

Name of Offeree: _____
Copy No.: _____

CONFIDENTIAL MEMORANDUM

COURANT INVESTMENT PARTNERS LP

May 2010

General Partner:

Courant Investment Management LLC
7800 Southwest Parkway #1110
Austin, TX 78735
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CONFIDENTIAL MEMORANDUM

COURANT INVESTMENT PARTNERS LP

7800 Southwest Parkway #1110
Austin, TX 78735

Courant Investment Partners LP (the "*Partnership*") is a Delaware limited partnership organized on April 19, 2010 to operate as a private investment partnership.

The Partnership's investment objective is to achieve superior long-term investment returns through investments primarily in equity and fixed-income securities that the General Partner (defined below) believes have significant unrealized intrinsic value. The Partnership may invest in, hold, sell, trade and otherwise deal in securities and other intangible investment instruments consisting principally, but not solely, of stocks, bonds, notes, debentures and other securities and instruments that are traded in public markets. The Partnership may, but is not currently expected to, engage in short selling. The Partnership may also purchase securities on margin, trade in publicly traded and over-the-counter options and engage in hedging and other securities investment strategies. **There can be no assurance that the Partnership's investment objective will be achieved.**

The Partnership may make investments that the General Partner believes either lack a readily available market value or should be held until the resolution of a special event or circumstance.

LIMITED PARTNERSHIP INTERESTS ("*INTERESTS*") IN THE PARTNERSHIP ARE SUITABLE ONLY FOR SOPHISTICATED INVESTORS FOR WHOM AN INVESTMENT IN THE PARTNERSHIP DOES NOT CONSTITUTE A COMPLETE INVESTMENT PROGRAM AND WHO FULLY UNDERSTAND AND ARE WILLING TO ASSUME THE RISKS INVOLVED IN THE PARTNERSHIP'S INVESTMENT PROGRAM. THE PARTNERSHIP'S INVESTMENT PRACTICES, BY THEIR NATURE, INVOLVE A SUBSTANTIAL DEGREE OF RISK. (See "Investment Program" and "Risk Factors.")

Courant Investment Management LLC, a Delaware limited liability company (the "*General Partner*"), serves as the general partner of the Partnership and provides management and administrative services to the Partnership. The General Partner also serves as the investment manager to the Partnership. The General Partner is registered with the U.S. Securities and Exchange Commission as an investment adviser. Claude Leveille is the managing member of the General Partner and is the individual responsible for the operations of the Partnership on behalf of the General Partner. The principal office of the Partnership and General Partner is located at 7800 Southwest Parkway #1110, Austin, TX 78735. The telephone number of the General Partner is +1 360.941.6001.

Prospective Limited Partners should read this Confidential Memorandum carefully. However, the contents of this Confidential Memorandum should not be considered to be legal or tax advice and each prospective Limited Partner should consult with its own counsel and advisers as to all matters concerning an investment in the Partnership.

There will be no public offering of the Interests. No offer to sell (or solicitation of an offer to buy) Interests is being made in any jurisdiction in which such offer or solicitation would be unlawful.

This Confidential Memorandum has been prepared solely for the information of the person to whom it has been delivered by or on behalf of the Partnership and may not be reproduced or used for any other purpose. Each person accepting this Confidential Memorandum hereby agrees to return it to the General

Partner promptly upon request. This Confidential Memorandum is accurate as of its date, and no representation or warranty is made as to its continued accuracy after such date. Notwithstanding anything to the contrary herein, each prospective Limited Partner (and each employee, representative or other agent of such prospective Limited Partner) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Partnership and any of its transactions and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective Limited Partner relating to such tax treatment and tax structure.

NO OFFERING LITERATURE OR ADVERTISING IN WHATEVER FORM IS EMPLOYED IN THE OFFERING OF THE INTERESTS EXCEPT FOR THIS CONFIDENTIAL MEMORANDUM AND SUCH OTHER MARKETING MATERIALS AS MAY BE APPROVED BY THE GENERAL PARTNER. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATION, OR GIVE ANY INFORMATION, WITH RESPECT TO THE INTERESTS, EXCEPT THE INFORMATION CONTAINED HEREIN AND IN SUCH MARKETING MATERIALS.

THE INTERESTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS AND ARE OFFERED IN RELIANCE ON EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION SET FORTH IN SECTION 4(2) OF AND REGULATION D UNDER SUCH ACT AND SIMILAR PROVISIONS OF SUCH STATE LAWS. A PURCHASER OF INTERESTS MUST CONTINUE TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD BECAUSE INTERESTS HAVE NOT BEEN SO REGISTERED OR QUALIFIED AND ARE SUBJECT TO RESTRICTIONS ON TRANSFER PURSUANT TO SUCH ACT AND SUCH STATE LAWS AND OTHERWISE. INTERESTS CANNOT BE SOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER SUCH ACT AND REGISTERED OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS OR EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION ARE AVAILABLE AND CERTAIN OTHER CONDITIONS ARE MET. NO MARKET FOR INTERESTS CAN BE EXPECTED TO DEVELOP.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY UPON THEIR OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE OFFERING OF THE INTERESTS HAS NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY OTHER GOVERNMENT AGENCY OR REGULATORY AUTHORITY OR ANY NATIONAL SECURITIES EXCHANGE. NO SUCH AGENCY, AUTHORITY OR EXCHANGE HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL MEMORANDUM OR THE MERITS OF AN INVESTMENT IN THE INTERESTS OFFERED HEREBY. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

EACH PROSPECTIVE LIMITED PARTNER IS INVITED TO MEET WITH REPRESENTATIVES OF THE GENERAL PARTNER TO DISCUSS WITH THEM, AND TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM THEM CONCERNING, THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE GENERAL PARTNER POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO VERIFY THE INFORMATION CONTAINED HEREIN.

COURANT INVESTMENT PARTNERS LP

SUMMARY OF TERMS

The following summary is qualified in its entirety by the more detailed information set forth elsewhere in this Confidential Memorandum and by the terms and conditions of the Limited Partnership Agreement of the Partnership (the "*Partnership Agreement*"). This summary should be read in conjunction with such detailed information.

The Partnership:

Courant Investment Partners LP (the "*Partnership*") is a Delaware limited partnership organized on April 19, 2010 to operate as a private investment partnership.

Investment Program:

The Partnership's investment objective is to achieve superior long-term investment returns net of fees through investments in public equities and fixed-income instruments of U.S. and non-U.S. companies which the General Partner believes have significant appreciation potential.

There can be no assurance that the Partnership's investment objectives will be achieved. (See "Investment Program.")

The General Partner:

Courant Investment Management LLC, a Delaware limited liability company (the "*General Partner*"), serves as the general partner of the Partnership and provides management and administrative services to the Partnership. Claude Leveille is the individual responsible for the management of the General Partner. Courant Investment Management LLC also serves as the investment manager to the Partnership. (See "Management--The General Partner.")

Administrator:

ALPS Price Meadows, Bellevue, Washington, will act as administrator for the Partnership. (See "Management--The Administrator.")

Term: The Partnership will terminate on the earlier of (a) a determination by the General Partner that the Partnership should be dissolved or (b) the death, insolvency or bankruptcy of the General Partner. Upon a determination to dissolve the Partnership, withdrawal requests and distributions in respect of pending withdrawal requests may not be made.

Initial Subscriptions:

\$1,000,000 minimum, subject to the discretion of the General Partner to accept lesser amounts.

Additional Capital Contributions; Admission of New Partners:

With the consent of the General Partner, limited partners of the Partnership ("*Limited Partners*," and together with the General Partner, "*Partners*") may make additional capital contributions of at least \$250,000 at the beginning of each month, subject to the discretion of the General Partner to accept lesser amounts. Upon the General Partner's approval, new Partners may be admitted to the

Partnership as of the beginning of any month or at such other times as the General Partner, in its discretion, may allow.

**Allocation of Gains and
Losses; Incentive Allocation:**

At the end of each accounting period of the Partnership, any net capital appreciation or net capital depreciation will be allocated to all Partners (including the General Partner) in proportion to their respective opening capital account balances for such period.

Generally, at the end of each fiscal year of the Partnership, the General Partner will reallocate to its own capital account an amount (the "*Incentive Allocation*") equal to 15% of the excess of the net capital appreciation (reduced by the amount of the Management Fee (defined below) deducted from such Limited Partner's capital account), if any, allocated to the capital account of each Limited Partner for such year, over an amount equal to a 5% per annum return on the balance of such capital account, as adjusted for capital contributions and withdrawals during such year; provided that no Incentive Allocation will be allocated with respect to any capital account for which a Limited Partner has an unrecovered balance in its Loss Recovery Account (defined below). The Incentive Allocation is also made on the same basis at the time of partial or complete withdrawal of a Limited Partner. In the discretion of the General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to any Limited Partner.

The Partnership will maintain a memorandum recovery account for each capital account of a Limited Partner (a "*Loss Recovery Account*"). A Limited Partner's Loss Recovery Account will be debited with any net capital depreciation (taking into account the Limited Partner's share of the Management Fee) allocated to such Limited Partner's capital account and credited (but not beyond zero) with any net capital appreciation subsequently allocated to such Limited Partner's capital account. No Incentive Allocation will be allocated to the General Partner with respect to a Limited Partner's capital account until such Limited Partner has recovered any net capital depreciation debited to its Loss Recovery Account. Any balance in a Limited Partner's Loss Recovery Account will be proportionately reduced for withdrawals of capital by such Limited Partner. Additional capital contributions will not affect any Limited Partner's Loss Recovery Account.

**Management Fee;
Expenses:**

The Partnership pays a management fee (the "*Management Fee*") monthly as of the first day of each month, in advance, to the General Partner equal to 0.0625% (0.75% annualized) of each Limited Partner's capital account. A *pro rata* portion of the monthly Management Fee will be paid out of any capital contributions made by Limited Partners to the Partnership on any date other than the first day of a month, based on the actual number of days remaining in such partial month, and no portion of the Management Fee will be refunded to any Limited Partner. In the discretion of the General

Partner, the Management Fee may be waived, reduced or calculated differently with respect to certain Partners.

The Partnership bears, either directly or through reimbursement to the General Partner, all out-of-pocket costs incurred in connection with its organization. The Partnership may treat these expenses as an asset and amortize them over up to 36 months. The amortization of organizational expenses is not in accordance with U.S. generally accepted accounting principles and could result in an exception in the auditors' opinion in the annual audited financial statements if the difference between amortization and recognition of these expenses when incurred is deemed material from a financial statement point of view. The Partnership also bears, either directly or through reimbursement to the General Partner, all expenses of the ongoing offering and sale of interests in the Partnership ("*Interests*").

In consideration for the Management Fee, the General Partner will provide to the Partnership office space and utilities, news, quotation and computer equipment, software, administrative services and secretarial, clerical and other personnel. The General Partner will bear the costs of providing such goods and services and all of its own overhead costs and expenses. To the extent that expenses to be borne by the Partnership are advanced by the General Partner, the Partnership will reimburse the General Partner. The Management Fee may exceed the expenses borne by the General Partner on behalf of the Partnership.

The Partnership bears its own operating expenses, including, but not limited to, investment expenses (*e.g.*, brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees, expenses related to the purchase and sale of illiquid securities and interest expenses), professional fees (including, without limitation, expenses of consultants and experts) relating to investments, travel expenses related to investments, legal expenses, accounting expenses (including the cost of accounting software packages), audit and tax preparation expenses, due diligence and research expenses (including but not limited to communications devices and services, computing equipment, peripherals and software and all costs and expenses related to quotation equipment and newswires, travel expenses with respect to conferences and meetings with issuers of securities, other research sources and independent research consultants and travel and entertainment expenses to attend industry conferences), expenses relating to the offer and sale of Interests, administration expenses and extraordinary expenses. Such expenses are shared by all of the Partners, including the General Partner.

Withdrawals:

A Limited Partner generally may, upon 30 days' prior written notice, withdraw all or any portion of its capital account effective as of the end of any month; provided, however, that, without the consent of the General Partner, a partial withdrawal will not be permitted (i) in an amount less than \$100,000 or (ii) if such withdrawal would cause the

remaining capital account balance of a Limited Partner to fall below \$750,000. The General Partner may permit a Limited Partner to withdraw all or any portion of its capital account at other times, in its sole discretion. Each date on which a Limited Partner withdraws all or any portion of its capital account is herein referred to as a "*Withdrawal Date*."

