

SALUS, LP

A Colorado Limited Partnership

**CONFIDENTIAL OFFERING
MEMORANDUM**

January 4, 2019

This brochure provides information about the qualifications and business practices of SALUS, LP. If you have any questions about the contents of this brochure, please contact us at (720) 593-1082 and/ or inquiries@salushedgefund.com. 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 SALUS, LP also is available on the SEC's website at www.adviserinfo.sec.gov.

SALUS, LP is a Registered Investment Advisor. However, please be advised that being a Registered Investment Advisor does not imply a certain level of skill or training.

AN INVESTMENT IN THIS PARTNERSHIP INVOLVES A RISK OF LOSS. SEE "METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS."

Memorandum No. _____

Recipient's Name: _____

This Confidential Offering Memorandum is being given to the above-named recipient solely to permit that recipient to evaluate an investment in the limited partnership interests (the "Interests") described herein. This Offering Memorandum may not be reproduced or distributed to anyone else (other than the identified recipient's professional advisers). By accepting delivery of this Memorandum, the recipient agrees to return it and all related documents to the General Partner if the recipient does not subscribe for an Interest in the Partnership.



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SALUS, LP

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EXHIBIT A FORM OF LIMITED PARTNERSHIP AGREEMENT

EXHIBIT B FORM OF SUBSCRIPTION AGREEMENT

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ADVISORY BUSINESS

Investment Objective

The General Partner's objective for the Partnership is to generate returns by engaging money managers to trade and invest the assets of the Partnership in various U.S. Government Securities. This is accomplished by: 1.) allocating funds among manager(s) selected by the General Partner, 2.) continuously monitoring the performance of those manager(s) selected by the General Partner to ensure that each is meeting expected performance levels, and 3) balancing and reallocating assets among money managers as the General Partner deems appropriate.

Investment Methodology

The General Partner has a conservative approach to its participation in the capital markets. With the support of a Global Custodian and Clearing Principal, the General Partner benefits from trading a rather sizable volume of U.S. Treasury tenors, providing the General Partner with safe predictable growth patterns through its capital investments. The General Partner is able to source liquidity through the high trading volumes of the U.S. Treasury Markets on a global basis. The General Partner's conservative approach allows for it to trade in a rather secure environment in increments of 32's; that is 1% (100 basis points) of \$1,000,000 divided into 32 increments, with each 32nd having a value of \$312.50. Tighter spreads reduce investment risks by providing the General Partner with predictable movement within the U.S. Treasury Market. The absence of a locked market guarantees that there is always liquidity provided for these securities - the high volume of various United States Treasuries which trade globally, is indicative of the large number of investors that seek safe predictable investments.

High trading volumes demand the efficiency of settlement and delivery amongst other institutional trading entities. Therefore, the General Partner is able to benefit from a tool known as Repo (Repurchase Agreements). The Repo Market is one of the most active proponents of the daily liquidity found in the United States Treasury Market. U.S. Treasuries have a T+1 settlement; meaning that the funding of the trade and delivery of the security must consummate simultaneously within the next day after the trade was executed. Provided the same government security had been traded 80 times amongst many other institutional investors and traders, there would be many "fails" on the settlement of the desired security. Repo, accompanied by trade submission through FICC, netting, matching and STP provided by the General Partner's Clearing Principal guarantees delivery of these securities to the "end user" without "fail."

Repo is not a credit line. However, it can be used as a tool to source liquidity promptly and at rates comparable to, if not better than, LIBOR. When utilizing this tool, assets always remain the property of the Limited Partner, and are at the behest of the General Partner and Clearing Principal. The General Partner, takes on all responsibility through its Clearing Principal, for the unwinding and servicing of all "Repurchase Agreements" - allowing for the General Partner to share in an enhanced investment environment with its Limited Partners through the benefits provided by the General Partner's understanding and utilization of Repurchase Agreements. The General Partner will make calculated use of the tools and liquidity provided, while being mindful of the conservative culture within the Limited Partnership.

The General Partner's approach is guided by four basic principles. First, investment styles and approaches differ significantly among various money managers, and no single individual or approach will always be successful or outperform another. Second, individual investors can benefit from having an independent experienced objective party evaluate the risk profiles and historical performance of



other investment managers. Three, that collectively, investors may be able to obtain diversification and agility by participating in a pooled investment vehicle. Forth, that by consistently monitoring each investment manager, the General Partner will be able to, evaluate the historical performance, analyze current performance of specific managers and allocate funds among them based upon the forgoing. For example, in evaluating a prospective money manager whose unique ability is short term trading, the General Partner will assess the following: the manager's approach to risk management (e.g. stop loss orders, trailing stops and defined profit objectives), the types of securities traded, liquidity of the proposed securities traded, track record, and volatility. Prospective investors should be aware that the Partnership Agreement does not require that the General Partner to maintain any level of diversification among investment managers or particular investments and, as such, investors may bear the risk associated with a single investment strategy or manager as the General Partner, if its discretion, deems appropriate.

FEES AND COMPENSATION

For its services in managing and supervising the Partnership's investment portfolio and for administrative activities on behalf of the Partnership, the General Partner will receive a Management Fee calculated at a rate of approximately 2% *per annum* (or 0.5% *per calendar quarter*) of each Limited Partner's Capital Account balances. The Management Fee will be calculated and paid quarterly in advance based on the value of the Limited Partners' Capital Account balances as of the beginning of each quarter (after taking into account capital contributions made as of the beginning of the quarter). In calculating the Management Fee, the assets and liabilities of the Partnership are valued by the General Partner in good faith in accordance with the Partnership Agreement. Limited Partners who are permitted to contribute capital on a date other than the first day of a quarter will be charged a prorated Management Fee for the quarter as to the amount contributed at the time of their contributions. Limited Partners who are permitted to withdraw capital on a date other than the last day of a quarter will not receive a refund of any Management Fee paid in advance. The General Partner may vary the Management Fee as to particular Limited Partners by separate written agreement. The General Partner may assess special charges to Limited Partners who effect early redemptions or redemptions at times other than the end of a quarter

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PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Performance-Based Fees

In General. The General Partner may receive a "Performance Allocation" as to each Limited Partner equal to 20% of the Limited Partner's returns that exceed what is commonly known as a "Hurdle Rate of Return" or "Hurdle Rate." The applicable Hurdle rate of Return provided for in the Partnership Agreement is approximately 10% per annum or 2.41% per quarter payable at the end of each calendar quarter, or other evaluation date. Thus at the end of each calendar quarter, the percentage return is computed for each Limited Partner's Capital Account for that quarter and compared to the percentage return for the Hurdle Rate for that quarter; any returns in excess of the Hurdle Rate are subject to the 20% Performance Allocation. The General Partner will generally compensate the investment managers that it employs out of the funds it receives from the performance fees provided for hereunder. Notwithstanding the forgoing, the General Partner reserves the right to pay certain analysts and money managers fees from soft dollars obtained hereby.

A Performance Allocation is also made when a Limited Partner withdraws capital, in proportion to the withdrawn amount. Performance Allocations are generally calculated and made as of the end of each calendar quarter; however, in the event of a withdrawal of capital by a Limited Partner at a date other than the end of a calendar quarter, the General Partner may be entitled to a Performance Allocation as to each withdrawing Limited Partner equal to 20% of the Limited Partner's returns that exceed the Hurdle Rate of Return as of the date of withdrawal. In that event, the proportional amount of the Performance Allocation made to the General Partner will be made as of the date of withdrawal. Any future Performance Allocation for the withdrawing Limited Partner will be based on the procedure stated above at the end of the calendar quarter based upon remaining capital of the withdrawing Limited Partner. Once made, a Performance Allocation will not be reduced by losses incurred in later quarters. The General Partner may make withdrawals from its Capital Account, including amounts allocated to it as a Performance Allocation. The Performance Allocation is based upon unrealized appreciation as well as unrealized gains.

Hurdle Rate of Return. As stated, the applicable Hurdle Rate of Return provided for in the Partnership Agreement is approximately 10% per annum or 2.41% per quarter payable at end of each calendar quarter or other evaluation date.---e.g. the date of withdrawal by a Limited Partner other than at the end of a calendar quarter. The Hurdle Amount is not cumulative from Period to Period.

Certain Considerations. The General Partner believes the prospect of receiving a Performance Allocation provides a strong incentive to manage the Partnership successfully. However, the Performance Allocation may also create an incentive for the General Partner to engage in activities that are riskier or more speculative than would be the case if the General Partner did not receive a Performance Allocation. This is partly because, once a Performance Allocation is made, the General Partner need not return it if Partners experience losses in subsequent periods.

The Performance Allocation will be allocated to the General Partner's Capital Account in addition to the General Partner's receipt of its proportionate share of Net Profits and Net Losses based on its Capital Account balance.

Side-By-Side Management

Conflicts of interest could also arise in connection with securities transactions for the accounts of the Partnership, any other investment vehicles in which the General Partner is involved or other advisory clients whose portfolios the General Partner may manage, and the accounts of the General Partner or its members and other affiliates. In many cases, the Partnership and other investment accounts the General Partner may manage, may seek to buy or sell the same Security at the same time. At times, however, the General Partner may cause the Partnership and other accounts to effect transactions that differ in substance, timing and amount, due to, among other things, differences in investment objectives or other factors affecting the appropriateness or suitability of particular investment activities to the Partnership or other accounts, or to limitations on the availability of particular investment or transactional opportunities. The General Partner



may allocate transactions and opportunities among the various accounts it manages in a manner it believes to be equitable, considering each account's objectives, programs, limitations and capital available for investment, but all accounts may not necessarily invest in the same Securities. Further, neither the General Partner nor its principals or affiliates have any obligation to provide the Partnership or any other account with any particular investment opportunity or to refrain from taking advantage of an investment opportunity that could be beneficial to the Partnership.

If the General Partner seeks to buy or sell the same Security at the same time on behalf of the Partnership and other investment portfolios it manages, the General Partner may combine purchase and sale orders on behalf of the Partnership with orders for those other portfolios, including its own or the personal accounts of its principals or affiliates, and allocate the Securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants in the transactions. While the General Partner believes combining transaction orders in this way is, over time, advantageous to all participants, in particular cases the average price could be less advantageous to the Partnership than if the Partnership had been the only account effecting the transaction or had completed its transaction before the other participants. Because of the General Partner's interest in the Partnership (including the Performance Allocation), there could be circumstances in which the Partnership's transactions may not, under certain laws and regulations, be combined with those of some of the other accounts the General Partner manages, and the Partnership may obtain less advantageous execution than such other accounts.

The General Partner's selection of brokers or dealers to execute portfolio transactions for the Partnership will be based in part on the research and other information, products and services brokers provide to the General Partner, including products and services for which the General Partner would otherwise be obligated to pay. The General Partner may use such information, products and services in servicing other accounts (including its own or those of its affiliates) and not solely in connection with the Partnership. The General Partner's receipt of such information, products and services can give rise to conflicts of interest. *See "Brokerage Practices."*

Operating Expenses

The Partnership bears all of its direct organizational and operating expenses. These include, among other things, legal fees, brokerage commissions, interest on margin and other borrowings, borrowing charges on Securities sold short, custodial fees, legal, research, accounting and audit fees and expenses, tax preparation fees, governmental fees and taxes, bookkeeping and other professional fees, due diligence fees and costs, filing fees, telephone, travel and travel-related expenses in connection with the Partnership's activities, costs of Partnership reporting, costs of Partnership governance activities (such as obtaining Partner Consents if and when necessary or appropriate), and all other reasonable expenses related to the management and operation of the Partnership and/or the purchase, sale or transmittal of Partnership assets, as the General Partner determines in its sole discretion. The General Partner may cause any or all of those costs, including Partnership expenses that constitute "non-research" and "non-brokerage" expenses, to be paid using "soft dollars"-i.e., paid by securities brokerage firms in recognition of commissions or other compensation paid on securities transactions the Partnership executes with or through them (including markups and markdowns on principal transaction with market makers).

The General Partner provides the Partnership with office space, utilities, office equipment and certain administrative services. To the extent those facilities and services comprise part of the General Partner's own operating, general administrative and overhead costs, the General Partner is not entitled to direct reimbursement from the Partnership. However, the General Partner may cause some or all of these expenses to be paid with the Partnership's soft dollars. Doing so could relieve the General partner of expenses it would otherwise bear. *See "Brokerage and Transactional Practices-'Soft Dollars'" and "Potential Conflicts of Interest."*



TYPES OF CLIENTS AND ACCOUNT REQUIREMENTS

Subscriptions for Interests will be accepted at the discretion of the General Partner from time to time, generally as of the beginning of a quarter.

The minimum investment is \$250,000 and the minimum additional capital contribution is \$100,000. The General Partner may waive or reduce these requirements in particular cases and may change them as to new investors in the future. The Partnership pays no sales commissions in connection with sales of Interests. However, the General Partner may pay compensation, at its own expense, to third parties who introduce Limited Partners to the Partnership, and it may direct a portion of the Partnership's portfolio brokerage to brokers who do so or who are willing to compensate such third parties for such referrals.

Eligible Investors

Investors generally must be "accredited" investors within the meaning of Regulation D under Section 4(2) of the Securities Act of 1933 and if the General Partner so requires, either (i) have a net worth of at least \$1.5 million or (ii) invest at least \$750,000 in the Partnership. The General Partner may waive certain parts of these standards in limited circumstances and may apply additional admission standards. In addition, prospective Limited Partners must make certain representations, in a Subscription Application, relating to securities law compliance.

As a general matter, an "accredited" investor is an individual who has a net worth of at least \$1 million or a corporation, partnership or other entity with total assets in excess of \$5 million. However, this general statement is subject to many qualifications and exceptions. Prospective investors should note that, in addition to being "accredited" investors, Limited Partners may be required to each have a net worth of at least \$1.5 million or invest at least \$750,000 in the Partnership. This is particularly true if the General Partner elects to register as an investment advisor or if it is required to do so. The Subscription Application contain questions intended to establish a prospective investor's satisfaction of the applicable requirements and must be completed fully.

Suitability

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

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



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

The Partnership will not accept subscriptions from investors who are not U.S. Persons within the meaning of certain regulations under the Internal Revenue Code or from U.S. investors who are not subject to U.S. federal income taxes.

