person".

under the securities laws of any jurisdiction and, therefore, cannot be resold, reoffered or otherwise transferred unless done so in compliance with applicable securities laws. The Investor acknowledges that the Fund is under no obligation to register the Shares on the Investor's behalf or to assist the Investor in complying with any applicable securities laws. The Investor acknowledges that the Shares can only be transferred in accordance with the Fund Documents. The Investor acknowledges that the Fund may compulsorily redeem all or any portion of the Investor's Shares in the Board of Directors' discretion in accordance with the Fund Documents.

- (B) The Investor has received, carefully read and understands the Memorandum, including the sections of the Memorandum outlining, among other things, the organization and investment objectives and policies of, and the risks and expenses of an investment in, the Fund. The Investor understands that the Articles of Association will be provided upon request. The Investor acknowledges receipt of Part 2 of Form ADV of Capstone Investment Advisors, LLC, the Fund's investment manager (the "Investment Manager"), on or before the date of this Subscription Agreement set forth below. The Investor acknowledges and agrees that it has made an independent decision to invest in the Fund and that, in making its decision to subscribe for Shares, or making a subsequent investment decision with respect to the Fund, the Investor can rely only on information included in the Memorandum and independent investigations made by the Investor. The Investor is not relying on the Fund, the Board of Directors, Northern Trust Global Fund Services Cayman Limited (the "Administrator"), the Investment Manager or any other person or entity with respect to the legal, tax and other economic considerations involved in this investment other than the Investor's own advisers. The Investor's investment in the Shares is consistent with the investment purposes, objectives and cash flow requirements of the Investor and will not adversely affect the Investor's overall need for diversification and liquidity. The Investor has such knowledge and experience in financial and business matters that the Investor is capable of evaluating the merits and risks of the Investor's investment in the Fund, and is able to bear such risks.

The Investor acknowledges that it is not subscribing pursuant hereto for Shares as a result of, or pursuant to: (i) any advertisement, article, notice or other communications published in any newspaper, magazine or similar media (including any internet site whose information about the Fund is not password protected) or broadcast over television or radio; or (ii) any seminar or meeting whose attendees, including the Investor, had been invited as a result of, or pursuant to, any of the foregoing.

- (C) The Investor acknowledges that, in connection with the organization of the Fund and its ongoing business, the Investor will receive or have access to information concerning the business and affairs of the Fund, the Investment Manager or their affiliates that the Fund or the Investment Manager reasonably believes to be in the nature of trade secrets or other information, the disclosure of which the Fund or the Investment Manager believes is not in the best interests of the Fund, the Investment Manager or their affiliates, or could damage the Fund, the Investment Manager or their affiliates or their respective businesses, or which the Fund, the Investment Manager or their affiliates are required by law or agreement with a third party to keep confidential, including, without limitation, any information relating to the Fund's financial and investment strategy (e.g., portfolio positions, trades and contemplated trades); all notices, letters and other communications whether written or oral between the Fund, the Investment Manager or their affiliates and the Investor; the names and addresses of each of the shareholders of the Fund and their initial and subsequent subscriptions (collectively, "Confidential Information"). The Investor agrees to keep confidential, and not to make any use of (other than for purposes reasonably related to its Shares) or disclose to any person or entity, any Confidential Information except to its directors, employees, agents, advisers, or representatives responsible for matters relating to the Fund or any other person or entity approved in writing by the Investment Manager (for itself and on behalf of the Fund) (each, an "Authorized Representative") on a need to know basis or as otherwise required by any regulatory authority, law or regulation, or by legal process. Furthermore, the Investor has not and shall not reproduce, duplicate or deliver any Fund Documents or this Subscription Agreement to any other person or

entity, except Authorized Representatives. Notwithstanding anything in this Subscription Agreement to the contrary, the Investor (and each employee, representative or other agent of the Investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of (i) the Fund, Capstone Volatility Intermediate (Cayman) Limited (the "Intermediate Fund") and Capstone Volatility Master (Cayman) Limited (the "Master Fund") and (ii) any of the Fund's or the Master Fund's transactions, and all materials of any kind (including, without limitation, opinions or other tax analyses) that are provided to the Investor relating to such tax treatment and tax structure, it being understood that "tax treatment" and "tax structure" do not include the name or the identifying information of (i) the Fund, the Intermediate Fund or the Master Fund, or (ii) the parties to a transaction. Prior to making any disclosure required by any regulatory authority, law or regulation, or by legal process, the Investor shall use its reasonable best efforts to notify the Fund and the Investment Manager of such disclosure. Prior to any disclosure to any Authorized Representative of the Investor, the Investor must advise such Authorized Representative of the obligations set forth in this Section II(C). The Investor agrees that each of the Fund and the Investment Manager has the right to keep confidential from the Investor, for such period of time as the Fund or the Investment Manager deems reasonable, any Confidential Information.

- (D) The Investor is fully informed as to the legal and tax requirements within the Investor's own country (or countries) regarding a purchase of the Shares.
- (E) The Investor is aware of the limited provisions for transferability and redemptions from the Fund and has read the sections of the Memorandum entitled "Summary of the Offering—Liquidity and Limitations Thereon", "—The Offering; the Shares" and "Additional Information Relating to Liquidity." The Investor has no need for liquidity in this investment, can afford a complete loss of the investment in the Shares and can afford to hold the investment for an indefinite period of time. The Investor acknowledges that distributions, including, without limitation, the proceeds of redemptions, may be paid in cash or in kind.
- (F) The Investor acknowledges and agrees that the terms of offer and the rights attaching to the Shares, as set forth herein and in the Fund Documents, can be varied in accordance with the provisions of the Articles of Association.
- (G) The Investor is acquiring the Shares for its own account, for investment purposes only and not with a view toward distributing or reselling the Shares in whole or in part.
- (H) The Investor understands that:
  - (i) the Shares have not been approved or disapproved by any securities regulatory authority in any jurisdiction including without limitation any securities regulatory authority of any State of the United States or by the U.S. Securities and Exchange Commission, nor has any such authority or commission passed on the accuracy or adequacy of the Memorandum; and
  - (ii) the representations, warranties, covenants, undertakings and acknowledgments made by the Investor in this Subscription Agreement will be relied upon by the Fund, the Board of Directors, the Investment Manager and the Administrator in determining the Investor's suitability as a purchaser of Shares and the Fund's compliance with various securities laws, and shall survive the Investor's becoming a shareholder of the Fund.
- (I) The Investor has all requisite power, authority and capacity to acquire and hold the Shares and to execute, deliver and comply with the terms of each of the instruments required to be executed and delivered by the Investor in connection with the Investor's subscription for the Shares, including this Subscription Agreement, and such execution, delivery and compliance does not conflict with, or constitute a default under, any instruments governing the Investor, or violate any law, regulation or order, or any agreement to which the Investor is a party or by which the Investor may be bound. If

the Investor is an entity, the person executing and delivering each of such instruments on behalf of the Investor has all requisite power, authority and capacity, and has been duly authorized, to execute and deliver such instruments, and, upon request by the Fund or the Administrator, will furnish to the Fund true and correct copies of any instruments governing the Investor, including all amendments to any such instruments and all authorizations. This Subscription Agreement constitutes a legal, valid and binding obligation of the Investor, enforceable in accordance with its terms.

- (J) All information that the Investor has provided to the Fund or the Administrator concerning the Investor, the Investor's status, financial position and knowledge and experience of financial, tax and business matters, or, in the case of an investor that is an entity, the knowledge and experience of financial, tax and business matters of the person making the investment decision on behalf of such entity, is correct and complete as of the date set forth herein.
- (K) The Investor understands that the value of its Shares and redemptions thereof, and the performance of the Fund, may be based on unaudited and in some cases, estimated, valuations of the Fund's investments and that valuations provided in an investor's account statement may be an unaudited, estimated value.
- (L) If applicable, the Investor has identified its status as a Benefit Plan Investor (as defined below) to the Fund on page 18. If the Investor has identified to the Fund on page 18 that it is not currently a Benefit Plan Investor, but becomes a Benefit Plan Investor, the Investor shall forthwith disclose to the Investment Manager promptly in writing such fact and also the percentage of the Investor's equity interests held by Benefit Plan Investors. For these purposes, a "Benefit Plan Investor", as defined under Section 3(42) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") and any regulations promulgated thereunder, includes (a) an "employee benefit plan" that is subject to the provisions of Title I of ERISA; (b) a "plan" that is not subject to the provisions of Title I of ERISA, but that is subject to the prohibited transaction provisions of Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), such as individual retirement accounts and certain retirement plans for self-employed individuals; and (c) a pooled investment fund whose assets are treated as "plan assets" under Section 3(42) of ERISA and any regulations promulgated thereunder because "employee benefit plans" or "plans" hold 25% or more of any class of equity interest in such pooled investment fund. The Investor agrees to notify the Investment Manager promptly in writing if there is any change in the percentage of the Investor's assets that are treated as "plan assets" for the purpose of Section 3(42) of ERISA and any regulations promulgated thereunder as set forth in the General Eligibility Representations section of this Subscription Agreement.
- (M) The Investor acknowledges, understands and agrees that the Investment Manager has authority to allocate transaction costs to obtain research and brokerage services, as set forth in the Memorandum. By signing this Subscription Agreement, the Investor expressly consents to any arrangement pursuant to which the Investment Manager obtains such products and services.
- (N) The Investor acknowledges, or, if the Investor is acting as agent, representative or nominee for a subscriber (a "Beneficial Owner"), the Investor has advised the Beneficial Owner, that the Fund may enter into agreements with placement agents providing for either: (i) a payment from the Investor to the particular placement agent; or (ii) a payment from the Fund or the Investment Manager of a one-time or ongoing fee based upon the amount of the subscription of an investor introduced to the Fund by the agent.
- (O) The Investor agrees that it shall not take any action to present a petition or commence any case, proceeding, proposal or other action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, arrangement in the nature of insolvency proceedings, adjustment, winding-up, liquidation, dissolution, composition or analogous relief with



respect to the Fund or the debts of the Fund unless and until a debt is immediately due and payable by the Fund to the Investor.

- (P) The Investor understands and agrees that, although the Fund, the Investment Manager and the Administrator will use their reasonable efforts to keep the information provided in the answers to this Subscription Agreement strictly confidential, any of the Fund, the Investment Manager and the Administrator may present this Subscription Agreement and the information provided in answers to it to such parties (*e.g.*, affiliates, attorneys, auditors, administrators, brokers, regulators and counterparties) as it deems necessary or advisable to facilitate the acceptance of the Investor's subscription for Shares and management of the Fund, including, but not limited to, in connection with anti-money laundering and similar laws, if called upon to establish the availability under any applicable law of an exemption from registration of the Shares, the compliance with applicable law and any relevant exemptions thereto by the Fund, the Investment Manager or any of their affiliates, or if the contents thereof are relevant to any issue in any action, suit or proceeding to which the Fund, the Investment Manager, the Administrator or their affiliates are a party or by which they are or may be bound or if the information is required to facilitate the Fund's investments. The Fund may also release information about the Investor if directed to do so by the Investor, if compelled to do so by law or in connection with any government or self-regulatory organization request or investigation, or if the Fund and/or the Investment Manager, in its sole discretion, deems it necessary or advisable to reduce or eliminate withholding or other taxes on the Fund, its shareholders, the Master Fund or the Investment Manager.