Any notice provided by a Limited Partner to the Administrator in connection with a withdrawal from such Limited Partner's capital account shall be deemed irrevocable, provided that the General Partner may, in its sole discretion, elect to waive any notice period or allow a notice to be revoked. The interest of a Limited Partner proposed to be withdrawn by a Limited Partner that gives notice of withdrawal will not be included in calculating the partnership percentages of the Limited Partners required to take any action under the Partnership Agreement.

The General Partner will endeavor to make payments of any amounts withdrawn within 30 days after the Withdrawal Date; provided, however, that, if a Limited Partner elects to withdraw more than 90% of its capital account, the Partnership will pay the Limited Partner an amount equal to not less than 90% of the estimated value of the amount requested to be withdrawn (computed on the basis of unaudited data) within 30 days after the Withdrawal Date. The balance of such Limited Partner's capital account will be paid, without interest and subject to audit adjustments, within 30 days after completion of the annual audit of the Partnership's financial statements for the year in which the withdrawal occurs.

A distribution in respect of a withdrawal may be made in cash or in-kind (or any combination of the two), in the General Partner's discretion.

The right of any Partner or its legal representatives to withdraw any amount from its capital account and to have distributed to it any such amount (or any portion thereof) is subject to the provision by the General Partner for all Partnership liabilities in accordance with applicable Delaware law and for reserves for contingencies and estimated accrued expenses and liabilities. In addition, no withdrawal will be permitted that would result in a capital account having a negative balance. The unused portion of any reserve will be distributed to the Partners to which the reserve applies after the General Partner shall have determined that the need therefor to have ceased.

The General Partner, by written notice to the Limited Partners, may suspend withdrawal rights, in whole or in part, when there exists in the opinion of the General Partner a state of affairs in which disposal of the Partnership's assets and liabilities, or the determination of the value of the withdrawing Limited Partners' capital accounts, would not be reasonably practicable or would be prejudicial to the non-withdrawing Limited Partners. In addition, the General Partner, by written notice to a Limited Partner, may suspend payment of

withdrawal proceeds payable to such Limited Partner if the General Partner reasonably deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the Partnership, the General Partner or any of the Partnership's service providers.

The General Partner may, in its sole discretion, require a Limited Partner to withdraw all or any portion of its capital account at any time, for any reason or no reason, immediately with or without notice. (See "Outline of Partnership Agreement - Withdrawals of Capital" and " - Required Withdrawals.")

The General Partner may make withdrawals from its capital account from time to time in its discretion, provided that no such withdrawal may reduce the balance in such capital account to an amount less than the cumulative Incentive Allocations theretofore allocated to the General Partner.

Fiscal Year:

The fiscal year end of the Partnership is December 31.

**Sales Charges and
Placement Fees:**

There are no sales charges payable to the General Partner or the Partnership in connection with the offering of Interests.

The General Partner may enter into agreements with placement agents providing for payment of a portion of the subscription amount or ongoing payments based upon a percentage of the Management Fee or Incentive Allocation attributable to the capital accounts of Limited Partners introduced by such placement agent. If a subscriber is introduced to the Partnership through a placement agent, the arrangement, if any, with such placement agent will be disclosed to, and acknowledged by, the subscriber.

Regulatory Matters:

In reliance on Section 3(c)(1) of the Investment Company Act of 1940, as amended (the "*Investment Company Act*"), the Partnership will not register as an investment company because it will offer Interests only to up to 100 persons and only on a private placement basis. The General Partner is currently registered as an investment adviser with the U.S. Securities and Exchange Commission.

Risk Factors:

An investment in the Partnership involves a high degree of risk, including the risk of loss of the entire amount invested. The Incentive Allocation to the General Partner, as described above, may create an incentive for the General Partner to cause the Partnership to make investments that are riskier than it would otherwise make. Moreover, an investment in the Partnership provides limited liquidity since Interests are not freely transferable and the Limited Partners have limited withdrawal rights. (See "Risk Factors.")

Leverage:

Leverage may, but is not currently expected to, be used by the Partnership. While leverage presents opportunities for increasing the total return on investments, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment could be magnified to the extent leverage is

utilized. The cumulative effect of the use of leverage with respect to any investments in a market that moves adversely to such investments could result in a substantial loss which would be greater than if the investments were not leveraged.

Brokerage Commissions:

Portfolio transactions for the Partnership will be allocated to brokers and dealers on the basis of best execution and in consideration of such brokers' ability to effect the transactions, the brokers' facilities, reliability and financial responsibility. (See "Brokerage Commissions; Turnover.")

Conflicts of Interest:

The General Partner or its affiliates may provide discretionary investment management services to managed accounts and other investment partnerships or funds, some of which may have identical or similar investment objectives to those of the Partnership. (See "Conflicts of Interest.")

Taxation:

The Partnership intends to operate as a partnership and not as an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. Accordingly, the Partnership should not be subject to U.S. federal income tax, and each Limited Partner will be required to report on its own income tax returns such Limited Partner's distributive share of the Partnership's taxable income or loss. (See "Taxation.")

Limited Partner Reports:

Limited Partners will receive monthly unaudited reports of the Partnership's net asset value from the Administrator and will be provided with annual statements of capital account balances and audited financial reports certified by the Partnership's independent public accountants within 120 days of fiscal year end.

Suitability:

Investors in the Partnership generally must be "accredited investors" and "qualified clients" as defined under U.S. federal securities laws and meet other suitability requirements. The General Partner, in its discretion, may decline to admit any prospective investor.

ERISA and Other Tax Exempt Entities:

The Partnership may, in the General Partner's discretion, admit investors that are entities subject to the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), and other tax-exempt entities. See "Investments by Employee Benefit Plans" for certain regulatory considerations and "Taxation" for a discussion of tax consequences that may be applicable to such entities.

Auditors:

BDO Seidman, Austin, Texas, will act as independent auditors of the Partnership.

Legal Counsel:

Mark R. Diamond, Esq., Oakland, California, acts as legal counsel to the Partnership in connection with its offering of Interests. Mr. Diamond also acts as legal counsel to the General Partner and its affiliates. In connection with the Partnership's offering of Interests and subsequent advice to the Partnership, the General Partner and their affiliates, Mr. Diamond will not be representing Limited

Partners of the Partnership. No independent legal counsel has been retained to represent Limited Partners of the Partnership.

Subscription for Interests:

Persons interested in subscribing for Interests in the Partnership will be furnished, and will be required to complete and return to the Administrator, a Subscription Application and certain other documents.

THE PARTNERSHIP

Courant Investment Partners LP (the "*Partnership*") is a Delaware limited partnership organized on April 19, 2010 to operate as a private investment partnership.

USE OF PROCEEDS

All proceeds from the sale of interests in the Partnership ("*Interests*"), after organizational and offering expenses, will be available for the Partnership's investment program.

INVESTMENT PROGRAM

Investment Objective. The Partnership's investment objective is to achieve superior long-term investment returns net of fees through investments in public equities and fixed-income instruments of U.S. and non-U.S. companies which the General Partner believes have significant unrealized intrinsic value.

Investment Approach

The Partnership's investments will be based on the General Partner's extensive research and fundamental financial analyses of companies in the United States and overseas. The General Partner will utilize a primarily "bottom-up" investment style, which means that it will look for investment opportunities without precluding any particular industry group or geographic location. Investments will be selected after thorough research and analyses that indicate a company's shares are undervalued by a significant amount on a relative (compared to other, similar businesses) or absolute (based on the company's current and projected cash flows) basis or both. In order to meet this standard, the General Partner will conduct a variety of analyses and due diligence of prospective investments that typically include: detailed financial statement analyses, competitive and business analyses, conference calls with company management, customer and supplier inquiries, company visits, comparative company valuation analyses and discounted cash flow valuation analyses. Each investment is then regularly monitored to ensure that it continues to meet the Partnership's investment standards. Over time, investments that appreciate and no longer represent significant opportunities and investments that do not perform well will generally be sold, and more compelling investment opportunities will be selected as result of the General Partner's ongoing research.

The Partnership may maintain a certain cash level in anticipation of developing investment opportunities and in order to mitigate volatility in the Partnership's investment portfolio.

The General Partner has broad discretion to employ any securities trading or investment techniques, whether or not comprehended by the expected investment strategies and criteria described above. Further, many of the investment techniques and activities described above are high-risk activities that could result in substantial losses under certain circumstances.

The Partnership's investment program is speculative and entails substantial risks. There can be no assurance that the investment objective of the Partnership will be achieved. (See "Risk Factors.")

RISK FACTORS

An investment in the Partnership involves financial and other risks and is suitable only for sophisticated investors for whom an investment in the Partnership does not represent a complete investment program and who fully understand and are capable of bearing the risks of an investment in the Partnership. Prospective investors should carefully review the risks involved in investing in the Partnership and should

evaluate the merits and risks of an investment in the Partnership in the context of their overall financial circumstances. The following risk factors do not purport to be complete but should be considered carefully by investors.

Absence of Operating History. The Partnership and the General Partner have no operating history. There can be no assurance that the Partnership will achieve its investment objective. The past investment performance of the employees of the General Partner who are responsible for managing the Partnership's portfolio (in particular, the investment performance of Claude Leveille) may not be indicative of the future results of an investment in the Partnership.

Investment and Trading Risks. An investment in the Partnership involves risks, including the risk that the entire amount invested may be lost. The Partnership will invest in and actively trade securities and other financial instruments using investment techniques with risk characteristics, including risks arising from the volatility of the securities markets, the potential liquidity of securities and other financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that the Partnership's investment objective will be achieved. The Partnership may utilize such investment techniques as option transactions, margin transactions, short sales, leverage and derivatives trading, which practices involve volatility and can increase the adverse impact to which the Partnership may be subject. In addition, securities which the General Partner believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices or within the time frame the General Partner anticipates. As a result, the Partnership may lose all or substantially all of its investment in any particular instance.

Leverage. The General Partner may borrow funds on behalf of the Partnership in order to be able to increase the amount of capital available for investment. Borrowing will tend to magnify the profits or losses of the Partnership. The level of interest rates, generally, and the rates at which the Partnership can borrow, in particular, will affect the operating results of the Partnership. If securities pledged to brokers to secure the Partnership's margin accounts decline in value, the Partnership could be subject to a "margin call," pursuant to which the Partnership must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Partnership's assets, the Partnership might not be able to liquidate assets quickly enough to pay off its margin debt.

Hedging Transactions. The Partnership may utilize financial instruments such as options for hedging purposes or as part of its trading strategies. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Hedging transactions may also limit the opportunity for gain if the value of the portfolio positions should increase.

The success of the Partnership's hedging transactions is subject to the movements of securities prices and currency and interest rates. The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. The General Partner may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Partnership from achieving the intended hedge or expose the Partnership to risk of loss.

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

Non-U.S. Investments. The Partnership may invest a portion of its assets in securities of non-U.S. corporations which are traded in non-U.S. markets. Investing in the securities of companies in non-U.S.

countries involves certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including political and economic considerations such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the relatively small size of the securities markets in such countries and the relatively low volume of trading, resulting in potential lack of liquidity and price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the portfolio's investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in such countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in such countries than there is of the U.S. securities markets.

Illiquid Investments. The Partnership may invest in securities which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and may not readily be ascertainable, and the Partnership may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of liquid securities. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Options. The Partnership may invest in, or write, options. The purchaser of a put or call option runs the risk of losing its entire investment in a relatively short period of time. The writer of an uncovered call option is subject to a risk of loss should the price of the underlying security increase, and the writer of an uncovered put option is subject to a risk of loss should the price of the underlying security decrease.

Tax-Exempt Investors. Certain prospective Limited Partners may be subject to U.S. federal and state laws, rules and regulations which may regulate their participation in the Partnership or their engaging directly, or indirectly through an investment in the Partnership, in investment strategies of the types which the Partnership may utilize from time to time. Prospective Limited Partners should consult with their own advisers as to the advisability and tax consequences of an investment in the Partnership. Since the Partnership is permitted to borrow, tax-exempt Limited Partners may incur U.S. federal income tax liability to the extent of their share of the Partnership's "unrelated business taxable income." (See "Taxation.")