Method of Subscription

To subscribe to purchase an Interest, an investor must complete, date and sign the Subscription Agreement included with this Memorandum, deliver the signed Subscription Agreement to the General Partner and make payment in accordance with the Agreement. The General Partner reserves the right to accept or reject any subscription in whole or in part in its sole discretion for any reason whatsoever and to withdraw this offering at anytime.

Provisional Capital Contributions

It is possible that the General Partner, in implementing its investment strategy, may not be able to deploy investors tendered Capital Contributions immediately. Therefore, the Partnership Agreement authorizes the General Partner to establish a Pending Capital Contribution Account. The purpose of the Pending Capital Contribution Account is to accommodate the interests of existing Partners, Partners who are interested in making additional Capital Contributions and new investors. If the Partnership were to accept tendered funds and not be able to identify immediate investment opportunities, the returns of existing Partners could suffer. Likewise, potential new investors tendered Capital Contributions and Subscriptions could be declined. Therefore at its election, the General Partner may cause part or all of the funds tendered as Capital Contributions to be segregated from the other funds and assets of the Partnership in this separate interest bearing account designated as the "Pending Capital Contribution Account." Funds in the Pending Capital Contribution Account are available to the General Partner to trade or invest in Securities for the benefit of the Partnership as it deems advisable. When the General Partner draws on funds in the Pending Capital Contribution Account, such funds and any accrued interest thereon will be credited to the contributing Partners' Capital Accounts without prior notice. In no event will such funds be credited to contributing Partners' Capital Accounts *until* they are deployed by the General Partner in accordance with the terms of the Partnership Agreement.

When the General Partner causes part or all of the tendered funds to be placed in the Pending Capital Contribution Account, it will notify the subscribers. When the General Partner draws on funds in the Pending Capital Contribution Account to trade or invest, it may do so based on the first-in first-out method of accounting and not on a pro rata basis. The date of such credit shall be deemed an effective Closing Date under the terms of the Partnership Agreement and the General Partner will notify the contributing Partners that such funds have been credited to their respective Capital Accounts. Once credited to a Partners Capital Account tendered funds may not be reallocated to the Pending Capital Contribution Account.

Funds in the Pending Capital Contribution Account and any accrued interest thereon may only be withdrawn by a contributing Partner in accordance with the terms of Article VI of the Partnership Agreement; and although they are subject to the 5% penalty for withdrawals prior to the their first anniversary and the 1% penalty for withdrawals that are effective at times other than the end of a calendar quarter, in no event shall funds deposited in the Pending Contribution Account be subject to any Management Fees or Incentive Allocations until the Closing Date (i.e. the date(s) that funds are credited to a Partner's Capital Account). The applicable time period(s) for any Mark-to-Market Event shall begin on the Closing Date although the one-year anniversary will begin on the date of the initial Capital Contribution.



Withdrawals

Partners may, upon 60 days written notice, withdraw capital from the Partnership effective as of the close of the last day of a fiscal quarter. A Limited Partner generally may not withdraw any capital before the end of the quarter in which the first anniversary of his or her admission to the Partnership occurs. If a Limited Partner makes a withdrawal before his or her first anniversary as a Partner, the withdrawal proceeds will be reduced by 5% to reduce the impact of the "early" withdrawal on the Partnership and its portfolio activities. Thereafter, for any Limited Partner withdrawal that is effective as of a date other than the last day of a calendar quarter, the Partnership may, in the General Partner's discretion, assess against the withdrawing Limited Partner a special administrative charge of up to 1% of the amount withdrawn to defray actual or estimated extraordinary accounting and other administrative costs to the Partnership and the existing Partners associated with permitting such mid-quarter withdrawal. The amount of these early withdrawal assessments will increase the Capital Accounts of the remaining partners. Without the consent of the General Partner, partial withdrawals may not be made if they would reduce a Limited Partner's capital account balance below \$100,000.

Withdrawn amounts generally will be paid within 30 days after the effective date of the withdrawal, without any interest. However, as to complete withdrawals, 90% of the amount withdrawn normally will be remitted within 30 days, without interest, and any balance will be remitted without interest not more than 10 days after completion of the financial statements for the year of the withdrawal. Payments may be in cash or in Securities, at the discretion of the General Partner. In addition, as to some or all of a withdrawal, the General Partner may establish a segregated portfolio of some of the Partnership's Securities and liquidate those Securities for the withdrawing Limited Partner's account. In such a case, the Limited Partner would bear the risk of a decline in the value of the Securities in the segregated portfolio between the effective time of withdrawal and the time of payment. Transaction costs involved in funding a withdrawal may be charged to the withdrawing Partner. In addition, for any Limited Partner withdrawal that is effective as of a date other than the last day of a calendar quarter, the Partnership may, in the General Partner's discretion, assess against the withdrawing Limited Partner a special administrative charge of up to 1% of the amount withdrawn to defray actual or estimated extraordinary accounting and other administrative costs to the Partnership and the existing Partners associated with permitting such mid-quarter withdrawal.

The General Partner may suspend the right of any Partner to withdraw capital or to receive a distribution from the Partnership if, in the General Partner's judgment, such a suspension would be in the best interests of the Partnership. Situations in which such a suspension might occur include: when a withdrawal would result in a violation of securities or other laws by the Partnership or the General Partner; when disruptions in securities markets make pricing and/or liquidation of some or all Partnership assets difficult or would result in losses to the Partnership if the Partnership attempted such liquidations; when the General Partner determines, in consultation with tax advisors, that the withdrawal could result in the Partnership being treated as a "publicly-traded partnership" and thus taxable as a corporation; or if other events make accurate determination of the Partnership's net asset value impractical. The General Partner will give notice to Partners who make withdrawal requests that are affected by any such suspension. Unless a Partner rescinds his or her suspended withdrawal request, the withdrawal will generally become effective on the last day of the fiscal quarter in which the suspension is lifted, on the basis of the Partner's capital account balance at that time.

Mandatory Withdrawals; Expulsion of a Limited Partner

The General Partner may force a partial or complete withdrawal by any Limited Partner as of the end of any day by giving notice to such Limited Partner on that day. Such expulsion could occur because, among other things, the Limited Partner's Interest could be considered "beneficially owned" by more than one person for purposes of the exclusion from treatment as an "investment company" under the Investment Company Act, discussed below, but could be because the General Partner, in its sole discretion, determines that the expulsion is in the best interests of the Partnership. Mandatory withdrawals will generally be effective as of the date the General Partner notifies the Limited Partner of the withdrawal. However, where the Limited Partner's continued ownership of its Interest could, in the General Partner's sole discretion, jeopardize the Partnership's ability to remain excluded from the definition of "investment company" under the Investment Company Act, or when the Limited Partner's continued ownership of its entire Interest could cause the Partnership's assets to be considered "plan assets" under ERISA the effective date may be an earlier time. If a Limited Partner dies or becomes bankrupt, insolvent or incompetent, he or she or it may be deemed to have withdrawn effective at the end of the quarter in which the event occurred.



METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

An investment in the Partnership is speculative, involves a high degree of risk and is suitable only for sophisticated investors who are able to assume the risk of losing all or substantially all of their investment. Prospective investors should carefully consider the risks involved in an investment in the Partnership, including but not limited to those discussed below. Many of those risks are discussed more fully elsewhere in this Memorandum. Prospective investors should consult their own legal, tax and financial advisers as to all these risks and as to an investment in the Partnership generally.

Research and Data Extrapolation

Both qualitative and quantitative analysis may be utilized to glean relevant market data in the interest of directing the investment strategy of the General Partner. Data pertaining to the U.S. Treasury Benchmark will be utilized as an integral component for the measurement of investment risk and proper analysis of current market conditions. Such information is provided through reputable independent third party sources such as Bloomberg, Reuters, the Global Exchanges and the General Partner's Clearing Firm and Custodian.

This information may be relied upon to be both true and accurate measurements of market environments, mark to market security valuations, and economic indicators. However, the information provided by the named sources are not guaranteed to be accurate or the result of the most recent market activity. The fund will utilize the provided information in an attempt to glean data that is indicative of beta, a measurement of the volatility of a certain security compared to the market as a whole; in an effort to project and enhance alpha, a measurement of performance in comparison to a market index or Benchmark; while utilizing strategies that mitigate the inherent risk within changing or even volatile market conditions. Ideal investment strategies create a delta neutral environment. However, such strategies may not always generate the most effective yields and may be displaced by a more aggressive investment strategy suitable to market conditions. The General Partner will also conduct independent research, which may or may not prove to be resourceful data that may be of advantage to the Limited Partnership. Such information may influence the trading style or altogether strategy of the General Partner in an effort to achieve the most satisfactory results in the best interest of the Limited Partners.

General

Reliance On the General Partner. The success of the Partnership depends on the ability of the General Partner to select investment managers and, in particular, Brandon Copeland and other members of the General Partner's investment team, to develop and implement investment strategies. The Partnership's investment performance could be materially adversely affected if Mr. Copeland or other members of the investment team were to die, become ill or disabled, or otherwise cease to be involved in the active management of the business of the Partnership's portfolio. Limited Partners have no right or power to take part in the management of the Partnership. Except under specified circumstances, if the General Partner withdraws, is dissolved, or becomes insolvent, the Partnership will be dissolved.

Newly Formed Enterprise. The Partnership was formed in October of 2017 and, thus, has a limited history of operating performance. Therefore, the General Partner makes no assurances that there will be any success in the investment efforts of the partnership.

Operating Deficits. The expenses of operating the Partnership (including Management Fees payable to the General Partner and organizational costs and expenses) could exceed its income. This would require that the difference be paid out of the Partnership's capital, reducing the amount of capital available to the Partnership for investment and the Partnership's potential for profitability. See "Management Fee, Performance Allocation and Expenses."

Not a Complete Investment Program. The Partnership may be deemed a speculative investment and is not intended as a complete investment program. It is designed only for sophisticated and experienced investors who are able to bear the risk of loss of their entire investment in the Partnership.



Investment Risks

All securities investing and trading activities risk the loss of capital. While the General Partner attempts to moderate these risks, there can be no assurance that the Partnership's investment and trading activities will be successful or that Limited Partners will not suffer losses. The following discussion sets forth some of the more significant risks associated with the Partnership's proposed activities.

Risks of Engaging Independent Money Managers. As previously stated, the General Partner intends to implement an investment strategy using various money managers. Potential investors should consider that there are some unique risks inherent in this strategy. First, each money manager will employ its strategy with all the attendant risks associated with a particular investment style such as: having concentrated or limited positions, investing in illiquid securities, regulatory risks, market timing risk, transaction costs, execution risk, economic risk, leverage and volatility risk, as well as others. While the General partner believes that its diversification strategy may reduce some of these risks, there can be no assurances that they will in fact be reduced or, for that matter that they may be exaggerated in certain respects. Certain money managers that the General Partner employs may have other accounts and clients that it manages. These money managers may employ similar strategies with other investment accounts that conflict with those employed on behalf of the Partnership. Further the compensation received by certain money managers may be greater than that received from the Partnership; as a result a money manager may not have the same incentive to provide the same level of execution and service to the Partnership that it might provide to another higher paying client.

Risks of Options and Other Derivatives in General. The Partnership or its managers may trade and invest in a variety of derivative instruments as part of their core activities. Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets (such as stocks), reference rates or indices. They generally provide a form of "leverage" in that they permit the Partnership to speculate on fluctuations in the prices of Securities indices or other assets while investing only a small percentage of the value of the underlying Securities, or other assets. Trading and investing in derivatives is highly speculative and may entail greater risks than those of investing in other Securities. The ability to profit or avoid risk through trading or investing in derivatives will depend largely on the money managers chosen by the General Partner ability to anticipate changes in the prices of underlying assets, reference rates or indices. Some of the more significant characteristics of derivatives that involve risks are as follows:

Prices of equity derivatives may be more volatile than prices of the Securities on which they are based. A change in the market price of the underlying Securities, indices or other assets or rates can cause a much greater change in the price of the derivative. To the extent the Partnership buys options that it does not sell or exercise, it loses the premium it paid. To the extent it sells options and must deliver the underlying Securities at the option price, it has a theoretically unlimited risk of loss if the price of the underlying Securities increases. To the extent the Partnership must buy the underlying Securities, it risks losing the difference between the market price of the underlying Securities and the exercise price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option.

When the Partnership writes options it may do so on a "covered" or an "uncovered" basis. If the Partnership sells covered calls, it limits its opportunity to benefit from an increase in the value of the underlying Security while continuing to bear the risk of decline in the value of the underlying Security. Likewise when the Partnership sells covered puts it assumes potentially unlimited risk as well as limiting its opportunity to benefit from the decrease in value in the underlying Security because the value of the underlying Security could theoretically rise to infinite levels. If on the other hand, the Partnership sells calls without holding the underlying Security ("naked call writing"), the Partnership could theoretically sustain an unlimited loss since the underlying Security could rise without limit. Conversely, if the Partnership sells puts without holding the underlying Security the maximum loss that the Partnership could sustain is the exercise price of the option less the premium received for selling the put. Potential investors in the Partnership should read the options disclosure material available from the Chicago Board of Options Exchange for a complete description of options and investing and attendant risks.



The Partnership may enter into "over-the-counter" derivatives transactions, transactions in derivatives contracts such as "swaps," that are not traded on any exchange and are not issued by clearinghouses such as the Options Clearing Corporation. The instruments or interests underlying swaps or other derivatives may include individual Securities, Securities indices, interest rates, commodities or commodities indices. The Partnership is less able to dispose of or close open positions created through over-the-counter transactions than positions created with exchange-traded options or futures. Further, the risk of nonperformance by the counter-party in such transactions is greater with standardized contracts issued by, for example, the Options Clearing Corporation.

It is the intent of the General Partner not to write uncovered put or call option positions, or taking short positions in, "over-the-counter" options or other derivatives, however the money manages that it engages may have differing management strategies and objectives. Should the Partnership find that by mistake, input error or miscommunication with its money managers or broker-dealers, such positions are held contrary to policy, these positions will be reversed (sold or covered) as soon as practical when they come to the attention of the General Partner, regardless of their profitability. Rapidly exiting such positions may result in losses to the Partnership.

General Economic and Market Conditions. The success of an investment in the Partnership may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Partnership's investments. Unexpected volatility or illiquidity could impair the Partnership's profitability or result in losses.

