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This brochure provides information about the qualifications and business practices of T. A. McKay & Co., Inc. If you have any questions about the contents of this brochure, please contact us at 212-315-1875. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about T. A. McKay & Co., Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

The registration of T. A. McKay & Co., Inc. as an investment adviser does not imply a certain level of skill or training.

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ADVISORY BUSINESS

T.A. McKay & Co., Inc. manages two investment funds focused exclusively on distressed credit obligations. Simplon Partners LP is for US residents and Simplon International Limited is for offshore residents. The funds, which currently have \$269 million of assets under management, have been in existence for twenty years and concentrate on situations with market capitalizations of under \$500 million where pricing inefficiencies are most likely to occur. Generally the strategy is to acquire bonds, bank debt or trade claims at a discount to face value and hold them until a Chapter 11 plan of reorganization (or other financial restructuring) can be completed to deleverage the balance sheet of an otherwise healthy business. This process often takes over a year, so that realized gains are generally long-term, providing favorable tax treatment for domestic investors. The focus is on the most senior claims in a company's capital structure to limit downside risk and the funds never use margin loans or other leverage. The funds do not seek control positions in any of their investments but, when needed, the principals may serve on creditors' committees or corporate boards.

T.A. McKay & Co., Inc. has been in business for more than 20 years. Thomas A. McKay is the principal owner.

FEES AND COMPENSATION

Simplon Partners, L.P. - The fund is a Delaware limited partnership with approximately \$74 million assets under management and is open to U.S. residents who qualify as accredited investors. Its terms are as follows:

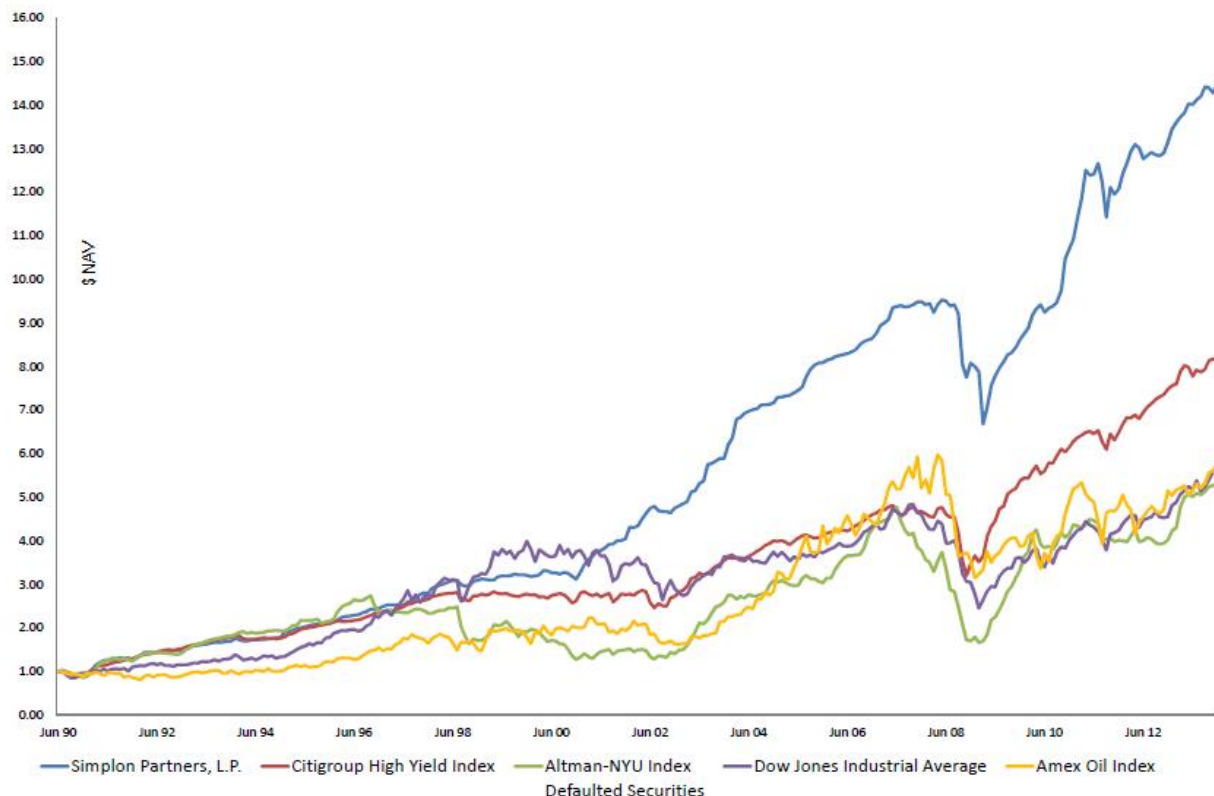
- Subscriptions: Monthly
- Redemptions: Annually at yearend on 60 days' notice
- Management fee: 1%
- Incentive fee: 20% above an annual 5% hurdle rate
- High water mark
- Minimum: \$1,000,000
- See following pages of Summary of Simplon Partners. L. P. for more detail

Simplon International Limited - The fund is a Cayman Islands corporation with approximately \$195 million assets under management and is open to offshore investors. Its terms are as follows:

- Subscriptions: Monthly
- Redemptions: Semi-annually on 60 days' notice
- Management fee: 1%
- Incentive fee: 20% above an annual 5% hurdle rate
- Administrative fee: 0.1%
- High water mark

- Minimum: \$1,000,000
- See following pages of Summary of Simplon International Limited for more detail

PERFORMANCE SUMMARY AS OF DECEMBER 2013



The holdings of Simplon International Limited and Simplon L.P. are substantially identical. With minute variation, their monthly returns have been the same.

| | | |
|---------------|---------------------------------|-----------------------|
| Total Assets: | *Simplon Partners, L.P. | \$ 74 million |
| | **Simplon International Limited | <u>\$ 195 million</u> |
| | Total | \$ 269 million |

Investors for Simplon Partners, L. P. should review *Summary of Simplon Partners, L. P.

The private placement memorandum of Simplon Partners, L. P. is available to accredited investors upon request.

THE SECURITIES OF SIMPLON PARTNERS, L. P. HAVE NOT BEEN REGISTERED UNDER ANY FEDERAL OR STATE SECURITIES LAWS IN RELIANCE UPON EXEMPTIONS THEREUNDER AND HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCIES, NOR HAS THE COMMISSION OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

****Investors for Simplon International Limited should review *Summary of Simplon International Limited***

The offering memorandum of Simplon International Limited is available to accredited investors upon request.

NONE OF THE SHARES OF SIMPLON INTERNATIONAL LIMITED HAS BEEN OR WILL BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND, EXCEPT AS DESCRIBED BELOW, NONE OF THE SHARES MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS OR ANY AREA SUBJECT TO ITS JURISDICTION, INCLUDING THE COMMONWEALTH OF PUERTO RICO, OR TO ANY CITIZEN OR RESIDENT THEREOF (INCLUDING ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY CREATED OR ORGANISED IN OR UNDER THE LAWS OF THE UNITED STATES OR ANY POLITICAL SUBDIVISION THEREOF) OR ANY ESTATE OR TRUST THAT IS SUBJECT TO UNITED STATES FEDERAL INCOME TAXATION REGARDLESS OF THE SOURCE OF ITS INCOME. IN ADDITION, THE COMPANY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

SUMMARY OF SIMPLON PARTNERS, L. P.

The following is a brief description of the Limited Partnership Agreement and a summary of the principal terms of the Offering, and is intended as a preface to a prospective investor's careful reading and examination of the entire Memorandum and the Limited Partnership agreement. This summary is qualified in its entirety by the more detailed information contained elsewhere in this Memorandum and in the Limited Partnership Agreement.

THE PARTNERSHIP

Simplon Partners, L.P. (the "Partnership") was organized as Erie Partners, L.P. as a Delaware limited partnership and was subsequently renamed after an offshore fund under common management. T.A. McKay & Co., Inc., a New York corporation wholly-owned by Thomas A. McKay, is the General Partner of the Partnership and has contributed an amount equal to at least one percent of the Partnership's aggregate subscribed capital for its interest. Investors whose subscriptions for limited partnership interests are accepted by the General Partner will be admitted to the Partnership as limited partners (the "Limited Partners").

INVESTMENT OBJECTIVE

The Partnership's investment objective is to obtain total return through capital appreciation from passive investments in the private and public obligations of financially troubled companies. The companies whose obligations are purchased by the partnership generally are in bankruptcy or are involved in an extraordinary transaction such as a rights offering, liquidation outside of bankruptcy, reorganization under applicable insolvency laws, recapitalization or other financial restructuring. The Partnership does not invest for the purpose of seeking control or participating in the management of any company, although it may, in appropriate circumstances, seek representation on creditors' committees. The Partnership is also authorized to invest in U.S. Government securities, money market funds, commercial paper, certificates of deposit and banker's acceptances.

The Partnership seeks profit opportunities arising from the lack of a market or inefficiencies in the market for such obligations which result from, among other factors, the considerable analysis required to evaluate such obligations, the difficulty of applying conventional financial valuation

parameters thereto and the lack of or limited institutional research coverage of, and market making activities with respect to, many bankrupt companies. As a result of such factors, a differential or “spread” may exist between (i) the values of such obligations under a liquidation or reorganization of the debtor and (ii) their current market price. All of such obligations are highly illiquid.

TERM

Investors may withdraw their subscriptions once a year at the end of the year on sixty days’ written notice. Distributions of amounts withdrawn will be made no later than 30 days after completion of the year’s audited financial statements.

TERMS OF THE OFFERING

The General Partner has the right to accept additional subscriptions and to admit additional Limited Partners to the Partnership, at closings to be held, as needed, on or about the last business day of each calendar quarter. The minimum subscription from each prospective investor is \$1,000,000, although exceptions may be made by the General Partner in its sole discretion. Payment of the full amount of an investor’s aggregate subscription shall be made in cash at the closing at which such investor’s subscription is accepted.