Regulatory Oversight. The Partnership is not required and does not intend to register as an investment company under the Investment Company Act and, accordingly, the provisions of the Investment Company Act (which, among other protections, require investment companies to have a majority of disinterested directors, require securities held in custody to be individually segregated at all times from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) will not be applicable.

Dependence on the General Partner. The success of the Partnership is significantly dependent upon the ability of the General Partner and, in particular, Mr. Leveille, to pursue the Partnership's investment objective effectively. Mr. Leveille will devote a substantial amount, but not all, of his time to the business of the Partnership. If Mr. Leveille should cease to participate in the Partnership's business, the Partnership's ability to select attractive investments and manage its portfolio could be severely impaired.

Limited Liquidity. An investment in the Partnership provides limited liquidity since the Interests are not freely transferable. A Limited Partner may withdraw all or any portion of its capital account attributable to such investment only as of the end of any month. Further, distributions of proceeds upon a Limited Partner's withdrawal may be limited, in the General Partner's discretion, where, in the view of the

General Partner, the disposal of the Partnership's assets and liabilities, or the determination of the value of the Limited Partner's capital account, would not be reasonably practicable or would be seriously prejudicial to the non-withdrawing Limited Partners. An investment in the Partnership is suitable only for sophisticated investors who do not need liquidity with respect to this investment. (See "Outline of Partnership Agreement – Withdrawals of Capital" and "Limitations on Transferability; Suitability Requirements.")

Valuation of the Partnership's Assets. The General Partner values the securities held by the Partnership in accordance with the Partnership Agreement. When no market exists for an investment or when the General Partner determines that the market price does not fairly represent the value of the investment, the General Partner may value such investment as it, in its sole discretion, reasonably determines. Such valuation (which will indirectly determine the amount of the Management Fee and the Incentive Allocation) may involve uncertainties and subjective determinations and, if such valuations should prove to be incorrect, the net asset value of the Partnership (and therefore the capital accounts of the Partners) could be adversely affected.

Brokerage and Other Arrangements. In selecting brokers or dealers to effect portfolio transactions, the General Partner need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. The General Partner may cause commissions to be paid to a broker or dealer that furnishes or pays for research, equipment, referral or other services at a higher price than that which might be charged by another broker or dealer for effecting the same transaction. Research, services or equipment obtained by the use of commissions arising from portfolio transactions may be used by the General Partner in its other investment activities and, therefore, the Partnership may not, in any particular instance, be the direct or indirect beneficiary of the research, services or equipment provided.

In-Kind Distributions. The Partnership expects to distribute cash to a Limited Partner upon a withdrawal from the Limited Partner's capital account. However, there can be no assurance that the Partnership will have sufficient cash to satisfy withdrawal requests or that it will be able to liquidate investments at the time of such withdrawal requests at favorable prices. Under the foregoing circumstances, and under other circumstances deemed appropriate by the General Partner, a Limited Partner may receive in-kind distributions, including illiquid securities, from the Partnership's portfolio.

Performance-Based Allocation. The Incentive Allocation made to the General Partner may create an incentive for the General Partner to make investments that are riskier or more speculative than it would otherwise make. In addition, since such allocation is calculated on a basis that includes unrealized appreciation of the Partnership's net assets, the allocation may be greater than if it were based solely on realized gains.

Economic Conditions. Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of the Partnership. None of these conditions is within the control of the General Partner and no assurances can be given that the General Partner will anticipate these developments.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Partnership. Prospective Limited Partners should read this entire Confidential Memorandum and the Partnership Agreement and consult with their own advisers before deciding whether to invest in the Partnership. In addition, as the Partnership's investment program develops and changes over time, an investment in the Partnership may be subject to additional or different risk factors.

CONFLICTS OF INTEREST

The Partnership will be subject to a number of actual and potential conflicts of interest involving the General Partner and its affiliates. However, the General Partner and its affiliates have substantial

incentives to see the assets of the Partnership appreciate in value, and the mere existence of an actual or potential conflict of interest does not mean that it will be acted upon to the detriment of the Partnership.

The General Partner or its affiliates may provide discretionary investment management services to managed accounts and other investment partnerships or funds, some of which may have identical or similar investment objectives to those of the Partnership. The General Partner or its affiliates may purchase or sell securities on behalf of other managed accounts or investment funds which may differ from those purchased or sold for the Partnership, even though their investment objectives may be the same or similar.

The General Partner and its members, officers and employees (initially, only Mr. Leveille holds such positions) will devote as much of their time to the activities of the Partnership as they deem necessary and appropriate. By the terms of the Partnership Agreement, the General Partner and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with the Partnership or may involve substantial time and resources of the General Partner. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of the General Partner and its officers and employees will not be devoted exclusively to the business of the Partnership but will be allocated between the business of the Partnership and the management of the monies of other advisees of the General Partner and other business activities. Further, investment activities of the General Partner and its affiliates may give rise to additional conflicts of interest.

If it is determined by the General Partner or its affiliates that it would be appropriate for the Partnership and one or more other investment accounts managed by them to participate in an investment opportunity, the General Partner will seek to execute orders for all of the participating investment accounts, including the Partnership, on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Partnership and the other accounts for which participation is appropriate. Orders may be combined for all such accounts and, if orders are not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which the General Partner or its affiliates consider equitable.

MANAGEMENT

The General Partner. Courant Investment Management LLC, a Delaware limited liability company (the "*General Partner*"), serves as the general partner of the Partnership and provides management and administrative services to the Partnership. Claude Leveille is the managing member of the General Partner and is the individual responsible for managing the operations of the Partnership on behalf of the General Partner.

The General Partner is registered with the U.S. Securities and Exchange Commission as an investment adviser and serves as the investment manager of the Partnership.

Claude Leveille, 44, has worked as an investment professional and private investor since 2000. From 1996 to 2000, he served as Director of Strategic Planning of @Home Network. From 1993 to 1996, he served as a consultant for Boston Consulting Group. Mr. Leveille holds an MBA from the University of Chicago and is a Chartered Accountant in Quebec.

The Administrator. The Partnership has entered into an administration agreement (the “*Administration Agreement*”) with ALPS Price Meadows (the “*Administrator*”), to perform certain financial, accounting, administrative and other services on behalf of the Partnership, including preparing interim financial statements, calculating the Partnership’s investment performance, calculating any fees payable to the General Partner, collecting and processing subscription, redemption and transfer documentation, performing certain anti-money laundering procedures and preparing interim reports to Partners. For its services, the Administrator is paid its customary rates for providing similar services.

The Administration Agreement may be terminated at any time without penalty by either party on not less than 90 days’ prior written notice or automatically in certain other specified circumstances. The Administration Agreement provides that the Administrator (including its directors, officers, employees, and agents) will not be liable to the Partnership or its Limited Partners for, and will be indemnified against, any loss or damage suffered by the Partnership or the Administrator in the absence of fraud, gross negligence, breach of fiduciary duty or willful default of the Administrator.

The Administrator will not be responsible for any loss sustained by the Partnership by reason of any action or inaction by the Partnership or the General Partner related to the Partnership’s portfolio management or the offering and sale of Interests. The Administrator will not be responsible for supervising the activities of the Partnership or for any loss or claim arising from the failure of the Partnership to seek competent legal or tax advice.

The Administrator has no obligation to review, monitor or otherwise ensure compliance by the Partnership with any investment policies, restrictions or guidelines applicable to it or any other term or condition of the Partnership’s offering documents. The Administrator is a service provider to the Partnership and is not responsible for the accuracy or adequacy of this Confidential Memorandum. The Administrator does not act as guarantor or offeror of the Interests.

MANAGEMENT FEE; EXPENSES

The terms and conditions of the Partnership’s relationship with the General Partner are set forth in the Partnership Agreement. The Partnership pays a Management Fee on the first day of each month, in advance, to the General Partner equal to 0.0625% (0.75% annualized) of each Limited Partner’s capital account. A *pro rata* portion of the Management Fee will be paid out of any capital contributions made by Limited Partners to the Partnership on any date other than the first day of a month, based on the actual number of days remaining in such partial month. No portion of the Management Fee will be refunded to any Limited Partner. The capital account of the General Partner is not debited for the Management Fee. In the discretion of the General Partner, the Management Fee may be waived, reduced or calculated differently with respect to any Limited Partners.

The Partnership will bear, either directly or through reimbursement to the General Partner, all out-of-pocket costs incurred in connection with its organization. The Partnership may treat these expenses as an asset and amortize them over up to 36 months. The amortization of organizational expenses is not in accordance with U.S. generally accepted accounting principles and could result in an exception in the auditors’ opinion in the Partnership’s annual audited financial statements if the difference between amortization and recognition of these expenses when incurred is deemed material from a financial statement point of view. The

Partnership will also bear, either directly or through reimbursement to the General Partner, all expenses of the ongoing offering and sale of Interests.

In consideration for the Management Fee, the General Partner will provide to the Partnership office space and utilities, news, quotation and computer equipment, software, administrative services and secretarial, clerical and other personnel. The General Partner will bear the costs of providing such goods and services and all of its own overhead costs and expenses. To the extent that expenses to be borne by the Partnership are advanced by the General Partner, the Partnership will reimburse the General Partner for such expenses. The Management Fee may exceed the expenses borne by the General Partner on behalf of the Partnership.

The Partnership bears its own operating expenses, including, but not limited to, organizational expenses, investment expenses (*e.g.*, brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees, expenses related to the purchase and sale of illiquid securities and interest expenses), professional fees (including, without limitation, expenses of consultants and experts) relating to investments, travel expenses related to investments, legal expenses, accounting expenses (including the cost of accounting software packages), audit and tax preparation expenses, due diligence and research expenses (including but not limited to communications devices and services, computing equipment, peripherals and software and all costs and expenses related to quotation equipment and newswires, travel expenses with respect to conferences and meetings with issuers of securities, other research sources and independent research consultants and travel and entertainment expenses to attend industry conferences), expenses relating to the offer and sale of Interests, administration expenses and extraordinary expenses. Such expenses are shared by all of the Partners, including the General Partner.

BROKERAGE COMMISSIONS; TURNOVER

Although the commissions paid by the Partnership will comply with the General Partner's duty to obtain best execution, the Partnership may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the General Partner determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but rather whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates and responsiveness. Accordingly, although the General Partner will consider competitive rates when selecting a broker-dealer, it may not necessarily select a broker-dealer that provides the lowest possible commission rates for Partnership transactions.

Research products or services provided to the General Partner may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities and other products and services (*e.g.*, quotation equipment and computer costs and expenses) providing lawful and appropriate assistance to the General Partner in the performance of its investment decision-making responsibilities.

The Partnership's securities transactions can be expected to generate brokerage commissions and other compensation, all of which the Partnership, not the General Partner, will be obligated to pay. The General Partner will have discretion in deciding what brokers and dealers the Partnership will use and in negotiating the rates of compensation the Partnership will pay. In addition to using brokers as "agents" and paying commissions, the Partnership may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

A broker is not excluded from receiving business because it has not been identified as providing research services. The investment information and research services received from the Partnership's brokers may be used by the General Partner in servicing accounts other than the Partnership's. Nonetheless, the General Partner believes that such investment information provides the Partnership with benefits by supplementing the research otherwise available to the Partnership.

FISCAL YEAR

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

ALLOCATION OF GAINS AND LOSSES; INCENTIVE ALLOCATION

At the end of each accounting period,¹ any net capital appreciation² or net capital depreciation³ of the Partnership is allocated to all Partners (including the General Partner) in proportion to each Partner's capital account balance at the beginning of such accounting period.

Generally, at the end of each fiscal year of the Partnership, the General Partner will reallocate to its own capital account an amount equal to 15% of the excess of the net capital appreciation allocated to the capital account of each Limited Partner for such year over a portion of such net capital appreciation equal to a 5% return on such Limited Partner's capital account balance during such fiscal year, as adjusted for capital contributions and withdrawals during such fiscal year (the "*Incentive Allocation*"); provided that no Incentive Allocation will be allocated with respect to any capital account for which a Limited Partner has an unrecovered balance in its Loss Recovery Account. The Incentive Allocation is also made on the same basis at the time of partial or complete withdrawal of a Limited Partner. In the discretion of the General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to any Limited Partner.