Reliance on Third Parties. The General Partner depends on other investment managers and various data vendors to provide information that is used in their analytical techniques. The investment objectives and programs implemented by these managers may have certain limitations and risks, some of which are delineated in this document. This does not mean that the risk factors set forth herein are by any means exhaustive, each investment manager and that manager's particular style requires an independent analysis of the risks associated therewith. While the General Partner attempts to assess such risk and makes allocations accordingly, prospective investors acknowledge and agree that each has made an independent evaluation of the investment managers. Erroneous data will negatively impact the performance of their investment strategies.

Computer system failures and technological problems may result in order execution problems. Such problems may limit the Partnership's ability to enter into and exit position, thereby subjecting the Partnership to unexpected losses.

Concentration of Investments. The Partnership Agreement does not limit the amount of the Partnership's capital that may be committed to any single advisor, manager, investment, industry or sector. The General Partner may attempt to spread the Partnership's capital among a number of investments and managers, when appropriate. However, the Partnership Agreement imposes no limits on the concentration of the Partnership's investments in particular Securities, industries, sectors or portfolio managers; and at times the Partnership may hold a relatively small number of Securities positions, each representing a relatively large portion of the Partnership's capital; or its capital may be managed by as little as one investment advisor. Losses incurred in such positions could have a materially adverse effect on the Partnership's overall financial condition. See "Investment Objectives and Policies."



Short Selling. The Partnership may sell Securities short as a regular part of its investing activities. In a short sale, the Partnership sells Securities it does not own, in the hope that the market price will decline and that the Partnership will be able to buy replacement Securities later at a lower price. To accomplish this, the Partnership borrows the Securities from a broker or other third party, and "closes" the position by "returning" the Security (buying a replacement Security on behalf of the lender) whenever the lender chooses. As collateral for this obligation to "close" its short position, the Partnership is required to leave the proceeds of its short sale with the broker that effected the transaction, and deliver an additional amount of cash or other collateral dictated by margin regulations. Because of the repayment obligation, a short sale theoretically involves the risk of unlimited loss, because the price at which the Partnership must buy "replacement" Securities could increase without limit. There can be no assurance that the Partnership will not experience losses on short positions and, if it does, that those losses will be offset by gains on the long positions to which they relate. Short sales can, in some circumstances, substantially increase the impact of adverse price movements on the Partnership's portfolio. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying Security could theoretically increase without limit, thus increasing the cost to the Partnership of buying Securities to cover the short position.

Use of Leverage. The Partnership Agreement authorizes the General Partner and its managers or sub advisors, to leverage the Partnership's investment positions by borrowing funds from securities broker-dealers, banks, or others. Such leverage can increase both the possibilities for profit and the risk of loss. Margin borrowings are usually from securities brokers and dealers and typically are secured by the borrower's Securities and other assets. Under certain circumstances, such a lender may demand an increase in the collateral that secures the borrower's obligations, and if the borrower were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the borrower's obligation. If the Partnership were to become subject to liquidation in that manner, it could suffer extremely adverse consequences. In addition, the amount of the Partnership's borrowings (if any) and the interest rates on those borrowings, which would fluctuate, could have a significant effect on the Partnership's profitability.

Hot Issues. The Partnership may invest in "Hot Issues" as that term is defined in the Conduct Rules of the National Association of Securities Dealers ("NASD"). Only those Partners who are not restricted, as that term is defined by the NASD, may participate in the receipt of Hot Issues. To the extent that a potential Partner is "restricted," an investment in the Partnership may not yield the performance results that may be achieved by those investors that are entitled to receive Hot Issues. Any Partner who does not provide the Partnership with information sufficient to show that the Partner is not restricted will be presumed to be restricted and will not be allocated Hot Issue profits (if any are received).

Hedging Risks Generally. Hedging strategies in general are usually intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit. The Partnership may use short selling and derivatives to hedge its investment risk.

Foreign Investments. The Partnership may invest in Securities of non-U.S. companies and/or Securities denominated in currencies other than U.S. dollars, although the General Partner does not currently intend to do so to a material extent. These may include Securities issued by companies in, and traded in, so-called "emerging markets." Non-U.S. investing, and investing in emerging markets in particular, will subject the Partnership to certain risks not typically associated with investing in Securities in the United States. Many foreign stock markets are not as developed or efficient as those in the United States and may be more volatile than U.S. markets. The costs and expenses of investing in foreign markets may be higher than in the United States. There is generally less publicly available information about foreign companies than domestic companies, which will make it more difficult for the General Partner to keep informed of corporate action that may affect the price of a particular Security. Additionally, some foreign economies are less stable than the U.S. economy, due to, among other things, volatile political environments, less stable monetary systems and/or external political risks.



Changes in Investment Strategies. The Partnership Agreement gives the General Partner broad discretion to expand, revise or contract the Partnership's business without the consent of the Limited Partners. Thus the investment strategies described elsewhere in this Memorandum may be altered without prior approval by, or notice to, the Limited Partners if the General Partner determines that such change is in the best interests of the Partnership. Any such decision to engage in a new activity could result in the exposure of the Partnership's capital to additional risks, which may be substantial.

Limited Liquidity of Some Investments. Some of the Securities in which the Partnership invests may be relatively illiquid, either because they are thinly traded, or because they are subject to transfer restrictions. The Partnership may not be able promptly to liquidate those investments if the need should arise, and its ability to realize gains, or to avoid losses in periods of rapid market activity, may therefore be affected. In addition, the value assigned to such Securities for purposes of determining Limited Partners' partnership percentages and determining Net Profits and Net Losses may differ from the value the Partnership is ultimately able to realize.

Brokerage Commissions/Transaction Costs. The Partnership's activities may involve a high level of trading, and the turnover of its portfolio may generate substantial transaction costs. These costs will be borne by the Partnership regardless of its profitability.

Insolvency of Brokers and Others. The Partnership will be subject to the risk of failure of the brokerage firms that execute its trades, the clearing firms that such brokers use, or the clearing houses of which such clearing firms are members.

Partnership Risks

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

Limited liquidity. An investment in the Partnership is relatively illiquid and is not suitable for an investor who needs liquidity. There is no public market for Interests and the Partnership Agreement imposes significant limitations on Limited Partners' abilities to transfer Interests. In addition, rights to withdraw funds from the Partnership are subject to several limitations. Withdrawals are not generally permitted until a Partner has been admitted to the Partnership for at least one year. Thereafter, a Limited Partner may withdraw funds only at the end of each quarter and then only after giving 60 days written notice. Permitted Withdrawals within a Limited Partner's first year as a Partner are generally subject to an early withdrawal assessment of 5% of the amount withdrawn. The General Partner has the discretion to deliver amounts withdrawn in Securities rather than cash. Further, as to all or a portion of a withdrawn amount, the General Partner may establish a segregated portfolio of some of the Partnership's Securities and liquidate those Securities for the withdrawing Limited Partner's account. In either such case, the Securities so delivered or segregated may be relatively illiquid and the Limited Partner would bear the risk of a decline in their value after the effective time of his or her withdrawal. These facts, taken together, will significantly affect the liquidity of a Limited Partner's investment in the Partnership. See "Eligibility Requirements; Subscriptions; Withdrawals" and "Summary Of The Partnership Agreement - Limitations On Transferability."



Conflicts of Interest. The General Partner will be subject to a variety of conflicts of interest in making investments on behalf of the Partnership. For example, the General Partner's methods of allocating portfolio transaction business among brokers and dealers could involve conflicts. See "Brokerage and Transactional Practices." The General Partner or its affiliates may form or act as investment adviser to other investment funds, clients or entities with investment objectives substantially similar to those of the Partnership and may direct investments in which the Partnership would be interested to entities other than the Partnership. Further, the General Partner, its affiliates and/or members and persons of or entities associated with any of them may co-invest with the Partnership. See "Potential Conflicts of Interest."

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

Potential Mandatory Withdrawal. The General Partner may, in its sole discretion at any time, require a Limited Partner to withdraw all or a portion of his or her capital account balance. Such mandatory withdrawal could result in adverse tax and/or economic consequences to such Limited Partner. See "Summary of the Partnership Agreement."

Employee Benefit Plan Considerations

Each fiduciary of a pension, profit-sharing or other benefit plan subject to ERISA (each, an "ERISA Plan") should consider the fiduciary standards under ERISA in the context of the ERISA Plan's circumstances before authorizing an investment in the Partnership. Accordingly, among other factors, such fiduciary should consider (i) whether the investment satisfies the prudence requirements of Section 404(a)(1)(B) of ERISA; (ii) whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA; and (iii) whether the investment is in accordance with the documents and instruments governing the ERISA Plan as required by Section 404(a)(1)(D) of ERISA. In addition the fiduciary should also consider the potential return on the proposed investment and the effect on that return if any portion of the Partnership's income constitutes unrelated business taxable income ("UBTI").

A fiduciary of an ERISA Plan should also consider whether the assets of an investing ERISA Plan include only the Partnership Interests or whether an ERISA Plan investing in the Partnership would also be deemed to own an undivided interest in the assets of the Partnership. If the assets of the Partnership were deemed to be plan assets, an ERISA Plan's investment in the Partnership might be deemed to constitute an improper delegation under ERISA of the duty to manage plan assets by the fiduciary deciding to invest in the Partnership and certain transactions entered into by the Partnership might be deemed to constitute direct or indirect prohibited transactions under Section 406 of ERISA and Section 4975 of the Code.

The Department of Labor has published final regulations (the "Regulations") concerning whether an ERISA Plan's assets would be deemed to include an interest in the underlying assets of an entity for purposes of ERISA if the Plan acquires an equity interest in such entity, such as by acquiring Interests in the Partnership. The Regulations provide that the underlying assets of an entity will not be considered "plan assets" if, immediately after the most recent acquisition of any equity interest in the entity, less than 25% of the value of each class of equity interest in the entity is held by ERISA Plans, individual retirement accounts, and other employee benefit plans not subject to ERISA, such as foreign and governmental plans (collectively, the "Benefit Plan Investors"). (For purposes of the 25% limitation, the value of any equity interest held by any person (or its affiliate) which has discretionary authority or control, or provides investment advice for a fee, with respect to the assets of the entity must be disregarded.) The Partnership intends to limit the sale of Partnership Interests to Benefit Plan Investors and to restrict transfers to Benefit Plan Investors, if necessary, to comply with this 25% limit. In addition, the Partnership intends to redeem all or a portion of the Partnership Interests held by Benefit Plan Investors, if necessary, to satisfy the 25% limit.



Because of the complexity of these rules, and the penalties imposed upon persons involved in prohibited transactions, it is particularly important that fiduciaries of potential ERISA Plan investors consult with their counsel regarding the consequences under ERISA of their acquisition and ownership of Interests in the Partnership. Benefit Plan Investors which are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in 3(33) of ERISA generally are not subject to ERISA requirements (but are counted for purposes of the 25% limitation described above).

Other Risks

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

Limitations on Deductions. Tax Laws in certain cases may limit a Partner's ability to deduct certain losses and expenditures allocable to such Partner.

Tax Exempt Entities. Tax exempt entities may be subject to tax on a part of their share of Partnership income, depending upon the extent to which such income is characterized as "unrelated business taxable income" ("UBTI"). In the event that the Partnership incurs acquisition indebtedness, it may generate unrelated business taxable income, and therefore may not be a suitable investment for charitable remainder unit trusts or in other tax exempt situations.

Allocations. The Partnership intends to allocate all items of taxable income, gain, loss, deduction and credit among the Partners in a manner that is generally consistent with the economic sharing arrangements. It is currently expected that the Partnership will use a method of allocation that complies with one of the "safe harbors" provided in applicable Treasury Regulations. However, the General Partner retains discretion to allocate items in a manner that deviates from such safe harbor, and there can be no assurance that the Internal Revenue Service will respect such allocations. *See* "Income Tax Considerations - Taxation of the Partnership and its Partners - Partnership Allocations."

Regulatory Matters

Investment Company Regulation. The Partnership intends to rely on Section 3(c)(J) of the Investment Company Act of 1940, as amended (the "Investment Company Act") to avoid requirements that it register as an "investment company" under, and comply with, the substantive provisions of the Investment Company Act. If the Partnership were registered as an investment company, the Investment Company Act would require, among other things, that the Partnership have a board of directors some of whom were unrelated to the General Partner, compel certain custodial arrangements, and regulate the relationship and transactions between the Partnership and the General Partner. Compliance with some of those provisions could possibly reduce certain risks of loss by the Partnership or Limited Partners, although such compliance could significantly increase the Partnership's operating expenses and limit the Partnership's investment and trading activities. Interpretations of Section 3(c)(1) are complex and uncertain in several respects and, as a result, there can be no assurance that the Partnership will remain entitled to rely on that Section. If the Partnership were found not to have been entitled to such reliance, it and the General Partner could be subject to legal actions by the SEC and others and could be forced to terminate its business under adverse circumstances. *See* "Securities Regulatory Matters."



Private Offering Exemption. The Partnership intends to offer Interests on a continuing basis without registration under the Federal Securities Act of 1933, as amended (the "Securities Act"), under any securities laws in reliance on an exemption for "transactions by an issuer not involving any public offering." While the General Partner believes reliance on such exemptions is justified, there can be no assurance that factors such as the manner in which offers and sales are made, concurrent offerings by other partnerships, the scope of disclosure provided, failures to make notices, filings, or changes in applicable laws, regulations, or interpretations will not cause the Partnership to fail to qualify for such exemptions under Federal or one or more states' laws. Failure to so qualify could result in the rescission of sales of Interests at prices higher than the current value of those Interests which could potentially, materially, and adversely affect the Partnership's performance and business. Further, even non-meritorious claims that offers and sales of Interests were not made in compliance with applicable securities laws could materially and adversely affect the General Partner's ability to conduct the Partnership's business. See "Disciplinary Information and Securities Regulatory Matters."

Other. The Partnership and the General Partner are subject to various other securities and similar laws and regulations that could limit some aspects of the Partnership's operations or subject the Partnership or the General Partner to the risk of sanctions for noncompliance, See "Disciplinary Information."