ALLOCATIONS OF GAINS

As a general matter, Net Income, Net Loss, Profits and Losses and losses of the Partnership (as defined in the Agreement of Limited Partnership of the Partnership (the “Partnership agreement”)) are allocated 80% to the Limited Partners as a group and 20% to the General Partner. Allocations among the Limited Partners as a group will be shared in proportion to their Adjusted Capital Amounts (as defined in the Partnership Agreement).

DISTRIBUTIONS

Unless Limited Partners opt to request withdrawals, there will be no cash distributions from the Partnership, except that the General Partner shall have the option to pay out the profit on any realized gains in order to fund the partners’ related tax liabilities.

CONFLICTS OF INTEREST

T.A. McKay & Co., Inc. and Mr. McKay do not invest personally in any obligations or securities eligible to be a part of the Partnership’s investment portfolio. T.A. McKay & Co., Inc. may manage other funds with investment objectives and strategies similar to the Partnership’s. On July 16, 2001, T.A. McKay & Co., Inc. was retained as

investment manager for Simplon International Limited, a Cayman Islands company organized to permit offshore investors to participate in an investment program which has the same strategy and investment objectives as the Partnership. T.A. McKay & Co., Inc. manages the Partnership and Simplon International Limited with the objective of co-investing in as many investments as is practicable. T.A. McKay & Co., Inc.'s overriding management principle is to assure that the same proportionate amount of the total investment funds of the Partnership, Simplon International Limited and any other similar funds is invested from time to time.

DIVERSIFICATION

The Partnership will not acquire investments that result in the Partnership having, at the time of acquisition, more than 20% of its capital invested in the obligations or securities of any one issuer or debtor (other than U.S. Government securities, money market funds, commercial paper, certificates of deposit and banker's acceptances), or more than 40% of the Partnership's capital invested in the obligations or securities of issuers in a particular industry.

OPERATING EXPENSES

Day-to-day operating expenses of the Partnership are born by the General Partner and are paid out of the management draw described below. In addition, legal expenses for advice on matters relating to the bankruptcy code in general or certain cases in particular are paid for by the General Partner. The Partnership bears all other expenses associated with the organization and operation of the partnership including all organizational, offering, and external legal, accounting, audit, and tax preparation expenses. The Partnership reimburses the General Partner for any expenses incurred on behalf of the Partnership by it, except as otherwise stated above.

MANAGEMENT FEE

As of January 1, 2009, a management fee will be charged equal to an annual rate of one percent (1%) of the Partnership's investment positions as of the end of each calendar quarter of the current fiscal year.

PERFORMANCE FEE

The General Partner's shares of profits will be paid by way of a performance fee equal to an annual rate of twenty percent (20%) of the profits above a five percent (5%) hurdle rate.

BORROWINGS

The Partnership does not use borrowed funds in connection with any investments.

SUITABILITY

Investors in the Partnership must be “accredited investors” and must meet other suitability requirements. The General Partner, in its sole discretion, may decline to admit any investor for any reason.

**LIMITED PARTNER
REPORTS**

Limited Partners receive monthly reports from the Partnership regarding the Partnership’s assets and an annual report containing audited financial statements of the Partnership. In addition, the Partnership furnishes Limited Partners with annual tax information for the preparation of their respective tax returns.

TAX MATTERS

No ruling has been requested from the Internal Revenue Service or from any state or local tax authority, and no opinion of counsel has been requested, with respect to the classification of the Partnership for income tax purposes or any other tax matter affecting the Partnership.

CODE OF BUSINESS CONDUCT AND ETHICS

T.A. McKay & Co., Inc. maintains a Code of Business Conduct and Ethics that each employee must acknowledge in writing annually having received and read. It contains provisions requiring all personnel to take responsibility for ensuring that the firm conducts its business with the highest level of ethical standards and in keeping with its fiduciary duties. It contains provisions requiring all personnel to comply with all laws applicable to the firm’s business including U.S. securities laws; to avoid conflicts of interests and even the appearance of conflicts of interests and when in doubt to seek advice of the Chief Compliance Officer; to avoid misuse or abuse of confidential or material non-public information; to refrain from trading in securities which are or might be purchased or sold by or for the funds managed by the firm; to report any violations of the Code to the Chief Compliance Officer; and to report to the Chief Compliance officer in detail and on a regular basis all their securities holdings and trades.

The firm will furnish upon request a copy of its Code of Business Conduct and Ethics to any investor or prospective investor in any fund managed by the firm.

RISK FACTORS

High Risk Investments. The Partnership invests in business enterprises that are financially troubled, in most cases having filed for protection from their creditors. It is likely that each investment will take a considerable amount of time to mature and it is possible that final settlement may result in a loss of capital, perhaps to the full extent of the Partnership's investments. Moreover, certain of the Partnership's investments may involve legal risks such as a claim that the obligations acquired by the Partnership may have been originally issued in a "fraudulent conveyance". The Partnership's investments may also be adversely affected by claims that the issuer may have against the original holder of such loans, claims or securities. While the Partnership will attempt to obtain certain representations, warranties and indemnification rights from its transferor, there can be no assurance that such protections will be adequate to prevent significant losses to the Partnership arising out of claims asserted against such transferor.

Lack of Liquidity. The Partnership will invest in unregistered obligations and securities for which there may be a limited, or no, market, and which have restricted transferability under federal or state securities laws. These investments may require a substantial period of time before they become liquid or may never become liquid. The Partnership may only be able to dispose of these investments, if at all, on short notice at a substantial discount or loss.

Dependence on Mr. McKay. Investors are prohibited from taking an active role in the management of the Partnership. All decisions with respect to the management and conduct of the business for the Partnership will be made by Mr. McKay, within his capacity as the President of T.A. McKay & Co., Inc, the General Partner. The Limited Partners must be willing to rely on his abilities.

Competition. There are a number of investment professionals, brokers and fund managers with investment objectives and strategies similar to the Partnership's. There can be no assurance that a sufficient number of attractive investment opportunities will be available to invest the Partnership's capital.

No Market for Partnership Interests; Nontransferability. It is not likely that a market will develop for interests in the Partnership. Thus, an investor must expect its investment to be illiquid and plan to hold the investment until the liquidation and dissolution of the Partnership. Interests in the Partnership generally cannot be transferred without the consent of the General Partner.

Mandatory Repurchase in Certain Instances. Under certain circumstances which could otherwise result in the Partnership becoming an investment company subject to the registration under the Investment Company Act of 1940, the Partnership must repurchase and a

Limited Partner must sell to the Partnership their portion of such Limited Partner's Interests which exceeds 9.9% of the Interests of all of the Partners.

Valuation of Partnership Assets. The General Partner will value the Partnership's investments at the latest transaction price, or if there has not been a recent transaction, midway between the bid and asked prices or, if there are no bid and asked prices, in the good faith judgment of the General Partner. The General Partner is not required to have such valuations independently determined.

Limited Partners Subject to Particular Restrictions. Certain prospective Limited Partners may be subject to 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. While the Partnership believes its investment program is generally appropriate for tax-exempt organizations for which an investment in the Partnership would otherwise be suitable, each type of tax-exempt organization may be subject to different laws, rules and regulations, and prospective Limited Partners should consult with their own advisers as to the advisability and tax consequences of an investment in the Partnership. In particular, tax-exempt organizations should consider the applicability to them of the provisions relating to "unrelated business taxable income".

Tax Status of the Partnership. The favorable tax treatment which a Limited Partner normally would receive from an investment in the Partnership would be lost if the Partnership were not classified as a partnership for federal income tax purposes. The General Partner has not requested and will not receive a ruling from the Internal Revenue Service or an opinion of counsel with regard to the classification of the Partnership for federal income tax purposes.

If the Partnership were treated as an association taxable as a corporation (rather than as a partnership), the Partnership would be taxed at corporate rates on all income received, and any distributions to the partners would be treated as dividends to the extent of current and accumulated earnings and profits of Partnership. In addition, no tax benefits (if any) would flow through to the partners directly.

THE PARTNERSHIP

The Partnership was formed on June 29, 1990 as a Delaware limited partnership to acquire obligations and securities of financially troubled companies. The Partnership acquires such investments primarily in companies which are subject to reporting obligations under the Securities Exchange Act of 1934, as amended. It generally does not seek control or otherwise participate in the management of such companies. In appropriate circumstances, the Partnership may seek representation on creditors committees. T.A. McKay & Co., Inc, a New York corporation of which Mr. Thomas A. McKay is the sole stockholder, is the General Partner. Mr. McKay makes management decisions in his capacity as the president of T.A. McKay & Co., Inc.

Bankruptcy Opportunities

Bankruptcy investing is a form of value investing where creditor claims against a corporation involved in bankruptcy or similar proceedings are purchased at a discount to the asset value of the debtor's estate, which is later distributed to creditors in the form of cash, newly-issued debt and/or equity securities as set forth in the court-approved reorganization plan. T.A. McKay & Co., Inc. believes that, in appropriate situations, the spread between the price paid to acquire such claims and the value of the reorganization distributions ultimately made to creditors may provide an above-average rate of return when the length of the holding period of such investments is taken into consideration.

The general lack of understanding of the bankruptcy reorganization process, together with existing creditors' cash needs, have created the opportunity to purchase credit obligations of financially troubled companies at substantial discounts. T.A. McKay & Co., Inc. believes that such obligations can be attractive investments generating above-average rates of return if the investor can wait for approximately one to three years to be paid, can accept the fact that no interim returns on funds invested will be paid and can sort through the relevant legal documents to understand the risks inherent in each investment.

Strategy

The Partnership maintains a portfolio consisting of registered bonds and private claims, such as trade claims, bank loans and other private obligations. The Partnership does not invest for the purposes of seeking control or participating in the management of any company, although it may, in appropriate circumstances, seek representation on creditors' committees.

The Partnership may acquire loans from banks, insurance companies or other financial institutions or claims held by trade or other creditors. Such loans generally sell at a discount to the publicly-trade securities of the same obligor. Because such investments are not registered and no public market from them exists, they are typically illiquid.