The Partnership will maintain a memorandum loss recovery account for each capital account of a Limited Partner (a "*Loss Recovery Account*"). A Limited Partner's Loss Recovery Account will be debited with any net capital depreciation (taking into account the Limited Partner's share of the Management Fee) allocated to such Limited Partner's capital account and credited (but not beyond zero) with the aggregate net capital appreciation subsequently allocated to such Limited Partner's capital account. No Incentive Allocation will be allocated to the General Partner with respect to a Limited Partner's capital account until such Limited Partner has recovered any net capital depreciation debited to such Limited Partner's Loss Recovery Account. Any balance in a Limited Partner's Loss Recovery Account will be proportionately reduced for withdrawals of capital by such Limited Partner. Additional capital contributions will not affect any Limited Partner's Loss Recovery Account.

¹ An "accounting period" refers to the following periods: the initial accounting period will begin upon the initial opening of the Partnership. Each subsequent accounting period will begin immediately after the close of the next preceding accounting period. Each accounting period will close at the close of business on the first to occur of (i) the last day of each calendar month, (ii) the date immediately prior to the effective date of the admission of a new Partner, (iii) the date immediately prior to the effective date of an increase in a Partner's capital account as a result of an additional capital contribution, (iv) the effective date of any withdrawal or (v) the date when the Partnership shall dissolve.

² "Net capital appreciation" refers to the increase in the value of the Partnership's net assets, including unrealized gains, from the beginning of each accounting period (after payment of the Management Fee) to the end of such accounting period (before giving effect to withdrawals) and, with respect to any fiscal year of the Partnership or other period used to determine the Incentive Allocation, refers to aggregate net capital appreciation for the period less aggregate net capital depreciation for such period.

³ "Net capital depreciation" refers to the decrease in the value of the Partnership's net assets, including unrealized losses, from the beginning of each accounting period (after payment of the Management Fee) to the end of such accounting period (before giving effect to withdrawals).

In the event that the General Partner determines that, based upon tax or regulatory considerations, or any other considerations as to which the General Partner and any Limited Partner agree, such Partner should not participate in the net capital appreciation or net capital depreciation, if any, attributable to trading in any security or type of security or to any other transaction, the General Partner may allocate such net capital appreciation or net capital depreciation only to the capital accounts of Partners to whom such considerations do not apply and, if appropriate, may establish a separate memorandum account in which only the Partners having an interest in such security, type of security or transaction will have an interest. Net capital appreciation and net capital depreciation for such separate memorandum account will be separately calculated.

OUTLINE OF PARTNERSHIP AGREEMENT

The following outline summarizes certain provisions of the Partnership Agreement that are not discussed elsewhere in this Confidential Memorandum. This outline is not definitive, and each prospective Limited Partner should carefully read the Partnership Agreement in its entirety. Capitalized terms used but not otherwise defined herein have the meanings specified in the Partnership Agreement. To the extent there are any inconsistencies, the Partnership Agreement will control.

Limited Liability. A Limited Partner (or former Limited Partner) is liable for debts and obligations of the Partnership only to the extent of its interest in the Partnership in the fiscal year (or portion thereof) to which such debts and obligations are attributable. In order to meet a particular debt or obligation, a Limited Partner or former Limited Partner will, in the discretion of the General Partner, be required to make additional contributions or payments up to, but in no event in excess of, the aggregate amount of returns of capital and other amounts actually received by it from the Partnership during or after the fiscal year to which such debt or obligation is attributable.

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

Term. The Partnership will terminate on the earlier of (a) a determination by the General Partner that the Partnership should be dissolved or (b) the insolvency, bankruptcy or death of the General Partner. Upon a determination to dissolve the Partnership, withdrawal requests and distributions in respect of pending withdrawal requests may not be made. The General Partner may appoint a liquidator to effect the dissolution of the Partnership.

Capital Accounts. Each Partner has one or more capital accounts established on the books of the Partnership that will be credited with such Partner's capital contributions. A partnership percentage is determined for each Partner for each accounting period by dividing the amount of its capital account as of the beginning of such accounting period by the aggregate capital accounts of all Partners as of the beginning of such accounting period.

At the beginning of each accounting period, each Partner's capital account is increased to reflect any additional capital contributions made by such Partner. At the end of each accounting period, the capital account of each Partner is (i) increased by any net capital appreciation or decreased by any net capital depreciation and (ii) decreased by the amount of any withdrawals made by such Partner or any distributions made to such Partner. At the beginning of each month (or, with respect to a New Limited Partner, upon such person's initial capital contribution to the Partnership), the capital account of each Limited Partner is decreased by the appropriate amount of the Management Fee attributable to such capital account.

Additional Capital Contributions. With the prior approval of the General Partner, a Limited Partner may make additional capital contributions to the Partnership in cash or marketable securities at the beginning of any month or at such other time as the General Partner may permit. Such additional capital contributions will be in amounts of at least \$250,000, subject to the discretion of the General Partner to accept lesser amounts. Whether securities will be accepted as a contribution to the Partnership will be determined in the discretion of the General Partner. The General Partner may make capital contributions to the Partnership in cash or marketable securities at such times as it may determine.

Withdrawals of Capital. A Limited Partner generally may, upon 30 days' prior written notice, withdraw all or any portion of its capital account effective as of the end of any month; provided, however, that, without the consent of the General Partner, a partial withdrawal will not be permitted (i) in an amount less than \$100,000 or (ii) if such withdrawal would cause the remaining capital account balance of a Limited Partner to fall below \$750,000. The General Partner may permit a Limited Partner to withdraw all or any portion of its capital account at other times, in its sole discretion.

Each date on which a Limited Partner withdraws all or any portion of its capital account is herein referred to as a "*Withdrawal Date*."

Any notice provided by a Limited Partner to the General Partner in connection with a withdrawal from such Limited Partner's capital account shall be deemed irrevocable; provided that the General Partner may, in its sole discretion, elect to waive any notice period or allow a notice to be revoked.

The General Partner will endeavor to make payments of any amounts withdrawn within 30 days after the Withdrawal Date; provided, however, that, if a Limited Partner elects to withdraw more than 90% of its capital account, the Partnership will pay the Limited Partner an amount not less than 90% of the estimated value of the amount requested to be withdrawn (computed on the basis of unaudited data) within 30 days after the Withdrawal Date. The balance of such Limited Partner's capital account will be paid, without interest and subject to audit adjustments, within 30 days after completion of the annual audit of the Partnership's financial statements for the year in which the withdrawal occurs.

Required Withdrawals. The General Partner may, in its sole discretion, require a Limited Partner to withdraw all or any portion of its capital account at any time, for any reason or no reason, immediately with or without notice. Withdrawal proceeds will be paid to such Limited Partner in the manner described above under "Withdrawals of Capital."

Withdrawal, Death, Etc. of a Partner. The withdrawal, death, disability, incapacity, adjudication of incompetency, termination, bankruptcy, insolvency or dissolution of a Limited Partner shall not dissolve the Partnership. The legal representatives of a Limited Partner shall succeed as assignee to the Limited Partner's interest in the Partnership upon the death, disability, incapacity, incompetency, termination, bankruptcy, insolvency or dissolution of such Limited Partner but shall not be admitted as a substitute Partner without the consent of the General Partner.

In the event of the death, disability, incapacity, incompetency, termination, bankruptcy, insolvency or dissolution of a Limited Partner, the Interest of such Limited Partner shall continue at the risk of the Partnership's business until the last day of the fiscal year in which such event takes place (subject to the discretion of the General Partner to cause such Limited Partner's interest to be withdrawn at an earlier time). Such Limited Partner or its legal representatives shall be paid within 30 days after the Withdrawal Date 90% of the estimated capital account as of the Withdrawal Date (computed on the basis of unaudited data). The balance shall be paid (subject to audit adjustments and without interest) within 30 days after completion of the audit of the Partnership's financial statements.

The Interest of a Limited Partner that gives notice of withdrawal shall not be included in calculating the partnership percentages of the Limited Partners required to take any action under the Partnership Agreement.

Limitations on Withdrawals. The right of any Partner or its legal representatives to withdraw any amount from its capital account and to have distributed to it any such amount (or any portion thereof) is subject to the provision by the General Partner for all Partnership liabilities in accordance with applicable Delaware law and for reserves for contingencies and estimated accrued expenses and liabilities. In addition, no withdrawal will be permitted that would result in a Partner's capital account having a negative balance. The unused portion of any reserve will be distributed to the Partners to which the reserve applies, after the General Partner shall have determined that the need therefor to have ceased.

The General Partner, by written notice to the Limited Partners, may suspend withdrawal rights, in whole or in part, when there exists in the opinion of the General Partner a state of affairs in which disposal of the Partnership's assets and liabilities, or the determination of the value of the withdrawing Limited Partners' capital accounts, would not be reasonably practicable or would be prejudicial to the non-withdrawing Limited Partners. In addition, the General Partner, by written notice to a Limited Partner, may suspend payment of withdrawal proceeds payable to such Limited Partner if the General Partner reasonably deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the Partnership, the General Partner or any of the Partnership's service providers.

Limitation on General Partner Withdrawals. The General Partner may make withdrawals from its capital account from time to time in its discretion, provided that no such withdrawal may reduce the balance in such capital account to an amount less than the cumulative Incentive Allocations theretofore allocated to the General Partner.

Distributions. Distributions to Partners in respect of a withdrawal will generally be made in cash. If any assets of the Partnership are distributed to the Partners in kind, such assets will be valued on the basis of the fair market value thereof on the date of distribution as determined by the General Partner.

Assignability of Limited Partner's Interest. Without the prior written consent of the General Partner, which consent may be withheld in the General Partner's sole and absolute discretion, a Limited Partner may not (i) pledge, transfer or assign such person's Interest, in whole or in part, except by operation of law or (ii) substitute any other person as a Limited Partner.

Admission of New Partners. Upon the General Partner's approval, new Partners may be admitted to the Partnership as of the beginning of any month or at such other times as the General Partner, in its discretion, may allow. Each new Partner will be required to execute an agreement pursuant to which it becomes bound by the terms of the Partnership Agreement.

Amendments to Partnership Agreement. The Partnership Agreement may be modified or amended at any time with the written consent of Limited Partners having in excess of 50% of the partnership percentages of the Limited Partners and the affirmative vote of the General Partner. Without the consent of the other Partners, however, the General Partner may amend the Partnership Agreement to (i) reflect changes validly made in the membership of the Partnership and the capital contributions and partnership percentages of the Partners; (ii) change the provisions relating to the Incentive Allocation so that such provisions conform to the applicable requirements of the U.S. Securities and Exchange Commission or other regulatory authorities, so long as such amendment does not increase the Incentive Allocation; (iii) reflect a change in the name of the Partnership; (iv) make a change that is necessary or, in the opinion of the General Partner, advisable to qualify the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or non-U.S. jurisdiction or ensure that the Partnership will not be treated as an association taxable as a corporation or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes; (v) make a change that does not adversely affect the Limited Partners in any material

respect; (vi) make a change that is necessary or desirable to cure any ambiguity, to correct or supplement any provision in the Partnership Agreement that would be inconsistent with any other provision in the Partnership Agreement or to make any other provision with respect to matters or questions arising under the Partnership Agreement that would not be inconsistent with the provisions of the Partnership Agreement, in each case so long as such change does not adversely affect the Limited Partners in any material respect; (vii) make a change that is necessary or desirable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, statute, ruling or regulation of any U.S. federal, state or non-U.S. government entity, so long as such change is made in a manner that minimizes any adverse effect on the Limited Partners; (viii) make a change that is required or contemplated by the Partnership Agreement; (ix) make a change in any provision of the Partnership Agreement that requires any action to be taken by or on behalf of the General Partner or the Partnership pursuant to the requirements of applicable Delaware law if the provisions of applicable Delaware law are amended, modified or revoked so that the taking of such action is no longer required; (x) prevent the Partnership from in any manner being deemed an "investment company" subject to the provisions of the Investment Company Act; (xi) reflect the assignment of its interests as General Partner of the Partnership to any of its affiliates; or (xii) make any other amendments similar to the foregoing. Each Partner, however, must consent to any amendment that would (a) reduce its capital account or rights of contribution or withdrawal or (b) amend the provisions of the Partnership Agreement relating to amendments.

Reports to Partners. The Limited Partners will receive monthly unaudited statements of the net asset value of their respective capital accounts from the Administrator and annual statements of capital account balances and annual audited financial reports. The Partnership's accountants (selected by the General Partner) will audit the Partnership's books and records as of the end of each fiscal year. Within 120 days after each fiscal year end, the Partnership will prepare and mail to each Partner, together with the report prepared by the Partnership's accountants, audited financial statements of the Partnership. Within 120 days after the end of each fiscal year or as soon thereafter as is reasonably possible, each Partner will also be furnished certain tax information for preparation of its tax return.