DISCIPLINARY INFORMATION

The Partnership and the General Partner are subject to various federal and state securities and other laws and regulations that may limit the Partnership's activities. Failure to comply with such laws and regulations could subject the Partnership to substantial sanctions. The Partnership is not registered as an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The General Partner is currently exempt from registration as an investment adviser with the Securities and Exchange Commission (the "SEC"); and is exempt from the investment advisor registration requirements of the Colorado Division of Securities.

The Investment Company Act. If the Partnership were considered an "investment company" within the meaning of the Investment Company Act it would be subject to numerous requirements and restrictions relating to its structure and operation. If it were required to register as an investment company under the Investment Company Act and to comply with these requirements and restrictions, it would have to make significant changes in its proposed structure and operations, which could adversely affect its business.

The Partnership intends to operate under an exclusion from investment company regulation for "private investment companies." The exclusion is available to issuers whose securities are beneficially owned by not more than 100 persons and have not been offered publicly. If a Limited Partner that is itself a "private investment company" owns 10% or more of the outstanding Interests, each of that Limited Partner's equity owners will be considered a "beneficial owner" of the Partnership's Securities for purposes of counting the beneficial owners. The General Partner generally expects to limit the amount any private investment company may invest in the Partnership to below 10%. The General Partner may require a limited Partner to withdraw some or all of its Interest should the Limited Partner's continued investment in the Partnership, in the General Partner's sole discretion, jeopardize the Partnership's exemption from registration and regulation under the Investment Company Act. Each prospective investor must make certain representations and undertakings to assure the private investment company exclusion will be available.

The interpretations relating to beneficial ownership under Section 3(c)(1) are complex and, in some cases, unclear. Under certain interpretations, it is possible that multiple investment partnerships with the same investment objectives can be "integrated" for purposes of determining whether they have more than 100 beneficial owners. The General Partner may manage additional investment funds with objectives similar to those of the Partnership. There can be no assurances that the Partnership would be considered to have no more than 100 "beneficial owners."

Due to the complexities involved in the interpretation of the Investment Company Act, there can be no assurance that the Partnership's eligibility for exclusion from regulation under the Investment Company



Act will not be challenged. Should the private investment company exclusion cease to be available, the Partnership and the General Partner could be subject to legal action by the SEC and others, possibly resulting in financial losses and the termination of the Partnership's business.

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

"Hot" Public Offerings. Although the General Partner does not expect the purchase of Securities in public offerings to be a significant part of the Partnership's Activities, it may make such purchases from time to time. An interpretation (the "Interpretation") of the rules of the National Association of Securities Dealers, Inc. (the "NASD") limits the ability of underwriters to sell securities in public offerings to certain classes of "restricted persons" (either directly or through investment vehicles such as the Partnership) when the offerings are considered "hot issues" - i.e., the securities sell at a premium immediately after trading begins. "Restricted persons" include: employees of brokers and dealers, certain family members of such persons, senior officers or investment-level employees of banks, registered investment advisers, registered investment companies, insurance companies, and other institutional investors; and certain equity owners of broker-dealers. Employees and related persons of broker-dealers ("absolutely restricted" persons) are *prohibited* from participating in "hot issues"; other, "conditionally restricted persons" may participate if certain conditions are met. Investors must provide information in the Subscription Agreement as to their potential "restricted" status.

To permit the Partnership to participate in hot issues, the Partnership will establish "hot issue accounts" in which persons who are *prohibited* from participating will not share and in which, in many (perhaps most) cases, persons who are conditionally "restricted" also will not share. Because the Partnership's assets are not generally segregated and allocated on a Partner-by-Partner basis, this practice will involve the use of assets of the entire Partnership for the benefit of only some of the Partners. The Partnership will attempt to avoid retaining Securities in the "hot issue accounts" for extended periods. Where the General Partner considers a Security an appropriate long-term investment for the Partnership, it may sell Securities out of the "hot issue accounts" and contemporaneously buy the Securities for the Partnership as a whole. If Securities are held in the "hot issue accounts" for an extended period, the General Partner may, in its discretion, cause the "hot issue" account to pay interest to the Partnership or make other arrangements to compensate Partners who do not participate in hot issues for their portion of the Partnership assets that were used to buy such hot issues. Because the General Partner will probably be considered a "conditionally restricted person" under the Interpretation, it could have an incentive to avoid purchasing in public offerings in which it would be precluded from participating, even though such purchases could be profitable for unrestricted Partners.

Since the Partnerships' investment strategies generally require some inputs with respect to historical market prices and liquidity, limitations on "hot issues" investments are not expected to be material to the operations of the Partnership.

Securities Dealer Status. The General Partner believes the Partnership is not a "dealer" within the meaning of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and, accordingly, does not intend to register the Partnership as such. However, it is possible that the SEC or a court could reach a different conclusion. In such an event, the Partnership could be fined and could be prevented from continuing its business, either temporarily or permanently. If the Partnership were required to register as a "dealer," its operating expenses would increase significantly, its activities would be restricted, and its profitability would suffer.

Investment Advisor Regulation. The General Partner is exempt from registering with the SEC as an investment adviser under the Investment Advisers Act of 1940. However, that act continues to apply to state registered investment advisers and subjects them to a variety of requirements and prohibitions as to



substantive activities. The General Partner currently is relying on the “Private Adviser” exemption provided under the Rules of the Investment Advisers Act of 1940. It is also relying on, and intends to rely on state exemptions from investment advisor registration. If it registers or is required to register at either the state or federal level, as previously stated there are numerous other requirements and limitations that will affect, among other things, its ability to receive performance based compensation. In that event the General Partner may require certain non-qualified purchasers to withdraw as Limited Partners pursuant to §6.2 of the Partnership Agreement.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The General Partner devotes as much of its time and resources to the activities of the Partnership as it deems necessary and appropriate in its sole and absolute discretion. The Partnership Agreement does not restrict the General Partner or its principals from entering into other investment advisory relationships or engaging in other business activities, even though those activities may be in competition with the Partnership and/or may involve substantial amounts of the General Partner's time and resources. The General Partner may manage investment portfolios for other clients and serve as general partner and/or investment manager to other limited partnerships and collective investment funds that have investment objectives similar to the Partnership's. These activities could be viewed as creating a conflict of interest in that Mr. Copeland's time and effort, and the General Partner's resources, may not be devoted exclusively to the business of the Partnership but may be allocated between that business and the other activities.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

GENERAL PRINCIPLES

The importance of the Adviser's reputation and the principles of honesty integrity and professionalism are of the utmost importance. The independence of Adviser personnel in the investment decision-making process is paramount to the operations of the Adviser. At all times, the Adviser's duty and that of all personnel is to place the interest of clients first. All Adviser personnel are required to conduct all personal securities transactions in a manner consistent with this code of ethics and are to avoid any conflict of interest, actual or potential, or any abuse of the personnel's position of trust and responsibility. None of the Adviser's personnel are to take inappropriate advantage of their position and the information concerning the identity of security holdings. All financial information of clients is to remain strictly confidential.

SCOPE OF THE CODE OF ETHICS

PERSONS COVERED BY THE CODE OF ETHICS

The following persons are covered by the Adviser's code of ethics.

- Directors, officers, and owners of the Adviser.
- All employees of the Adviser.
- Any other person who provides advice on behalf of the Adviser and is subject to the Adviser's supervision and control, including consultants and independent contractors.

Family Members. For purposes of personal securities reporting requirements, the terms “employee,” “account,” “supervised person,” and “access person” are defined to also include the person's immediate family (including any



relative by blood or marriage living in the employee's household), and any account in which he or she has a direct or indirect beneficial interest (such as a trust).

Investment Personnel. Some of the provisions of this code of ethics apply to a subset of access persons (e.g., IPOs). Therefore there is a subset of associates (portfolio managers) who make investment decisions for clients and who provide information or advise to portfolio managers, or who help execute and/or implement the portfolio manager's decision. Such "investment personnel" will include portfolio managers, analysts and traders.

SECURITIES COVERED BY THE CODE

Covered Security means any stock, bond, future, investment contract or any other instrument that is considered a "security" under the Investment Advisers Act. The term "covered security" is very broad and includes items you might not ordinarily think of as "securities," such as:

- Options on securities, on indexes, and on currencies;
- All kinds of limited partnerships
- Foreign unit trusts and foreign mutual funds; and
- Private investment funds, hedge funds, and investment clubs.

Covered Security does not include:

- Direct obligations of the U.S. government
- Banker's acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt obligations, including repurchase agreements;
- Shares issued by money market funds;
- Shares of open-end mutual funds that are not advised or sub-advised by the firm;
- Shares issued by unit investment trust that are invested exclusively in one or more open-end funds, none of which are funds advised or sub-advised by the firm.

STANDARDS OF BUSINESS CONDUCT

Compliance with Laws and Regulations. All supervised persons must comply with applicable federal securities laws. Supervised persons are not permitted, in connection with the purchase or sale, directly or indirectly, of a security held or to be acquired by a client:

- a. To defraud such client in any manner;
- b. To mislead such client, including by making a statement that omits material facts;
- c. To engage in any act, practice or course of conduct which operates or would operate as a fraud or deceit upon such client;
- d. To engage in any manipulative practice with respect to such client; or
- e. To engage in any manipulative practice with respect to securities, including price manipulation.

Conflicts of Interest. As a fiduciary, the firm has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients. Compliance with this duty can be achieved by trying to avoid conflicts of interest and by fully disclosing all material facts concerning any conflict that does arise with respect to any client. All individuals subject to this code must try to avoid situations that have even the appearance of conflict or impropriety.

Conflicts Among Client Interests. Conflicts of interest may arise when the Adviser or its supervised persons have reason to favor the interests of one client over another client (e.g. larger accounts over smaller accounts, accounts compensated by performance fees over accounts not so compensated, accounts in which employees have made material personal investments, accounts of close friends or relatives of supervised persons). This code of ethics specifically prohibits inappropriate favoritism of one client over another client that would constitute a breach of fiduciary duty.



Competing with Client Trades. This code of ethics prohibits access persons from using knowledge about pending or currently considered securities transactions for clients to profit personally, directly or indirectly, as a result of such transactions, including by purchasing or selling such securities. Conflicts raised by personal securities transactions also are addressed more specifically below.

Other Potential Conflicts Provisions.

- a. *Disclosure of personal interest.* Investment personnel are prohibited from recommending, implementing or considering any securities transaction for a client without having disclosed any material beneficial ownership, business or personal relationship, or other material interest in the issuer or its affiliates, to an appropriate designated person (e.g., the chief investment officer or, with respect to the chief investment officer's interests, another managing director). If such designated person deems the disclosed interest to present a material conflict, the investment personnel may not participate in any decision-making process regarding the securities of that issuer.
- b. *Referrals/Brokerage.* Although already addressed in separate policies and procedures, the Adviser includes in this code of ethics a reminder of the provisions requiring supervised persons to act in the best interests of the firm's clients regarding execution and other costs paid by clients for brokerage services. All supervised persons are reminded to strictly adhere to the firm's policies and procedures regarding brokerage (including allocation, best execution, soft dollars, and directed brokerage).
- c. *Vendors and Suppliers.* Supervised persons are required to disclose any personal investments or other interests in vendors or suppliers with respect to which the person negotiates or makes decisions on behalf of the firm. Supervised persons with such interests are prohibited from negotiating or making decisions regarding the firm's business with those companies.
- d. *No Transactions with Clients.* Supervised persons are not permitted to knowingly sell to or purchase from a client any security or other property, except publicly traded securities issued by the client without written consent of the chief investment officer.

Insider Trading. All supervised persons are prohibited from securities trading, either personally or on behalf of others, while in possession of material, nonpublic information. All supervised persons are also prohibited from communicating material nonpublic information to others in violation of the law.

Penalties. Potential insider trading penalties include civil injunctions, permanent bars from employment in the securities industry, civil penalties up to three times the profits made or losses avoided, criminal fines, and jail sentences. Although access persons are most likely to come in contact with material nonpublic information, the prohibition on insider trading and potential sanctions apply to all employees, officers, and directors.

Material Nonpublic Information. It is the SEC's position that the term "material nonpublic information" relates not only to issuers but also to the adviser's securities recommendations and client securities holdings and transactions.

Personal Securities Transactions. All access persons are required to strictly comply with the firm's policies and procedures regarding personnel securities transactions.

Initial Public Offerings – Prohibition. All investment and access personnel are prohibited from acquiring any securities in an initial public offering, in order to preclude any possibility of their profiting improperly from their positions with the Adviser.

Limited or Private Offerings – Pre-Clearance. Express prior approval is required of any acquisition of securities by investment and access persons in a limited offering (e.g., private placement). This prior approval will take into account, among other factors, whether the investment opportunity should be reserved for clients, and whether the opportunity is being offered to an individual by virtue of his or her position with the Adviser.

- a. Investment personnel who have been authorized to acquire securities in a private placement are required to *disclose* that investment when they play a part in any client's subsequent consideration of an investment in the issuer; and
- b. In such circumstances, the decision to purchase securities of the issuer for the client should be



made either by another employee or, at a minimum, subjected to an independent review by investment personnel with no personal interest in the issuer.

Blackout Periods. This codes of ethics prohibit any access person from executing a securities transaction on the same trading day during which any client has a pending “buy” or “sell” order in the same (or a related) security until that order is executed or withdrawn or on the next trading day (trade date +1).

Short-Term Trading. Short-term trading by investment personnel is prohibited. Any profits realized on prohibited short-term trades are required to be disgorged.

- a. *Duration.* The duration of a ban on short-term trading is 30 days.
- b. *Persons Covered.* All investment persons, all access persons and all supervised persons are covered by the short-term trading policy.
- c. *Securities Covered.* Short-term trading is prohibited only with respect to securities held in client accounts and all pooled accounts.
- d. *Funds Advised or Sub-Advised.* Short term trading in any common and co-mingled funds and any mutual funds that are advised or sub-advised by the investment advisory firm are expressly prohibited by all investment and all access persons.

Miscellaneous Restrictions. The Adviser also makes the following additional restrictions:

- a. *Margin Accounts.* All personnel are prohibited from purchasing securities on margin.
- b. *Short Sales.* The Adviser prohibits the short sales in any security that is owned by any client of the firm by all personnel.
- c. *Options and Futures.* Options and futures are covered securities subject to all sections of the code. Transactions involving puts, calls, straddles, options, or futures with respect to related to securities held by clients of the firm are prohibited by all personnel.
- d. *Limit Orders.* Access persons are prohibited from placing a “good until cancelled” order or any limit order other than a “same-day” limit order.
- e. *Frequent Trading.* Frequent trading in general is discouraged because it may be a potential distraction from servicing the client.