The Partnership seeks profit opportunities arising from the lack of a market, or inefficiencies in the market, for such obligations which results from, among other factors, the considerable analysis required to evaluate such obligations, the difficulty of applying conventional financial valuation parameters thereto and the lack of or limited institutional research coverage of, and market making activities with respect to, many bankrupt companies. As a result of such factors, a differential may exist between the values of such obligations under a liquidation or reorganization analysis of the debtor and their current market prices.

Unlike other funds which have been organized to obtain, through their investments, control of a single bankrupt company, the Partnership maintains a diversified portfolio. The Partnership does not make investments that will result in the Partnership having, at the time of acquisition, more than 20% of the Partnership's capital invested in obligations of any one

issuer or debtor (other than U.S. Government securities, money market funds, commercial paper, certificates of deposit and bankers acceptances), or more than 40% of the Partnership's capital invested in obligations of issuers in a particular industry.

Selection and Valuation of Investments

The General Partner identifies for investment by the Partnership obligations with respect to which a reasonable estimate of value and the timing of payment to the holders of such obligations can be made, where the price to be paid by the Partnership to purchase the obligations is substantially less than the value expected at the time payment will be received.

Opportunities are identified by reviewing articles in the financial press concerning financially troubled companies, as the bankruptcies of public companies have been covered well by the media. T.A. McKay & Co., Inc. also utilizes its contacts with financial institutions, accountants, attorneys, and brokers who may suggest potential investment opportunities. In addition, T.A. McKay & Co., Inc. uses information filed as a part of the bankruptcy proceedings to identify investment opportunities.

T.A. McKay & Co., Inc. employs a valuation technique based upon discounted cash flow analysis combined with risk assessment. The liabilities of the troubled company are scheduled on an absolute priority basis. An assessment is made of the cash flow available and a value is determined for the business. The foregoing factors then are weighed to estimate what distributions are likely to be made to each class of creditors, as well as the length of time required to reach an agreement given the dynamics of the reorganization process. Finally, the present value of each class of creditor claims is calculated.

The foregoing analysis must consider which of the component businesses of the troubled company will be retained and which will be sold or liquidated, and what adjustments to such company's capital structure are likely to result. Throughout the process, complex valuation issues must be addressed. These issues range from the value of particular assets held by the troubled company to the market pricing of securities likely to be distributed in the reorganization. Since the companies in which the Partnership invests are primarily those that have disclosure obligations imposed upon them under the federal securities laws, and since the bankruptcy process itself often requires extensive disclosure concerning a bankrupt entity, the information necessary to complete the foregoing analysis is readily available to the Partnership.

MANAGEMENT

The General Partner

The General Partner has exclusive power and authority in the management and conduct of the business of the Partnership. Mr. McKay, in his capacity as the President of T.A. McKay & Co., Inc. generally is vested with the authority to manage and conduct the Partnership's

business. Because of the key role played by Mr. McKay in the Partnership's operations, the ability of Mr. McKay to identify prospective investments and to structure the Partnership's investments taking into account the Partnership's investment objectives is critical to the success of the Partnership.

Thomas A. McKay

Prior to his involvement with the Partnership, Mr. McKay worked for three years at S.B. Lewis & Co., a private investment firm in New York City, where he managed a \$15 million portfolio of investments in bankruptcies, liquidations and other special situations. Prior to joining S.B. Lewis & Co., Mr. McKay was the Chief Financial Officer of Anglo Energy Limited (currently named "Nabors Industries"), an oil service company that was reorganized under Chapter 11 of the United States Bankruptcy Code in 1986. His experience in this position included preparing a business plan for the company, drafting the terms of the reorganization plan, negotiating with creditors, arranging for the sale of \$40 million of assets, attending board meetings and serving as a witness in court. This experience has given Mr. McKay an understanding of the bankruptcy reorganization process in the United States and a knowledge of the leading crisis managers, investment bankers and lawyers typically involved in these proceedings. Before joining Anglo Energy, Mr. McKay was a credit officer at J.P. Morgan & Co., where he was responsible for making secured loans to independent ship owners in Europe and the United States. He was educated at Harvard Business School and Princeton University and served for three years in the United States Navy as an officer. Mr. McKay was born in 1947.

CONFLICTS OF INTEREST

Employees and officers do not invest personally in any obligations or securities eligible to be a part of the Partnership's portfolio consistent with the investment objectives and strategy described herein, other than through his investment in the Partnership.

T.A. McKay & Co., Inc. currently manages Simplon International Limited and may during the term of the Partnership manage other funds whose investment objectives and strategies may be substantially similar to those of the Partnership. To minimize the conflicts of interest inherent in his management of competitive investment funds, T.A. McKay & Co., Inc. has developed and adheres to a set of general investment principles. The overriding objective is to ensure that the same proportion of the investment funds available to each of the competing funds is invested from time to time. In addition, T.A. McKay & Co., Inc. causes the two funds to co-invest in particular opportunities when such co-investment is consistent with the foregoing objective. The Partnership, Simplon International Limited and any other similar funds were formed at different times and subsequent contributions may be received at different times. For these reasons, in order to achieve the proportionate investment objective, it may not be possible for each such fund to co-invest in every opportunity identified by T.A. McKay & Co., Inc, or for every co-investment to be made on a proportionate basis. Other conflicts of interest may also arise in connection with T.A. McKay & Co., Inc's duties and services to these two funds.

THE OFFERING

General

The limited partnership interests are offered by the General Partner. No commissions are paid to the General Partner or T.A. McKay & Co., Inc. in connection with the sale of the limited partnership interests. The Partnership shall continue for a term ending on June 30, 2040, unless terminated prior to such date or extended by the General Partner in accordance with the Partnership Agreement. Additional closing of sales of limited partnership interests are held, as needed, on or about the last business day of each calendar quarter.

Investor Suitability

The limited partnership interests described herein are not being registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon the exemption provided by Section 4(2) of the Securities Act and Regulation D promulgated thereunder for transactions by an issuer not involving a public offering. Accordingly, limited partnership interests in the Partnership are available only to those prospective investors who are able and willing to assume the risks of a highly speculative and illiquid investment. Subscriptions will be accepted from institutions (including corporations, partnerships, and pension, profit sharing and similar trust funds) which are “accredited investors” as defined in Rule 501(a) of Regulation D, as well as from individuals who represent that (i) they, together with their spouses, have a net worth (including the value of home, furnishings, and automobiles) of at least \$1 million, or (ii) they had an individual annual income for each of the past two years of at least \$200,000 and expect to have during the current fiscal year income of at least \$200,000, or together with their spouses, had an annual income for each of the past two years of at least \$300,000 and expect to have during the current fiscal year income of at least \$300,000.

Each prospective investor will be required to represent and warrant in its Subscription Agreement that, among other things, (i) it is an “accredited investor” within the meaning of Regulation D, (ii) it is acquiring an interest in the Partnership for its own account and not with a view to its distribution and (iii) it has received or had access to all information it deems relevant to evaluate the merits and risks of the prospective investment.

Prospective investors and their advisors are invited to ask questions of and obtain additional information from the General Partner concerning the limited partnership interests described herein, the terms and conditions of the Offering, and any other relevant matter.

Subscription Procedures

Subscriptions for limited partnership interests may be made by executing the Subscription Agreement and Power of Attorney and a Limited Partner Counterpart Signature Page for the Partnership Agreement. These items should be delivered to T.A. McKay & Co., Inc. 45 Rockefeller Plaza, Suite 2109, New York, NY 10111. The General Partner may accept or reject a subscription, in whole or in part, in its sole discretion for any reason, and the

General Partner need not accept subscriptions in the order received. Funds should be transferred to Citibank, NYC, ABA: 021000089, A/C Morgan Stanley DW, A/C #: 40611172, for further credit to: Simplan Partners LP, for further credit acct number: 876011457.

TAX MATTERS

The following description of certain tax consequences merely is intended to serve as a summary of certain federal income tax considerations which may be of particular significance to prospective individual investors. This description does not address foreign, state or local tax consequences to the Partnership or the Partners. This summary is not intended to be exhaustive or to serve as a substitute for careful personal tax planning. Additionally, certain tax consequences for a prospective investor may depend upon his specific tax facts and circumstances (including the potential for change therein), and prospective investors which are corporations, trusts or tax-exempt entities should be aware that the following discussion generally does not address items of specific concern to such a taxpayer. Therefore, each prospective investor should satisfy himself as to the income and other tax consequences of investing in the Partnership by obtaining advice from his personal tax counsel. Although the Partnership will furnish each Limited Partner the necessary information with respect to the Partnership to enable him to file all federal, state and local tax returns for which he may be responsible, the preparation and filing of such returns will be the personal responsibility of each Limited Partner.

The following description is based upon existing provisions of the Internal Revenue Code of 1986, as amended (the "Code"), final and proposed regulations promulgated thereunder, existing judicial decisions and current administrative rulings and practice. It is emphasized, however, that the current treatment accorded to taxpayers may be modified or eliminated at any time by legislative, judicial or administrative action on either a prospective or retroactive basis, which could adversely affect the tax benefits (if any) otherwise available to prospective investors.

Partnership Classification

For federal income tax purposes, an organization classified as a partnership is not a taxable entity; rather, it is a conduit through which tax deductions and taxable income are passed to the partners. Consequently, partnership classification for the Partnership will allow tax deductions and taxable income resulting from its operations to be passed through to, and reported by, the Limited Partners and the General Partner as partners in the Partnership. No additional federal income tax will be incurred by the Partnership.

However, if the Partnership were held to be an "association" taxable as a corporation, then the Partnership, rather than the partners, would be taxed on its income. Any distributions to the partners from the Partnership should be treated as taxable dividends to the extent of current and accumulated earnings and profits, and any excess distributions would be treated first as a reduction of basis and then as capital gain to the partners.