Exculpation. The General Partner, affiliates of the General Partner and any of their respective members, partners, officers, directors, stockholders, employees or other agents (collectively, the "*Affiliates*") will not be liable to any Limited Partner or the Partnership for any acts or omissions arising out of, or in connection with, the Partnership, any investment made or held by the Partnership or the Partnership Agreement unless such action or inaction was performed or omitted fraudulently or in bad faith or constituted gross negligence or willful misconduct, or for losses due to such acts or omissions or to the negligence, dishonesty or bad faith of any broker or agent of the Partnership, provided that such broker or agent was selected, engaged or retained by the Partnership with reasonable care. Each of the General Partner and its affiliates may consult with counsel and accountants in respect of the Partnership's affairs and be fully protected and justified in any action or inaction that is taken or omitted in accordance with the advice or opinion of such counsel or accountants, provided that they shall have been selected with reasonable care. The foregoing provisions will not be construed so as to provide for the exculpation of the General Partner or any of its affiliates for any liability (including liability under U.S. federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable law but will be construed so as to effect the foregoing provisions to the fullest extent permitted by law.

Indemnification. The Partnership shall indemnify and hold harmless the General Partner, its affiliates and the legal representatives of any of them (each, an "*Indemnified Party*"), from and against any loss, cost or expense suffered or sustained by an Indemnified Party by reason of (i) any acts, omissions or alleged acts or omissions arising out of, or in connection with, the Partnership, any investment made or held by the Partnership or the Partnership Agreement, including, without limitation, any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim, provided that such acts, omissions or alleged acts or omissions upon which such actual or threatened action, proceeding or claim are based were not performed or omitted fraudulently or in bad faith or did not constitute gross negligence or willful misconduct by such Indemnified

Party or (ii) the negligence, dishonesty or bad faith of any broker or agent of any Indemnified Party, provided that such broker or agent was selected, engaged or retained by the Indemnified Party in good faith and with reasonable care. The Partnership will, in the sole discretion of the General Partner, advance to any Indemnified Party reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding that arises out of such conduct. In the event that such an advance is made by the Partnership, the Indemnified Party shall agree to reimburse the Partnership for such fees, costs and expenses to the extent that it shall be finally judicially determined that it was not entitled to indemnification. The foregoing provisions will not be construed so as to provide for the indemnification of the General Partner or any of its affiliates for any liability (including liability under U.S. federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law but will be construed so as to effect the foregoing provisions to the fullest extent permitted by law.

Types of Securities in which the Partnership May Invest. The Partnership may invest, on margin or otherwise, in securities and other financial instruments of U.S. and non-U.S. entities, including, without limitation, capital stock; shares of beneficial interest; partnership interests and similar financial instruments; interests in real estate and real estate-related assets; bonds, notes or debentures (whether subordinated, convertible or otherwise); currencies; interest rate, currency, commodity, equity and other derivative products, including, without limitation, (i) futures contracts (and options thereon) relating to stock indices, currencies, United States Government securities, securities of non-U.S. governments, other financial instruments and all other commodities, (ii) swaps, options, warrants, caps, collars, floors and forward rate agreements, (iii) spot and forward currency transactions and (iv) agreements relating to or securing such transactions; equipment lease certificates; equipment trust certificates; loans; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual funds; money market funds; obligations of the United States or any state thereof, non-U.S. governments and instrumentalities of any of them; commercial paper; certificates of deposit; bankers' acceptances; choses in action; trust receipts; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature, in each case, of any person, corporation, government or other entity whatsoever, whether or not publicly traded or readily marketable. In addition, although it is not currently expected to do so, the Partnership may sell any of such instruments short and cover such short sales.

Valuation of Partnership Net Assets. The Partnership's net assets will be valued by the General Partner in accordance with the terms of the Partnership Agreement. All matters concerning valuation of securities, as well as allocations among the Partners and accounting procedures, not expressly provided for in the Partnership Agreement will be determined by the General Partner, whose determination is final and conclusive as to all Partners.

TAXATION

The following is a summary of certain aspects of the income taxation of the Partnership and its Limited Partners which should be considered by a prospective Limited Partner. The Partnership has not sought a ruling from the Internal Revenue Service (the "*Service*") or any other U.S. federal, state or local agency with respect to any of the tax issues affecting the Partnership, nor has it obtained an opinion of counsel with respect to any tax issues.

This summary of certain aspects of the U.S. federal income tax treatment of the Partnership is based upon the Internal Revenue Code of 1986, as amended (the "*Code*"), judicial decisions, regulations issued by the U.S. Department of the Treasury ("*Regulations*") and rulings in existence on the date hereof, all of which are subject to change. This summary does not discuss the impact of various proposals to amend the Code which could change certain of the tax consequences of an investment in the Partnership. This summary also does not discuss all of the tax consequences that may be relevant to a particular investor or to certain investors subject to special treatment under the U.S. federal income tax laws, such as insurance companies.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH SUCH PERSON'S OWN TAX ADVISERS IN ORDER TO UNDERSTAND FULLY THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP.

Tax Treatment of Partnership Operations

Classification of the Partnership. The Partnership intends to operate for U.S. federal income tax purposes as a partnership that is not a publicly traded partnership taxable as a corporation. Under Section 7704 of the Code, "publicly traded partnerships" are generally treated as corporations for U.S. federal income tax purposes. A publicly traded partnership is any partnership the interests in which are traded on an established securities market or which are readily tradable on a secondary market (or the substantial equivalent thereof). However, a partnership will be exempt from classification as a publicly traded partnership if 90% or more of its annual gross income consists of passive type "qualifying income" within the meaning of Section 7704(d) of the Code and the Regulations thereunder. The General Partner intends to operate the Partnership so that it will meet the passive income exemption and not be treated as a publicly traded partnership taxable as a corporation.

If it were determined that the Partnership should be taxable as a corporation for U.S. federal income tax purposes (as a result of changes in the Code, the Regulations or judicial interpretations thereof, a material adverse change in facts or otherwise), the taxable income of the Partnership would be subject to corporate income tax when recognized by the Partnership; distributions of such income, other than in connection with certain withdrawals of Interests, would be treated as dividend income when received by the Partners to the extent of the current or accumulated earnings and profits of the Partnership; and Partners would not be entitled to report profits or losses realized by the Partnership.

As a partnership, the Partnership is not itself subject to U.S. federal income tax. The Partnership files an annual partnership information return with the Service which reports the results of its operations. Each Partner is required to report separately on such Partner's income tax return such Partner's distributive share of the Partnership's net long-term capital gain or loss, net short-term capital gain or loss and all items of ordinary income or loss. Each Partner is taxed on such Partner's distributive share of the Partnership's taxable income and gain regardless of whether such Partner has received or will receive a distribution from the Partnership.

Allocation of Profits and Losses. Under the Partnership Agreement, the Partnership's net capital appreciation or net capital depreciation for each accounting period is allocated among the Partners and to their capital accounts without regard to the amount of income or loss actually recognized by the Partnership for U.S. federal income tax purposes. The Partnership Agreement provides that items of income, deduction, gain, loss or credit actually recognized by the Partnership for each fiscal year generally are to be allocated for income tax purposes among the Partners pursuant to the principles of Regulations issued under Sections 704(b) and 704(c) of the Code, based upon amounts of the Partnership's net capital appreciation or net capital depreciation allocated to each Partner's capital account for the current and prior fiscal years.

Under the Partnership Agreement, the General Partner has the discretion to allocate specially an amount of the Partnership's ordinary income or capital gain (including short-term capital gain) and deductions, ordinary loss or capital loss (including long-term capital loss) for U.S. federal income tax purposes to a withdrawing Partner to the extent that the Partner's capital account exceeds, or is less than, as the case may be, its U.S. federal income tax basis in its Interest. There can be no assurance that, if the General Partner makes any such special allocations, the Service will accept such allocations. If such allocations are successfully challenged by the Service, the Partnership's gains or losses allocable to the remaining Partners would be affected.

Tax Elections; Returns; Tax Audits. The Code generally provides for optional adjustments to the basis of partnership property upon distributions of partnership property to a partner and transfers of

partnership interests (including by reason of death) provided that a partnership election has been made pursuant to Section 754. Under the Partnership Agreement, the General Partner, in its sole discretion, may cause the Partnership to make such an election. Any such election, once made, cannot be revoked without the Service's consent. As a result of the complexity and added expense of the tax accounting required to implement such an election, the General Partner currently does not intend to make such an election.

The General Partner decides how to report the partnership items on the Partnership's tax returns, and all Partners are required under the Code to treat the items consistently on their own returns, unless they file a statement with the Service disclosing the inconsistency. Given the uncertainty and complexity of the tax laws, it is possible that the Service may not agree with the manner in which the Partnership's items have been reported. In the event the income tax returns of the Partnership are audited by the Service, the tax treatment of the Partnership's income and deductions generally is determined at the limited partnership level in a single proceeding rather than by individual audits of the Partners. The General Partner, designated as the "Tax Matters Partner," has considerable authority to make decisions affecting the tax treatment and procedural rights of all Partners. In addition, the Tax Matters Partner has the authority to bind certain Partners to settlement agreements and the right on behalf of all Partners to extend the statute of limitations relating to the Partners' tax liabilities with respect to Partnership items.

Mandatory Basis Adjustments. The Partnership is generally required to adjust its tax basis in its assets in respect of all Partners in cases of Partnership distributions that result in a "substantial basis reduction" (*i.e.*, in excess of \$250,000) in respect of the Partnership's property. The Partnership is also required to adjust its tax basis in its assets in respect of a transferee Partner in the case of a sale or exchange of an Interest, or a transfer upon death, when there exists a "substantial built-in loss" (*i.e.*, in excess of \$250,000) in respect of Partnership property immediately after the transfer. For this reason, the Partnership will require (i) a Partner who receives a distribution from the Partnership in connection with a complete withdrawal, (ii) a transferee of an Interest (including a transferee in case of death) and (iii) any other Partner in appropriate circumstances to provide the Partnership with information regarding such Partner's adjusted tax basis in such Partner's Interest.

Tax Consequences to a Withdrawing Limited Partner

A Limited Partner receiving a cash liquidating distribution from the Partnership, in connection with a complete withdrawal from the Partnership, generally will recognize capital gain or loss to the extent of the difference between the proceeds received by such Limited Partner and such Limited Partner's adjusted tax basis in its partnership interest. Such capital gain or loss will be short-term, long-term or some combination of both, depending upon the timing of the Limited Partner's contributions to the Partnership. However, a withdrawing Limited Partner will recognize ordinary income to the extent such Limited Partner's allocable share of the Partnership's "unrealized receivables" exceeds the Limited Partner's basis in such unrealized receivables (as determined pursuant to the Regulations). For these purposes, accrued but untaxed market discount, if any, on securities held by the Partnership will be treated as an unrealized receivable with respect to which a withdrawing Limited Partner would recognize ordinary income. A Limited Partner receiving a cash non-liquidating distribution will recognize income in a similar manner only to the extent that the amount of the distribution exceeds such Limited Partner's adjusted tax basis in its partnership interest.

As discussed above, the Partnership Agreement provides that the General Partner may specially allocate items of Partnership ordinary income or capital gain (including short-term capital gain) and deductions, ordinary loss or capital loss (including long-term capital loss) to a withdrawing Partner to the extent its capital account would otherwise exceed or be less than, as the case may be, its adjusted tax basis in its Interest. Such a special allocation of income or gain may result in the withdrawing Partner recognizing ordinary income or capital gain, which may include short-term capital gain, in the Partner's last taxable year in the Partnership, thereby reducing the amount of long-term capital gain recognized during the tax year in which it receives its liquidating distribution upon withdrawal. Such a special allocation of deduction or loss may result in the withdrawing Partner recognizing ordinary loss or capital loss, which may include long-term

capital loss, in the Partner's last taxable year in the Partnership, thereby reducing the amount of short-term capital loss recognized during the tax year in which it receives its liquidating distribution upon withdrawal.