Gifts and Entertainment. A conflict of interest occurs when the personal interests of employees interfere or could potentially interfere with their responsibilities to the firm and its clients. *The overriding principle is that supervised persons should not accept inappropriate gifts, favors, entertainment, special accommodations, or other things of material value that could influence their decision-making or make them feel beholden to a person or firm.* Similarly, supervised persons should not offer gifts, favors, entertainment or other things of value that could be viewed as overly generous or aimed at influencing decision-making or making a client feel beholden to the firm or the supervised person.

Gifts. No supervised person may receive any gift, service, or other thing of more than *de minimis* value from any person or entity that does business with or on behalf of the adviser. No supervised person may give or offer any gift of more than *de minimis* value to existing clients, prospective clients, or any entity that does business with or on behalf of the adviser without pre-approval by the chief compliance officer.

Cash. No supervised person may give or accept cash gifts or cash equivalents to or from a client, prospective client, or any entity that does business with or on behalf of the adviser.

Entertainment. No supervised person may provide or accept extravagant or excessive entertainment to or from a client, prospective client, or any person or entity that does or seeks to do business with or on behalf of the adviser.

Additional Provisions.

- a. *Solicited Gifts.* Employees are expressly prohibited from soliciting for themselves or the firm gifts or anything of value. No supervised person may use his or her position with the firm to obtain anything of value from a client, supplier, person to whom the employee refers business, or any other entity with which the firm does business.
- b. *Referrals.* Supervised persons may not make referrals to clients (e.g., of accountants, attorneys,



or the like) if the supervised person expects to benefit in any way.

- c. *Government Officials.* All employees are to be aware that certain laws or rules in various jurisdictions may prohibit or limit gifts or entertainment extended to public officials.

Political and Charitable Contributions. Employees are prohibited from making political contributions for the purpose of obtaining or retaining advisory contracts with government entities. In addition, all supervised persons are prohibited from considering the Adviser's current or anticipated business relationships as a factor in soliciting political or charitable donations.

Confidentiality. The Adviser's basic fiduciary premise is that all information concerning the identity of security holdings and the financial circumstances of clients is confidential.

Firm Duties. The Adviser and all supervised persons must keep all information about clients (including former clients) in strict confidence, including the client's identity (unless the client consents), the client's financial circumstances, the client's security holdings, and advice furnished to the client by the firm.

Supervised Persons' Duties. All supervised persons are prohibited from disclosing to persons outside the firm any material nonpublic information about any client, the securities investments made by the firm on behalf of a client, information about contemplated securities transactions, or information regarding the firm's trading strategies, except as required to effectuate securities transactions on behalf of a client or for other legitimate business purposes.

Service on a Board of Directors. No investment personnel or supervised persons may serve on boards of directors of publicly traded companies. Exceptions will be made only when in the best interests of the Adviser and its clients. Because of the high potential for conflicts of interest and insider trading problems, such situations should be carefully scrutinized and subject to prior approval. A director of a private company will be required to resign at the end of the current term if the company goes public during his or her term as director.

Other Outside Activities.

General. The Adviser generally discourages all employees from engaging in outside business or investment activities that may interfere with their duties with the firm. All investment persons, all access persons and all supervised persons are prohibited from maintaining any outside business affiliations, including directorships of private companies, consulting engagements, or public/charitable positions, without the prior written approval of the chief investment officer at the firm.

Fiduciary Appointments. Supervised persons must obtain firm written approval before accepting an executorship, trusteeship, or power of attorney, other than with respect to a family member.

Creditors Committees. Supervised persons are prohibited from serving on a Creditors committee except as approved by the firm as part of the person's employment duties.

Disclosure. Regardless of whether an activity is specifically addressed in the code, supervised persons must disclose any personal interest that might present a conflict of interest or harm the reputation of the firm.

Marketing and Promotional Activities. All associates are reminded that all oral and written statements, including those made to clients, prospective clients, their representatives, or the media, must be professional, accurate, balanced, and not misleading in any way.

COMPLIANCE PROCEDURES

The following standards of business conduct are required of all supervised persons. These standards reflect the Adviser's and its supervised persons' fiduciary obligations.

Personal Securities Transaction Procedures and Reporting.

Pre-Clearance Procedures. All persons are required to obtain pre-clearance for transactions in covered securities (as defined by all securities currently held in client accounts as well as securities being followed for potential immediate investment in client accounts).



Pre-clearance procedures include:

- A standard form to be submitted by the requesting access persons, containing all relevant information about the proposed transaction;
- The time that pre-clearance expires (*e.g.*, same business day, 48 hours, etc.).
- Designation of chief investment officer or other person to authorize requested transactions;
- Designation of individual responsible for authorizing transactions of the chief investment officer or other person that authorizes transactions; and
- Documentation of the authorization, including time and signature of authorizing individual.

Post-trade reports or duplicate confirmations will be checked against the log or file of pre-clearance approvals by the chief compliance officer.

Reporting Requirements.

- i. *Holdings Reports.* All access persons must submit to the chief compliance officer a report of all holdings in covered/reportable securities within 10 days of becoming an access person and thereafter on an annual basis. The holdings report must include: (i) the title and exchange ticker symbol or CUSIP number, type of security, number of shares and principal amount (if applicable) of each reportable security in which the access person has any direct or indirect beneficial ownership; (ii) the name of any broker, dealer or bank with which the access person maintains an account in which any securities are held for the access person's direct or indirect benefit and (iii) the date the report is submitted. The form also will include certification as to the completeness and accuracy of the information provided.

- *Current information.* The information supplied must be current as of a date no more than 45 days before the annual report is submitted. For new access persons, the information must be current as of a date no more than 45 days before the person became an access person.
- *Account identifier.* In addition to the required items listed above, specific account numbers or identifiers are required in the holdings reports.

Monthly Transaction Reports. All access persons are required to submit to the chief investment officer, or his designee, transaction reports no later than 10 days after the end of each calendar month covering all transactions in covered/reportable securities during the month. The transaction reports must include information about each transaction involving a reportable security in which the access person had, or as a result of the transaction acquired, any direct or indirect beneficial ownership. The reports must include: (i) the date of the transaction, the title and exchange ticker symbol or CUSIP number, the interest rate and maturity date (if applicable), the number of shares and the principal amount (if applicable) of each reportable security involved; (ii) the nature of the transaction (*e.g.*, purchase, sale); (iii) the price of the security at which the transaction was effected; (iv) the name of the broker, dealer, or bank with or through which the transaction was effected; and (v) the date the report is submitted.

Quarterly Brokerage Account Reports. Access persons are required to disclose the following information about any account opened during the quarter containing securities held for the direct or indirect benefit of the access person: (i) the name of the broker, dealer or bank with whom the access person established the account; (ii) the date the account was established; and (iii) the date the report is submitted.

- Access persons must disclose a list of all securities accounts with account numbers to the chief compliance officer annually.

Confidentiality of Reports. Access persons are assured that their transactions and holdings report will be maintained in confidence, except to the extent necessary to implement and enforce the provisions of the code or to comply with requests for information from government agencies.

Exempt Transactions.

Reporting Exemptions. Under rule 204A-1, access persons need not submit:



- i. Any report with respect to securities held in accounts over which the access person has no direct or indirect influence or control;
 - *Note.* Access persons who have accounts managed by the investment adviser on a discretionary basis, are required to furnish a report of transactions and holdings quarterly for monitoring purposes. Pre-clearance is not required.
- ii. A transaction report with respect to transactions effected pursuant to an automatic investment plan;
 - *Note.* This exemption includes dividend reinvestment plans.
- iii. A transaction report if the report would duplicate information contained in broker trade confirmations or account statements that the firm holds in its records so long as the firm receives the confirmation or statements no later than 30 days after the end of the applicable calendar quarter directly from the broker or custodian.

Pre-Clearance Exemptions. The following types of transactions are exempt from pre-clearance requirements (but not from reporting requirements):

- i. Purchases or sales over which an access person has no direct or indirect influence or control;
- ii. Purchases or sales pursuant to an automatic investment plan;
- iii. Purchases effected upon exercise of rights issued by an issuer *pro rata* to all holders of a class of its securities, to the extent such rights were acquired from such issuers, and sales of such rights so acquired;
- iv. Acquisition of securities through stock dividends, dividend reinvestments, stock splits, reverse stock splits, mergers, consolidations, spin-offs, and other similar corporate reorganizations or distributions generally applicable to all holders of the same class of securities;
- v. Open end investment company shares *other than* shares of pooled funds or investment companies advised by the firm or its affiliates or sub advised by the firm;
- vi. Certain closed-end index funds;
- vii. Unit investment trusts;
- viii. Exchange traded funds that are based on a broad-based securities index;
- ix. Futures and options on currencies or on a broad-based securities index.

Other exemptions. Transactions in the common, co-mingled or pooled funds managed by the Adviser are exempt from pre-clearance, but are not exempt from personal reporting requirements.

Duplicate Brokerage Confirmations and Statements. Access persons are required to direct their brokers to provide to the chief compliance officer, on a timely basis, duplicate copies of confirmations of all personal securities transactions and copies of periodic statements for all securities accounts. Access persons are permitted to use such duplicate brokerage confirmations and account statements in lieu of submitting their monthly transaction reports, provided that all of the required information is contained in those confirmations and statements.

Monitoring of Personal Securities Transactions.

- The chief investment officer is responsible for reviewing and monitoring personal securities transactions and trading patterns of access persons (“Reviewer”).
- A managing director of the Adviser, not the same person as the chief investment officer, is responsible for reviewing and monitoring the personal securities transactions of the Reviewer and for taking on the responsibilities of the Reviewer in the Reviewer’s absence.
- The Reviewer should document in memo form any potential violations of the code that he or she becomes aware of and bring the matter to the Chief Compliance Officer and any other person Reviewer deems necessary to further address the potential violation.
- The review of personal securities holding and transaction reports must include:
 - a) An assessment of whether the access person followed any required internal procedures; such as pre-clearance;



- b) Comparison of personal trading to any restricted lists;
- c) An assessment of whether the access person is trading for his or her own account in the same securities he or she is trading for clients, and if so, whether the clients are receiving terms as favorable as the access person takes for him or herself;
- d) Periodically analyzing the access person's trading for patterns that may indicate abuse, including market timing; and
- e) An investigation of any substantial disparities between the percentage of trades that are profitable when the access person trades for his or her own account and the percentage that are profitable when he or she places trades for clients.

Pre-Clearance of Outside Activities and the Reporting of Gifts

Pre-clearance procedures for gifts, entertainment, donations, outside directorships, or other activities include a written description of the proposed activity to the Chief Investment Officer or the Chief Compliance Officer at least 1 week before the expected activity commences. A written response will be made to requesting party in a timely manner.

Certification of Compliance

Initial Certification. The Adviser is required to provide all supervised persons with a copy of the code. All supervised persons are required to certify in writing that they have: (a) received a copy of the code; (b) read and understand all provisions of the code; and (c) agreed to comply with the terms of the code.

Acknowledgement of Amendments. The firm will provide all supervised persons with any amendments to the code and supervised persons must submit a written acknowledgement that they have received, read, and understood the amendments to the code.

Annual Certification. All supervised persons are required annually to certify in writing that they have read, understood, and complied with the code of ethics. In addition, the annual certification will include a representation that the supervised person has made all of the reports required by the code and has not engaged in any prohibited conduct. If the employee is unable to make such a representation, the firm should require the employee to self-report any violations.

RECORDKEEPING

The firm will maintain the following records in a readily accessible place:

- A copy of each code that has been in effect at any time during the past five years;
- A record of any violation of the code and any action taken as a result of such violation for five years from the end of the fiscal year in which the violation occurred;
- A record of all written acknowledgements of receipt of the code and amendments for each person who is currently, or within the past five years was, a supervised person;
 - These records must be kept for five years after the individual ceases to be a supervised person of the firm.
- Holdings and transactions reports made pursuant to the code, including any brokerage confirmation and account statements made in lieu of these reports;
- A list of the names of persons who are currently, or within the past five years were, access persons;
 - Firms may wish to consider maintaining a list of investment personnel as well.
- A record of any decision and supporting reasons for approving the acquisition of securities by access persons in limited offerings for at least five years after the end of the fiscal year in which approval was granted.
- The Adviser must also maintain:
 - A record of persons responsible for reviewing access persons' reports currently and during the last five years; and



- A copy of reports provided to the board of directors regarding the code.

FORM ADV DISCLOSURE

The Adviser is to include on Schedule F of Form ADV, Part II a description of the firm's code and to state that the firm will provide a copy of the code to any client or prospective client upon request.

ADMINISTRATION AND ENFORCEMENT OF THE CODE

Training and Education. Adviser has designated the chief compliance officer as the position responsible for training and educating supervised persons regarding the code. Training will occur periodically as changes are made to the Code of Ethics and that all supervised persons are required to attend any training sessions and to read any applicable materials.

Annual Review. The chief compliance officer is required to review at least annually the adequacy of the code and the effectiveness of its implementation.

Because the code of ethics is part of a firm's overall compliance program, this review is required by Investment Advisers Act rule 206(4)-7 (the compliance program rule).

Report to Senior Management. The chief compliance officer is required to report to the managing directors regarding his or her annual review of the code and to bring material violations to the attention of the Management Council.

Reporting Violations. All supervised persons are required to report violations of the firm's code of ethics promptly to the chief compliance officer or a managing director.

1. *Confidentiality.* Any and all such reports will be treated confidentially to the extent permitted by law and investigated promptly and appropriately. Reports of violations may be submitted anonymously.
2. *Advice.* All supervised persons are encouraged to seek advice from the chief compliance officer or a managing director with respect to any potential action or transaction which may violate the code and to refrain from any action or transaction which might lead to the appearance of a violation.
3. *Apparent Violations.* All supervised persons are required to report "apparent" or "suspected" violations in addition to actual or known violations of the code.
4. *Retaliation.* Retaliation against an individual who reports a suspected or actual violation is prohibited and constitutes a further violation of the code.