### III. ERISA

- (A) If the Investor is a "plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to the provisions of Title I of ERISA (an "ERISA Plan"), and/or a "plan" that is subject to the prohibited transaction provisions of Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), or an entity whose assets are treated as "plan assets" under Section 3(42) of ERISA and any regulations promulgated thereunder (each, a "Plan"), the person executing this Subscription Agreement on behalf of the Plan (the "Fiduciary") represents and warrants to the Fund that:
1. such person is a "fiduciary" of such Plan and trust and/or custodial account within the meaning of Section 3(21) of ERISA, and/or Section 4975(e)(3) of the Internal Revenue Code and such person is authorized to execute the Subscription Agreement;
  2. unless otherwise indicated in writing to the Fund, the Plan is not a participant-directed defined contribution plan;
  3. the Fiduciary has considered a number of factors with respect to the Plan's investment in the Shares and has determined that, in view of such considerations, the purchase of a Share is consistent with the Fiduciary's responsibilities under ERISA. Such factors include, but are not limited to:
    - (a) the role such investment or investment course of action plays in that portion of the Plan's portfolio that the Fiduciary manages;
    - (b) whether the investment or investment course of action is reasonably designed as part of that portion of the portfolio managed by the Fiduciary to further the purposes of the Plan, taking into account both the risk of loss and the opportunity for gain that could result therefrom;
    - (c) the composition of that portion of the portfolio that the Fiduciary manages with regard to diversification;

- (d) the liquidity and current rate of return of that portion of the portfolio managed by the Fiduciary relative to the anticipated cash flow requirements of the Plan;
  - (e) the projected return of that portion of the portfolio managed by the Fiduciary relative to the funding objectives of the Plan; and
  - (f) the risks associated with an investment in the Fund and the fact that the Investor has only limited redemption rights.
- 4. the investment in the Fund has been duly authorized under, and conforms in all respects to, the documents governing the Plan and the Fiduciary;
  - 5. the Fiduciary is: (a) responsible for the decision to invest in the Fund; (b) independent of the Fund; and (c) qualified to make such investment decision;
  - 6. (a) none of the Investment Manager, any of its employees or affiliates: (i) manages any part of the Investor's investment portfolio on a discretionary basis; (ii) regularly gives investment advice with respect to the assets of the Investor; (iii) has an agreement or understanding, written or unwritten, with the Investor under which the latter receives information, recommendations or advice concerning investments that are used as a primary basis for the Investor's investment decisions; or (iv) has an agreement or understanding, written or unwritten, with the Investor under which the latter receives individualized investment advice concerning the Investor's assets;

OR

- (b) (i) the Fiduciary, who is independent of the Investment Manager, has studied the Memorandum and has made an independent decision to purchase Shares solely on the basis of such Memorandum and without reliance on any other information or statements as to the appropriateness of this investment for the Investor; and (ii) the Investor represents and warrants that neither the Investment Manager nor any of its employees or affiliates: (A) has exercised any investment discretion or control with respect to the Investor's purchase of the Shares; (B) has authority, responsibility to give, or has given individualized investment advice with respect to the Investor's purchase of the Shares; or (C) is the employer maintaining or contributing to such Plan.
- 7. the Fiduciary does not intend its investment in the Fund to establish any relationship that would cause the Investment Manager or any other person to be a "fiduciary" (as defined in ERISA and the Internal Revenue Code) with respect to the Fiduciary in connection with the investment of the Fund's assets in the Master Fund through the Intermediate Fund and the Fiduciary agrees that it will not take any position to the contrary.
- (B)** The Fiduciary agrees, at the request of the Fund, to furnish the Fund with such information as the Fund may reasonably require to establish that the purchase of the Shares by an ERISA Plan and the transactions to be entered into by the Fund do not violate any provision of ERISA or the Internal Revenue Code, including, without limitation, those provisions relating to "prohibited transactions" by "parties in interest" or "disqualified persons" as defined therein.
  - (C)** The Fiduciary agrees to notify the Investment Manager promptly in writing should the Fiduciary become aware of any change in the information set forth in or required to be provided by this Section III.
  - (D)** If applicable, the Investor has identified its status as a Benefit Plan Investor (as defined below) to the Fund on page 18. If the Investor has identified to the Fund on page 18 that it is not currently a Benefit Plan Investor, but becomes a Benefit Plan Investor, the Investor shall forthwith disclose to the Investment Manager promptly in writing such fact and also the percentage of the Investor's

equity interests held by Benefit Plan Investors. For these purposes, a "Benefit Plan Investor", as defined under Section 3(42) of ERISA and any regulations promulgated thereunder, includes (a) an "employee benefit plan" that is subject to the provisions of Title I of ERISA; (b) a "plan" that is not subject to the provisions of Title I of ERISA, but that is subject to the prohibited transaction provisions of Section 4975 of the Internal Revenue Code, such as individual retirement accounts and certain retirement plans for self-employed individuals; and (c) a pooled investment fund whose assets are treated as "plan assets" under Section 3(42) of ERISA and any regulations promulgated thereunder because "employee benefit plans" or "plans" hold 25% or more of any class of equity interest in such pooled investment fund. The Investor agrees to notify the Investment Manager promptly in writing if there is any change in the percentage of the Investor's assets that are treated as "plan assets" for the purpose of Section 3(42) of ERISA and any regulations promulgated thereunder as set forth in the General Eligibility Representations section of this Subscription Agreement.

- (E) If the Investor is an insurance company and is investing the assets of its general account (or the assets of a wholly owned subsidiary of its general account) in the Fund, it has identified on page **Error! Bookmark not defined.** whether the assets underlying the general account constitute "plan assets" within the meaning of Section 401(c) of ERISA. The Investor agrees to promptly notify the Fund in writing if there is a change in the percentage of the general account's assets that constitute "plan assets" within the meaning of Section 401(c) of ERISA and shall disclose such new percentage ownership.

#### IV. ANTI-MONEY LAUNDERING REPRESENTATIONS AND COVENANTS OF THE INVESTOR

**You should check the website of the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") at <http://www.treas.gov/offices/enforcement/ofac/> before making the following representations and warranties.**

- (A) The Investor represents and warrants that the amounts used to purchase Shares were not and are not directly or indirectly derived from activities that may contravene applicable laws and regulations, including anti-money laundering laws and regulations.

United States federal regulations and executive orders administered by OFAC prohibit, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals.\* The lists of OFAC prohibited countries, territories, persons and entities can be found on the OFAC website at <http://www.treas.gov/offices/enforcement/ofac/>. In addition, the programs administered by OFAC ("OFAC Programs") prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the OFAC lists.

The Investor represents and warrants that, to the best of its knowledge, none of:

- (1) the Investor;
- (2) any person controlling or controlled by the Investor;
- (3) if the Investor is a privately held entity, any person having a beneficial interest in the Investor; or
- (4) any person for whom the Investor is acting as agent or nominee in connection with this investment

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\* These individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs.

is a country, territory, individual or entity named on an OFAC list, nor is a person or entity prohibited under the OFAC Programs.

Please be advised that the Fund and/or the Administrator may not accept any amounts from a prospective shareholder if it cannot make the representations and warranties set forth in the preceding paragraph. If an existing shareholder cannot make these representations and warranties, the Fund may require the redemption of such shareholder's Shares or take such other actions as may be required under applicable law.

(B) The Investor agrees to notify the Fund and the Administrator promptly in writing should the Investor become aware of any change in the information set forth in these representations and warranties. The Investor is advised that, by law, the Fund and/or the Administrator may be obligated to "freeze the account" of the Investor, either by prohibiting additional subscriptions from the Investor, declining any redemption requests and/or segregating the assets in the account in compliance with governmental regulations, and the Fund and/or the Administrator may also be required to report such action and to disclose the Investor's identity to OFAC or other applicable governmental and regulatory authorities. The Investor further acknowledges that the Fund may, by written notice to the Investor, suspend the payment of redemption proceeds payable to the Investor if the Fund and/or the Administrator reasonably deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the Fund, the Investment Manager, the Administrator or any of the Fund's other service providers.

(C) The Investor represents and warrants that, to the best of its knowledge, none of:

- (1) the Investor;
- (2) any person controlling or controlled by the Investor;
- (3) if the Investor is a privately held entity, any person having a beneficial interest in the Investor; or
- (4) any person for whom the Investor is acting as agent or nominee in connection with this investment

is a senior foreign political figure,\* or any immediate family member\*\* or close associate\*\*\* of a senior foreign political figure as such terms are defined in the footnotes below.

(D) If the Investor is a non-U.S. banking institution (a "Non-U.S. Bank") or if the Investor receives deposits from, makes payments on behalf of, or handles other financial transactions related to a Non-U.S. Bank, the Investor represents and warrants to the Fund that:

- (1) the Non-U.S. Bank has a fixed address, other than solely an electronic address, in a country in which the Non-U.S. Bank is authorized to conduct banking activities;

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\* For these purposes, the term "senior foreign political figure" means a current or former senior official in the executive, legislative, administrative, military or judicial branches of a non-U.S. government (whether elected or not), a current or former senior official of a major non-U.S. political party, or a current or former senior executive of a non-U.S. government-owned commercial enterprise. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure. For purposes of this definition, the term "senior official" or "senior executive" means an individual with substantial authority over policy, operations, or the use of government-owned resources.

\*\* For these purposes, an "immediate family member" of a senior foreign political figure means spouses, parents, siblings, children and a spouse's parents and siblings.

\*\*\* For these purposes, a "close associate" of a senior foreign political figure means a person who is widely and publicly known (or is actually known) to be a close associate of a senior foreign political figure.

- (2) the Non-U.S. Bank employs one or more individuals on a full-time basis;
  - (3) the Non-U.S. Bank maintains operating records related to its banking activities;
  - (4) the Non-U.S. Bank is subject to inspection by the banking authority that licensed the Non-U.S. Bank to conduct banking activities; and
  - (5) the Non-U.S. Bank does not provide banking services to any other Non-U.S. Bank that does not have a physical presence in any country and that is not a regulated affiliate.
- (E) The Investor understands and agrees that any redemption proceeds paid to it will be paid to the same account from which the Investor's investment in the Fund was originally remitted, unless the Fund agrees otherwise.
- (F) The Investor agrees that, upon the request of the Fund or the Administrator, it will provide such information as the Fund or the Administrator require to satisfy applicable anti-money laundering laws and regulations, including, without limitation, the Investor's anti-money laundering policies and procedures, background documentation relating to its directors, trustees, settlors and beneficial owners, and audited financial statements, if any.

## V. GENERAL

- (A) The Investor agrees to indemnify the Fund, for itself and as trustee for, the Investment Manager, each director and officer of the Fund, each of their affiliates and each other person, if any, who controls, is controlled by, or is under common control with, any of the foregoing, against any and all loss, liability, claim, damage and expense whatsoever (including all expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) arising out of or based upon: (i) any false representation or warranty made by the Investor, or breach or failure by the Investor to comply with any covenant or agreement made by the Investor, in this Subscription Agreement or in any other document furnished by the Investor to any of the foregoing in connection with this transaction; or (ii) any action for securities law violations instituted by the Investor which is finally resolved by judgment against the Investor. The Investor also agrees to indemnify the Fund, for itself and as trustee for, the Investment Manager and their affiliates and agents for any and all costs, fees and expenses (including legal fees and disbursements) in connection with any damages resulting from the Investor's assertion of lack of proper authorization from the Beneficial Owner to enter into this Subscription Agreement or perform the obligations hereof.
- (B) The Investor hereby acknowledges that the Investment Manager, the Administrator and each director and officer of the Fund are entitled to be indemnified out of the assets of the Fund as provided in the Fund Documents.
- (C) This Subscription Agreement: (i) shall be binding upon the Investor and the heirs, legal representatives, successors and permitted assigns of the Investor and shall inure to the benefit of the Fund and its successors and assigns; (ii) shall be governed, construed and enforced in accordance with the laws of the Cayman Islands; (iii) shall survive the acceptance of the Investor as a shareholder of the Fund; and (iv) shall, if the Investor consists of more than one person, be the joint and several obligation of each such person.
- (D) The Investor hereby irrevocably agrees that any action, suit or proceeding with respect to this Subscription Agreement or the Fund and any or all transactions relating hereto and thereto may be brought in the courts of the Cayman Islands. The Investor hereby irrevocably: (i) submits to the jurisdiction of such courts with respect to any such action, suit or proceeding and agrees and consents that service of process as provided by Cayman Islands law may be made upon the Investor in any such action, suit or proceeding brought in any of said courts, and may not claim that any such



action, suit or proceeding has been brought in an inconvenient forum; and (ii) consents to the service of process out of any of the aforesaid courts, in any such action, suit or proceeding, by the mailing of copies thereof, by certified or registered mail, return receipt requested, addressed to the Investor at the address of the Investor then appearing on the records of the Fund. Nothing contained herein shall affect the right of the Fund to commence any action, suit or proceeding or otherwise to proceed against the Investor in any other jurisdiction or to serve process upon the Investor in any manner permitted by any applicable law in any relevant jurisdiction.