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

Tax Treatment of Partnership Investments

In General. The Partnership expects to act as a trader, and not as a dealer, with respect to its securities transactions. A trader is a person who buys and sells securities for its own account. A dealer, on the other hand, is a person who purchases securities for resale to customers rather than for investment or speculation. The Partnership intends to hold interests in securities for investment and not for sale to customers in the ordinary course of business and thus should not be treated as a dealer. The Partnership intends to take the position that its securities trading activity constitutes a trade or business for U.S. federal income tax purposes. However, there can be no assurance that the Service will agree that the Partnership's securities activities will constitute trading rather than investing.

Generally, the gains and losses realized by a trader on the sale of securities are capital gains and losses. Thus, subject to the treatment of certain currency exchange gains as ordinary income (see "Currency Fluctuations - 'Section 988' Gains or Losses" below) and certain other transactions described below, the Partnership expects that its gains and losses from its securities transactions typically will be capital gains and capital losses. These capital gains and losses may be long-term or short-term depending, in general, upon the length of time the Partnership maintains a particular investment position and, in some cases, upon the nature of the transaction. Property held for more than one year generally will be eligible for long-term capital gain or loss treatment. The application of certain rules relating to short sales, to so-called "straddle" and "wash sale" transactions and to Section 1256 Contracts (defined below) may serve to alter the manner in which the Partnership's holding period for a security is determined or may otherwise affect the characterization as short-term or long-term, and also the timing of the realization, of certain gains or losses. Moreover, the straddle rules and short sale rules may require the capitalization of certain related expenses of the Partnership.

The Partnership may realize ordinary income from dividends and accruals of interest on securities. The Partnership may hold debt obligations with "original issue discount." In such case, the Partnership would be required to include amounts in taxable income on a current basis even though receipt of such amounts may occur in a subsequent year. In addition, certain investments held by the Partnership, by reason of imputed "discount," "pay-in-kind" or similar features and possibly by reason of not paying accrued dividends currently, could give rise to taxable dividend or other income even though there has been no corresponding cash distribution to the Partnership. There can be no assurance that the Service will agree with the Partnership's characterization of the income from such investments.

The Partnership may also acquire debt obligations with "market discount." Upon disposition of such an obligation, the Partnership generally would be required to treat gain realized as interest income to the extent of the market discount which accrued during the period the debt obligation was held by the Partnership. The Partnership may realize ordinary income or loss with respect to its investments in partnerships engaged in a trade or business. Income or loss from transactions involving certain derivative

instruments, such as swap transactions, will also generally constitute ordinary income or loss. Moreover, gain recognized from certain "conversion transactions" will be treated as ordinary income.⁴

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

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

Section 1256 Contracts. In the case of Section 1256 Contracts, the Code generally applies a "mark-to-market" system of taxing unrealized gains and losses on such contracts and otherwise provides for special rules of taxation. Section 1256 Contracts include certain regulated futures contracts, certain non-U.S. currency forward contracts and certain options contracts. Under these rules, Section 1256 Contracts held by the Partnership at the end of each taxable year of the Partnership are treated for U.S. federal income tax purposes as if they were sold by the Partnership for their fair market value on the last business day of such taxable year. The net gain or loss, if any, resulting from such deemed sales (known as "marking to market"), together with any gain or loss resulting from actual sales of Section 1256 Contracts, must be taken into account by the Partnership in computing its taxable income for such year. If a Section 1256 Contract held by the Partnership at the end of a taxable year is sold in the following year, the amount of any gain or loss realized on such sale will be adjusted to reflect the gain or loss previously taken into account under the "mark-to-market" rules.

Capital gains and losses from such Section 1256 Contracts generally are characterized as short-term capital gains or losses to the extent of 40% thereof and as long-term capital gains or losses to the extent of 60% thereof. Gains and losses from certain non-U.S. currency transactions will be treated as

⁴ Generally, a conversion transaction is one of several enumerated transactions where substantially all of the taxpayer's return is attributable to the time value of the net investment in the transaction. The enumerated transactions are (i) the holding of any property (whether or not actively traded) and entering into a contract to sell such property (or substantially identical property) at a price determined in accordance with such contract, but only if such property was acquired and such contract was entered into on a substantially contemporaneous basis, (ii) certain straddles, (iii) generally any other transaction that is marketed or sold on the basis that it would have the economic characteristics of a loan but the interest-like return would be taxed as capital gain or (iv) any other transaction specified in the Regulations.

ordinary income and losses. (See "Currency Fluctuations - 'Section 988' Gains or Losses.") If an individual taxpayer incurs a net capital loss for a year, the portion thereof, if any, which consists of a net loss on Section 1256 Contracts may, at the election of the taxpayer, be carried back three years. Losses so carried back may be deducted only against net capital gain to the extent that such gain includes gains on Section 1256 Contracts. A Section 1256 Contract does not include any "securities futures contract" or any option on such a contract.

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

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

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

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

Limitation on Deductibility of Interest and Short Sale Expenses. For non-corporate taxpayers, Section 163(d) of the Code limits the deduction for "investment interest" (*i.e.*, interest or short sale expenses for "indebtedness properly allocable to property held for investment"). Investment interest is not deductible in the current year to the extent that it exceeds the taxpayer's "net investment income," consisting of net gain and ordinary income derived from investments in the current year less certain directly connected expenses (other than interest or short sale expenses). For this purpose, certain dividends and long-term capital gains are excluded from net investment income unless the taxpayer elects to pay tax on such amounts at ordinary income tax rates.

For purposes of this provision, the Partnership's activities (other than certain activities that are treated as "passive activities" under Section 469 of the Code) will be treated as giving rise to investment income for a Limited Partner, and the investment interest limitation would apply to a non-corporate Limited Partner's share of the interest and short sale expenses attributable to the Partnership's operation. In such case, a non-corporate Limited Partner would be denied a deduction for all or part of that portion of its distributive share of the Partnership's ordinary losses attributable to interest and short sale expenses unless it had sufficient investment income from all sources including the Partnership. A Limited Partner that could not deduct losses currently as a result of the application of Section 163(d) would be entitled to carry forward such losses to future years, subject to the same limitation. The investment interest limitation would also apply to interest paid by a non-corporate Limited Partner on money borrowed to finance its investment in the Partnership. Prospective investors are advised to consult with their own tax advisers with respect to the application of the investment interest limitation in their particular tax situations.

Deductibility of Partnership Investment Expenditures and Certain Other Expenditures.

Investment expenses (e.g., investment advisory fees) of an individual, trust or estate are deductible only to the extent they exceed 2% of adjusted gross income.⁵ In addition, the Code further restricts the ability of an individual with an adjusted gross income in excess of a specified amount to deduct such investment expenses. Moreover, such investment expenses are miscellaneous itemized deductions which are not deductible by a non-corporate taxpayer in calculating its alternative minimum tax liability.

Pursuant to Temporary Regulations issued by the Treasury Department, these limitations on deductibility should not apply to a non-corporate Limited Partner's share of the expenses of the Partnership to the extent that the Partnership is engaged, as it expects to be, in a trade or business within the meaning of the Code. Although the Partnership intends to treat its expenses as not being subject to the foregoing limitations on deductibility, there can be no assurance that the Service may not treat such expenses as investment expenses which are subject to the limitations.

The consequences of these limitations will vary depending upon the particular tax situation of each taxpayer. Accordingly, non-corporate Limited Partners should consult their tax advisers with respect to the application of these limitations.

A Limited Partner will not be allowed to deduct syndication expenses attributable to the acquisition of an Interest, including placement fees, paid by such Limited Partner or the Partnership. Any such amounts will be included in the Limited Partner's adjusted tax basis for its Interest.

Application of Rules for Income and Losses from Passive Activities. The Code restricts the deductibility of losses from a "passive activity" against certain income which is not derived from a passive activity. This restriction applies to individuals, personal service corporations and certain closely held corporations. Pursuant to Temporary Regulations, income or loss from the Partnership's securities investment and trading activity generally will not constitute income or loss from a passive activity. Therefore, passive losses from other sources generally could not be deducted against a Limited Partner's share of such income and gain from the Partnership. Income or loss attributable to the Partnership's investments in partnerships engaged in certain trades or businesses may constitute passive activity income or loss.

Application of Basis and "At Risk" Limitations on Deductions. The amount of any loss of the Partnership that a Limited Partner is entitled to include in such person's income tax return is limited to its adjusted tax basis in such person's Interest as of the end of the Partnership's taxable year in which such loss occurred. Generally, a Limited Partner's adjusted tax basis for such person's Interest is equal to the amount paid for such Interest, increased by the sum of (i) such person's share of the Partnership's liabilities, as

⁵ However, Section 67(e) of the Code provides that, in the case of a trust or an estate, such limitation does not apply to deductions or costs which are paid or incurred in connection with the administration of the estate or trust and would not have been incurred if the property were not held in such trust or estate.

determined for U.S. federal income tax purposes, and (ii) such person's distributive share of the Partnership's realized income and gains, and decreased (but not below zero) by the sum of (i) distributions (including decreases in such person's share of Partnership liabilities) made by the Partnership to such Limited Partner and (ii) such Limited Partner's distributive share of the Partnership's realized losses and expenses.

Similarly, a Limited Partner that is subject to the "at risk" limitations (generally, non-corporate taxpayers and closely held corporations) may not deduct losses of the Partnership to the extent that they exceed the amount such Limited Partner has "at risk" with respect to such person's Interest at the end of the year. The amount that a Limited Partner has "at risk" will generally be the same as such person's adjusted basis as described above, except that it will generally not include any amount attributable to liabilities of the Partnership or any amount borrowed by the Limited Partner on a non-recourse basis.

Losses denied under the basis or "at risk" limitations are suspended and may be carried forward in subsequent taxable years, subject to these and other applicable limitations.

"Phantom Income" From Partnership Investments. Pursuant to various "anti-deferral" provisions of the Code (the "Subpart F" and "passive foreign investment company" provisions), investments (if any) by the Partnership in certain non-U.S. corporations may cause a Limited Partner to (i) recognize taxable income prior to the Partnership's receipt of distributable proceeds, (ii) pay an interest charge on receipts that are deemed as having been deferred or (iii) recognize ordinary income that, but for the "anti-deferral" provisions, would have been treated as long-term or short-term capital gain.

Non-U.S. Taxes

It is possible that certain dividends and interest received by the Partnership from sources outside the U.S. will be subject to withholding taxes imposed by the countries from which they are paid. In addition, the Partnership may also be subject to capital gains taxes in some of the countries where it purchases and sells securities. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. It is impossible to predict in advance the rate of non-U.S. tax the Partnership will pay since the amount of the Partnership's assets to be invested in various countries is not known.

The Limited Partners will be informed by the Partnership as to their proportionate share of the non-U.S. taxes paid by the Partnership, which they will be required to include in their income. The Limited Partners generally will be entitled to claim either a credit (subject, however, to various limitations on foreign tax credits) or, if they itemize their deductions, a deduction (subject to the limitations generally applicable to deductions) for their share of such non-U.S. taxes in computing their U.S. federal income taxes.

Tax Shelter Reporting Requirements

Under the Regulations, the activities of the Partnership may include one or more "reportable transactions," requiring the Partnership and, in certain circumstances, a Limited Partner to file information returns as described below. In addition, the General Partner and other material advisers to the Partnership may each be required to maintain for a specified period of time a list containing certain information regarding the "reportable transactions" and the Partnership's investors, and the Service could inspect such lists upon request.

A "reportable transaction" of a partnership includes, among others, a transaction that results in a loss claimed under Section 165 of the Code (computed without taking into account offsetting income or gain items, and without regard to limitations on its deductibility) generally of at least \$2 million in any one taxable year or an aggregate of at least \$4 million over a period of six taxable years (beginning with the taxable year in which the transaction is entered into), unless the transaction has been exempted from reporting by the Service. Subject to certain significant exemptions described below, a partner will be treated as participating in a partnership's "loss transaction," and thus be required to report the transaction, if (i) the partner's allocable

share of such a partnership's loss exceeds certain thresholds,⁶ or (ii) the partner is an individual or a trust which is allocated in any one taxable year a loss of at least \$50,000 from a Section 988 transaction (see "Currency Fluctuations – 'Section 988' Gains or Losses" above).