Sanctions. All supervised persons are warned that any violation of the code may result in any disciplinary action that the designated person or group (e.g., chief compliance officer or managing directors) deems appropriate, including but not limited to a warning, fines, disgorgement, suspension, demotion, or termination of employment. In addition to sanctions, violations may result in referral to civil or criminal authorities where prohibited.

Annual Training

The Company shall hold an annual employee meeting to reaffirm the provisions of the Code of Ethics.

The Chief Compliance Officer shall ensure that the Code of Ethics (and any amendments) is provided in writing to each employee annually. Each employee shall acknowledge, in writing, his/her receipt of the Code of Ethics.

Recordkeeping and Disclosure

The company shall maintain copies of its Code of Ethics and any amendments thereto for a period of five years after the last date it was in effect.

The Company shall maintain copies of each access person's written acknowledgment of the annual receipt of the Code of Ethics for five years after the person ceases to be an access person.



The Company shall maintain records showing the holdings made by access persons, and evidence of the review of these holdings.

The Company shall maintain records showing the transactions made by access persons, and evidence of the review of these transactions.

The Company shall maintain a list of issuers of securities about which the Company has inside information ("Restricted List").

The Company shall maintain records of violations of the Code of Ethics and actions taken as a result of the violations.

Forms

The following forms shall be used to comply with the recordkeeping requirements of this Code of Ethics.

Code of Ethics Receipt

Code of Ethics Violation

Code of Ethics Investment Decision

Related Compliance Manual Sections

Section D-03: Trading

Section D-05: Personal Securities Transactions

Section D-06: Insider Trading Policy

Additional Codes of Ethics

The Company abides by the CFA Institute *Code of Ethics and Standards of Professional Conduct*, which is incorporated herein by reference.

Code of Ethics Receipt

REQUIREMENTS

The Company is required to provide a copy of the *Code of Ethics*, including amendments, in writing to each employee annually. Each employee is required to acknowledge receipt of the *Code of Ethics*.

The *Code of Ethics* requires all employees to adhere to the compliance policies in the Company's *Compliance Manual* and related subsidiary manuals and documents.

ACKNOWLEDGEMENT

Date _____

I acknowledge that I have received a copy of the Company's *Code of Ethics*, that I have reviewed the *Code of Ethics*, and that any questions that I had relative to the *Code of Ethics* have been answered.

I acknowledge that I have reviewed the Company's *Compliance Manual* and that any questions that I had relative to the *Compliance Manual* have been answered satisfactorily.

I agree to comply with the Company's *Code of Ethics* and the Company's *Compliance Manual*.

I have made all of the reports required by the *Code of Ethics*.

I have not engaged in any prohibited conduct.



Signature: _____

Employee Printed Name: _____

Code of Ethics Violation

Regulatory rules require immediate reporting of all violations of the Code of Ethics to the Chief Compliance Officer. Further, the rules require written documentation of all violations.

Date of Violation: _____

I acknowledge that I violated the Company's Code of Ethics when I performed the following action:

I have been counseled regarding the violation. The following action was taken:

Signature of Employee: _____

Employee Printed Name: _____

Signature of Chief Compliance Officer: _____

Code of Ethics Investment Decision

Regulatory rules require written documentation showing pre-clearance of trades by access persons who invest in Initial Public Offerings (IPOs) and private placements (limited offerings).

Date of Pre-clearance Request: _____

I intend to invest in the following Initial Public Offering or private placement security:

Signature of Employee: _____



Employee Printed Name: _____

The above proposed investment is: _____ Approved _____ Denied

Date of Decision: _____

Expiration of Pre-clearance: _____

Signature of Chief Investment Officer: _____

Signature of Chief Compliance Officer: _____

CFA INSTITUTE CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards) are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by setting high standards of education, integrity, and professional excellence. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® (CFA®) designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, candidacy in the CFA Program, and the right to use the CFA designation.

THE CODE OF ETHICS

Members of the CFA Institute (including Chartered Financial Analyst® [CFA®] charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity of, and uphold the rules governing, capital markets.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

STANDARDS OF PROFESSIONAL CONDUCT

I. PROFESSIONALISM

A. Knowledge of the Law. Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.



B. Independence and Objectivity. Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

C. Misrepresentation. Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.

D. Misconduct. Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

II. INTEGRITY OF CAPITAL MARKETS

A. Material Nonpublic Information. Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.

B. Market Manipulation. Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

III. DUTIES TO CLIENTS

A. Loyalty, Prudence, and Care. Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests. In relationships with clients, Members and Candidates must determine applicable fiduciary duty and must comply with such duty to persons and interests to whom it is owed.

B. Fair Dealing. Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

C. Suitability.

1. When Members and Candidates are in an advisory relationship with a client, they must:
 - a. Make a reasonable inquiry into a client's or prospective clients' investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.
 - b. Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
 - c. Judge the suitability of investments in the context of the client's total portfolio.
2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must only make investment recommendations or take investment actions that are consistent with the stated objectives and constraints of the portfolio.

D. Performance Presentation. When communicating investment performance information, Members or Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

E. Preservation of Confidentiality. Members and Candidates must keep information about current, former, and prospective clients confidential unless:

1. The information concerns illegal activities on the part of the client or prospective client.
2. Disclosure is required by law.
3. The client or prospective client permits disclosure of the information.

IV. DUTIES TO EMPLOYERS



A. Loyalty. In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

B. Additional Compensation Arrangements. Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with, or might reasonably be expected to create a conflict of interest with, their employer's interest unless they obtain written consent from all parties involved.

C. Responsibilities of Supervisors. Members and Candidates must make reasonable efforts to detect and prevent violations of applicable laws, rules, regulations, and the Code and Standards by anyone subject to their supervision or authority.

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTION

A. Diligence and Reasonable Basis. Members and Candidates must:

1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.

B. Communication with Clients and Prospective Clients.

Members and Candidates must:

1. Disclose to clients and prospective clients the basic format and general principles of the investment processes used to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
2. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
3. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.

C. Record Retention. Members and Candidates must develop and maintain appropriate records to support their investment analysis, recommendations, actions, and other investment-related communications with clients and prospective clients.

VI. CONFLICTS OF INTEREST

A. Disclosure of Conflicts. Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

B. Priority of Transactions. Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.

C. Referral Fees. Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from, or paid to, others for the recommendation of products or services.

VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

A. Conduct as Members and Candidates in the CFA Program.

Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA examinations.

B. Reference to CFA Institute, the CFA designation, and the CFA Program.



When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA Program.

BROKERAGE PRACTICES

In its investment activities the Partnership incurs substantial brokerage commissions and other transaction expenses. The General Partner has complete discretion in deciding what brokers and dealers to use and in negotiating rates of brokerage compensation. In addition to using brokers as agents and paying commissions, the Partnership may buy or sell Securities directly from or to dealers acting as principal (such as market-makers for over-the-counter securities) at prices that include markups or markdowns. The following describes some noteworthy aspects of the General Partner's and the Partnership's use of and relationships with brokers and dealers.

Selection Criteria, Generally

In choosing brokers and dealers, the General Partner is not required to consider any particular criteria. For the most part, the General Partner seeks "best execution" of Partnership transactions. What constitutes "best execution" and determining how to achieve it are inherently uncertain. In evaluating whether a broker or dealer will provide best execution, the General Partner considers a range of factors. These include, among others, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions; the execution, clearance and settlement and error correction capabilities of the broker or dealer generally and in connection with Securities of the type and in the amounts to be bought or sold; the broker's or dealer's willingness to commit capital; the broker's reliability and financial stability; the size of the transaction; the availability of Securities to borrow for short sales; the nature, quantity and quality of research provided by the broker-dealer; and the market for the Security. **As discussed below, the General Partner is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker or dealer provides execution quality comparable to other brokers or dealers, and the Partnership at times pays more than the lowest transaction cost available in order to obtain for itself and/or the General Partner services and products other than Securities execution.**

"Soft Dollars"

The General Partner may select broker-dealers in recognition of the value of various services or products, beyond transaction execution, that they provide to the Partnership or the General Partner. Further, the amount of compensation (including markups and markdowns on principal transactions with market-makers) the Partnership pays a broker-dealer who provides such services and/or products may be higher than what another, equally capable broker-dealer might charge. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with "soft dollars." Because many of those services could benefit the General Partner, the General Partner may have a conflict of interest in allocating Partnership securities transactional business, including an incentive to cause the Partnership to effect more transactions than it might otherwise do in order to obtain those benefits. The extent of any such conflict depends in large part on the nature and uses of the services and products acquired with soft dollars. The Partnership Agreement authorizes the General Partner to use the Partnership's soft dollars for a wide range of purposes.

Partnership Expenses. The Partnership may use soft dollars to pay its accounting and other, similar expenses and to meet its obligation to reimburse the General Partner for expenses it has advanced. The Partnership may also use brokerage commissions, markups and markdowns and other transaction related compensation (as well as interest the Prime Broker receives on the Partnership's cash balances, margin borrowings and borrowings of Securities to maintain short positions) to pay the Prime Broker for record keeping, custodial and related services provided to the Partnership. The Partnership may also pay its accounting and other, similar expenses using soft dollars. Under the Partnership Agreement, the Partnership, and not the General Partner, would otherwise be obligated to bear all of these expenses and the General Partner therefore does not believe it has a meaningful conflict of interest in using soft dollars to pay them.



Research and Brokerage. The General Partner may also use the Partnership's soft dollars to acquire a variety of "research" and "brokerage" services and products for which the Partnership would not otherwise be required to pay. Section 28(e) of the Securities Exchange Act of 1934, recognizes the potential conflict of interest involved in this activity but protects investment managers such as the General Partner from claims that the activity involves a breach of fiduciary duty to advisory clients--even if the brokerage commissions paid are higher than the lowest available--if certain conditions and requirements are met. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to the General Partner in making investment decisions for its clients. "Brokerage" services and products are those used to effect securities transactions for the General Partner's clients (including the Partnership) or to assist in effecting those transactions. To be protected under Section 28(e), the General Partner must, among other things, determine that commissions paid are reasonable in light of the value of the "brokerage" and "research" services and products acquired. Section 28(e)'s "safe harbor" protects the use of Partnership soft dollars even when the General Partner uses research and brokerage services and products to benefit clients other than the Partnership. Notwithstanding this protection, the General Partner could be considered to have a conflict of interest when it uses soft dollars for research and brokerage services and products because it might otherwise have to pay cash for those services and products and it may have an incentive to use brokers or dealers who provide those products and services more than it otherwise would. The types of "research" the General Partner expects to acquire include (but are not limited to): reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific Securities; financial publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems, quotation equipment and other computer hardware for use in running software used in investment decision making; and other products or services that may enhance the General Partner's investment decision making. "Brokerage" services and products (beyond typical execution services) include (but are not limited to): computer systems and facilities used for such things as communicating orders electronically to executing brokers or dealers.

Other Services and Products. The General Partner may also use Partnership soft dollars to acquire services and products that provide benefits to the General Partner and that may not qualify as research or brokerage and/or to pay expenses otherwise payable by the General Partner. These may include (but are not limited to): expenses of and travel to professional and industry conferences and hardware and software used in the General Partner's administrative activities. They may even include such "overhead" expenses as office rent, salaries, benefits and other compensation of employees or of consultants to the General Partner, telephone charges, legal and accounting expenses of the General Partner and office services, equipment and supplies. The General Partner may or may not use other clients' soft dollars to pay such expenses and, if it does, such use may not be directly proportionate to the benefits to the Partnership and such other clients. Using soft dollars for these purposes would not be protected by Section 28(e) and the General Partner will have a conflict of interest if it does so, as it will have an incentive to use brokers and dealers who provide or pay for products and services for which the General Partner would otherwise have to pay cash and, if soft dollars are limited, it may have an incentive to cause those expenses to be paid with soft dollars while the Partnership pays its own expenses with cash.

Procedures. Brokers and dealers from which the General Partner obtains soft dollar services or products generally establish "credits" based on past transactional business (including markups and markdowns on principal transactions, such as transactions with market-makers for Nasdaq Securities), which may be used to pay or reimburse the General Partner for specified expenses. In some cases the process is less formal; a broker or dealer simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. The Partnership's actual transactional business with a broker or dealer may be less than the suggested level, but can and often will---exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because the Partnership's investment activities generate aggregate commissions in excess of the levels of future business suggested by all brokers and dealers who provide services and products. And it may be in part because those brokers and dealers may also provide superior execution and may therefore be most appropriate for particular transactions. The General Partner may ask a broker or dealer who is executing a transaction for several accounts managed by the General Partner (see the discussion below regarding aggregation of orders) to "step out" of a portion of the transaction (including the portion that is being executed for the Partnership's account) in favor of a broker or dealer who has provided or is willing to provide products or services for soft dollars. That is, the executing broker or dealer will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar broker-dealer. This assists the General Partner in acquiring products and services with the Partnership's soft dollars while providing benefits of aggregated transactions described below. It may result in the Partnership paying additional commissions or other transaction compensation to the broker to whom the Partnership's portion of an aggregated transaction is "stepped out" and therefore incurring higher transaction costs for that transaction than do other clients of the General Partner who are buying or selling the same Security at the same time.



These procedures do not necessarily comply with the requirements for protection under Section 28(e)'s safe harbor: that protection is not available where transactions are effected on a principal basis, as most transactions with market-makers in over-the-counter securities are, with a markup or markdown paid to the broker-dealer. The General Partner may nonetheless use such markups and markdowns as soft dollars with which to acquire services and products of the kinds described above and may engage in "step-out" transactions with market makers that cause the Partnership to incur higher costs for a transaction than other advisory clients of the General Partner who may be participating in the transaction on an aggregated basis.

Limited Partner Consent. By signing the Subscription Application and entering into the Partnership Agreement, each Limited Partner expressly consents to the General Partner's use of the Partnership's soft dollars in all of the ways described above, even where the nature of the services and products or the manner in which payment is made do not meet the requirements for protection under Section 28(e).