Using existing provisions of the Code and the regulations promulgated thereunder, an entity organized as a limited partnership generally will be treated as a partnership for federal income tax purposes and not as an association taxable as a corporation, provided that the entity does not have more “corporate characteristics” than “noncorporate characteristics” as those characteristics are described in the applicable regulations. Even if an entity does not have more “corporate characteristics” than “noncorporate characteristics”, however, the entity is treated as a corporation for federal income tax purposes (the “Publicly Traded Partnership Exception”) if interests in the entity are either traded on an established securities market or readily tradable on a secondary market or the substantial equivalent thereof (“Publicly Traded”). This Publicly Traded Partnership exception does not apply, however, to an entity for any taxable year if for such taxable year (and for each preceding taxable year since interests in the entity were first Publicly Traded) the entity derives 90% or more of its gross income from certain enumerated passive-type income.

Allocation of Gains and Losses

The allocations of Partnership Net Income and Net Loss are recognized for federal income tax purposes if such allocations are deemed to have “substantial economic effect” or are otherwise “in accordance with the partner’s interest in the Partnership”. If neither of these conditions is satisfied, resulting in the disallowance of an allocation, a partner’s share of income, gain, loss, deduction or credit (or any item thereof) would be determined in accordance with his interest in the Partnership “taking into account all facts and circumstances”. Section 704(b) of the Code. Under the terms of the Partnership Agreement, the capital accounts of the partners are adjusted, consistent with the principles set forth in Sections 704(b) and (c) of the Code and regulations thereunder, to reflect the effect of all items of income, gain, loss or deductions. The capital accounts, as adjusted, will be given effect in distributions made to the partners in event of dissolution and liquidation of the Partnership. In addition, the Partnership Agreement contains provisions requiring the General Partner to contribute cash to the Partnership on liquidation to restore any deficit in the General Partner’s capital account that exists upon dissolution of the Partnership and the allocation of net income or net loss in connection therewith. No Limited Partner will be required to restore any deficit in such Limited Partner’s capital account, however, since the Partnership Agreement (i) provides that a Limited Partner will not be allocated any net loss if such allocation would result in his having a deficit in his capital account and (ii) contains provisions designed to comply with the rules of the applicable regulations under Section 704(b) of the Code.

Tax Exempt Entities

With respect to pension funds, Keogh plans, individual retirement accounts, tax-exempt institutions and other tax-exempt investors, the income of the Partnership is expected to consist of items which should not constitute unrelated trade or business income (assuming that an investment in limited partnership interests is not financed by such tax-exempt investor with

“acquisition indebtedness” as defined in Section 514 of the Code), because income will consist of gains on dispositions of securities, interest and dividends. Tax-exempt entities are subject to federal income tax with respect to any “unrelated business taxable income” and would be required to file federal income tax returns if they have gross unrelated business income in excess of \$1,000 whether or not any tax is actually due. A tax-exempt entity is entitled to deductions for ordinary and necessary business expenses, depreciation and depletion, so long as these expenses are directly connected with its unrelated business income, as well as the \$1,000 deduction mentioned above. Prospective investors which are tax-exempt entities should be aware that the Internal Revenue Service has recently indicated that it intends to implement a program to scrutinize closely the unrelated business activities of tax-exempt entities.

Partnership Audit Procedures

The Code provides a set of procedures for the determination of the tax treatment of items of partnership income, gain, loss, deduction and credit at the partnership level, in a unified partnership audit proceeding, with notice to the partners, rather than in separate proceedings with each partner. The partnership audit rules provide for certain administrative steps involved in audits of partnerships to be taken by a so-called “Tax Matters Partner” (“TMP”). The rules provide that the TMP is the general partner so designated by the partnership in accordance with Treasury regulations to be promulgated. In the Partnership Agreement, the General Partner is currently designated as TMP. Each partner is required to treat partnership items on his tax return in the same manner as the items are treated on the partnership’s return, or to file a statement with his return identifying any inconsistency. Failure to satisfy the consistency requirement, or to notify the IRS of any inconsistency, will result in an adjustment to the noncomplying partner’s return to conform it to the partnership’s treatment of the items at issue (and may subject the noncomplying partner to certain penalties). The Code further provides an extensive set of rules governing the partners’ rights to notice of and participation in partnership audits and ensuing litigation, and the extent to which partners will be bound by partnership settlement agreements and decisions made in the partnership audit proceedings. Generally, any partner whose name and address are provided to the IRS by the TMP, will be entitled to notice of a partnership audit. Further, under these rules the period of limitations for assessing tax against a partner attributable to a partnership item will generally run for three years from the filing of the partnership’s tax return (or from the due date thereof, if later), rather than for three years from the filing of the partner’s return. The limitation period may be extended as to all partners by agreement between the IRS and the TMP, and as to any individual partner by agreement between the IRS and such individual partner.

“Partnership items” are those items of income, gain, loss, deduction or credit which, under regulations issued by the Treasury Department, are more appropriately determined at the partnership level. The partnership audit procedures apply only to the determination of such “partnership items” which are more appropriately determined at the partnership level. On April 15, 1986, the Treasury Department adopted regulations under Section 6231 of the Code, which set forth “partnership items” which are more appropriately determined at the partnership level. These items include, without limitation, (i) items of income, gain, loss, deduction or credit of the partnership; (ii) expenditures by the partnership not deductible in computing its

taxable income. (e.g., charitable contributions); (iii) items of the partnership that may be items of tax preference for any partner (and therefore may affect the applicability or amount of the alternative minimum tax to such partners); (iv) income of the partnership exempt from tax; (v) partnership liabilities; (vi) other amounts determinable at the partnership level with respect to partnership assets, investments, transactions and operations necessary to enable the partnership or the partners to determine the investment tax credit or the recapture thereof, amount “at risk”, the depletion allowance, and the application of section 751(a) and (b) of the Code; (vii) guaranteed payments; (viii) optional adjustments to the basis of partnership property pursuant to an election under Section 754 of the Code; and (ix) items relating to contributions to the partnership, distributions from the partnership, and transactions between a partner and the partnership.

Foreign, State and Local Taxes

As noted above, this discussion does not address foreign, state or local tax consequences to the Partnership or the Partners. The Partnership, however, may be subject to a variety of such taxes including, without limitation, income taxes and transfer taxes. Moreover, the Partnership’s activities in certain jurisdictions may cause certain Partners (not otherwise taxable in such jurisdictions) to be subject to taxed therein. Each partner is required to comply with applicable state and local income tax laws in reporting such Partner’s share of the net income and net loss of the Partnership. Accordingly, Partners are urged to consult their own tax advisors regarding the foreign, state and local tax consequences to the Partnership and the Partners.

Tax Returns

The General Partner arranges for the preparation of all necessary tax returns for the Partnership and furnished necessary instructions and information to Limited Partners concerning the preparation of their individual income tax returns.

Independent Accountants

Lilling & Company LLP. serves as the independent certified public accountant for the Partnership.

Outside Counsel

The law firm of Jones Day is counsel for the Partnership and T.A. McKay & Co., Inc.

Custodian

Morgan Stanley & Co. Inc., in New York, serves as qualified custodian for the Partnership’s cash and securities assets, consisting of approximately 86% of the Partnership’s portfolio. Assignment agreements of private bank debt, about 12% of the portfolio, are held by T.A. McKay & Co., Inc. Investments in fine paintings, less than 2% of the portfolio, are held under consignment agreements at two New York art galleries.

SUMMARY OF SIMPLON INTERNATIONAL LIMITED

Certain important aspects of the offering are summarized below. The following is qualified in its entirety by reference to the more detailed information contained elsewhere in this Memorandum, the Company's Memorandum and Articles of Association and the other documents referred to herein.

| | |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Company: | Simplon International Limited, an exempted company incorporated under the laws of the Cayman Islands. |
| Investment Adviser: | T.A. McKay & Co., Inc., the General Partner of Simplon Partners, L.P., the domestic sister fund to Simplon International Limited. T.A. McKay & Co., Inc. is a New York company. |
| Administrator: | Fidiam (Monte Carlo) S.A.M. |
| Custodian: | Morgan Stanley & Co. Inc., in New York, serves as qualified custodian for the Company's cash and securities assets, consisting of approximately 86% of the Company's portfolio. Assignment agreements of private bank debt, about 12% of the portfolio, are held by T.A. McKay & Co., Inc. Investments in fine paintings, less than 2% of the portfolio, are held under consignment agreements at two New York art galleries. |
| Subscriptions: | Shares are issued by the Company on the first day of each calendar quarter, at the Net Asset Value per Share as of the preceding business day. |
| Redemptions: | Shares may be redeemed on June 30 th and December 31 st of each year upon the giving of at least sixty days' prior written notice. The redemption price per Share will be equal to the Net Asset Value per Share as of the relevant Redemption Date. |
| Transfers: | There is no public market for the resale of shares. Shares may not be acquired by or transferred to U.S. residents. |
| Management Fee: | A management fee of 1% per annum of the Company's Net Asset Value will be paid to the Investment Adviser. The management draw will be paid quarterly in advance and calculated on the basis of the Company's Net Asset Value at the beginning of each calendar quarter. |
| Performance Fee: | The Investment Adviser will be paid a performance fee equal to 20% of the annual profits above a 5% hurdle rate. |
| Dividend Policy: | The Company does not anticipate that any dividends or other distributions shall be paid to shareholders; rather income will be |

reinvested and will be reflected in the Company's Net Asset Value.

Fiscal Year: The fiscal year of the Company shall run from January 1st to December 31st in each year.

Auditors: Lilling & Company LLP in New York.

The Offering Up to 20,000,000 Shares are being offered pursuant to this Memorandum. During the Initial Offering Period, the subscription price per Share shall be \$10.00. Following the Initial Offering Period, the subscription price per Share shall be equal to the Net Asset Value per Share as at Valuation Date immediately preceding the relevant Purchase Date. The minimum initial investment in the Company will be \$1,000,000 although, after the Initial Offering Period, this minimum limit may be reduced for certain investors under certain circumstances at the Directors' sole discretion. See "OFFERING OF THE SHARES". Holders of the Shares will be entitled to receive notice of or to attend or vote at any general meeting of the Company. See "OFFERING OF THE SHARES".