The Service has published guidance exempting many of the Partnership's proposed transactions from the reporting requirements, provided that the Partnership has a "qualifying basis" in the assets underlying the transaction. Assets with a "qualifying basis" include, among others, certain assets purchased by the Partnership for cash. However, even if the Partnership has a "qualifying basis" in the asset generating the loss, each of the following transactions is still subject to the reporting requirements unless it is marked to market under the Code (*e.g.*, a Section 1256 Contract): (i) a transaction involving an asset that is, or was, part of a straddle (other than a mixed straddle), (ii) a transaction involving certain "stripped" instruments, (iii) the disposition of an interest in a pass-through entity and (iv) certain non-U.S. currency transactions which generate an ordinary loss (see "Currency Fluctuations – 'Section 988' Gains or Losses" above).

The Regulations require the Partnership to complete and file Form 8886 ("Reportable Transaction Disclosure Statement") with its tax return for each taxable year in which the Partnership participates in a "reportable transaction." Additionally, each Partner treated as participating in a reportable transaction of the Partnership is required to file Form 8886 with such Partner's tax return. The Partnership and any such Partner, respectively, must also submit a copy of the completed form with the Service's Office of Tax Shelter Analysis. The General Partner intends to notify the Limited Partners in the event it believes (based on information available to the General Partner) they are required to report a transaction of the Partnership and intends to provide such Limited Partners with any available information needed to complete and submit Form 8886 with respect to the Partnership's transactions.

Under the above rules, a Partner's recognition of a loss upon its disposition of an interest in the Partnership could also constitute a "reportable transaction" for such Partner.

A significant penalty is imposed on taxpayers who participate in a "reportable transaction" and fail to make the required disclosure. The penalty is generally \$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). Prospective investors should consult with their own advisers concerning the application of these reporting obligations to their specific situations.

Tax-Exempt Investors. Generally, a tax-exempt organization governed by ERISA is exempt from U.S. federal income tax on its passive investment income, such as dividends, interest and capital gains, whether realized by the organization directly or indirectly through a partnership in which it is a partner. 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 an exempt organization. Generally, UBTI includes income or gain derived (either directly or through a partnership) from a trade or business the conduct of which is substantially unrelated to the exercise or performance of the organization's exempt purpose or function. UBTI also includes "unrelated debt-financed income," which generally consists of (i) income derived by an exempt organization (directly or through a partnership) from income-producing property with respect to which there is "acquisition indebtedness" at any time during the taxable year and (ii) gains derived by an exempt organization (directly or through a partnership) from the disposition of property with respect to which there is "acquisition indebtedness" at any time during the 12-month period ending with the date of such disposition. Based upon a published ruling issued by the Service which generally holds that income and gain with respect to short sales

⁶ For non-corporate partners, the thresholds are \$2 million in any one taxable year or an aggregate of \$4 million over the six-year period described above, and, for corporate partners, the thresholds are \$10 million in any one taxable year or \$20 million over the six-year period described above.

of publicly traded stock does not constitute income from debt-financed property for purposes of computing UBTI, the Partnership will treat any short sales of securities as not involving “acquisition indebtedness” and therefore the income or gains with respect thereto should not be subject to UBTI. Moreover, income realized from option writing and futures contract transactions generally would not constitute UBTI. However, income or gains derived by exempt organizations from property acquired by the Partnership using leverage would generally be subject to UBTI. The calculation of UBTI will depend upon the nature of the particular investments that the Partnership will make from time to time.

An exempt organization’s share of income or gains of the Partnership which is treated as UBTI may not be offset by losses of the exempt organization either from the Partnership or otherwise, unless such losses are treated as attributable to an unrelated trade or business (*e.g.*, losses from an investment with respect to which there is “acquisition indebtedness”). To the extent the Partnership generates UBTI, the applicable U.S. federal tax rate for tax-exempt Limited Partners generally would be either the corporate or trust tax rate, depending on the nature of the organization. An exempt organization may be required to report, to the satisfaction of the Service, the method used to calculate its UBTI. The Partnership will report to each Limited Partner which is an exempt organization information as to the portion, if any, of its income and gains from the Partnership for each year which will be treated as UBTI. The calculation of such amount with respect to transactions entered into by the Partnership is highly complex and there can be no assurance that the Partnership’s calculation of UBTI will be accepted by the Service.

Prospective investors should consult with their tax advisers regarding the tax consequences of receiving UBTI from the Partnership.

State and Local Taxation

In addition to the U.S. federal income tax consequences described above, prospective investors should consider potential state and local tax consequences of an investment in the Partnership. State and local laws often differ from U.S. federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. A Partner's distributive share of the taxable income or loss of the Partnership generally will be required to be included in determining its reportable income for state and local tax purposes in the jurisdiction in which it is a resident. A partnership in which the Partnership acquires an interest may conduct business in a jurisdiction which will subject to tax a Partner's share of the partnership's income from that business and may cause Partners to be required to file tax returns in those jurisdictions. Prospective investors should consult their tax advisers with respect to the availability of a credit for such tax in the jurisdiction in which that Partner is a resident.

THE DISCUSSION OF U.S. FEDERAL TAX ISSUES SET FORTH IN THIS MEMORANDUM WAS WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING BY THE GENERAL PARTNER OF THE INTERESTS. SUCH DISCUSSION IS NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVICE TO ANY PERSON AND IS NOT INTENDED OR WRITTEN TO BE USED, AND MAY NOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON. EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

INVESTMENTS BY EMPLOYEE BENEFIT PLANS

General. The following discussion sets forth certain consequences under ERISA and the Code which a fiduciary of an “employee benefit plan” as defined in, and subject to the fiduciary responsibility provisions of, ERISA or of a “plan” as defined in and subject to Section 4975 of the Code who has investment

discretion should consider before deciding to invest the plan's assets in the Partnership. (Such "employee benefit plans" and "plans" are referred to hereinafter as "*Plans*" and such fiduciaries with investment discretion are referred to hereinafter as "*Plan Fiduciaries*.".) Furthermore, all potential investors should read the following disclosure because it describes certain limitations on the operation of the Partnership that could result from Plans purchasing Interests. The following summary is not intended to be complete but is intended only to address certain questions under ERISA and the Code which are likely to be raised by the Plan Fiduciaries' and other prospective investors' own counsel. Also, this summary does not discuss state law or other legal requirements applicable to government or church plans that purchase Interests.

In general, the terms "employee benefit plan" as defined in ERISA and "plan" as defined in Section 4975 of the Code together refer to any plan or account of various types which provides retirement benefits or welfare benefits to an individual or to an employer's employees and their beneficiaries. Such plans and accounts include, but are not limited to, corporate pension and profit sharing plans, "simplified employee pension plans," Keogh plans for self-employed individuals (including partners), individual retirement accounts described in Section 408 of the Code and medical benefit plans.

Each Plan Fiduciary must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Partnership, including the role an investment in the Partnership would play in the Plan's investment portfolio. Each Plan Fiduciary, before deciding to invest in the Partnership, must be satisfied that investment in the Partnership is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Partnership, would be diversified so as to minimize the risks of large losses and that an investment in the Partnership would comply with the documents of the Plan and any related trust.

EACH PLAN FIDUCIARY CONSIDERING THE PURCHASE OF INTERESTS MUST CONSULT ITS OWN LEGAL AND TAX ADVISERS BEFORE MAKING THE INVESTMENT.

Ineligible Purchasers. In general, Interests may not be purchased with the assets of a Plan if the General Partner or any of its affiliates or employees either (i) has investment discretion with respect to the investment of such Plan's assets; (ii) has authority or responsibility to give or regularly gives investment advice with respect to such Plan's assets for a fee and pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions with respect to such Plan's assets and that such advice will be based on the particular investment needs of the Plan; or (iii) is an employer maintaining or contributing to such Plan. A party that is described in clause (i) or (ii) above is a fiduciary under ERISA and the Code with respect to the Plan and any such purchase might result in a "prohibited transaction" under ERISA or the Code.

Plan Assets. The purchase of Interests by a Plan raises the issue of whether that purchase will cause, for purposes of Title I of ERISA and Section 4975 of the Code, the underlying assets of the Partnership to be assets of such Plan. ERISA and a regulation issued thereunder contain rules for determining when an investment by a Plan in a limited partnership will result in the underlying assets of the partnership becoming assets of the Plan for purposes of ERISA and Section 4975 of the Code (*i.e.*, "*plan assets*"). These rules provide that assets of a limited partnership will not be plan assets of a Plan which purchases an interest therein if the investment by all "benefit plan investors" is not "significant" or certain other exceptions apply. The term "benefit plan investors" includes all Plans and all entities that hold plan assets due to investments made in such entities by other benefit plan investors (each, a "*Plan Assets Entity*"). ERISA provides that a Plan Assets Entity is considered to hold plan assets only to the extent of the percentage of the Plan Asset's Entity's interests held by benefit plan investors. In addition, all or a portion of an investment made by an insurance company using assets from its general account may be treated as an investment by a benefit plan investor. Investments by benefit plan investors will be deemed not significant if benefit plan investors own, in the aggregate, less than 25% of the value of each class of equity interests of the partnership (determined without the inclusion of the investments of persons with discretionary authority or control over the assets of such partnership, of any person who provides investment advice for a fee (direct or indirect) with respect to such

assets and “affiliates” (as defined in regulations issued under ERISA) of such persons); provided, however, that under no circumstances are investments by benefit plan investors excluded from such calculation.

A Plan Fiduciary considering the purchase or holding of Interests on behalf of a Plan and all other persons considering the purchase or holding of Interests should be aware that at such time, if any, as benefit plan investors own 25% or more of the total value of any class of equity interests of the Partnership, the underlying assets of the Partnership will be considered for purposes of ERISA and Section 4975 of the Code to be plan assets. During the time that Partnership assets are deemed to be plan assets, the fiduciary standards of Title I of ERISA, which generally apply to fiduciaries of employee benefit plans, will also extend to the General Partner and may limit the transactions into which the Partnership may enter. In addition, treatment of Partnership assets as plan assets might give rise to “prohibited transactions” under ERISA and the Code.

The 25% test must be applied (i) after any acquisition of Interests; (ii) whenever there is a subsequent offering of Interests; and (iii) whenever a Limited Partner, other than a Plan investor, redeems Interests, the result of any of which could be that the value of any class of equity interests in the Partnership held by Plan investors would equal or exceed the 25% limit. The Partnership Agreement provides that the General Partner may redeem Interests held by investors without their consent for any reason. The General Partner has determined not to permit investments by Plan investors at or in excess of 25% at the current time; accordingly, the General Partner may redeem Interests held, and refuse to accept (in whole or in part) subscriptions made, by Plan investors in order to meet the 25% test.

In the event the General Partner determines in the future not to restrict the aggregate ownership of Interests by Plan investors to less than 25% of each class of equity interests of the Partnership (the Interests represent a single class of such equity interests), the underlying assets of the Partnership will be considered plan assets. The following is a discussion of the relevant provisions of Title I of ERISA and Section 4975 of the Code that would apply in such event.

Fiduciary Duties. If the underlying assets of the Fund are plan assets, the General Partner will be a fiduciary under ERISA with respect to Plan investors and its duties and liabilities will be subject to the provisions of ERISA. Generally, the fiduciary provisions of ERISA require fiduciaries to act for the exclusive benefit of participants and beneficiaries of the Plan, to employ the care, skill, prudence and diligence that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, to diversify investments so as to minimize the risks of large losses and to comply with the documents of the Plan and any related trust.

Because the General Partner is registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “*Advisers Act*”), it will qualify as a “qualified plan asset manager” of Plan investors. As a result, during any time that the underlying assets of the Partnership are plan assets, Plan Fiduciaries will be liable only with respect to the decision to appoint and retain the General Partner as a fiduciary with authority to manage the assets of the Partnership and not for the acts or omissions of the General Partner in managing the Partnership’s investment activities. However, if the underlying assets of the Partnership are plan assets Plan Fiduciaries will be liable for a breach of fiduciary duties of the General Partner if they knowingly participate in or conceal a fiduciary breach by the General Partner, enable the General Partner to commit a breach by breaching their own fiduciary duty or fail to make reasonable efforts to remedy such a breach.

Prohibited Transactions. If the underlying assets of the Partnership are plan assets, the General Partner, unless covered by an exemption, will be prohibited from entering into any transaction with or on behalf of the Partnership prohibited by Section 406(a) of ERISA or the relevant provisions of Section 4975 of the Code and will also be prohibited by Section 406(b) of ERISA and relevant provisions of Section 4975 of the Code from receiving consideration for its personal account in connection with a transaction involving the assets of the Partnership, from acting in any transaction on behalf of a party whose interests are adverse to the interests of the Partnership or from dealing with the assets of the Partnership in its own interest or for its own account.