Aggregation of Orders

The General Partner may combine orders on behalf of the Partnership with orders for other accounts for which it or its principals have trading authority, or in which it or its principals have an economic interest. In such cases, the General Partner will allocate the Securities or proceeds arising out of those transactions (and, except as described above in connection with "step out" arrangements, the related transaction expenses) on an average price basis among the various participants. The General Partner believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to the Partnership than if the Partnership had been the only account effecting the transaction or had completed its transaction before the other participants. Because of the General Partner's interest in the Partnership, there may be circumstances in which the Partnership's transactions may not, under certain laws and regulations, be combined with those of some of the General Partner's and its affiliates' other clients, and the Partnership may obtain less advantageous execution than such other clients.

Disbursement Procedures

As a safekeeping measure and to facilitate the General Partner's compliance with certain investment advisor regulations, the Partnership has entered into an agreement with its Prime Broker on specific procedures the General Partner must follow in order to receive payment of its Management Fee, withdraw capital from the Partnership or be reimbursed for expenses it has paid on behalf of the Partnership. Under that agreement, the Prime Broker is not permitted to transfer any Partnership assets to the General Partner or to its affiliates for any reason until the Partnership's "independent representative" has provided a letter directly to the Prime Broker confirming that it has performed certain procedures to verify, among other things, that the calculation of the Management Fee conforms to the Partnership Agreement and is mathematically accurate and, for proposed withdrawals of capital, that the amount to be withdrawn is less than the withdrawing Partner's Capital Account balance. An independent certified public accountant will serve as the independent representative. The General Partner is able to change the independent representative at any time by written notice to the Prime Broker. The Partnership's agreement with the Prime Broker does not confer on any Limited Partner or any third party any rights or benefits and the Prime Broker has not, by entering into that agreement with the Partnership, assumed any duty or obligation to any Limited Partner or other third party.

See "Review of Accounts and Financial Plans"



REVIEW OF ACCOUNTS OR FINANCIAL PLANS

If an investment adviser has “custody” of clients' assets, it must, among other things, adhere to more stringent record keeping requirements, have its financial statements audited annually and filed with certain regulators, and have the Securities and other assets of which it has custody verified annually on a “surprise” basis by an independent accountant. Generally, an investment adviser will be deemed to have “custody” of the assets of a limited partnership of which it is a general partner unless it follows certain procedures whenever it removes assets from the partnership, for example through payments of its management fees or withdrawals of capital. Such procedures rely on an “independent representative” of the partnership verifying the general partner's entitlement to receive those payments or withdrawals. The Partnership has made arrangements with the Prime Broker and the Partnership's independent accountants to employ such procedures (*see* “Brokerage and Transactional Practices”) and, in reliance on those arrangements, is not taking the steps required of advisers that have “custody” of client assets. If those arrangements are not sufficient, within current or future interpretations by the SEC of the term “custody,” or if the General Partner does not adhere to the procedures specified in the arrangements, the General Partner could be considered to have custody of the Partnership's assets. In that event, unless the General Partner revises its practices, it would be in violation of the requirements specially imposed on “custodial” investment advisers.

Notwithstanding the forgoing, the General Partner intends to rely on exemption from state and federal regulation of investment advisors. The SEC initiated changes to the rules promulgated under the Adviser's Act that, if they had not been challenged successfully, would have required changes to the Partnership Agreement in order for the General Partner to remain exempt from registration as an investment advisor. The rules and regulations are complex and are subject to continuing regulatory scrutiny and change. As a result, there may be changes that are unclear in their application to the General Partner or the Partnership. Any misinterpretation could adversely impact the General Partner and its ability to conduct its operations.

If, in the course of its activities (both those relating to the Partnership and others), the General Partner were found to have violated the custody-related requirements or any other applicable laws or regulations applicable to investment advisers, it could be subject to significant penalties and sanctions and its ability to manage the Partnership's investment portfolio could be impaired.

CLIENT REFERRALS AND OTHER COMPENSATION

In selecting a broker or dealer, the General Partner may consider the broker's or dealer's referrals of investors to the Partnership or other investment partnerships the General Partner manages, referrals of advisory clients to the General Partner, the potential for future referrals and/or the broker's willingness to pay third-party finders' fees for such referrals. The conflict of interest involved in using soft dollars to pay for these types of services and products and to defray these types of expenses is also not protected by the Section 28(e) safe harbor.



CUSTODY

The Partnership obtains custodial, clearing and related services through what is known as a "prime brokerage" arrangement. Under that arrangement, a single brokerage firm (the "*Prime Broker*") maintains custody of the Partnership's assets (either directly or through its clearing brokerage firm), provides margin credit and locates Securities to borrow to facilitate short sales, and provides related services, but allows the Partnership to use other brokers to execute transactions. This permits the General Partner to seek valuable research and to compare execution quality and commission rates, while maintaining only one custodial relationship. By using a brokerage firm the Partnership also may avoid paying custodial fees that banks charge other institutional investors. The Prime Broker is compensated through interest on credit balances, margin borrowings, stock loans and brokerage commissions. Under such an arrangement, the Prime Broker, among other things, (i) arranges for the receipt and delivery of Securities bought, sold, borrowed and lent; (ii) makes and receives payments for Securities; (iii) maintains custody of cash and Securities; (iv) tenders Securities in connection with tender offers, exchange offers, mergers or other corporate reorganizations; and (v) provides detailed portfolio and related reports.

The Partnership's Prime Broker is Industrial and Commercial Bank of China (ICBC). The General Partner may change the Partnership's Prime Broker, alter the terms of the Partnership's prime brokerage arrangements with the Prime Broker, or make alternative arrangements to receive the services currently provided by the Prime Broker, all in its absolute discretion.

INVESTMENT DISCRETION

The General Partner does not undertake "macro-analysis" of industries, sectors or markets. It's belief is that, on a portfolio/individual Security level, the managers it engages are adept at assessing risk and evaluating opportunities. The Partnership Agreement imposes no limits on the types of Securities or other instruments in which the Partnership may invest, the types of positions it may take, the concentration of its investments (whether by manager, sector, industry, fund, country, asset class or otherwise) the amount of leverage it may employ or the number or nature of short positions it may take. Notwithstanding the forgoing, the General Partner does not intend to engage money managers to invest or trade in speculative derivative instruments. Further, it imposes no limitations on the investments or leverage on the money managers that the General Partner engages.

There can be no assurance that the Partnership's investment objectives will be achieved. See "Methods of Analysis, Investment Strategies and Risk of Loss." and "Types of Clients and Account Requirements."

VOTING CLIENT SECURITIES

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

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



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

All securities shall be managed, purchased and traded by the General Partner. In the event that securities require the General Partner to vote, the General Partner will act accordingly in the interest of the Partnership for all securities that are deemed necessary to exercise voting rights. Should such action occur, the voting actions shall be promptly disclosed to all members of the Limited Partnership.

FINANCIAL INFORMATION

Upon the conclusion of Q1 2018, the General Partner shall promptly report and deliver to the Securities and Exchange Commission audited financials prepared by a reputable independent third party accounting firm. The General Partner shall update the recorded ADV maintained within the FINRA IARD system, in addition to updating all available Offering Brochures in relation to the Limited Partnership. All Limited Partners shall be furnished with the most recently reported financial details provided to the Securities and Exchange Commission. Such information shall be provided to the Limited Partners directly, while also being made available within the Limited Partnership's website maintained by the General Partner. <https://www.salushedgefund.com> See "Brokerage Practices."

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NOTICE TO INVESTORS

THESE SECURITIES HAVE NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE'S SECURITIES LAWS. THEY ARE OFFERED PURSUANT TO EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION. THIS MEMORANDUM HAS NOT BEEN FILED WITH OR REVIEWED BY THE SECURITIES AND EXCHANGE COMMISSION AND NEITHER THAT COMMISSION NOR ANY STATE SECURITIES ADMINISTRATOR HAS PASSED UPON OR ENDORSED THE MERITS OF AN INVESTMENT IN THE LIMITED PARTNERSHIP OR THE ACCURACY OR THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY LIMITED PARTNERSHIP INTERESTS IN ANY STATE OR JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS UNLAWFUL.

THE INTERESTS IN THE PARTNERSHIP ("LIMITED PARTNERSHIP INTERESTS" OR "INTERESTS") BEING OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY. THIS IS A PRIVATE OFFERING MADE ONLY PURSUANT TO EXEMPTIONS PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), RULE 506 OF REGULATION D PROMULGATED THEREUNDER, AND APPLICABLE STATE LAWS. NEITHER THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY HAS PASSED UPON THE VALUE OR MERIT OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THIS OFFERING OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE INTERESTS ARE ALSO BEING OFFERED IN A MANNER SO AS NOT TO REQUIRE REGISTRATION OF THE LIMITED PARTNERSHIP UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), BY VIRTUE OF SECTION 3(c)(1) THEREOF AND THE RULES THEREUNDER (THE "3(c)(1) EXEMPTION"). ACCORDINGLY, INTERESTS IN THE PARTNERSHIP ARE ONLY BEING OFFERED TO A LIMITED NUMBER OF INVESTORS AS DEFINED IN THE 3(c)(1) EXEMPTION. FURTHER, THE INTERESTS ARE BEING OFFERED IN A MANNER CONSISTENT WITH THE INVESTMENT ADVISERS ACT OF 1940 (THE "ADVISERS ACT") AND THE RULES PROMULGATED THEREUNDER.

THE INTERESTS ARE AVAILABLE ONLY TO PERSONS WILLING AND ABLE TO BEAR THE ECONOMIC RISKS OF AN INVESTMENT IN THE LIMITED PARTNERSHIP.

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM (THE "MEMORANDUM") CONSTITUTES AN OFFER ONLY IF THE NAME OF THE OFFEREE APPEARS IN THE APPROPRIATE SPACE PROVIDED ON THE COVER PAGE OF THIS MEMORANDUM AND ONLY IF DELIVERY OF THIS MEMORANDUM IS PROPERLY AUTHORIZED BY THE PARTNERSHIP. THIS MEMORANDUM HAS BEEN PREPARED BY THE PARTNERSHIP SOLELY FOR THE BENEFIT OF PERSONS INTERESTED IN THE PROPOSED SALE OF INTERESTS AND ANY REPRODUCTION OF THIS MEMORANDUM, IN WHOLE OR PART, OR IN THE DIVULGENCE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE PARTNERSHIP, IS PROHIBITED. ANY CONTRARY ACTION MAY BE A VIOLATION OF STATE AND FEDERAL SECURITIES LAWS.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO BUY IN ANY STATE OR JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS UNLAWFUL.

THE CONTENTS OF THIS MEMORANDUM SHOULD NOT BE CONSTRUED AS INVESTMENT, LEGAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR IS URGED TO SEEK INDEPENDENT INVESTMENT, LEGAL AND TAX ADVICE CONCERNING THE CONSEQUENCES OF INVESTING IN THE PARTNERSHIP.



THIS MEMORANDUM IS A SUMMARY ONLY AND DOES NOT PURPORT TO BE COMPLETE. ACCORDINGLY, REFERENCE IS MADE TO THE PARTNERSHIP AGREEMENT AND THE OTHER AGREEMENTS, DOCUMENTS, STATUTES AND REGULATIONS ATTACHED HERETO OR REFERRED TO HEREIN FOR THE EXACT TERMS OF SUCH PARTNERSHIP AGREEMENT AND OTHER AGREEMENTS, DOCUMENTS, STATUTES AND REGULATIONS.

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS MEMORANDUM IN CONNECTION WITH THE MATTERS DESCRIBED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THE DELIVERY OF THIS MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

THE INTERESTS ARE SUBJECT TO SIGNIFICANT RESTRICTIONS ON TRANSFERABILITY AND RESALE AND, IN ANY EVENT, MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION THEREUNDER OF EXEMPTION THEREFROM.

THE GENERAL PARTNER WILL PROVIDE THE RECIPIENT IDENTIFIED ON THE COVER OF THIS MEMORANDUM AND HIS OR HER AUTHORIZED REPRESENTATIVES WITH THE OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, THE GENERAL PARTNER CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING, AND TO OBTAIN ANY ADDITIONAL INFORMATION CONCERNING THIS OFFERING, TO THE EXTENT THE GENERAL PARTNER POSSESSES SUCH ADDITIONAL INFORMATION OR CAN OBTAIN IT WITHOUT UNREASONABLE EFFORT OR EXPENSE

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SUMMARY OF THE OFFERING

The following is only a summary of the information contained in this Memorandum and is qualified in its entirety by the remainder of this Memorandum and the exhibits hereto, including the Form of the Agreement of Limited Partnership (the "Partnership Agreement"). Prospective investors should read the entire Memorandum and the Partnership Agreement carefully before making any investment decision and should consult their own advisers in order to fully understand the consequences of an investment in the Limited Partnership.

The Partnership and General Partner

See "Management"

Salus, LP (the "Partnership"), a Colorado limited partnership, was formed in October of 2017. The general partner of the Partnership is SAIC, Limited, a Colorado limited liability company (the "General Partner"). The General Partner has sole authority to manage the Partnership's activities, including but not limited to engaging independent investment advisors, analysts or other professionals in discharging its responsibilities to the Partnership. The Partnership has been established as a "fund of funds."

Investment Objectives

*See "Investment
Objectives and Policies"*

The General Partner's trading and investment approach is built around the guiding objective of capital growth. The General Partner utilizes the services of other investment advisors and industry professionals to achieve this objective by capitalizing on the skills and abilities of managers whose performance and experience it has reviewed, evaluated and determined to employ. This approach allows the General Partner to allocate Partnership assets among managers in a manner that it believes will provide consistent returns to Partners based on various investment and trading strategies to create, what it believes to be; an optimal risk/reward profile.

The General Partner specializes in Fixed Income investments. The General Partner gains its core strength from its participation in the United States Treasury Market: more specifically the 30 yr. long bond and 10 yr. treasury tenors. The United States Treasury boasts of the most credible source for secured investments, with a top tier investment grade credit rating and a guarantee backed by the United States Government. Many other investments in various markets utilize the U.S. Treasury Market as a benchmark to measure the risk associated with non-governmental offerings measured in terms of spread. Therefore, the U.S. Treasury Market is not only recognized as the safest investment, but a highly liquid investment guaranteed by the good faith and credit of the United States Government, which has not ever defaulted on any of its debt.