- (E) If any provision of this Subscription Agreement is invalid or unenforceable under any applicable law, then such provision shall be deemed inoperative to the extent that it may conflict therewith. Any provision hereof which may be held invalid or unenforceable under any applicable law shall not affect the validity or enforceability of any other provisions hereof, and to this extent the provisions hereof shall be severable.
- (F) If any answer provided or background documentation required under this Subscription Agreement is found to be false, forged or misleading, the Investor understands that the Fund may compulsorily redeem the Shares held by the Investor in accordance with the Fund Documents.

## **VI. TRUSTEE, AGENT, REPRESENTATIVE OR NOMINEE**

- (A) If the Investor is acting as trustee, agent, representative or nominee for a Beneficial Owner, the Investor understands and acknowledges that the representations, warranties and covenants made herein are made by the Investor: (i) with respect to the Investor; *and* (ii) with respect to the Beneficial Owner. The Investor represents and warrants that it has all requisite power and authority from said Beneficial Owner to execute and perform the obligations under this Subscription Agreement.
- (B) If, with the prior written consent of the Board of Directors, the Investor will enter into a swap, structured note or other derivative instrument, the return from which is based in whole or in part on the return of the Fund (the "Swap"), with a third party (a "Third Party"), the Investor represents and warrants that with respect to a Third Party entering into a Swap: (i) the Third Party is authorized under its constitutional documents (*e.g.*, certificate of incorporation, by-laws, partnership agreement or trust agreement) and applicable law (including U.S. and non-U.S. anti-money laundering laws and regulations) to enter into the Swap and would also be so authorized to invest directly into the Fund; (ii) the Third Party has received and reviewed a copy of the Memorandum, this Subscription Agreement and, if requested, the Articles of Association; (iii) the Third Party acknowledges that the Fund and its affiliates are not responsible for the legality, suitability or tax consequences of the Swap and that the Investor is not an agent of the Fund; and (iv) the Third Party is: (x) an "eligible contract participant" as defined under the U.S. Commodity Exchange Act, as amended, a "qualified eligible person" under the U.S. Commodity Futures Trading Commission (the "CFTC") rules and (y) either a permitted U.S. Person who is an "accredited investor" under Regulation D promulgated under the U.S. Securities Act of 1933, as amended, and a "qualified purchaser" under the U.S. Investment Company Act of 1940, as amended or a non-U.S. Person; and (z) is eligible to receive "new issues" because it is not, and is not beneficially owned by, a restricted person as contemplated under Financial Industry Regulatory Authority, Inc. ("FINRA") Rule 5130 or an executive officer or director of a public company or a covered non-public company, or a person materially supported by such an executive officer or director, as contemplated under FINRA Rule 5131. Nothing herein constitutes an agreement or statement by the Fund as to the legality of a Swap or the suitability of a Swap for the Third Party.



**VII. ADDITIONAL INFORMATION AND SUBSEQUENT CHANGES IN THE FOREGOING REPRESENTATIONS**

- (A) The Fund may request from the Investor such additional information as it may deem necessary to evaluate the eligibility of the Investor to acquire Shares, and may request from time to time such information as it may deem necessary to determine the eligibility of the Investor to hold Shares or to enable the Fund to determine the Fund's, the Investment Manager's or the Administrator's compliance with applicable regulatory requirements or the Fund's tax status, and the Investor agrees to provide such information as may reasonably be requested.
- (B) The Investor agrees to promptly take such action, including providing and periodically updating information (which may include, among other things, the identities of the direct and indirect U.S. beneficial owners of the Shares being subscribed for hereunder), that the Fund or the Investment Manager, in its sole discretion, reasonably determines is necessary for the Fund and the Master Fund to reduce or eliminate withholding taxes under Sections 1471-1474 of the Internal Revenue Code. The Investor acknowledges that if it fails to timely take such action, the Investor will be subject to a 30% withholding tax with respect to its share of any payment attributable to actual and deemed U.S. investments of the Fund, and that the Board of Directors may take any action in relation to the Investor's Shares or redemption proceeds to ensure that such withholding is economically borne by the Investor. If the Investor is, or the Investor's investment in the Fund is made through, a "foreign financial institution" within the meaning of Section 1471(d)(4) of the Internal Revenue Code, the Investor agrees that such foreign financial institution (including the Investor, if applicable) (i) shall meet the requirements of Section 1471(b)(1) or 1471(b)(2) of the Internal Revenue Code and (ii) shall not delegate any withholding responsibility pursuant to Section 1471(b)(3) of the Internal Revenue Code to the Fund.
- (C) The Investor agrees to notify the Fund promptly in writing if there is any change with respect to any of the information or representations or warranties made herein and to provide the Fund with such further information as the Fund may reasonably require.
- (D) This Subscription Agreement may be executed through the use of separate signature pages or in any number of counterparts. The counterparts shall, for all purposes, constitute one agreement binding on all the parties, notwithstanding that all parties do not execute the same counterpart.

**VIII. ELECTRONIC DELIVERY OF ACCOUNT INFORMATION**

- (A) The Investor hereby agrees and provides the Investor's consent to have the Fund, the Investment Manager and/or the Administrator electronically deliver Account Communications. "Account Communications" means all current and future account statements; Fund Documents (including all supplements and amendments thereto); notices (including privacy notices); letters to investors; annual audited financial statements; regulatory communications and other information, documents, data and records regarding the Investor's investment in the Fund. Electronic communication by the Fund, the Investment Manager and/or the Administrator includes e-mail delivery as well as electronically making available to the Investor Account Communications on the Fund's or the Investment Manager's Internet site, if applicable. It is the Investor's affirmative obligation to notify the Fund in writing if the Investor's e-mail address listed on page 14 changes.
- (B) The Fund, the Investment Manager and the Administrator will not be liable for any interception of Account Communications. Investors should note that no additional charge for electronic delivery will be assessed, but the Investor may incur charges from its Internet service provider or other Internet access provider. In addition, there are risks, such as systems outages, that are associated with electronic delivery.

- (C) The Investor may revoke or restrict its consent to electronic delivery of Account Communications at any time by notifying the Fund, in writing, of the Investor's intention to do so.**

# CAPSTONE VOL (OFFSHORE) LIMITED

## INVESTOR PROFILE FORM

**ALL INVESTORS MUST COMPLETE THIS FORM.**

Name of Investor *(Please Print or Type)*

\$

Amount of Subscription

Type of Investor—***Please check all that apply:***

- |  |   |   |
|--|---|---|
| <input type="checkbox"/> Individual                                  | <input type="checkbox"/> Partnership    | <input type="checkbox"/> Other – specify: _____ |
| <input type="checkbox"/> Joint Tenants (with Rights of Survivorship) | <input type="checkbox"/> Trust          |   |
| <input type="checkbox"/> Corporation                                 | <input type="checkbox"/> Fund of Funds* |   |

Form PF Investor Type

Under the reporting requirements on Form PF, the Fund must organize its investors by certain specified investor groups set forth in Form PF. Accordingly, please check below the investor type that best describes the Investor. *(If the Investor is acting as trustee, agent, representative or nominee for a Beneficial Owner, please check the item that best describes the Beneficial Owner.)*

***Please check one:***

- ☐ Individual that is not a United States person\*\* (or a trust of such a person)
- ☐ Broker-dealer
- ☐ Insurance company
- ☐ Investment company registered with the U.S. Securities and Exchange Commission
- ☐ Private fund\*\*\*
- ☐ Non-profit
- ☐ Pension plan (other than a governmental pension plan)
- ☐ Banking or thrift institution (proprietary)
- ☐ Sovereign wealth fund or foreign official institution
- ☐ Other *(please specify)*: \_\_\_\_\_

\* For purposes of this item, the term "Fund of Funds" means a fund that invests 10 percent or more of its total assets in other pooled investment vehicles, whether or not they are private funds or registered investment companies.

\*\* For purposes of Form PF, the term "United States person" has the meaning provided in Rule 203(m)-1 under the U.S. Investment Advisers Act of 1940, as amended, which includes any natural person that is resident in the United States.

\*\*\* For purposes of Form PF, the term "private fund" means any issuer that would be an investment company as defined in Section 3 of the U.S. Investment Company Act of 1940, as amended (the "Company Act"), but for Section 3(c)(1) or 3(c)(7) of the Company Act.

## CAPSTONE VOL (OFFSHORE) LIMITED

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### INVESTOR PROFILE FORM

Full Mailing Address (*Exactly as it should appear on labels*):

☐ Mr.    ☐ Mrs.    ☐ Ms.    ☐ Miss    ☐ Dr.    ☐ Other \_\_\_\_\_

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\_\_\_\_\_  
Telephone number

\_\_\_\_\_  
Fax number

Residence (if an individual) or Principal Place of Business (if an entity) Address (*No P.O. Boxes Please, if any*):

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\_\_\_\_\_  
Telephone number

\_\_\_\_\_  
Fax number

Attention: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

## CAPSTONE VOL (OFFSHORE) LIMITED

### INVESTOR PROFILE FORM

#### AUTHORIZATION OF REPRESENTATIVE(S)/AGENT(S):

Set forth below are the names of persons authorized by the Investor to give and receive instructions between the Fund and the Investor, together with their respective signatures. Such persons are the only persons so authorized until further notice to the Fund signed by one or more of such persons.

*(Please attach additional pages if needed)*

Name	Signature

Address of Authorized Representative/Agent *(No P.O. Boxes Please, if any)*:

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Telephone number

Fax number

Until further written notice to the Fund signed by one or more of the persons listed above, funds may be wired to the Investor using the following instructions:

Bank name: \_\_\_\_\_

Bank address: \_\_\_\_\_

ABA or CHIPS number: \_\_\_\_\_

Account name: \_\_\_\_\_

Account number: \_\_\_\_\_

For further credit: \_\_\_\_\_

**INVESTOR PROFILE FORM**

**ANTI-MONEY LAUNDERING INFORMATION**

This Subscription Agreement will not be deemed complete, and the Investor will not be deemed a shareholder of the Fund, regardless of whether it has already wired funds, until all of the required documentation listed below is received by the Administrator. For additional information, please contact your Investor Relations contact at (212) 232-1420.

**Payment Information**

(a) Name of the Investor: \_\_\_\_\_

(b) Name of the bank from which the Investor's payment to the Fund is being wired (the "Wiring Bank"): \_\_\_\_\_

(c) Is the Wiring Bank located in an Approved FATF Country*?	<b>YES</b>	<b>NO</b>
	<input type="checkbox"/>	<input type="checkbox"/>

If yes, please answer question (d) below.

If no, please provide the additional information described below.

(d) Is the Investor a customer of the Wiring Bank?	<input type="checkbox"/>	<input type="checkbox"/>
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If yes, you are not required to provide the additional information described below.

If no, please provide the additional information described below.

**The Investor must wire the payment from an account in its name.**

**Additional Information**

*Note: This section applies only to investors who responded "No" to question (c) or (d) above.*

**The following materials must be provided to the Administrator:**

**For Individuals and Participants in Individual Retirement Accounts, Keogh Plans and Other Self-Directed Defined Contribution Plans**

☐ A government issued form of picture identification (e.g., passport).

☐ Proof of current address (e.g., current utility bill).

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\* As of the date hereof, approved countries that are members of the Financial Action Task Force on Money Laundering (each, an "Approved FATF Country") are: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States.