Management and Administration The Directors will have over-all responsibility for the management of the Company. Fidiam (Monte Carlo) S.A.M. is the Administrator as well as the registrar and transfer agent of the Company. The Administrator will be responsible for the day to day operations of the Company and its general administration. The Administrator will provide accounting, clerical and administrative services to the Company. See "MANAGEMENT AND ADMINISTRATION". All shareholder enquiries or any requests to review any documents should be directed to the Administrator at its office in Monaco as set forth on the back cover of this Memorandum. For its services to the Company, the Administrator will receive an administration fee of 0.1% of the Net Asset Value. See "FEES, COMPENSATION AND EXPENSES".

Tax Considerations There are no taxes on any of the Company's income, profits or capital gains in the Cayman Islands. The Company has applied for, and expects to receive, an undertaking from the Governor in Council of the Cayman Islands to the effect that, for a period of 20 years from the date of the undertaking, no law that is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations. Certain dividends, interest or

other income received by the Company may be subject to withholding taxes or stamp duty in the countries of origin. Potential investors are advised to consult their own tax advisers. See "TAX CONSIDERATIONS".

Restrictions on Ownership None of the Shares may be offered or sold, directly or indirectly, in the United States or to any U.S. Person. Accordingly, if a transferee who is a U.S. Person applies to register a transfer of Shares, or if the Administrator otherwise becomes aware that a shareholder is a U.S. Person, the Administrator will direct such person to sell its Shares to a non-U.S. Person and to provide to the Administrator evidence of such sale. If the U.S. Person fails to comply with the direction, the Company may mandatorily redeem the Shares of that U.S. Person and will account for the proceeds (less expenses) to such person. See "REDEMPTION OF SHARES".

Other Expenses Annual expenses with respect to the services provided to the Company by its administrator, custodians, independent auditors, legal advisers and other service providers, as well as those related to communications with and meetings of shareholders, preparing and distributing annual reports and other expenses incidental to the operation of the Company will be charged to the Company, as incurred. It is estimated that the Company's organisational and offering expenses will amount to \$10,000.

Risk Factors There are significant risks associated with investment in the Company. Potential investors should carefully consider the risk factors set forth in this memorandum. See "RISK FACTORS AND CONFLICTS OF INTEREST".

Conflicts of Interest The Investment Adviser and its affiliates provide investment management services to other investors. Certain inherent conflicts of interest will arise from the fact that the Investment Adviser and its affiliates will carry on substantial investment activities for individual managed accounts and/or their own accounts in which the Company will have no interest. See "RISK FACTORS AND CONFLICTS OF INTEREST".

How to Purchase Prospective investors will be required to deliver to the Administrator an executed Subscription Agreement and pay to the Company's designated account the full aggregate subscription price of the Shares subscribed for. The minimum initial investment for each investor in the Company is \$1,000,000 although such minimum investment may be reduced after the Initial Offering Period by the Directors, in their sole discretion

after consultation with the Investment Adviser, for certain investors under certain circumstances; provided however that such minimum initial investment may not be reduced below \$50,000. See "OFFERING OF THE SHARES".

CODE OF BUSINESS CONDUCT AND ETHICS

T.A. McKay & Co., Inc. maintains a Code of Business Conduct and Ethics that each employee must acknowledge in writing annually having received and read. It contains provisions requiring all personnel to take responsibility for ensuring that the firm conducts its business with the highest level of ethical standards and in keeping with its fiduciary duties. It contains provisions requiring all personnel to comply with all laws applicable to the firm's business including U.S. securities laws; to avoid conflicts of interests and even the appearance of conflicts of interests and when in doubt to seek advice of the Chief Compliance Officer; to avoid misuse or abuse of confidential or material non-public information; to refrain from trading in securities which are or might be purchased or sold by or for the funds managed by the firm; to report any violations of the Code to the Chief Compliance Officer; and to report to the Chief Compliance officer in detail and on a regular basis all their securities holdings and trades.

The firm will furnish upon request a copy of its Code of Business Conduct and Ethics to any investor or prospective investor in any fund managed by the firm.

THE COMPANY

The Company was incorporated in the Cayman Islands on 7 June 2001 with limited liability and is registered as an exempted company. A description of the Company's capital structure and the rights and restrictions attached to its shares is given below. Please see "Incorporation and Share Capital" under the heading "GENERAL INFORMATION".

The Company's principal office is located at the office of Bruce Campbell & Co. in the Cayman Islands.

MANAGEMENT AND ADMINISTRATION

The Board Of Directors

The Company's board of directors currently consists of the persons listed below. The Directors have over-all responsibility for the management of the Simplon International Limited. The Directors will meet at least once a year to (i) review and assess the investment objective, policies and performance of the Company, (ii) examine the balance sheet and profit and loss statement of the Company and (iii) discharge such other duties and responsibilities as may be necessary, desirable or appropriate. Set out below is a brief biography of each of the Company's Directors.

Mohamad Khouja

Chairman. Dr. Khouja is currently the Director and Chief Executive Officer of Wafra Investment Advisory Group, Inc., as well as the President and Chief Executive Officer of Saif Advisors Inc. Wafra and Saif have substantial investments in Simplon International Limited. In addition, he serves as a director of Saurer AG, a Swiss industrial company, Finanfrance, a French real estate investment company and the Trinity/Wafra Japan Fund. During his business career he has been a senior economic advisor to the Kuwait Fund and a member of the World Bank Task Force on Direct Investment. Dr. Khouja was formerly a Professor of Economics at Oklahoma State University. He received a doctorate in Economics from the University of California at Berkeley.

David M. Mahle

Director. Mr. Mahle is currently a consultant to Jones Day after having spent most of his career there specializing in the areas of general corporate and securities law. He has extensive experience in representing public and private investment companies. He received an AB degree from Boston College, a JD from Fordham University School of Law and a LLM from New York University School of Law. He is a member of the New York and New Jersey Bar Associations and regularly lectures on financial product matters. He is also an adjunct professor of Law at Fordham Law School.

Peter Ranger

Director. Mr. Ranger was for the last fifteen years the Finance Director of Fidinam (Monte Carlo) S.A.M where he supervised the administration, corporate services and financial reporting for various important clients investing throughout Europe. Previously, he spent five years working within the finance department of the Saurer Group (Switzerland), ten years following investment projects in

North America, South America, and Australiasia and over ten years in a large international public accounting firm (Touche Ross International), where he qualified as a Chartered Accountant. Mr. Ranger is an economics graduate from the University of Sydney (AUS).

Directors of the Company will be compensated for their services at the rate of \$15,000 per annum for the chairman and \$10,000 per annum for other directors, plus reimbursement of out-of-pocket expenses properly incurred in connection with serving in such capacity. Vacancies on the board of directors will be filled by the remaining members of the board or as otherwise provided in the Company's articles of association.

The Administrator

The Administrator of Simplon International Limited is Fidnam (Monte Carlo) S.A.M.. In such capacity, the Administrator will administer and manage the day to day operations of the Company. The Administrator will provide accounting, clerical, secretarial and administrative services to Simplon International Limited and serve as registrar and transfer agent for the Shares. All reasonable out-of-pocket expenses of the Administrator will be charged separately to the Company. For its services, the Administrator will receive an administration fee of 0.1% of the Net Asset Value.

Pursuant to the administration agreement between the Company and the Administrator, the Company will indemnify and exempt the Administrator and its directors, officers, employees and shareholders against and from any expense, loss, liability or damage arising out of any claim asserted or threatened to be asserted by any third party in connection with the Administrator's serving or having served as administrator other than any expense, loss, liability or damage caused by the Administrator's own gross negligence, willful misconduct or reckless disregard of its duties.

THE INVESTMENT ADVISER

T.A. McKay & Co., Inc., the Investment Adviser, is an investment management firm wholly-owned by Mr. Thomas A. McKay.

T.A. McKay & Co., Inc. manages two investment funds which have the same investment criteria and matching portfolios; Simplon International Limited and Simplon Partners, L.P., a private limited partnership for U.S. residents. Prior to forming Simplon International Limited, T.A. McKay & Co., Inc. managed Simplon Investments Limited from 1990 until 2001, a Cayman Islands company for non-US investors which had performance similar to that of Simplon Partners L.P. Mr. McKay has a substantial personal investment in Simplon Partners, L.P. Both funds maintain diversified portfolios of passive investments in bankruptcies, liquidations and other forms of corporate reorganization. The funds do not margin positions, sell short or invest in financial derivative products.

Mr. McKay started T.A. McKay & Co., Inc. in 1989 after he left S.B. Lewis & Company where he had worked for three years managing a portfolio of investments in bankruptcy claims and distressed securities. Prior to that he was treasurer for 3 1/2 years of Anglo Energy Limited (now Nabors Industries, Inc.), an oil services company that was reorganized in 1986 under Chapter 11 of the Bankruptcy Code in the Southern District of New York. Mr. McKay's first job was as a credit officer at J.P. Morgan & Co. from 1974 to 1982. He graduated from Princeton, served three years as a Naval officer and received an MBA from Harvard Business School. Mr. McKay was born in 1947.

Mr. McKay's performance as an investment Adviser is shown in the Performance Schedule on the first page.

INVESTMENT OBJECTIVES

The objective of the Company is to realize significant capital gains through investments in the private obligations and public securities of selected financially troubled enterprises, primarily in the United States. The Company may also, from time to time, invest in the securities of companies that are engaging in extraordinary transactions such as reorganizations under the bankruptcy laws and other insolvency laws, liquidations, recapitalizations, restructurings and similar transactions or proceedings.

The Company will generally only take passive positions and will hold them until the conclusion of the bankruptcy proceeding or until such time as an adequate rate of return no longer seems to be reasonably attainable or the Investment Adviser deems appropriate.

INVESTMENT POLICIES

Generally speaking, one half of the investment portfolio will be invested in publicly traded securities and the remainder of the investment portfolio will be invested in private obligations. No single position will exceed 20% of the portfolio and investments in a single industry shall not exceed 40% of the portfolio.