During the time that the underlying assets of the Partnership are plan assets, the payment to the General Partner of the Management Fee and the allocation to the General Partner of the Incentive Allocation are not prohibited transactions as long the requirements for the exemption set forth in Section 408(b)(2) of ERISA and the relevant provisions of Section 4975 of the Code permitting payment for necessary services are met. These requirements are that the services are appropriate and helpful to the Plan in carrying out the purposes for which the Plan is maintained and that the arrangements with the Partnership for the provision of such services and the charges paid by the Fund are reasonable. The Plan Fiduciary must determine whether these requirements are satisfied with respect to the payment of the Management Fee and the allocation of the Incentive Allocation.

The Department of Labor (the “DOL”) has indicated that in certain circumstances the payment of a performance fee such as the Profit Allocation based on the increase in value of an account held by an employee benefit plan can constitute a prohibited transaction under ERISA. The DOL has issued opinion letters with respect to performance fees paid in connection with securities or commodity and futures contract transactions to investment advisers registered under the U.S. Investment Advisers Act of 1940, as amended, where it stated that, under those specific circumstances, the payment of a performance fee would not violate the prohibited transactions rules. The General Partner believes that the circumstances on which the DOL’s conclusions were based in such opinion letters are sufficiently similar to the circumstances of the payment of the Incentive Allocation that it is reasonable to take the position that the Incentive Allocation will not constitute a prohibited transaction. This position has not been confirmed by, and is not binding upon, the DOL. Moreover, it is possible that the DOL, if it were to opine upon a performance fee that is substantially identical to the Incentive Allocation, may disagree with this position. Therefore, Plan Fiduciaries should consult with their own counsel on this matter.

The consequences of a prohibited transaction, in the absence of an exemption, can include the imposition of excise taxes on the “party in interest” or “disqualified person” (i.e., persons affiliated with the Plan with whom the transactions are entered into, as provided in ERISA and Section 4975 of the Code, respectively), the persons involved in the transaction having to rescind the transaction and pay an amount to the Plan for any losses realized by the Plan or profits realized by such persons, disqualification of any individual retirement account involved in the transaction with adverse tax consequences to the owner of such account and other liabilities that can have a significant adverse effect on such persons. As a result, concerns over prohibited transactions may restrict the types of investments the Partnership makes or have other adverse effects on the operation of the Fund.

Certain investments permitted by the Partnership Agreement could constitute prohibited transactions. For example, investing in forward contracts or in options that are not traded on an exchange could give rise to a prohibited transaction. The General Partner is aware of certain prohibited transaction exemptions that may be available with respect to such investments and will comply with the requirements thereof where possible. If the requirements of any potentially applicable prohibited transaction exemption cannot be satisfied by the Partnership, the General Partner will take steps to ensure that no parties in interest or disqualified persons are involved in the investments or will refrain from making any such investments on behalf of the Partnership.

Reporting and Disclosure. During any time that the assets of the Partnership are deemed to be plan assets, each share of the fair market value of the assets held by the Partnership attributable to each Plan subject to ERISA will need to be reflected on such Plan’s annual return or report. Upon the reasonable request of such a Plan, the Partnership will provide such information regarding assets held by the Partnership as may be reasonably necessary to enable the Plan to complete its annual return or report.

Disclosures in addition to those contained in this Confidential Memorandum may be required regarding persons providing services to the Partnership with respect to its assets because such persons are parties in interest to Plans that are Limited Partners. Plans that are Limited Partners may have dealings directly with such parties in interest outside the Partnership and, therefore, such Plans may need to be informed of the identity of any such service providers so that such Plans can avoid engaging in prohibited transactions with

such service providers. Accordingly, upon a Plan Limited Partner's reasonable request, the General Partner will, if the Partnership's assets are plan assets, attempt to notify such Plan of the identity of any such service providers.

Other Requirements. ERISA imposes a bonding requirement on the General Partner if the underlying assets of the Partnership are plan assets of Plans subject to ERISA. This requirement may be fulfilled by adding an agent's rider to the bond otherwise covering any such Plan's other assets.

ERISA also imposes a requirement that all assets of a Plan be held in trust. This requirement will be fulfilled by the Plan's trustee holding the Interests in trust. ERISA does not require that the assets of the Partnership be held in trust.

Except as otherwise set forth therein, the foregoing statements regarding the consequences under ERISA and the Code of an investment in the Partnership are based upon the provisions of ERISA and the Code as currently in effect and the existing administrative and judicial interpretations thereunder. No assurance can be given that administrative, judicial or legislative changes will not occur that would make the foregoing statements incorrect or incomplete.

A PLAN FIDUCIARY MUST CONSULT ITS OWN BENEFIT PLAN ADVISERS BEFORE INVESTING IN THE PARTNERSHIP AND FULLY INFORM ITSELF AS TO ALL PAYMENTS MADE IN CONNECTION WITH THE OPERATION OF THE PARTNERSHIP. THE PLAN FIDUCIARY BY INVESTING THE PLAN'S ASSETS IN THE PARTNERSHIP SIGNIFIES SUCH PERSON'S INFORMED CONSENT TO ALL SUCH PAYMENTS TO THE RECIPIENTS THEREOF AND TO THE RISKS INVOLVED IN INVESTING IN THE PARTNERSHIP.

ACCEPTANCE OF SUBSCRIPTIONS ON BEHALF OF PLANS IS IN NO RESPECT A REPRESENTATION BY THE GENERAL PARTNER OR ANY OTHER PARTY RELATED TO THE PARTNERSHIP THAT THIS INVESTMENT MEETS THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY ANY PARTICULAR PLAN OR THAT THIS INVESTMENT IS APPROPRIATE FOR ANY PARTICULAR PLAN. THE PERSON WITH INVESTMENT DISCRETION ON BEHALF OF SUCH PLAN SHOULD CONSULT WITH SUCH PERSON'S LEGAL COUNSEL AND FINANCIAL ADVISERS AS TO THE PROPRIETY OF AN INVESTMENT IN THE PARTNERSHIP IN LIGHT OF THE CIRCUMSTANCES OF THE PARTICULAR PLAN.

LIMITATIONS ON TRANSFERABILITY; SUITABILITY REQUIREMENTS

Each purchaser of an Interest must bear the economic risk of its investment for an indefinite period of time (subject to a limited right to withdraw capital from the Partnership) because the Interests have not been registered under the Securities Act of 1933, as amended (the "*1933 Act*"), and, therefore, cannot be sold unless they are subsequently registered under the 1933 Act or an exemption from such registration is available. It is not contemplated that any such registration will ever be effected or that certain exemptions provided by rules promulgated under the 1933 Act (such as Rule 144) will ever be available. The Partnership Agreement provides that a Limited Partner may not pledge, transfer or assign its Interest (except by operation of law), nor substitute another person as a Limited Partner, without the prior consent of the General Partner, which consent may be withheld for any reason.

Each purchaser of an Interest is required to represent that the Interest is being acquired for its own account, for investment and not with a view to resale or distribution. The Interests are suitable investments only for sophisticated investors for whom an investment in the Partnership does not constitute a complete investment program and who fully understand, are willing to assume and who have the financial resources necessary to withstand, the risks involved in the Partnership's specialized investment program and to bear the potential loss of their entire investment in the Interests.

Interests may be purchased only by investors who qualify as “accredited investors” as defined in Regulation 501(a) of Regulation D under the 1933 Act and as “qualified clients” as defined in Rule 205-3(d) under the Advisers Act. Other than certain employees of the General Partner, each individual beneficial owner of a limited partnership interest in the Partnership (and all of the individual beneficial owners of certain investors organized as entities) must (i) have a net worth (together with assets held jointly with a spouse) in excess of \$1,000,000 *or* have had individual income in excess of \$200,000 in each of the last two calendar years, or joint income with that person’s spouse in excess of \$300,000 in each of those years, and have a reasonable expectation of reaching the same income level in this calendar year, *and* (ii) (A) have \$750,000 under management with the General Partner or (B) have net worth (together with assets held jointly with a spouse) in excess of \$1,500,000. Except as otherwise consented to by the General Partner, investors must meet all of the eligibility criteria set forth above and in the Partnership’s subscription documents.

The Partnership does not intend to register as an investment company under the Investment Company Act in reliance upon the exception from the definition of an “investment company” provided by Section 3(c)(1) under the Investment Company Act for entities whose outstanding securities are beneficially owned by not more than 100 persons and which do not publicly offer their securities. The admission of Limited Partners will be monitored to ensure that there are not more than 100 beneficial owners of Interests. In computing the number of beneficial owners of Interests for this purpose, the Partnership may be required under certain circumstances to count each beneficial owner of any Partner that is a corporation, partnership, trust or association if such Partner acquires a beneficial interest in the Partnership that results in such Partner beneficially owning 10 percent or more of the then aggregate amount of the Limited Partners’ capital account balances in the Partnership, or in certain other circumstances.

Each prospective purchaser is urged to consult with its own advisers to determine the suitability of an investment in the Interests and the relationship of such an investment to the purchaser's overall investment program and such person’s financial and tax position. Each purchaser of an Interest is required to represent that, after all necessary advice and analysis, its investment in an Interest is suitable and appropriate in light of the foregoing considerations. Prior to any subscription for Interests, each prospective purchaser must represent in writing, by completing and signing the subscription documents, that it meets the suitability standards described in this Confidential Memorandum. The General Partner has the right to reject a subscription for any reason or for no reason.

Anti-Money Laundering Regulations

As part of the Partnership's and the Administrator’s responsibilities for the prevention of money laundering, the General Partner, the Administrator and their respective affiliates, subsidiaries or associates may require a detailed verification of a Limited Partner's identity or the identity of any beneficial owner of the Limited Partner’s Interest and the source of the payment for such Interest.

The General Partner and the Administrator reserve the right to request such information as is necessary to verify the identity of a Limited Partner and the underlying beneficial owner of a subscriber's or a Limited Partner's Interest. In the event of delay or failure by the subscriber or Limited Partner to produce any information required for verification purposes, the General Partner or the Administrator may refuse to accept a subscription or may cause the withdrawal of any such Limited Partner from the Partnership. The General Partner or the Administrator, by written notice to any Limited Partner, may suspend the withdrawal rights of such Limited Partner if the General Partner reasonably deems it necessary to do so to comply with anti-money

laundrying regulations applicable to the Partnership, the General Partner or any of the Partnership's other service providers, including the Administrator.

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

LEGAL COUNSEL

Mark R. Diamond, Esq., Oakland, California, acts as legal counsel to the Partnership in connection with this offering of Interests. Mr. Diamond also acts as counsel to the General Partner and its affiliates. In connection with this offering of Interests and subsequent advice to the Partnership, the General Partner and its affiliates, Mr. Diamond will not be representing the Limited Partners. No independent legal counsel has been engaged to represent the Limited Partners.

FINANCIAL REPORTS AND AUDITOR

The Partnership's independent auditors, BDO Seidman, Austin, Texas, will audit the Partnership's books and records as of the end of each fiscal year. Within 120 days after each fiscal year end, the Partnership will send to the Partners a copy of such report. Limited Partners will also receive unaudited performance information concerning the Partnership no less frequently than quarterly.

SUBSCRIPTION FOR INTERESTS

Persons interested in subscribing for Interests will be furnished, and will be required to complete and return to the General Partner, subscription documents and certain other documents.

ADDITIONAL INFORMATION

This Confidential Memorandum sets forth the investment objective and method of operation of the Partnership, the principal terms of the Partnership Agreement and certain other pertinent information. However, this Confidential Memorandum does not set forth all the provisions of the Partnership Agreement that may be significant to a particular prospective investor. This Confidential Memorandum is subject to and qualified in its entirety by reference to the Partnership Agreement, the Subscription Application and the other documents described herein. Each prospective investor should examine this Confidential Memorandum, the Partnership Agreement and the Subscription Application in order to assure itself that the terms of the Partnership Agreement and the Partnership's investment objective and method of operation are satisfactory to such prospective investor.

Representatives of the General Partner are available for discussion of the terms and conditions of this offering and will provide any additional information, to the extent the General Partner possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the information contained in this Confidential Memorandum.

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