**INVESTOR PROFILE FORM**

**For Fund of Funds or Entities that Invest on Behalf of Third Parties that are Not Located in the U.S. or Other Approved FATF Country**

- ☐ A certificate of due formation and organization and continued authorization to conduct business in the jurisdiction of its organization (*e.g.*, certificate of good standing).
- ☐ An incumbency certificate attesting to the title of the individual executing this Subscription Agreement on behalf of the Investor (a sample Incumbency Certificate is attached hereto as Exhibit C).
- ☐ A completed copy of Exhibit D certifying that the entity has adequate anti-money laundering policies and procedures in place that are consistent with all applicable anti-money laundering laws and regulations, including the USA PATRIOT Act and OFAC.
- ☐ A letter of reference from a local office of a reputable bank or brokerage firm which is incorporated, or has its principal place of business located, in an Approved FATF Country certifying that the Investor maintains an account at such bank/brokerage firm and containing a statement affirming the Investor's integrity (a sample Letter of Reference is attached hereto as Exhibit E).

**For All Other Entity Investors**

- ☐ A certificate of due formation and organization and continued authorization to conduct business in the jurisdiction of its organization (*e.g.*, certificate of good standing).
- ☐ An incumbency certificate attesting to the title of the individual executing this Subscription Agreement on behalf of the Investor (a sample Incumbency Certificate is attached hereto as Exhibit C).
- ☐ A letter of reference from a local office of a reputable bank or brokerage firm which is incorporated, or has its principal place of business located, in an Approved FATF Country certifying that the Investor maintains an account at such bank/brokerage firm for a length of time and containing a statement affirming the Investor's integrity (a sample Letter of Reference is attached hereto as Exhibit E).
- ☐ If the Investor is a privately-held entity, a completed copy of Exhibit F listing the name of each person who directly, or indirectly through intermediaries, is the beneficial owner of 10% or more of any voting or non-voting class of equity interests of the Investor.
- ☐ If the Investor is a trust, a completed copy of Exhibit G listing the current beneficiaries of the trust that have, directly or indirectly, 10% or more of any interest in the trust, the settlor of the trust and the trustees.

# CAPSTONE VOL (OFFSHORE) LIMITED

## GENERAL ELIGIBILITY REPRESENTATIONS

PLEASE COMPLETE ALL APPROPRIATE ITEMS.

### I. INVESTOR INFORMATION

- (A) The Investor hereby represents and warrants that:  
*(Please initial one and complete blanks)*

\_\_\_\_\_ 1. If an individual, the Investor is of legal age and is a:  
*Initial* citizen of: \_\_\_\_\_  
resident of: \_\_\_\_\_

OR

\_\_\_\_\_ 2. If a corporation, partnership, trust or other legal entity, the Investor:  
*Initial* is organized under the laws of: \_\_\_\_\_  
has its principal place of business in: \_\_\_\_\_  
and was formed as of: \_\_\_\_\_

- (B) Was the Investor referred to the Fund by a placement agent? Yes ☐ No ☐

If yes, please provide name of placement agent: \_\_\_\_\_

- (C) The Investor \_\_\_\_\_ (is) \_\_\_\_\_ (is not) *(please initial one)* a "Benefit Plan Investor" as defined in Section II(L) of this Subscription Agreement.

- (D) If the Investor is a pooled investment fund, the Investor hereby certifies to either 1 or 2 below:

*(Please initial one)*

\_\_\_\_\_ 1. Less than 25% of the value of each class of equity interests in the Investor  
*Initial* (excluding from this computation interests held by (i) any individual or entity (other than a Benefit Plan Investor) having discretionary authority or control over the assets of the Investor, (ii) any individual or entity who provides investment advice for a fee (direct or indirect) with respect to the assets of the Investor and (iii) any affiliate of such individuals or entities) is held by Benefit Plan Investors.

GENERAL ELIGIBILITY REPRESENTATIONS

\_\_\_\_\_ 2. Twenty-five percent or more of the value of any class of equity interests in the  
*Initial* Investor (excluding from this computation interests held by (i) any individual or entity (other than a Benefit Plan Investor) having discretionary authority or control over the assets of the Investor, (ii) any individual or entity who provides investment advice for a fee (direct or indirect) with respect to the assets of the Investor and (iii) any affiliate of such individuals or entities) is held by Benefit Plan Investors;

and

\_\_\_\_\_ % of the equity interest in the Investor is held by Benefit Plan Investors.

(E) The Investor has received the Memorandum outside the U.S. in the following country: \_\_\_\_\_

(F) The Investor has signed the Subscription Agreement outside the U.S. in the following country: \_\_\_\_\_

(G) The Investor \_\_\_\_\_ (is) \_\_\_\_\_ (is not) (*please initial one*) an investment fund registered as an investment company under the U.S. Investment Company Act of 1940, as amended (a "Registered Fund"), or an affiliate of a Registered Fund, or a person controlling, controlled by or under common control with a Registered Fund.

**GENERAL ELIGIBILITY REPRESENTATIONS**

**II. FORM W-8**

Please complete the appropriate Form W-8 listed below.

- ☐ W-8BEN: Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding (attached hereto as Appendix A)
- ☐ W-8IMY: Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding (attached hereto as Appendix B)
- ☐ W-8EXP: Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding (attached hereto as Appendix C)
- ☐ W-8ECI: Certificate of Foreign Person's Claim That Income Is Effectively Connected With the Conduct of a Trade or Business in the United States (attached hereto as Appendix D)

For further instructions, please contact your tax advisor or visit [www.irs.gov](http://www.irs.gov).

GENERAL ELIGIBILITY REPRESENTATIONS

III. QUALIFIED ELIGIBLE PERSON STATUS

The Investor is a "qualified eligible person" under Rule 4.7 promulgated under the U.S. Commodity Exchange Act, as amended, because:

*(Please initial as appropriate)*

**(A) Individuals**

\_\_\_\_\_ The Investor is a natural person who is not a resident of the United States.\*  
*Initial*

**(B) Entities**

\_\_\_\_\_ 1. The Investor is a partnership, corporation or other entity, other than an entity organized  
*Initial* principally for passive investment, organized under the laws of a non-U.S. jurisdiction and which has its principal place of business in a non-U.S. jurisdiction; or

\_\_\_\_\_ 2. The Investor is an estate or trust, the income of which is not subject to U.S. income tax  
*Initial* regardless of source; or

\_\_\_\_\_ 3. The Investor is an entity organized principally for passive investment, such as a pool,  
*Initial* investment company or other similar entity, provided that units of participation in the entity held by U.S. Persons who are not "qualified eligible persons" represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by U.S. Persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. Persons; or

\_\_\_\_\_ 4. The Investor is a pension plan for the employees, officers or principals of an entity organized  
*Initial* and with its principal place of business outside the United States.

**(C) Entities Whose Participants are all Qualified Eligible Persons**

\_\_\_\_\_ If the Investor cannot initial any of the items in Section (B) above, the Investor qualifies as a  
*Initial* "qualified eligible person" because it certifies that: (i) it understands the manner in which a participant can qualify as a "qualified eligible person" of an entity; and (ii) it is an entity, all of the participants of which are "qualified eligible persons".

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\* For purposes of this paragraph, the term "United States" means the United States, its states, territories or possessions, or an enclave of the U.S. government, its agencies or instrumentalities.

GENERAL ELIGIBILITY REPRESENTATIONS

IV. CFTC REGISTRATION AND NFA MEMBERSHIP

*(Entities only; individual investors please skip this Section.)*

In order to ensure compliance with applicable requirements of the U.S. National Futures Association ("NFA"), each investor *that is an entity* must provide its NFA ID, if applicable, and complete the applicable certification below. The Investor must initial those statements below which apply to it and, if the Investor is a corporation, partnership, trust or other entity acting as nominee for another person, which apply to such person for which the entity is acting as nominee.

NFA ID (if applicable): \_\_\_\_\_

The Investor hereby represents and warrants that:

*(Please initial one or more of the items under (A) or one or more of the items under (B).)*

- (A) The Investor (or, if the Investor is a commodity pool, the operator thereof) is not required to be a member of the NFA or to be registered with the CFTC in any capacity because it

*(Please initial as appropriate)*

\_\_\_\_\_ is entitled to rely upon an exemption other than one of the exemptions listed  
*Initial* below or is otherwise not required to register with the CFTC, as described  
below *(please provide a description)*:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*(An Investor that initials this item because the Investor has concluded that it is not a "commodity pool" should do so only after carefully considering the other items and after performing a detailed legal analysis.)*

\_\_\_\_\_ relies upon an exemption from registration under CFTC Rule 4.13 (e.g., the  
*Initial* 4.13(a)(3) "de minimis exemption") and has filed a notice claiming this  
exemption with the NFA.\*

\_\_\_\_\_ is a "fund of funds", relies upon CFTC No-Action Letter 12-38, and has  
*Initial* submitted a claim for no-action relief to the CFTC.\*

\_\_\_\_\_ relies upon the exclusion under CFTC Rule 4.5 and has filed a notice claiming  
*Initial* this exclusion with the NFA.\* (For example, registered investment companies  
may rely upon this exclusion.)

\_\_\_\_\_ relies upon the exclusion under CFTC Rule 4.5 and is not required to file a  
*Initial* notice claiming this exclusion with the NFA. (For example, certain pension  
plans may rely upon this exclusion.)

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\* These exemption filings may be verified on the NFA's Background Affiliation Status Information Center, at [www.nfa.futures.org/basicnet/](http://www.nfa.futures.org/basicnet/).



**GENERAL ELIGIBILITY REPRESENTATIONS**

\_\_\_\_\_ is a "family office", relies upon CFTC No-Action Letter 12-37, and has  
*Initial* submitted a claim for no-action relief to the CFTC.

\_\_\_\_\_ is a "family office" pursuant to CFTC interpretive guidance (other than CFTC  
*Initial* No-Action Letter 12-37) and is not a commodity pool.

\_\_\_\_\_ is a charitable foundation and its operator is not required to register as a  
*Initial* commodity pool operator.

***OR***

- (B)** The Investor (or, if the Investor is a commodity pool, the operator thereof) is a member of the NFA, is registered with the CFTC in the following capacity(ies) and is not required to be registered with the CFTC in any other capacity:

***(Please initial as appropriate)***

\_\_\_\_\_ commodity pool operator;  
*Initial*

\_\_\_\_\_ commodity trading advisor; *and/or*  
*Initial*

\_\_\_\_\_ other (*e.g.*, a futures commission merchant) (*please specify*):  
*Initial*

\_\_\_\_\_.

**GENERAL ELIGIBILITY REPRESENTATIONS**

**V. ALLOCATIONS OF NEW ISSUES—RULE 5130**

The Fund from time to time may invest in a "new issue", as defined in FINRA Rule 5130 ("Rule 5130"). Rule 5130 generally prohibits a FINRA member from selling a new issue to any account (e.g., a private investment fund) in which a Restricted Person (as defined in Item A(2) of this Section) has a beneficial interest,\* unless such fund or account has complied with certain requirements. In order for the Fund to determine (i) whether it has complied with such requirements and (ii) the extent to which the Investor is eligible to participate in profits and losses attributable to new issues, the Investor must initial those statements below which apply to it and, if the Investor is a corporation, partnership, trust or other entity acting as nominee for another person, which apply to such person for which the entity is acting as nominee.