The Company will observe the following restrictions in its investment activity, unless modified in writing by the Board of Directors on a case by case basis:

- (a) The Company shall not invest in equity securities, unless such securities fall within a plan of reorganization;
- (b) The Company shall not invest more than 20% of its assets in the securities of a single issuer;
- (c) The Company shall not purchase more than 25% of the debt securities of a single issuer;

- (d) The Company shall not invest in United States Real Property interests (as defined in United States income tax regulations) or in any other securities the sale or other disposition of which would subject the Company to United States income taxation, or in securities the principal return from which is expected to be in the form of dividends;
- (e) The Company shall not make any investment which would or may cause it to be considered a partner in a United States partnership;
- (f) The Company shall not borrow securities or engage in short sales of securities; and
- (g) The Company shall not borrow funds from any source or effect securities transactions on margin.

REPORTING / VALUATION RULES

The Company shall prepare annual audited financial statements and shall report through the Administrator the value per share to its investors on a monthly basis. The Administrator will report the investment valuations by the 15th day of the following month.

The Company's investment portfolio comprises securities which are publicly traded and private instruments. The publicly traded securities are valued at the last reported transaction price provided that in the opinion of the Investment Adviser such transaction price is representative by reference to the volume and the date of the transaction.

In the case in which such transaction price is not considered representative or in the case of private instruments, the valuation of the securities in question is made by the Investment Adviser.

Where possible the valuations given to the securities are cross checked with the valuations given to the same securities by other comparable investment funds.

RISK FACTORS AND CONFLICTS OF INTEREST

An investment in the Company will involve risks not necessarily associated with other investment opportunities. The Company will employ a variety of investment strategies primarily involving companies experiencing significant financial and business difficulties, which carry a high degree of risk. An investment in the Company involves other significant risks, including, but not limited to, the potential illiquidity of its assets, the reliance upon the Investment Adviser, and the limitations on redemption of the Shares.

Due to the fact that it manages two substantially identical funds, but only has an investment in the U.S. fund, the Investment Adviser may find itself in potential conflict of interest situations. Despite the above, the Investment Adviser will endeavor to achieve

equitable treatment for each of the funds it manages or controls and to avoid or minimize the conflict of interest with respect thereto. The Investment Adviser will be free to trade securities, for its own account and for the accounts of its officers, directors and shareholders and act as administrative manager, financial adviser or management consultant for any other party, provided that such other activities shall not interfere with the performance of its obligations and duties to the Company. The Investment Adviser may only invest in distressed securities indirectly, through its interest in Simplon Partners, L.P.

OFFERING OF THE SHARES

Shares and use of proceeds

Up to 20,000,000 Shares are being offered for subscription pursuant to this Memorandum.

The Company will invest the net proceeds of its offering of the Shares (after payment of the organizational and offering expenses hereinafter described) in accordance with the policies set forth under "INVESTMENT POLICIES" above.

The Shares entitle the holders thereof to receive notice of, to attend and vote at any general meeting of the Company. This enables the shareholders, amongst other things, to pass a special resolution placing the Company in voluntary liquidation and to appoint and remove directors of the Company.

No registration of Shares

None of the Shares has been or will be registered under the Securities Act, and the Company has not been registered under the Investment Company Act. Except as described herein, none of the Shares may be offered or sold, directly or indirectly, in the United States, its territories or possessions or any area subject to its jurisdiction, including the Commonwealth of Puerto Rico, or to any citizen or resident thereof (including any corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof) or any estate or trust that is subject to United States federal income taxation regardless of the source of its income.

In order to give effect to the foregoing restriction:

- (a) Any Share certificate will be endorsed with a prominent legend providing substantially as follows:

THE SHARES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE COMPANY BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT 1940, AS AMENDED, AND THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE DIRECTLY OR INDIRECTLY OFFERED OR SOLD IN THE UNITED STATES OF

AMERICA OR ANY OF ITS TERRITORIES OR POSSESSIONS OR AREAS SUBJECT TO ITS JURISDICTION, OR TO OR FOR THE BENEFIT OF A U.S. PERSON AS DEFINED IN THE ARTICLES OF ASSOCIATION OF THE COMPANY. SHARES DIRECTLY OR INDIRECTLY OWNED BY A U.S. PERSON, EITHER ALONE OR IN CONJUNCTION WITH ANY OTHER PERSON, MAY, UPON RECEIPT OF A WRITTEN NOTICE BY THE HOLDER OF SUCH SHARES, MANDATORILY BE REDEEMED BY THE COMPANY IN ACCORDANCE WITH SUCH ARTICLES OF ASSOCIATION AT NET ASSET VALUE PER SHARE AS DEFINED THEREIN.

- (b) The Administrator may, at any time, require evidence from any transferee that such transferee is not a U.S. Person and is not acquiring the Shares for the account or benefit of any U.S. Person or with a view to offering or selling such shares in the United States or to U.S. Persons and may refuse to permit any Shares to be issued or transferred if the Administrator determines in its sole discretion that the issue or transfer is not allowed under the Company's memorandum and articles of association or might cause the Company to become subject to United States securities laws or jeopardize the Company's U.S. offshore status.
- (c) Each applicant for Shares will be required to represent, in substance, that (a) such applicant understands and agrees that the Company has not been and will not be registered under the Investment Company Act and that the Shares have not been and will not be registered under the Securities Act or the securities laws of any State of the United States and may not be offered, sold, transferred or delivered, directly or indirectly, in the United States or to U.S. Persons at any time; (b) such applicant is not a U.S. Person or (unless it has specifically informed the Administrator) a subsidiary of a U.S. Person and, to the best of its knowledge and belief, no U.S. Person, alone or together with other U.S. Persons related to such U.S. Person, owns or has an option to acquire 10% or more of the value or voting power of the ownership or beneficial interest in such applicant; (c) none of the funds used by such applicant to effect the purchase of the Shares have been obtained from U.S. Persons or from a subsidiary of a U.S. Person; (d) such applicant will not transfer any of its Shares or any interest therein to a U.S. Person or to a subsidiary of a U.S. Person; (e) such applicant is not acquiring nor will it transfer any of its Shares within the United States; (f) such applicant will notify the Company immediately if the representation set forth in (b) above shall prove or become inaccurate; (g) such applicant is acquiring the Shares for investment purposes only; (h) such applicant was not solicited to purchase Shares while present in the United States; (i) such applicant did not place his order to purchase the Shares while present in the United States; and (j) due to the application of money laundering, tax or similar requirements, or otherwise, upon request from time to time by or on behalf of the Company, the Administrator or the Investment Adviser, the applicant shall provide such certifications, documents or other evidence as may be reasonably required to substantiate the representations and certifications made by the applicant, and the Company, the Administrator and the

Investment Adviser, each parent, subsidiary, affiliate and shareholder thereof and each of the respective officers, directors, employees and agents of the foregoing, shall not be liable, and shall be held harmless and fully indemnified by the applicant, for any and all claims, liabilities, losses, damages, costs and expenses (including without limitation attorneys' fees and expenses) arising out of any failure to process the applicant's application or otherwise if any such requested information has not been provided by the applicant. If the applicant is a bank or broker and acquiring Shares on behalf of clients for investment purposes, the applicant will be required to make the representations and warranties contained in clauses (a) through (j) above on behalf of such clients, and further covenant that it will notify the Company if it comes to its knowledge that any such client has become a U.S. Person or a subsidiary of a U.S. Person, that it will not at any time knowingly transfer or deliver the Shares or any part thereof or interest therein to a U.S. Person or to a subsidiary of a U.S. Person (unless it notifies the Company of a transfer to a subsidiary of a U.S. Person), and that it will not make any transfer thereof in the United States.

In addition to the foregoing, and subject to such other restrictions and limitations as may be established by the Directors from time to time, the Shares are transferable only with the prior approval of the Directors.

Subscription Price and how to Subscribe

Shares are being offered prior to the expiration of the Initial Offering Period at a subscription price of \$10.00 per Share. Thereafter, the subscription price per Share will be equal to the Net Asset Value per Share as at the relevant Purchase Date. The minimum investment for new investors will be \$1,000,000 provided that, after the expiration of the Initial Offering Period, such minimum initial investment may be reduced for certain investors under certain circumstances, in the sole discretion of the Directors after consultation with the Investment Adviser, provided always that such minimum initial investment will not be reduced below \$50,000.

Each prospective investor will be required to deliver a completed Subscription Agreement, to the Company, c/o Fidinam (Monte Carlo) S.A.M., Le George V, 14 Avenue de Grande Bretagne, 98000 Monaco, unless otherwise directed. Following the expiration of the Initial Offering Period, such duly completed Subscription Agreement will need to be received by the Administrator at least three Business Days (or such other period as the Directors may determine) prior to the relevant Purchase Date for the Company to issue Shares in relation thereto. Cleared funds for payment of the Shares subscribed for must be received by the Company on or before the relevant Purchase Date. If a Subscription Agreement is not received by the Company at least three Business Days (or such other applicable period) prior to the relevant Purchase Date or if a Subscription Agreement is received by the Company in a timely manner but cleared funds in respect of such subscription are not received on time, the Directors may, in either case, elect to treat such Subscription Agreement as a request to subscribe for Shares on the next following Purchase Date at the Net Asset Value per Share prevailing as of the Valuation Date immediately preceding that Purchase Date.

U.S. dollar denominated funds in the amount of the full subscription price for the Shares should be remitted, by means of wire transfer, to the Company's bank account in the United States as follows:

Citibank, NYC
ABA: 021000089
A/C Morgan Stanley DW
A/C #: 40611172
For further credit to: Simplon International Limited
For further credit acct number: 876011353

The Shares will be issued in registered form and shareholders may request either (i) that certificates with respect to such Shares be forwarded to them or (ii) that their ownership of such Shares be acknowledged by written confirmation from the Company. Fractional Shares may be issued in connection with any purchase made on a Purchase Date. If the offering of Shares is terminated for whatever reason or if an investor's subscription is rejected, subscription moneys (excluding interest), plus any related placement fee, paid by the prospective investor and any documents delivered by such investor will be returned to such investor as soon as practicable.

Shareholders may subscribe for additional Shares on any Purchase Date, to the extent that such Shares are authorized and available (including Shares which have been redeemed). Shareholders may subscribe for Shares on a Purchase Date by notifying the Administrator of their intent to purchase additional Shares at least three Business Days (or such other applicable period) prior to the relevant Purchase Date and specifying the exact dollar amount of the additional investment. Within ten Business Days following the relevant Purchase Date, the Administrator will confirm to the shareholder (i) the number of additional Shares purchased and (ii) the Subsequent Purchase Price (as used herein, "Subsequent Purchase Price" is the Net Asset Value per Share calculated as at the Valuation Date immediately preceding relevant Purchase Date). The Subsequent Purchase Price must be received in immediately available funds by the Administrator on or before the relevant Purchase Date.

Notwithstanding anything herein contained, the Directors of the Company may, in their absolute discretion and without assigning any reason therefore, refuse to accept any application for Shares or accept any application in whole or in part.

NET ASSET VALUE

The Net Asset Value of the Company will be determined monthly by calculating the total value of the Company's assets, which would normally be composed chiefly of investment securities, and deducting the total liabilities of the Company. For this purpose, liabilities will include accrued expenses (including a reserve for performance fees payable to the Investment Adviser) and appropriate reserves. Reserves for contingencies may be established in accordance with generally accepted accounting principles. Net Asset Value per Share will be determined monthly by dividing the Net Asset Value of the Company by the total number of Shares outstanding and will be quoted by the Company in Dollars.

Net Asset Value shall be the consolidated net asset value of the Company. All investments of the Company shall be valued at their fair value. The securities publicly traded will be valued at the last reported transaction price provided that in the opinion of the Investment Adviser such transaction price is representative by reference to the volume and the date of the transaction. In the case in which such transaction price is not considered representative or in case of private instruments the valuation of the security in question will be made by the Investment Adviser. Where possible, all valuations given to the securities will be crossed checked with the valuations given to the same securities by other comparable investment funds. All other assets shall be valued at cost less any depreciation or amortisation.

Net Asset Value per Share will be calculated at the close of business on each Valuation Date. Under normal circumstances, the Valuation Date will be the last Business Day of each calendar month.

The Directors may at any time suspend the determination of Net Asset Value and Net Asset Value per Share for the whole or any part of any period during which:

- (a) By reason of the closure of or the suspension of trading on any stock exchange or over-the-counter market or any other exchange or market or if for any other reason circumstances exist as a result of which, in the opinion of the Directors, it is not reasonably practicable for the Company to dispose of investments or fairly to determine the Net Asset Value or if the disposal of investments cannot be effected normally or without prejudicing holders of Shares; or
- (b) A breakdown occurs in any of the means normally employed by the Directors in ascertaining the value of investments or, for any other reason, the value of the investments or other assets of the Company cannot reasonably be ascertained; or
- (c) The remittance of funds which will or may be involved in the redemption of Shares cannot in the opinion of the Directors be carried out without undue delay or at normal rates of exchange; or
- (d) The Directors consider it to be in the interests of creditors and shareholders of the Company for any reason whatsoever.

All shareholders will be notified immediately of any such suspension by means of written notice.

REDEMPTION OF SHARES

Shares may be redeemed on a Redemption Date after receipt of a written request (which may be in the form of a telecopy) by the Administrator at its office in Monaco at least 60 days prior to the relevant Redemption Date. The redemption price will be equal to the Net Asset Value per Share quoted by the Company as of the relevant Redemption Date. Redemption requests once given are not revocable by a shareholder, except during any period during which the calculation of Net Asset Value per Share is suspended or the right to redeem Shares is suspended as described below, or except as otherwise approved by the Directors. In the event of such a suspension, an application for redemption which has not been so revoked will be treated as an application for redemption on the next applicable Redemption Date which will be the first Redemption Date occurring at least 30 days following the lifting of such suspension. In the event that one or more redemption requests require the liquidation of the Company's assets and such assets cannot be liquidated in a prudent and orderly manner or at a reasonable price by the date on which payment of the redemption price would ordinarily occur, payment of the redemption price will be made as soon as such assets can reasonably be liquidated in a prudent and orderly manner. The redemption proceeds with respect to Shares so redeemed will be paid in Dollars.

Pursuant to the Companies Law (2001 Revision) the Company may not redeem its shares if, as a result of such redemption, there would no longer be any other member holding shares. In practice, this is likely to mean that the last redeeming shareholder will be able to redeem all but one of his shares; one share will have to remain outstanding. In such case the Company may be placed in liquidation and the last redeeming shareholder will receive a liquidation payment in due course instead of a redemption payment.

Except as described herein, none of the Shares may be offered or sold, directly or indirectly, in the United States or to any U.S. Person. Accordingly, if a transferee who is a U.S. Person applies to register a transfer of Shares, or if the Administrator otherwise becomes aware that a shareholder is a U.S. Person, the Administrator will direct such person to sell its Shares to a non-U.S. Person and to provide to the Administrator evidence of the sale by such U.S. Person. If the U.S. Person fails to comply with the direction, the Administrator may compulsorily redeem the Shares for that U.S. Person in accordance with the Company's articles of association. All Shares redeemed by the Company will be cancelled but will be available for re-issue.

TRANSFER OF SHARES

Shares may only be transferred with the approval of the Company's Directors. The Company's articles of association expressly provide that the Directors may, in their absolute discretion and without assigning any reason therefore, refuse to register any transfer of any Share.

DIVIDEND POLICY

Since the investment objective of the Company is directed towards achieving capital appreciation, it is anticipated that the Company will not declare any dividends or make any other distributions to its shareholders otherwise than by way of redemption of Shares or upon the Company's eventual dissolution and winding up. Subject to the foregoing and to applicable law, the Company's Directors are empowered to determine the amount and frequency of dividends and other distributions, if any.

FEES, COMPENSATION AND EXPENSES

Start-up Expenses

The Investment Adviser will advance all the initial offering and organizational expenses (including legal and accounting fees) which are estimated at approximately \$10,000. Such expenses will be reimbursed by the Company.

Expenses

The Company will bear all expenses incurred in its operation, including the ordinary and necessary expenses directly related to its investment and trading activities (including brokerage commissions and all other transactional costs), all investment management and administration fees and all legal and auditing fees, including any legal and auditing fees that relate to extraordinary circumstances, such as tax examinations or litigation involving the Company, and any legal fees incurred in connection with the continuation of this offering. Annual expenses with respect to the services provided to the Company by its administrator, investment adviser, custodian, independent auditors and legal advisers, as well as expenses related to board meetings, shareholder meetings (if any), preparing and distributing annual reports and other expenses incidental to the operation of the Company, will be charged to the Company as incurred. The estimated maximum charge for all of these annual expenses is approximately 0.15 per cent of the Company's Net Asset Value excluding the Investment Adviser performance draw.

Salaries and other Personnel Expenses

The Directors will not initially be compensated for serving as directors of the Company but they will be reimbursed by the Company for any out-of-pocket expenses they may incur in attending meetings of the board of directors or of shareholders. The Company may determine

in general meeting that the directors shall receive remuneration and the extent of such remuneration. Any remuneration shall be deemed to accrue from day.

TAX CONSIDERATIONS

The following tax summary is of a general nature only, is based on current law and practice and is therefore subject to changes therein, and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Prospective purchasers of Shares should consult their own tax advisers as to the potential tax consequences of the acquisition, holding or disposition of the Shares under the laws of the countries of their citizenship, residence or domicile.

Interest, dividends and capital gains received by the Company on portfolio investments may be subject to non-recoverable withholding taxes in the countries of origin.

The Company will provide regular financial information to its shareholders in compliance with the legal and regulatory requirements applicable to the Company but will not be responsible for providing (or for the costs of providing) any other information which shareholders may, by virtue of the size of their holdings or otherwise, be required to provide to the taxing or other authorities of any jurisdiction.

Cayman Islands

Under the system of taxation presently in force in the Cayman Islands, no taxes will be chargeable on any income, profits or capital gains of the Company or on any dividends payable by the Company. The Company has applied for and can be expected to obtain an undertaking from the Cayman Islands authorities that, for a period of 20 years from the date of such undertaking, no law which is enacted in the Cayman Islands imposing any tax or duty to be levied on income, profits, gains or appreciations shall apply to the Company. Further, no stamp or other duty will be levied on the issue, transfer, redemption or repurchase of any shares in the capital of the Company.

United States

The Company. The Company intends to conduct its activities and to manage its investments in a manner consistent with its investment policies and objectives so that it will not be deemed to derive income which is treated, for United States federal income tax purposes, as arising from a United States trade or business with the intent that the Company will not be subject to United States federal income tax on its net income. In order not to be treated as being engaged in a United States trade or business, the Company intends to maintain its "principal office" as that term is defined in the United States Internal Revenue Code of 1986, as amended, outside the United States.

In general, gains realised by the Company on the sale, exchange or redemption of its portfolio securities will not be subject to United States withholding taxes. Similarly, the

Company intends to structure its temporary investments to avoid being subject to United States withholding taxes. In general, the Company will be subject to 30% United States withholding tax on dividends paid to the Company with respect to its investments in equity securities of United States issuers. The Company will also be subject to 30% United States withholding tax with respect to payments of interest, if any, received from United States sources unless such interest qualifies as "portfolio interest" or is paid in respect of United States bank deposits or obligations which are payable no more than 183 days from the date of issue, in which case such interest generally will be exempt from United States withholding tax.

Shareholders. In general, a holder of Shares who is not a citizen or resident of the United States, a United States corporation, or an estate or trust the income of which is subject to United States federal income tax regardless of its source (a "foreign shareholder") will not be subject to United States federal income taxation on dividends received with respect to its shareholding. As a general rule, foreign shareholders will also not be subject to United States tax with respect to gains realized from the sale, exchange or redemption of Shares unless, in the case of a foreign shareholder that is an individual, such gain is earned by a foreign shareholder who is physically present in the United States for 183 days or more during the year and certain other conditions are satisfied.