\_\_\_\_\_ **IF THE INVESTOR WISHES TO NOT PARTICIPATE IN ANY PROFITS AND LOSSES ATTRIBUTABLE TO NEW ISSUES, PLEASE INITIAL HERE. (Skip the remainder of this Section V.)**

**If the Investor has not made the election above, and the Investor is an individual, the Investor must initial the appropriate Items below in Section B. If the Investor has not made the election above, and the Investor is an entity, the Investor must initial the appropriate Items below in Sections A, B and/or C as applicable.**

**A. Exempt Persons (*Entities only; individual investors please skip to Section B below*):**

*(Initial as Appropriate)*

**The Investor is:**

- \_\_\_\_\_ 1. an investment company registered under the U.S. Investment Company Act of 1940, as amended.
- \_\_\_\_\_ 2. a common trust fund or similar fund as described in Section 3(a)(12)(A)(iii) of the Securities Exchange Act of 1934, as amended, and the fund (a) has investments from 1,000 or more accounts, and (b) does not limit beneficial interests in the fund principally to trust accounts of persons listed in Section B below ("Restricted Persons").
- \_\_\_\_\_ 3. an insurance company general, separate or investment account, and (a) the account is funded by premiums from 1,000 or more policyholders, or, if a general account, the insurance company has 1,000 or more policyholders; and (b) the insurance company does not limit the policyholders whose premiums are used to fund the account principally to Restricted Persons, or, if a general account, the insurance company does not limit its policyholders principally to Restricted Persons.
- \_\_\_\_\_ 4. a corporation, partnership, trust or other entity and the beneficial interests of Restricted Persons do not exceed in the aggregate 10% of such entity (the "De Minimis Exemption"). An Investor that is not beneficially owned by any Restricted Persons or that limits the participation by Restricted Persons to no more than 10% (in the aggregate) of the profits and losses of new issues may initial this statement.

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\* For purposes of Rule 5130 and Rule 5131 (as defined below), the term "beneficial interest" means any economic interest such as the right to share in gains or losses. The receipt of a management or performance based fee for operating a collective investment account, or other fee for acting in a fiduciary capacity, is not considered a beneficial interest in the account.

**GENERAL ELIGIBILITY REPRESENTATIONS**

**If the Investor initialed this Item A(4), please complete Section C below.**

**Please note that, under the Fund's current allocation policy, an entity investor will be considered a Restricted Person if it allocates profits and losses attributable to new issues to any of its beneficial owners that are Restricted Persons.**

- \_\_\_\_\_ 5. a publicly traded entity (other than a broker-dealer or an affiliate of a broker-dealer where such broker-dealer is authorized to engage in the public offering of new issues either as a selling group member or underwriter) that: (a) is listed on a national securities exchange (including The NASDAQ Stock Market LLC), or (b) is a foreign issuer whose securities meet the quantitative designation criteria for listing on a national securities exchange (including The NASDAQ Stock Market LLC).
- \_\_\_\_\_ 6. an investment company organized under the laws of a foreign jurisdiction and is listed on a foreign exchange or authorized for sale to the public by a foreign regulatory authority, and no person owning more than 5% of the shares of the investment company is a Restricted Person.
- \_\_\_\_\_ 7. an Employee Retirement Income Security Act benefits plan that is qualified under Section 401(a) of the Internal Revenue Code and such plan is not sponsored solely by a broker-dealer.
- \_\_\_\_\_ 8. a state or municipal government benefits plan that is subject to state and/or municipal regulation.
- \_\_\_\_\_ 9. a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.
- \_\_\_\_\_ 10. a church plan under Section 414(e) of the Internal Revenue Code.
- \_\_\_\_\_ 11. a broker-dealer, or owner of a broker-dealer, organized as an investment vehicle, that restricts participation of Restricted Persons in profits and losses of new issues in accordance with the De Minimis Exemption set forth above.

**If the Investor initialed this Item A(11), please complete Section C below.**

**Please note that, under the Fund's current allocation policy, an entity investor will be considered a Restricted Person if it allocates profits and losses attributable to new issues to any of its beneficial owners that are Restricted Persons.**

**OR**

- \_\_\_\_\_ 12. None of the above statements is applicable. **If the Investor initialed this Item A(12), please complete Section B below.**

**If the Investor certified to the applicability of the De Minimis Exemption by initialing either Item A(4) or Item A(11) above, please skip Section B and complete Section C below. If the Investor initialed any other Item in Section A (other than Item A(12)), please skip Sections B and C.**

GENERAL ELIGIBILITY REPRESENTATIONS

**B. Determination of Restricted Status (*Investors that initial Item B(12) will not be considered restricted*):**

*(Initial as Appropriate)*

**The Investor, or a person having a beneficial interest in the Investor:**

- \_\_\_\_\_ 1. is a broker-dealer.
- \_\_\_\_\_ 2. is an officer, director, general partner, associated person or employee of a broker-dealer (other than a limited business broker-dealer).\*
- \_\_\_\_\_ 3. is an agent of a broker-dealer (other than a limited business broker-dealer) that is engaged in the investment banking or securities business.
- \_\_\_\_\_ 4. is an immediate family member\*\* of a person specified in Item B(2) or B(3) above. **If you have initialed this Item B(4), please initial the statement(s) below that apply and provide the name of the relevant broker-dealer in the space provided.**

The person specified in Item B(2) or B(3):

- \_\_\_\_\_ (a) materially supports\*\*\*, or receives material support from, the Investor;
- \_\_\_\_\_ (b) has an ability to control the allocation of new issues; or
- \_\_\_\_\_ (c) neither Item 4(a) nor Item 4(b) is applicable.

Please provide the name of the broker-dealer with whom the person specified in Item B(2) or B(3) is affiliated \_\_\_\_\_.

- \_\_\_\_\_ 5. with respect to any offering of new issues, acts as a finder or acts in a fiduciary capacity (including, among others, attorneys, accountants and financial consultants) to the managing underwriter in such offering.
- \_\_\_\_\_ 6. has authority to buy or sell securities for a bank, savings and loan institution, insurance company, investment advisor, or collective investment account.\*\*\*\*

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\* For purposes of Rule 5130, the term "limited business broker-dealer" means any broker-dealer whose authorization to engage in the securities business is limited solely to the purchase and sale of investment company/variable contracts securities and direct participation program securities.

\*\* For purposes of Rule 5130, the term "immediate family member" means a person's parents, mother-in-law or father-in-law, spouse, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, children and any other individual to whom the person provides "material support", as defined in footnote \*\*\* below.

\*\*\* For purposes of Rule 5130, the term "material support" means the direct or indirect provision of more than 25% of a person's income in the prior calendar year. Members of the immediate family living in the same household are deemed to be providing each other with material support.

\*\*\*\* For purposes of Rule 5130, the term "collective investment account" means any hedge fund, investment partnership, investment corporation, or any other collective investment vehicle that is engaged primarily in the purchase and/or sale of securities. The term does not include an investment club where a group of individuals pool their money and are collectively responsible for investment decisions, or a family investment vehicle owned solely by immediate family members.

## CAPSTONE VOL (OFFSHORE) LIMITED

### GENERAL ELIGIBILITY REPRESENTATIONS

- \_\_\_\_\_ 7. is an immediate family member of a person described in Item B(5) or B(6) above and such person materially supports, or receives material support from such person.

Items B(8)-B(10) pertain to "owners" of broker dealers. FINRA has stated that an owner of a broker-dealer will be viewed as having a "beneficial interest" in an account held by a subsidiary (*i.e.*, a sister company of the broker dealer). Accordingly, an affiliate of a broker dealer (*i.e.*, a sister company of a broker dealer) will be a "Restricted Person."

- \_\_\_\_\_ 8. is a person listed, or required to be listed, on Schedule A of a Form BD. **This Item should NOT be initialed if the broker-dealer is a limited business broker-dealer or if the Investor, or person having a beneficial interest in the Investor, is identified on Schedule A by an ownership code of less than 10%.**

- \_\_\_\_\_ 9. is a person listed, or required to be listed, on Schedule B or Schedule C of a Form BD. **This Item should NOT be initialed if the broker-dealer is a limited business broker-dealer or if the person's listing (or required listing) on Schedule B or Schedule C is related to a person identified on Schedule A by an ownership code of less than 10%.**

- \_\_\_\_\_ 10. is a person that (a) directly or indirectly owns 10% or more of a public reporting company listed, or required to be listed, in Schedule A of a Form BD, or (b) directly or indirectly owns 25% or more of a public reporting company listed, or required to be listed, in Schedule B of a Form BD. **This Item should NOT be initialed if the broker-dealer is a limited business broker-dealer or if the public reporting company referred to above is listed on a national securities exchange (including The NASDAQ Stock Market LLC).**

- \_\_\_\_\_ 11. is an immediate family member of a person specified in Items B(8)-B(10) above. **If you have initialed this Item B(11), please initial the statement(s) below that apply and provide the name of the relevant broker-dealer in the space provided.**

The person specified in Items B(8)-B(10):

\_\_\_\_\_ (a) materially supports, or receives material support from, the Investor;

\_\_\_\_\_ (b) has an ability to control the allocation of new issues; or

\_\_\_\_\_ (c) neither Item 11(a) nor Item 11(b) is applicable.

Please provide the name of the broker-dealer with whom the person specified in Item B(8), B(9) or B(10) is affiliated \_\_\_\_\_.

**OR**

- \_\_\_\_\_ 12. None of the above statements in Items 1-11 is applicable.

**If the Investor certified to the applicability of the De Minimis Exemption by initialing either Item A(4) or Item A(11) above, please complete Section C below.**

**GENERAL ELIGIBILITY REPRESENTATIONS**

**C. Certain Entity Investors:**

*Please answer each of the following questions, if applicable*

1. Does the Investor permit its beneficial owners that are Restricted Persons, if any, to participate in profits and losses allocated to the Investor that are attributable to new issue securities?

*(Please initial one)*

\_\_\_\_\_ Yes

\_\_\_\_\_ No

**If the answer to Item C(1) is "No", please proceed to the next section.**

**If the answer to Item C(1) is "Yes", please complete Item C(2) below.**

2. Please initial and complete the following:

\_\_\_\_\_ The Investor allocates \_\_\_\_\_% of the new issue profits and losses that it receives to beneficial owners that are Restricted Persons.



**GENERAL ELIGIBILITY REPRESENTATIONS**

**VI. ALLOCATIONS OF NEW ISSUES—RULE 5131**

As noted above, the Fund from time to time may invest in a new issue. The practice of "spinning" occurs when a broker-dealer allocates a new issue to an executive officer or director of a company, who then returns the favor by using the broker-dealer for its company's investment banking needs. Subject to certain conditions and exceptions, Section (b) of FINRA Rule 5131 ("Rule 5131") bans spinning by generally prohibiting a FINRA member from allocating shares of a new issue to any account (e.g., a private investment fund) in which an executive officer or director of a "public company"\* or a "covered non-public company"\*\*, or a person materially supported\*\*\* by such an executive officer or director, has a beneficial interest if such person's company has or expects to have an investment banking relationship with the FINRA member. In order for the Fund to determine (i) whether it has complied with such requirements and (ii) the extent to which the Investor is eligible to participate in profits and losses attributable to new issues, the Investor must initial those statements below which apply to it and, if the Investor is a corporation, partnership, trust or other entity acting as nominee for another person, which apply to such person for which the entity is acting as nominee.

**IF THE INVESTOR INDICATED IN SECTION V ABOVE THAT IT WISHES TO NOT PARTICIPATE IN ANY PROFITS AND LOSSES ATTRIBUTABLE TO NEW ISSUES, THEN THE INVESTOR MAY SKIP THIS SECTION VI.**

**If the Investor has not made the election above, and the Investor is an individual, the Investor must initial the appropriate Items below in Section B.**

**If the Investor has not made the election above, and the Investor is an entity, the Investor must initial the appropriate Items below in Sections A and/or B, as applicable.**

**A. *Exempt Persons (Entities only; individual investors please skip to Section B below):***

***(Initial as Appropriate)***

**The Investor is:**

- \_\_\_\_\_ 1. an entity listed above in any of Items A(1)-(3) or (5)-(10) in Section V.
- \_\_\_\_\_ 2. a corporation, partnership, trust or other entity in which the beneficial interests of Rule 5131 Restricted Persons (as defined below) with respect to a particular public company or covered non-public company do not exceed in the aggregate 25% of such entity. An Investor that is not beneficially owned by any Rule 5131 Restricted Persons or that limits the participation by Rule 5131 Restricted Persons with respect to a particular public company or covered non-public company to no more than 25% (in the aggregate) of the profits and losses of new issues may initial this statement.

---

\* For purposes of Rule 5131, the term "public company" means any company that is registered under Section 12 of the Exchange Act or files periodic reports pursuant to Section 15(d) thereof.