Special rules may apply in the case of foreign shareholders (i) that are engaged in a United States trade or business or (ii) that are former citizens of the United States, controlled foreign corporations as to the United States, foreign personal holding companies, corporations which accumulate earnings to avoid United States federal income tax, and certain foreign charitable organizations. Such persons are urged to consult their United States tax advisers before purchasing Shares. In the case of a shareholder that is a partnership, the taxation of each partner on its allocable share of dividends and capital gains with respect to the Shares held by the partnership will depend on the status of such partner as a U.S. Person or a non-U.S. Person (in each case, other than a partnership).

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

GENERAL INFORMATION

1. Incorporation and Share Capital

- (a) The Company was incorporated in the Cayman Islands under the provisions of the Companies Law (2001 Revision) on 7 June 2001 with limited liability and is registered in the Cayman Islands as an exempted company.
- (b) The authorized share capital of the Company is US\$100,000 divided into 20,000,000 shares of a nominal or par value of US\$0.005 each.

2. Rights attaching to Shares

Subject to the provisions of section 37 of the Companies Law (2001 Revision), the Shares shall be redeemable and redeemed in the manner and upon and subject to the terms and conditions set out in the Company's articles of association. Upon a winding up or other return of capital of the Company, the holders of the Shares shall rank first in the repayment of the nominal value paid up thereon and, in addition, they shall have the right to share, pro rata their respective holdings, in the Company's surplus assets available for distribution to shareholders after repayment of the nominal value paid up on the shares. The Shares entitle the holders thereof to receive notice of, to attend and to vote at any general meeting of the Company.

3. Memorandum and Articles of Association

The memorandum of association of the Company provides that the Company's objects are unrestricted but include the carrying on of the business of an investment holding company. The objects of the Company are set out in full in clause 3 of the memorandum of association. A copy of the memorandum of association may be obtained from the Administrator.

Set out below is a summary of some of the main provisions of the articles of association ("Articles") of the Company.

(a) Variation of Rights

- (i) The rights attached to any class of shares may, subject to the laws of the Cayman Islands and unless otherwise provided by the terms of the issue of the shares of that class, be varied or abrogated with the consent in writing of the holders of not less than three-quarters of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class by three-quarters of the votes cast at that meeting. The quorum for such a meeting is one or more persons holding or representing by proxy at least three-fourths of the issued shares of the class concerned.
- (ii) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(b) Shares

Subject to the Articles, all unissued shares are at the disposal of the Directors and they may allot or otherwise dispose of them to such persons on such terms and conditions, and at such times, as the Directors may determine. The Company may issue fractions of a share.

(c) Issue of Shares

Duly completed applications in a form satisfactory to the Directors must be received by the Company at least three Business Days (or such other period as the Directors may determine) prior to the Purchase Date in question for the Company to issue Shares in relation thereto. After the expiry of the Initial Offering Period, Shares shall be issued at a subscription price per share equal to the Net Asset Value per Share calculated as at the Valuation Date immediately preceding relevant Purchase Date. If a written application in the requisite form is not received by the Company in a timely manner prior to the relevant Purchase Date, the Directors may elect to treat such application as a request to subscribe for Shares on the next following Purchase Date at the Net Asset Value per Share prevailing as at the Valuation Date immediately preceding that Purchase Date. The Directors may, in their absolute discretion and without assigning any reason therefore, refuse to accept any application for Shares in the Company or accept any application in whole or in part.

(d) Transfer of Shares

The Directors may, in their absolute discretion and without assigning any reason therefore, refuse to register any transfer of any share.

(e) Determination of Net Asset Value

Net Asset Value and Net Asset Value per Share shall be determined by the Directors at the close of business on each Valuation Date. A Valuation Date shall be the last Business Day of each month and such other dates as the Directors deem necessary or appropriate. The method of determination of Net Asset Value is specified in the Articles. The Articles provide for suspension of the calculation of Net Asset Value in certain circumstances.

(f) General Meetings

The Directors may, whenever they think fit, convene an extraordinary general meeting. There is no requirement however that there be an annual general meeting of the Company. The Shares entitle the holders thereof to receive notice of, to attend and to vote at any general meeting.

(g) Directors

(i) There shall be a board of Directors consisting of not less than one or more than ten persons (exclusive of alternate directors). The business of the Company shall be managed by the Directors who may exercise such powers of the Company as are not, by law or by the Articles, required to be exercised by the Company in general meeting. There shall be no shareholding qualification required for Directors.

- (ii) The remuneration to be paid to the Directors will be determined by the Company in general meeting. Directors may also be paid travelling, hotel and other expenses incurred by them in attending and returning from meetings of the Directors or general meetings of the Company. The Directors may by resolution award special remuneration to any Director undertaking any special work or services other than their ordinary routine work as directors. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with the office of director, or may act in a professional capacity to the Company on such terms as the Directors may determine. No Director will be disqualified by his office from contracting with the Company in any capacity, nor will any such contract or any contract or arrangement entered into by the Company in which any Director is in any way interested be liable to be avoided, nor will any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office if such Director shall declare the nature of the Director's interest. A Director having disclosed his interest will be entitled to vote as a Director in respect of any contract or arrangement in which the Director is so interested.
- (iii) The office of Director shall be vacated if the Director, inter alia, is removed from office by an ordinary resolution duly passed by the Company in general meeting or is requested to resign by all his co-directors.

(h) Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to secure such borrowings in any manner.

(i) Dividends

- (i) The Directors may from time to time declare and pay to the members such dividends as appear to the Directors to be justified by the profits of the Company.
- (ii) No dividend shall be paid otherwise than out of profits or such other funds as may be lawfully distributed as dividends.

(j) Winding Up

Under the laws of the Cayman Islands, the Company may be voluntarily wound up following the passing of a special resolution to that effect at a general meeting. The assets available for distribution among the members on a winding up shall be applied first in repayment, *pari passu*, of the nominal amount paid up on the

Shares. Any surplus assets then remaining are to be distributed pari passu among the holders of the Shares. On a winding up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of the Company, distribute the assets of the Company to the members in specie.

(k) Fiscal Year

The fiscal year of the Company shall end on December 31st of each year unless the Directors prescribe some other period therefore.

(l) Indemnity

The Articles contain provisions indemnifying and exempting the Directors, secretary and other officers and servants of the Company from liability in the discharge of their duties. The Articles also provide that the amount for which such indemnity is given shall immediately attach as a charge on the property of the Company and shall have priority over all other claims.

(m) Alteration of Memorandum and Articles of Association

The memorandum of association and the Articles may be altered by a special resolution of the Company. Under the Articles, the passing of a special resolution requires at least two thirds of the votes cast to be in favour.

4. Directors' and Other Interests

- (a) There are no service contracts in existence between the Company and any of the Directors, nor are any such contracts proposed.
- (b) Save as herein disclosed, no Director has any interest, direct or indirect, in the promotion of or in any assets which have been or are proposed to be acquired or disposed of by the Company and no Director is materially interested in any contract or any arrangement subsisting at the date hereof which is significant to the business of the Company or unusual in its nature or condition.
- (c) At the date of this document, neither the Directors nor their spouses or their infant children have any interest, direct or indirect, in the share capital of the Company nor any options in respect of such capital, nor an intention of making an application for such shares.

5. Material Contracts

The following contracts have been entered into by the Company and are material:

- (a) An investment management agreement (the "Management Agreement") between the Company and the Investment Adviser pursuant to which the Investment

Adviser has been appointed as the Company's investment adviser. Under the Management Agreement, the Investment Adviser will be responsible for the general investment management of the Company. A management fee of 1% of the Company's Net Asset Value will be paid to the Investment Adviser per annum quarterly in advance and calculated on the basis of the Company's Net Asset Value at the beginning of each calendar quarter. The Investment Adviser will also be paid a performance fee equal to 20% of the annual profits above a five percent (5%) hurdle rate. The Management Agreement may be terminated by either party giving six months' notice.

- (b) An administration agreement (the "Administration Agreement") between the Company and the Administrator under which the Company has appointed the Administrator as administrator, registrar and transfer agent of the Company. Under the Administration Agreement, the Administrator is responsible for the day to day administration of the Company, the keeping of the registers and secretarial functions, calculation of Net Asset Value and fees, communications with shareholders and dealing with the issue, redemption and transfer of Shares. The Administrator will receive an administration fee, payable quarterly. The fee will be 0.1% of Net Asset Value. The Administration Agreement will have an initial term of twelve months and will be automatically renewed for successive terms of twelve months each, unless sooner terminated on at least 90 days' notice.
- (c) A custodian agreement (the "Custodian Agreement") between the Company and the Custodian under which the Company has appointed the Custodian as custodian of the Company. Under the Custodian Agreement, the Custodian will open and maintain custody accounts in the name of the Company and will hold and administer all securities, cash and other property of the Company. The Custodian will also establish and maintain cash accounts in which payments and receipts and any charges to the Company will be booked. Under the Custody Agreement, the Custodian will not be responsible for any loss incurred arising out of or in any way related to the transactions contemplated under the Custody Agreement unless such loss is caused by its gross negligence or willful misconduct and the Custodian is indemnified from loss or liability arising from the transactions contemplated by the Custody Agreement and instructions given or believed to have been given pursuant thereto. The Custody Agreement may be terminated by either party on the giving of at least 30 days' notice.

6. Miscellaneous

- (a) The Company is not engaged in any litigation or arbitration and no litigation or claim is known to the Company to be pending or threatened against it.
- (b) The first fiscal year of the Company will end on December 30, 2001 and thereafter each fiscal year shall be the 12 month period ending on December 31st.
- (c) The Company does not have any subsidiaries.

7. Documents for Inspection

Copies of the documents listed below may be obtained from the Registrar at its offices in Monaco:

- (a) The memorandum and articles of association of the Company;
- (b) The Companies Law (2001 Revision) of the Cayman Islands; and
- (c) The material contracts listed above.