\*\* For purposes of Rule 5131, the term "covered non-public company" means any non-public company satisfying the following criteria:

- (i) income of at least \$1 million in the last fiscal year or in two of the last three fiscal years and shareholders' equity of at least \$15 million;
- (ii) shareholders' equity of at least \$30 million and a two-year operating history; or
- (iii) total assets and total revenue of at least \$75 million in the latest fiscal year or in two of the last three fiscal years.

\*\*\* For purposes of Rule 5131, the term "material support" means directly or indirectly providing more than 25% of a person's income in the prior calendar year. Persons living in the same household are deemed to be providing each other with material support.

**GENERAL ELIGIBILITY REPRESENTATIONS**

Does the Investor permit its beneficial owners that are Rule 5131 Restricted Persons, if any, to participate in profits and losses allocated to the Investor that are attributable to new issue securities?

*(Please initial one)*

\_\_\_\_\_ Yes

\_\_\_\_\_ No

**Please note that, under the Fund's current allocation policy, an entity investor will be considered a Rule 5131 Restricted Person if it allocates profits and losses attributable to new issues to any of its beneficial owners that are Rule 5131 Restricted Persons.**

**OR**

\_\_\_\_\_ 3. None of the above statements is applicable. **If the Investor initialed this Item A(3), please complete Section B below.**

**If the Investor initialed any Item in Section A (other than Item A(3)), please skip Section B.**

**B. Determination of Restricted Status *(Investors that initial Item B(5) will not be considered restricted):***

*(Initial as Appropriate)*

**The Investor is:**

\_\_\_\_\_ 1. an executive officer or director of a public company.

\_\_\_\_\_ 2. an executive officer or director of a covered non-public company.

\_\_\_\_\_ 3. a person materially supported by an executive officer or director of a public company or a covered non-public company.

\_\_\_\_\_ 4. a corporation, partnership, trust or other entity in which persons described in Items 1, 2 or 3 (each, a "Rule 5131 Restricted Person") have a beneficial interest.

\_\_\_\_\_ 5. an individual and none of the above statements in Items 1-3 is applicable.

# CAPSTONE VOL (OFFSHORE) LIMITED

## SIGNATURE PAGE

### ALL INVESTORS MUST COMPLETE THIS SECTION.

The undersigned hereby represents and warrants that:

1. the undersigned has carefully read and is familiar with this Subscription Agreement and the Memorandum;
2. the information contained herein is complete and accurate and may be relied upon; and
3. the undersigned agrees that the execution of this signature page constitutes the execution and receipt of this Subscription Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

#### INDIVIDUALS

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Additional Investor Signature

\_\_\_\_\_  
Print Name

#### ENTITIES

\_\_\_\_\_  
Print Name of Entity

By: \_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Print Name and Title

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### FOR INTERNAL USE ONLY

To be completed by Capstone Vol (Offshore) Limited

\_\_\_\_\_  
SUBSCRIPTION ACCEPTED  
AS TO \$ \_\_\_\_\_

#### CAPSTONE VOL (OFFSHORE) LIMITED

By: Northern Trust Global Fund Services Cayman Limited

By: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_\_\_

**ADDITIONAL SUBSCRIPTION FORM**

Capstone Vol (Offshore) Limited  
c/o Northern Trust Global Fund Services Cayman Limited  
Harbor Centre  
42 North Church Street  
P.O. Box 1348  
Grand Cayman KY1-1108  
Cayman Islands  
Attn.: Investor Services

Dear Sir/Madam:

The undersigned hereby wishes to make an additional subscription for shares ("Additional Subscription") in Capstone Vol (Offshore) Limited (the "Fund"). The amount of the Additional Subscription is: \$ \_\_\_\_\_ for Quarterly Shares.

The undersigned acknowledges and agrees: (i) that the undersigned is making the Additional Subscription on the terms and conditions contained in the subscription agreement, dated \_\_\_\_\_, 20\_\_, previously executed by the undersigned and accepted by the Fund, as the same may be updated or modified from time to time (the "Subscription Agreement"); (ii) that the representations, warranties and covenants of the undersigned contained in the Subscription Agreement are true and correct in all material respects as of the date set forth below; (iii) that the information provided on the Investor Profile Form in the Subscription Agreement is correct as of the date set forth below; and (iv) that the background information provided to the Administrator is true and correct in all material respects as of the date set forth below.

**THE UNDERSIGNED AGREES TO NOTIFY THE FUND PROMPTLY IN WRITING SHOULD THERE BE ANY CHANGE IN ANY OF THE FOREGOING INFORMATION.**

Dated: \_\_\_\_\_, 20\_\_

**INDIVIDUALS**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Additional Investor Signature

\_\_\_\_\_  
Print Name

**ENTITIES**

\_\_\_\_\_  
Print Name of Entity

By: \_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Print Name and Title

-----

**FOR INTERNAL USE ONLY**  
**To be completed by Capstone Vol (Offshore) Limited**

\_\_\_\_\_  
ADDITIONAL SUBSCRIPTION ACCEPTED  
AS TO \$\_\_\_\_\_

**CAPSTONE VOL (OFFSHORE) LIMITED**

By: Northern Trust Global Fund Services Cayman Limited

By: \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_\_\_

**REQUEST FOR REDEMPTION OF SHARES**

Dated: \_\_\_\_\_, 20\_\_\_\_

Capstone Vol (Offshore) Limited  
c/o Northern Trust Global Fund Services Cayman Limited  
Harbor Centre  
42 North Church Street  
P.O. Box 1348  
Grand Cayman KY1-1108  
Cayman Islands  
Attn.: Investor Services

Dear Sir/Madam:

The undersigned shareholder (the "Shareholder") of Capstone Vol (Offshore) Limited (the "Fund") hereby requests to redeem that portion of its Quarterly Shares of the Fund as is indicated below:

*(check one)*

- \_\_\_\_\_ all of the Shareholder's outstanding Shares
- \_\_\_\_\_ a portion of the Shareholder's outstanding Shares having a net asset value at the time of redemption of \$\_\_\_\_\_.

on the next available redemption date (the "Redemption Date") following receipt of this letter.\* In the event that after giving effect to such redemption, the net asset value of the Shareholder's unredeemed Shares would be less than \$1,000,000 please:

*(check one)*

- \_\_\_\_\_ disregard this Request for Redemption
- \_\_\_\_\_ redeem all of the Shareholder's outstanding Shares.

**Note: Redemption proceeds shall be paid to the same account from which the Shareholder's investment in the Fund was originally remitted, unless the Fund agrees otherwise.**

Very truly yours,

Mailing Address

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
Print name

\* This Request for Redemption must be received at least 60 days (with respect to Quarterly Shares) prior to a Redemption Date. **Requests for Redemption must be unconditional. Notices of redemptions are irrevocable by the Shareholder.**



**FORM OF INCUMBENCY CERTIFICATE**

The undersigned, being the \_\_\_\_\_ of \_\_\_\_\_,  
*Insert Title Insert Name of Entity*

a \_\_\_\_\_ organized under the laws of \_\_\_\_\_  
*Insert Type of Entity Insert Jurisdiction of Organization*

(the "Company"), does hereby certify on behalf of the Company that the persons named below are directors and/or officers of the Company and that the signature at the right of said name, respectively, is the genuine signature of said person and that the persons listed below are each an authorized signatory for the Company.

<u>Name</u>	<u>Title</u>	<u>Signature</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the \_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Name: *Print Name of Signatory #1*  
Title: *Print Title of Signatory #1*

THE UNDERSIGNED, \_\_\_\_\_, a duly authorized \_\_\_\_\_  
*Insert Name of Signatory #2 Insert Title*

of the Company, does hereby certify that \_\_\_\_\_ is a duly authorized  
*Insert Name of Signatory #1*

officer of \_\_\_\_\_ and that the signature set forth above is [his][her] true and  
*Insert Name of Company*

correct signature.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the \_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Name: *Print Name of Signatory #2*  
Title: *Print Title of Signatory #2*

**AML CERTIFICATION FORM FOR FUND OF FUNDS OR ENTITIES THAT INVEST ON  
BEHALF OF THIRD PARTIES THAT ARE NOT LOCATED IN AN APPROVED FATF  
COUNTRY**

The undersigned, being the \_\_\_\_\_ of \_\_\_\_\_,  
*Insert Title* *Insert Name of Entity*

a \_\_\_\_\_ organized under the laws of \_\_\_\_\_  
*Insert Type of Entity* *Insert Jurisdiction of Organization*

(the "Company"), does hereby certify on behalf of the Company that it is aware of applicable anti-money laundering laws and regulations, including the requirements of the USA PATRIOT Act of 2001 and the regulations administered by the U.S. Department of Treasury's Office of Foreign Assets Control (collectively, the "anti-money laundering/OFAC laws"). The Company has anti-money laundering policies and procedures in place reasonably designed to verify the identity of its [beneficial holders] [underlying investors] and their sources of funds. Such policies and procedures are properly enforced and are consistent with the anti-money laundering/OFAC laws such that [Insert Name of Fund] (the "Fund") may rely on this Certification.

The Company hereby represents and warrants to the Fund that, to the best of its knowledge, the Company's [beneficial holders] [underlying investors] are not individuals, entities or countries that may subject the Fund to criminal or civil violations of any anti-money laundering/OFAC laws. The Company has read the section entitled "Anti-Money Laundering Representations and Covenants of the Investor" in the Fund's Subscription Agreement. The Company has taken all reasonable steps to ensure that its [beneficial holders] [underlying investors] are able to certify to such representations and warranties. The Company agrees to promptly notify the Fund in writing should the Company have any questions relating to any of the investors or become aware of any changes in the representations and warranties set forth in this Certification.

Date: \_\_\_\_\_, 20\_\_

By: \_\_\_\_\_  
Name:  
Title:

**FORM LETTER OF REFERENCE**

[LETTERHEAD OF LOCAL OFFICE OF APPROVED FATF COUNTRY MEMBER  
BANKING INSTITUTION OR BROKERAGE FIRM]

Date: \_\_\_\_\_, 20\_\_

Capstone Vol (Offshore) Limited  
c/o Northern Trust Global Fund Services Cayman Limited  
Harbor Centre  
42 North Church Street  
P.O. Box 1348  
Grand Cayman KY1-1108  
Cayman Islands

To whom it may concern:

I, \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_, do hereby  
*Name Title Name of Institution*  
certify that \_\_\_\_\_ has maintained an account at our institution for  
*Name of Investor*  
\_\_\_\_\_ years and, during this period, nothing has occurred that would give our institution  
*Insert Period*  
cause to be concerned regarding the integrity of \_\_\_\_\_.  
*Name of Investor*

Do not hesitate to contact me at \_\_\_\_\_ if you have any further  
*Insert Telephone No.*  
questions.

Very truly yours,

\_\_\_\_\_  
Name:  
Title:

**BENEFICIAL OWNERSHIP INFORMATION****To Be Completed By Entity Investors That Are Privately Held Entities**

**Instructions:** Please complete and return this **Exhibit F** and provide the name of every person who is directly, or indirectly through intermediaries, the beneficial owner of 10% or more of any voting or non-voting class of equity interests of the Investor. If the intermediary's shareholders or partners are not individuals, continue up the chain of ownership listing their 10% or more equity interest holders until individuals are listed. If there are no 10% beneficial owners, please write None.

<u>Full Name</u>	If shareholder or partner is an Individual, Insert Name and Address of Principal <u>Employer and Position</u>	Citizenship (for Individuals) or Principal Place of <u>Business (for Entities)</u>

**TRUST OWNERSHIP INFORMATION****To Be Completed By Entity Investors That Are Trusts**

**Instructions:** Please complete and return this Exhibit G and provide the name of: (i) every current beneficiary that has, directly or indirectly, an interest of 10% or more in the trust; (ii) every person who contributed assets to the trust (settlers or grantors); and (iii) every trustee. If there are intermediaries that are not individuals, continue up the chain of ownership listing their 10% or more equity interest holders until individuals are listed.

<u>Full Name and Address</u>	Status (Beneficiary/Settlor/ Trustee)	Citizenship (for Individuals) or Principal Place of <u>Business (for Entities)</u>

## PRIVACY NOTICE

FACTS	WHAT DOES CAPSTONE INVESTMENT ADVISORS, LLC ("CAPSTONE") DO WITH YOUR PERSONAL INFORMATION?	
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.	
WHAT?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: <ul style="list-style-type: none"> <li>▪ Social security number <ul style="list-style-type: none"> <li>▪ Income</li> </ul> </li> <li>▪ Investment Experience <ul style="list-style-type: none"> <li>▪ Risk tolerance</li> </ul> </li> <li>▪ Transaction history</li> <li>▪ Wire transfer instructions</li> </ul>	
HOW?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Capstone chooses to share; and whether you can limit this sharing.	
Reasons we can share your personal information	Does Capstone Share?	Can you limit this sharing?
<b>For our everyday business purposes</b> - such as to process your transactions, maintain your accounts(s) or respond to court orders and legal investigations.	Yes	No
<b>For our marketing purposes</b> - to offer our products and services to you	No	No
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes</b> - information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes</b> – information about your creditworthiness	No	We don't share
<b>For nonaffiliates to market to you</b>	No	We don't share
Questions?	Should you have questions, please contact Investor Relations at (212) 232-1420.	
	CAPSTONE INVESTMENT ADVISORS, LLC CAPSTONE FUND SERVICES, LLC 7 World Trade Center 250 Greenwich St., 30 <sup>th</sup> Floor New York, New York 10007, U.S.A. Telephone (212) 232-1420 Facsimile (212) 232-1421	



<b>Page 2</b>	
<b>Who we are</b>	
<b>Who is providing this notice?</b>	Capstone Investment Advisors, LLC and Capstone Fund Services, LLC on their own behalf and on behalf of the funds they manage.
<b>What we do</b>	
<b>How does Capstone protect my personal information?</b>	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
<b>How does Capstone collect my personal information?</b>	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>▪ Enter into an investment advisory contract</li> <li>▪ Seek financial advice</li> <li>▪ Make deposits or withdrawals from your account</li> <li>▪ Tell us about your investment or retirement portfolio</li> <li>▪ Give us your employment history</li> </ul>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>▪ sharing for affiliates' everyday business purposes—information about your creditworthiness</li> <li>▪ affiliates from using your information to market to you</li> <li>▪ sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>
<b>Definitions</b>	
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <p><i>Our affiliates include companies with a common corporate identity.</i></p>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <p><i>Capstone does not share with nonaffiliates so they can market to you.</i></p>
<b>Joint Marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <p><i>Capstone does not jointly market.</i></p>

## **APPENDIX A**

Form **W-8BEN**

(Rev. February 2006)

Department of the Treasury  
Internal Revenue Service**Certificate of Foreign Status of Beneficial Owner  
for United States Tax Withholding**▶ **Section references are to the Internal Revenue Code.** ▶ **See separate instructions.**  
▶ **Give this form to the withholding agent or payer. Do not send to the IRS.**

OMB No. 1545-1621

**Do not use this form for:****Instead, use Form:**

- A U.S. citizen or other U.S. person, including a resident alien individual. . . . . W-9
  - A person claiming that income is effectively connected with the conduct of a trade or business in the United States. . . . . W-8ECI
  - A foreign partnership, a foreign simple trust, or a foreign grantor trust (see instructions for exceptions) . . . . . W-8ECI or W-8IMY
  - A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession that received effectively connected income or that is claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) (see instructions). . . . . W-8ECI or W-8EXP
- Note:** These entities should use Form W-8BEN if they are claiming treaty benefits or are providing the form only to claim they are a foreign person exempt from backup withholding.
- A person acting as an intermediary. . . . . W-8IMY

**Note:** See instructions for additional exceptions.**Part I Identification of Beneficial Owner** (See instructions.)

<b>1</b> Name of individual or organization that is the beneficial owner		<b>2</b> Country of incorporation or organization																
<b>3</b> Type of beneficial owner: <table style="width: 100%; border: none;"><tr><td><input type="checkbox"/> Individual</td><td><input type="checkbox"/> Corporation</td><td><input type="checkbox"/> Disregarded entity</td><td><input type="checkbox"/> Partnership</td><td><input type="checkbox"/> Simple trust</td></tr><tr><td><input type="checkbox"/> Grantor trust</td><td><input type="checkbox"/> Complex trust</td><td><input type="checkbox"/> Estate</td><td><input type="checkbox"/> Government</td><td><input type="checkbox"/> International organization</td></tr><tr><td><input type="checkbox"/> Central bank of issue</td><td><input type="checkbox"/> Tax-exempt organization</td><td><input type="checkbox"/> Private foundation</td><td colspan="2"></td></tr></table>				<input type="checkbox"/> Individual	<input type="checkbox"/> Corporation	<input type="checkbox"/> Disregarded entity	<input type="checkbox"/> Partnership	<input type="checkbox"/> Simple trust	<input type="checkbox"/> Grantor trust	<input type="checkbox"/> Complex trust	<input type="checkbox"/> Estate	<input type="checkbox"/> Government	<input type="checkbox"/> International organization	<input type="checkbox"/> Central bank of issue	<input type="checkbox"/> Tax-exempt organization	<input type="checkbox"/> Private foundation		
<input type="checkbox"/> Individual	<input type="checkbox"/> Corporation	<input type="checkbox"/> Disregarded entity	<input type="checkbox"/> Partnership	<input type="checkbox"/> Simple trust														
<input type="checkbox"/> Grantor trust	<input type="checkbox"/> Complex trust	<input type="checkbox"/> Estate	<input type="checkbox"/> Government	<input type="checkbox"/> International organization														
<input type="checkbox"/> Central bank of issue	<input type="checkbox"/> Tax-exempt organization	<input type="checkbox"/> Private foundation																
<b>4</b> Permanent residence address (street, apt. or suite no., or rural route). <b>Do not use a P.O. box or in-care-of address.</b>  City or town, state or province. Include postal code where appropriate. Country (do not abbreviate)																		
<b>5</b> Mailing address (if different from above)  City or town, state or province. Include postal code where appropriate. Country (do not abbreviate)																		
<b>6</b> U.S. taxpayer identification number, if required (see instructions) <div style="text-align: right;"><input type="checkbox"/> SSN or ITIN    <input type="checkbox"/> EIN</div>		<b>7</b> Foreign tax identifying number, if any (optional)																
<b>8</b> Reference number(s) (see instructions)																		

**Part II Claim of Tax Treaty Benefits** (if applicable)

**9 I certify that (check all that apply):**

**a** ☐ The beneficial owner is a resident of ..... within the meaning of the income tax treaty between the United States and that country.

**b** ☐ If required, the U.S. taxpayer identification number is stated on line 6 (see instructions).

**c** ☐ The beneficial owner is not an individual, derives the item (or items) of income for which the treaty benefits are claimed, and, if applicable, meets the requirements of the treaty provision dealing with limitation on benefits (see instructions).

**d** ☐ The beneficial owner is not an individual, is claiming treaty benefits for dividends received from a foreign corporation or interest from a U.S. trade or business of a foreign corporation, and meets qualified resident status (see instructions).

**e** ☐ The beneficial owner is related to the person obligated to pay the income within the meaning of section 267(b) or 707(b), and will file Form 8833 if the amount subject to withholding received during a calendar year exceeds, in the aggregate, \$500,000.

**10 Special rates and conditions** (if applicable—see instructions): The beneficial owner is claiming the provisions of Article ..... of the treaty identified on line 9a above to claim a ..... % rate of withholding on (specify type of income): .....

Explain the reasons the beneficial owner meets the terms of the treaty article: .....

**Part III Notional Principal Contracts**

- 11** ☐ I have provided or will provide a statement that identifies those notional principal contracts from which the income is **not** effectively connected with the conduct of a trade or business in the United States. I agree to update this statement as required.

**Part IV Certification**

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

**1** I am the beneficial owner (or am authorized to sign for the beneficial owner) of all the income to which this form relates,

**2** The beneficial owner is not a U.S. person,

**3** The income to which this form relates is (a) not effectively connected with the conduct of a trade or business in the United States, (b) effectively connected but is not subject to tax under an income tax treaty, or (c) the partner's share of a partnership's effectively connected income, **and**

**4** For broker transactions or barter exchanges, the beneficial owner is an exempt foreign person as defined in the instructions.

Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am the beneficial owner or any withholding agent that can disburse or make payments of the income of which I am the beneficial owner.

**Sign Here** ▶ .....  
Signature of beneficial owner (or individual authorized to sign for beneficial owner)    Date (MM-DD-YYYY)    Capacity in which acting

For Paperwork Reduction Act Notice, see separate instructions

Cat. No. 25047Z

Form **W-8BEN** (Rev. 2-2006)

## **APPENDIX B**

**Certificate of Foreign Intermediary,  
Foreign Flow-Through Entity, or Certain U.S.  
Branches for United States Tax Withholding**

▶ Section references are to the Internal Revenue Code. ▶ See separate instructions.  
▶ Give this form to the withholding agent or payer. Do not send to the IRS.

OMB No. 1545-1621

**Do not use this form for:**

**Instead, use Form:**

- A beneficial owner solely claiming foreign status or treaty benefits. . . . . W-8BEN
- A hybrid entity claiming treaty benefits on its own behalf. . . . . W-8BEN
- A person claiming that income is effectively connected with the conduct of a trade or business in the United States. . . . . W-8ECI
- A disregarded entity. Instead, the single foreign owner should use. . . . . W-8BEN or W-8ECI
- A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) . . . . . W-8EXP

**Part I Identification of Entity**

<b>1</b> Name of individual or organization that is acting as intermediary		<b>2</b> Country of incorporation or organization									
<b>3</b> Type of entity — check the appropriate box: <table border="0"><tr><td><input type="checkbox"/> Qualified intermediary. Complete Part II.</td><td><input type="checkbox"/> Withholding foreign trust. Complete Part V.</td></tr><tr><td><input type="checkbox"/> Nonqualified intermediary. Complete Part III.</td><td><input type="checkbox"/> Nonwithholding foreign partnership. Complete Part VI.</td></tr><tr><td><input type="checkbox"/> U.S. branch. Complete Part IV.</td><td><input type="checkbox"/> Nonwithholding foreign simple trust. Complete Part VI.</td></tr><tr><td><input type="checkbox"/> Withholding foreign partnership. Complete Part V.</td><td><input type="checkbox"/> Nonwithholding foreign grantor trust. Complete Part VI.</td></tr></table>				<input type="checkbox"/> Qualified intermediary. Complete Part II.	<input type="checkbox"/> Withholding foreign trust. Complete Part V.	<input type="checkbox"/> Nonqualified intermediary. Complete Part III.	<input type="checkbox"/> Nonwithholding foreign partnership. Complete Part VI.	<input type="checkbox"/> U.S. branch. Complete Part IV.	<input type="checkbox"/> Nonwithholding foreign simple trust. Complete Part VI.	<input type="checkbox"/> Withholding foreign partnership. Complete Part V.	<input type="checkbox"/> Nonwithholding foreign grantor trust. Complete Part VI.
<input type="checkbox"/> Qualified intermediary. Complete Part II.	<input type="checkbox"/> Withholding foreign trust. Complete Part V.										
<input type="checkbox"/> Nonqualified intermediary. Complete Part III.	<input type="checkbox"/> Nonwithholding foreign partnership. Complete Part VI.										
<input type="checkbox"/> U.S. branch. Complete Part IV.	<input type="checkbox"/> Nonwithholding foreign simple trust. Complete Part VI.										
<input type="checkbox"/> Withholding foreign partnership. Complete Part V.	<input type="checkbox"/> Nonwithholding foreign grantor trust. Complete Part VI.										
<b>4</b> Permanent residence address (street, apt. or suite no., or rural route). <b>Do not use P.O. box.</b>											
City or town, state or province. Include postal code where appropriate.		Country (do not abbreviate)									
<b>5</b> Mailing address (if different from above)											
City or town, state or province. Include postal code where appropriate.		Country (do not abbreviate)									
<b>6</b> U.S. taxpayer identification number (if required, see instructions) ▶ <table border="0"><tr><td><input type="checkbox"/> SSN or ITIN</td><td><input type="checkbox"/> EIN</td><td><input type="checkbox"/> QI-EIN</td></tr></table>		<input type="checkbox"/> SSN or ITIN	<input type="checkbox"/> EIN	<input type="checkbox"/> QI-EIN	<b>7</b> Foreign tax identifying number, if any (optional)						
<input type="checkbox"/> SSN or ITIN	<input type="checkbox"/> EIN	<input type="checkbox"/> QI-EIN									
<b>8</b> Reference number(s) (see instructions)											

**Part II Qualified Intermediary**

- 9a** ☐ (All qualified intermediaries check here) I certify that the entity identified in Part I:
- Is a qualified intermediary and is not acting for its own account with respect to the account(s) identified on line 8 or in a withholding statement associated with this form **and**
  - Has provided or will provide a withholding statement, as required.
- b** ☐ (If applicable) I certify that the entity identified in Part I has assumed primary withholding responsibility under Chapter 3 of the Code with respect to the account(s) identified on this line 9b or in a withholding statement associated with this form ▶ .....
- c** ☐ (If applicable) I certify that the entity identified in Part I has assumed primary Form 1099 reporting and backup withholding responsibility as authorized in its withholding agreement with the IRS with respect to the account(s) identified on this line 9c or in a withholding statement associated with this form ▶ .....

**Part III Nonqualified Intermediary**

- 10a** ☐ (All nonqualified intermediaries check here) I certify that the entity identified in Part I is not a qualified intermediary and is not acting for its own account.
- b** ☐ (If applicable) I certify that the entity identified in Part I is using this form to transmit withholding certificates and/or other documentary evidence and has provided or will provide a withholding statement, as required.

**Part IV Certain United States Branches**

**Note:** You may use this Part if the entity identified in Part I is a U.S. branch of a foreign bank or insurance company and is subject to certain regulatory requirements (see instructions).

- <sup>11</sup> ☐ I certify that the entity identified in Part I is a U.S. branch and that the payments are not effectively connected with the conduct of a trade or business in the United States

**Check box 12 or box 13, whichever applies:**

- <sup>12</sup> ☐ I certify that the entity identified in Part I is using this form as evidence of its agreement with the withholding agent to be treated as a U.S. person with respect to any payments associated with this certificate.
- <sup>13</sup> ☐ I certify that the entity identified in Part I:
- Is using this form to transmit withholding certificates or other documentary evidence for the persons for whom the branch receives a payment **and**
  - Has provided or will provide a withholding statement, as required.

**Part V Withholding Foreign Partnership or Withholding Foreign Trust**

- <sup>14</sup> ☐ I certify that the entity identified in Part I:
- Is a withholding foreign partnership or a withholding foreign trust **and**
  - Has provided or will provide a withholding statement, as required.

**Part VI Nonwithholding Foreign Partnership, Simple Trust, or Grantor Trust**

- <sup>15</sup> ☐ I certify that the entity identified in Part I:
- Is a nonwithholding foreign partnership, a nonwithholding foreign simple trust, or a nonwithholding foreign grantor trust and that the payments to which this certificate relates are not effectively connected, or are not treated as effectively connected, with the conduct of a trade or business in the United States **and**
  - Is using this form to transmit withholding certificates and/or other documentary evidence and has provided or will provide a withholding statement, as required.

**Part VII Certification**

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income for which I am providing this form or any withholding agent that can disburse or make payments of the income for which I am providing this form.

**Sign Here** ►.....  
Signature of authorized official.....  
Date (MM-DD-YYYY)Form **W-8IMY** (Rev. 2-2006)



## **APPENDIX C**

**Certificate of Foreign Government or Other Foreign  
Organization for United States Tax Withholding**  
(For use by foreign governments, international organizations, foreign central banks of  
issue, foreign tax-exempt organizations, foreign private foundations, and governments  
of U.S. possessions.)  
▶ Section references are to the Internal Revenue Code. ▶ See separate instructions.  
▶ Give this form to the withholding agent or payer. Do not send to the IRS.

OMB No. 1545-1621

**Do not use this form for:**

- Any foreign government or other foreign organization that is not claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b). . . . . W-8BEN or W-8ECI
- A beneficial owner solely claiming foreign status or treaty benefits. . . . . W-8BEN
- A foreign partnership or a foreign trust. . . . . W-8BEN or W-8IMY
- A person claiming that income is effectively connected with the conduct of a trade or business in the United States. . . . . W-8ECI
- A person acting as an intermediary. . . . . W-8IMY

**Instead, use Form:**

**Part I Identification of Beneficial Owner** (See instructions before completing this part.)

<b>1</b> Name of organization		<b>2</b> Country of incorporation or organization	
<b>3</b> Type of entity	<input type="checkbox"/> Foreign government <input type="checkbox"/> International organization <input type="checkbox"/> Foreign central bank of issue (not wholly owned by the foreign sovereign)	<input type="checkbox"/> Foreign tax-exempt organization <input type="checkbox"/> Foreign private foundation	
<b>4</b> Permanent address (street, apt. or suite no., or rural route). <b>Do not use P.O. box.</b>			
City or town, state or province. Include postal code where appropriate.		Country (do not abbreviate)	
<b>5</b> Mailing address (if different from above)			
City or town, state or province. Include postal or ZIP code where appropriate.		Country (do not abbreviate)	
<b>6</b> U.S. taxpayer identification number, if required (see instructions)		<b>7</b> Foreign tax identifying number, if any (optional)	
<b>8</b> Reference number(s) (see instructions)			

**Part II Qualified Statement**

**9 For a foreign government:**

- a** ☐ I certify that the entity identified in Part I is a foreign government within the meaning of section 892 and the payments are within the scope of the exemption granted by section 892.
- Check box 9b or 9c, whichever applies:
- b** ☐ The entity identified in Part I is an integral part of the government of .....
- c** ☐ The entity identified in Part I is a controlled entity of the government of .....

**10 For an international organization:**

- ☐ I certify that:
- The entity identified in Part I is an international organization within the meaning of section 7701(a)(18) **and**
  - The payments are within the scope of the exemption granted by section 892.

**11 For a foreign central bank of issue (not wholly owned by the foreign sovereign):**

- ☐ I certify that:
- The entity identified in Part I is a foreign central bank of issue.
  - The entity identified in Part I does not hold obligations or bank deposits to which this form relates for use in connection with the conduct of a commercial banking function or other commercial activity, **and**
  - The payments are within the scope of the exemption granted by section 895.

(Part II and required certification continued on page 2)

**Part II**      **Qualification Statement** *(continued)***12 For a foreign tax-exempt organization, including foreign private foundations:**

If any of the income to which this certification relates constitutes income includible under section 512 in computing the entity's unrelated business taxable income, attach a statement identifying the amounts.

**Check either box 12a or box 12b:**

- a** ☐ I certify that the entity identified in Part I has been issued a determination letter by the IRS dated ..... that is currently in effect and that concludes that it is an exempt organization described in section 501(c).
- b** ☐ I have attached to this form an opinion from U.S. counsel concluding that the entity identified in Part I is described in section 501(c).

**For section 501(c)(3) organizations only, check either box 12c or box 12d:**

- c** ☐ If the determination letter or opinion of counsel concludes that the entity identified in Part I is described in section 501(c)(3), I certify that the organization is not a private foundation described in section 509. I have attached an affidavit of the organization setting forth sufficient facts for the IRS to determine that the organization is not a private foundation because it meets one of the exceptions described in section 509(a)(1), (2), (3) or (4).
- d** ☐ If the determination letter or opinion of counsel concludes that the entity identified in Part I is described in section 501(c)(3), I certify that the organization is a private foundation described in section 509.

**13 For a government of a U.S. possession:**

- ☐ I certify that the entity identified in Part I is a government of a possession of the United States, or is a political subdivision thereof, and is claiming the exemption granted by section 115(2).

**Part III**      **Certification**

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

- The organization for which I am signing is the beneficial owner of the income to which this form relates,
- The beneficial owner is not a U.S. person,
- For a beneficial owner that is a controlled entity of a foreign sovereign (other than a central bank of issue wholly owned by a foreign sovereign), the beneficial owner is not engaged in commercial activities within or outside the United States, **and**
- For a beneficial owner that is a central bank of issue wholly owned by a foreign sovereign, the beneficial owner is not engaged in commercial activities within the United States.

Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am the beneficial owner or any withholding agent that can disburse or make payments of the income of which I am the beneficial owner.

**Sign  
Here**

.....  
Signature of authorized official

.....  
Date (MM-DD-YYYY)

.....  
Capacity in which acting

## **APPENDIX D**

**Certificate of Foreign Person's Claim That Income Is Effectively Connected With the Conduct of a Trade or Business in the United States**

OMB No. 1545-1621

► Section references are to the Internal Revenue Code. ► See separate instructions.  
► Give this form to the withholding agent or payer. Do not send to the IRS.

**Note:** *Persons submitting this form must file an annual U.S. income tax return to report income claimed to be effectively connected with a U.S. trade or business (see instructions).*

**Do not use this form for:**

- A beneficial owner solely claiming foreign status or treaty benefits. . . . . W-BEN
- A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) . . . . . W-8EXP

**Note:** *These entities should use Form W-8ECI if they received effectively connected income (e.g., income from commercial activities).*

- A foreign partnership or a foreign trust (unless claiming an exemption from U.S. withholding on income effectively connected with the conduct of a trade or business in the United States) . . . . . W8BEN or W-8IMY
- A person acting as an intermediary . . . . . W-8IMY

**Note:** *See instructions for additional exceptions.*

**Instead, use Form:**

**Part I Identification of Beneficial Owner (See instructions.)**

<b>1</b> Name of individual or organization that is the beneficial owner	<b>2</b> Country of incorporation or organization
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<b>3</b> Type of entity (check the appropriate box): <input type="checkbox"/> Partnership <input type="checkbox"/> Government <input type="checkbox"/> Private foundation	<input type="checkbox"/> Individual <input type="checkbox"/> Simple trust <input type="checkbox"/> Grantor trust <input type="checkbox"/> International organization	<input type="checkbox"/> Corporation <input type="checkbox"/> Complex trust <input type="checkbox"/> Central bank of issue	<input type="checkbox"/> Disregarded entity <input type="checkbox"/> Estate <input type="checkbox"/> Tax-exempt organization
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**4** Permanent residence address (street, apt. or suite no., or rural route). **Do not use a P.O. box.**

City or town, state or province. Include postal code where appropriate.	Country (do not abbreviate)
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**5** Business address in the United States (street, apt. or suite no., or rural route). **Do not use a P.O. box.**

City or town, state, and ZIP code

<b>6</b> U.S. taxpayer identification number (required—see instructions) <input type="checkbox"/> SSN or ITIN <input type="checkbox"/> EIN	<b>7</b> Foreign tax identifying number, if any (optional)
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**8** Reference number(s) (see instructions)

**9** Specify each item of income that is, or is expected to be, received from the payer that is effectively connected with the conduct of a trade or business in the United States (attach statement if necessary) . . . . .

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**Part II Certification**

**Sign Here**

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

- I am the beneficial owner (or am authorized to sign for the beneficial owner) of all the income to which this form relates,
- The amounts for which this certification is provided are effectively connected with the conduct of a trade or business in the United States and are includible in my gross income (or the beneficial owner's gross income) for the taxable year, **and**
- The beneficial owner is not a U.S. Person.

Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am the beneficial owner or any withholding agent that can disburse or make payments of the income of which I am the beneficial owner.

Signature of beneficial owner (or individual authorized to sign for beneficial owner)	Date (MM-DD-YYYY)	Capacity in which acting
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For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 25045D

Form **W-8ECI** (Rev. 2-2006)