Although the General Partner does not currently expect it to do so to a material extent, the Partnership may directly invest or trade in Securities that could include stocks, bonds, notes, convertible bonds, warrants, money market instruments and unregistered or "restricted" securities. The Partnership Agreement imposes no limits on the types of Securities or other instruments in which the Partnership may invest, the types of positions it may take, the concentration of its investments (whether by sector, industry, fund, country, asset class or otherwise) the amount of leverage it may employ or the number or nature of short positions it may take. Further, depending on conditions and trends in securities markets, the General Partner may pursue other strategies or employ other techniques it considers appropriate and in the Partnership's best interests.



**THERE CAN BE NO ASSURANCE THAT THE PARTNERSHIP'S
INVESTMENT OBJECTIVES WILL BE ACHIEVED.**

The Offering

See "Eligibility Requirements:
Subscriptions and Withdrawals"

The Partnership is offering limited partnership interests ("Interests") to a limited number of sophisticated individuals and entities who are "accredited" investors within the meaning of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"). The minimum initial investment is \$250,000 U.S. dollars.

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SALUS, LP

Confidential Offering Memorandum

DIRECTORY

General Partner	SAIC, LIMITED 3357 Navajo St., Suite 5 Denver, CO 80211 Telephone: 720. 593. 1082
Independent Accountants	PricewaterhouseCoopers LLP 300 Madison Ave. New York, NY 10017 Telephone: 646. 471. 3000
Legal Counsel to General Partner	Sullivan & Cromwell LLP 125 Broad St. New York, NY 10004 Telephone: 212. 558. 4000
Broker	ICBC Financial Services 1633 Broadway, 28 th Floor New York, NY 10019 Telephone: 212. 993. 7300
Prime Brokerage & Custody	ICBC Financial Services 1633 Broadway, 28 th Floor New York, NY 10019 Telephone: 212. 993. 7300



MANAGEMENT

The Partnership is managed solely by the General Partner, SAIC, Limited, a Colorado limited liability company. The General Partner's accounts are managed using the investment techniques of the money managers selected by Mr. Brandon Copeland, the CFO of the General Partner.

The General Partner is not registered as an investment advisor with the Colorado Securities Commission pursuant to an exemption from registration. Additionally, it is exempt from registration in the other states in which it intends to operate as well as being exempt from federal registration as an investment adviser with the SEC. If required to do so, the General Partner will seek further registration under the appropriate regulatory authorities. In addition to providing investment advisory services to the Partnership, the General Partner may provide investment advisory services to other pooled investment vehicles and manage accounts for other investment advisory clients.

The General Partner will employ other personnel as portfolio managers, assistant portfolio managers, securities analysts and securities traders in the Partnership's activities in the future.

Capital contributions by the General Partner are generally on the same basis as capital contributions made by Limited Partners, except that no Performance Allocation is made as to Profits allocated to the General Partner and no Management Fee is assessed. The Partnership Agreement does not require the General Partner to maintain any particular capital account balance in the Partnership.

Brandon Copeland

Mr. Copeland is one of the founding members of the General Partner, SAIC, Ltd. Mr. Copeland is entering his 15th year as a financial professional. Mr. Copeland is an action-oriented leader with a strong track record of performance in the multi-channel (client relations, network building, securities trading and capital markets) private wealth management sector. Mr. Copeland believes in the utilization of keen analysis, insights and team approach to drive organizational improvements and implementation of best practices. Mr. Copeland possesses superior interpersonal skills, capable of solving multiple and complex (sales, resource, legal, financial, and operational) issues and in motivating all engaged parties to peak performance. Mr. Copeland has assisted in the management of a \$125mm+ portfolio through SAIC Ltd. While also assisting in pioneering the firm into its relationships with its Prime Broker in addition to the major Global Exchanges: Mr. Copeland has served as a Managing Member, Trader and CFO of SAIC Ltd., for over 3 years, has worked as an independent trader for over 10 years, and has worked in the real estate and finance arenas for the past 15 years. In addition to his experience in the management of business and involvement in the capital markets, Mr. Copeland has benefited extensive training on both Jewish and Christian ethics and values. While not engaged in the responsibilities of work or family time with his wife and two children, Mr. Copeland enjoys both Literary and Cultural Arts, Public Speaking, and the study of Economics, Psychology and Philosophy. Mr. Copeland is currently working towards the completion of his book on Personal Development and Self Actualization – which will be mirrored by a narrative of his own personal journey to the understanding of the true nature of success. Mr. Copeland plans to enter a circuit alongside many other life strategy innovators to give back financially while striving to serve many millions of people by spreading and depositing knowledge that will not only improve humanity, but the planet as a whole.



POTENTIAL CONFLICTS OF INTEREST

Conflicts may arise between the interests of the General Partner and those of the Limited Partners. While the General Partner is accountable to the Partnership as a fiduciary, the Partnership Agreement grants the General Partner broad discretion as to many matters and limits the General Partner's fiduciary duties.

Independent Money Managers

Conflicts of interest could also arise in connection with securities transactions for the accounts of the Partnership and those managed by outside money managers or any other investment vehicles in which the other money managers are involved or other advisory clients whose portfolios an independent money manager may manage. In many cases, the Partnership and other investment accounts an independent money manager may manage, may seek to buy or sell the same Security at the same time. At times, however, the money manager may cause the Partnership and other accounts to effect transactions that differ in substance, timing and amount, due to, among other things, differences in investment objectives or other factors affecting the appropriateness or suitability of particular investment activities to the Partnership or other accounts, or to limitations on the availability of particular investment or transactional opportunities. The independent money managers may allocate transactions and opportunities among the various accounts it manages in a manner it believes to be equitable, considering each account's objectives, programs, limitations and capital available for investment, but all accounts may not necessarily invest in the same Securities. Further, independent money managers will not have any obligation to provide the Partnership nor any other account with any particular investment opportunity or to refrain from taking advantage of an investment opportunity that could be beneficial to the Partnership. See "Potential Conflicts of Interest." See "Brokerage Practices."

Asset Valuation

The General Partner has substantial discretion in determining the value of the Partnership's assets. While most marketable Securities are valued based on prices reported in the public markets, at times the size of a block of Securities held by the Partnership or temporary restrictions on resale may justify imposing a discount to the market-determined value. In addition, while thinly-traded or non-marketable Securities will generally be carried at the Partnership's cost, circumstances could arise in which the value the Partnership assigns to them should be reduced, whether and how much to reduce the value of Securities in any of these circumstances is subject to the General Partner's discretion.

The General Partner may face a conflict of interest in making any of these valuation decisions. Application of a discount to the value of marketable Securities in the Partnership's portfolio would reduce, or eliminate, any Performance Allocation to which the General Partner would otherwise be entitled for the period ending on a valuation date or increase the amount of loss carryforward to be recovered before a Performance Allocation would be payable. Reduction in the value of any assets held by the Partnership would reduce the amount of Management Fee to which the General Partner is entitled.

Exculpation and Indemnification

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

No Separate Representation

The General Partner may be represented by Sullivan & Cromwell, LLP in connection with the formation of the Partnership. That law firm has not acted on behalf of the Partnership or any Limited Partner, and the Partnership is not separately represented by counsel.



INCOME TAX CONSIDERATIONS

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

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

Characterization of the Partnership

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

However, partnerships that are considered "publicly-traded" will be treated as corporations for federal income tax purposes. Being so characterized would substantially adversely affect Partners' after-tax income. Certain Regulations provide "safe harbors" in which partnerships may rest assured that they are not "publicly-traded." The Partnership expects to satisfy at least one of the safe harbors at all times. Under the Partnership Agreement the General Partner may suspend Partners' withdrawal rights if the General Partner determines that such withdrawals could cause the Partnership to be considered "publicly-traded." In many years the nature of the Partnership's income may enable the Partnership to qualify for an exception to the publicly-traded partnership provisions of the Code, regardless of the level of withdrawals.

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

Taxation of the Partnership and Its Partners



General. The Partnership itself will not be subject to US, federal income tax. Instead, Partners will be required to report on their own income tax returns their shares of the Partnership's net long-term capital gain or loss, net short-term capital gain or loss, net ordinary income or deduction, and various other categories of income, gain, loss, deduction and credit (collectively, "tax items"). A Partner's share of any tax item will be governed by the Partnership Agreement unless (i) the Partnership Agreement is silent as to the Partner's share of that item or (ii) the allocation provided by the Partnership Agreement is not considered to have "substantial economic effect" for tax purposes or is otherwise not in accordance with the Partners' interests in the Partnership (as described below). The Partnership has adopted the calendar year as its taxable year and will file an annual partnership information return reporting the results of operations.

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

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

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

Those who are not "dealers" are either "traders" or "investors." In general, traders engage in a "trade or business" of buying and settling securities for their own accounts to take advantage of short-term price changes. Investors buy securities for longer-term appreciation. Whether one is a "trader" or an "investor" is not determined by a specific formula or set of objective criteria; it depends on an analysis of all the facts and circumstances involved in one's activities, taken as a whole. This characterization will affect, among other things, the extent to which Partners may deduct certain items of Partnership expense for Federal income tax purposes. *See* "Limitations on Deductions," below.

The Partnership engages in significant short-term investment strategies that involve significant turnover (including short selling). The Partnership may also hold positions long enough to cause a portion of its realized gains to be long-term in character. The mix of short- and long-term activities may vary significantly from year to year. As a result, it is not possible to predict accurately whether, in any given tax



year, the Partnership will be considered a "trader" or an "investor." However, the General Partner expects the Partnership to take the position in most years that it is a "trader."

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

Character of Gains and Losses Generally. The Partnership expects that its recognized gains and losses from securities transactions will generally be characterized as short-term capital gain or loss. Generally, gain or loss will be "short-term" and will not be eligible for preferential long-term capital gain rates.

Securities traders may elect to apply certain mark-to-market accounting rules generally applicable to securities dealers. Under these rules, all securities are deemed to have been sold at year-end at their fair market value and all gains and losses that would be realized on such deemed sales are taken into account for that year as ordinary (as opposed to capital) gains. Any such election applies to all future tax years and can be revoked only with the consent of the Service.

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

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

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

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

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

Options. For options on certain broad based stock indices, options on stock index futures, and certain other options (collectively "Section 1256 Contracts"), the Code generally applies a "mark-to-market" system of annually taxing unrealized gains and losses and otherwise provides for special rules of taxation. Under this system, Section 1256 Contracts held by the Partnership at the end of each taxable year will be treated for federal income tax purposes as if they were sold by the Partnership for their fair market value at that time. The net gain or loss, if any, resulting from such "deemed sales," together with any gain or loss resulting from actual sales of Section 1256 Contracts during the year, must be taken into account by the Partnership in computing its taxable income for that year. If a Section 1256 Contract held by the Partnership at the end of a taxable year is sold in the next year, the amount of any gain or loss realized on that sale will be adjusted to reflect the gain or loss previously taken into account under the "mark-to-market" rules. Forty percent of the aggregate net capital gain or loss for each year from such Section 1256 Contracts "deemed" sold is characterized as short-term capital gain or loss and 60% is characterized as long-term capital gain or loss. These gains and losses will be taxed under the general rules described above, and, in the case of losses, will be subject to the limitations generally applicable to capital losses.



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

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

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

Contributions. Generally, a contribution of cash to the Partnership will not be a taxable event to the contributing Partner or to the Partnership.

Basis. A Limited Partner's adjusted basis for his or her Interest will equal his or her initial basis in the Interest (*i.e.*, cash contributed) increased by (a) any further capital contributions, (b) his or her distributive share of Partnership income (including tax-exempt income) and (c) any increase in his or her share of any debt of the Partnership and decreased (but not below zero) by (x) distributions (including withdrawals) made to him or her, (y) his or her distributive share of any Partnership deductions or losses, and (z) any decrease in his or her share of any debt of the Partnership.

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

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

Non-Liquidating Distributions. Where a Partner remains a Partner after a withdrawal or other distribution, a distribution generally will cause him or her to realize taxable income *only* if and to the extent the cash distributed exceeds the Partner's adjusted basis in his or her Interest. For these purposes, any decrease in a Partner's share of Partnership debt will be treated as a distribution of cash to the Partner. Distributions to continuing Partners will *not* cause taxable losses to be realized. Cash distributions will reduce the receiving Partner's basis in his or her Interest. Taxable gain upon a distribution would generally be taxable as short-term or long-term capital gain, depending on the Partner's holding period for the Interest. However, as discussed above, the General Partner intends, upon partner withdrawals to specially allocate income, gain and losses to the withdrawing Partners in a manner that could convert what would otherwise be capital gains to ordinary income or long-term capital gains into short-term capital gains. *See* Partnership



Allocations above. In addition, in the unlikely event the Partnership is deemed to have “unrealized receivables” (including unrealized income from certain bonds acquired at a discount) or “inventory” at the time of a distribution, Section 751 of the Code could require different treatment. See “Section 751” below.

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

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

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

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

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

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

Adjusted Basis of an Interest. A Limited Partner may not deduct losses in excess of the adjusted basis of his or her Interest at the end of the year in which the loss is incurred. Losses in excess of a Partner's adjusted



basis may be carried over to succeeding taxable years when the same limitation will apply. See “Basis,” above.

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

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

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

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

Limitations on Miscellaneous Itemized Deductions. In years in which the Partnership is treated as a “trader,” each Partner should be allowed fully to deduct his or her allocable share of the ordinary and necessary expenses incurred by the Partnership in connection with the Partnership’s “trade or business,” including management expenses. If the Partnership is treated as an “investor” for any year, individual Limited Partners will not be entitled to deduct their share of the Partnership’s investment expenses, including operating and advisory expenses and certain other expenses that relate to investment activities, unless, and only to the extent, their share of those expenses, together with their other “miscellaneous” itemized deductions, exceed 2% of their adjusted gross income for the year. This limitation would also apply to Limited Partners that are “pass-through” entities, such as partnerships, to the extent the owners of those entities were individuals.

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

Any Limited Partner who sells or exchanges an Interest at a gain must notify the Partnership in writing if any of that gain is attributable to his or her share of the Partnership’s Section 751 Property. The Partnership must notify the Service of any sale or exchange of an Interest implicating Section 751. Limited Partners are



urged to consult their own tax advisers regarding the potential adverse effect of Section 751 on such transactions.

Administrative Matters

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

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

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

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

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

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

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

State and Local Taxes

LIMITED PARTNERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE APPLICATION OF INCOME, INTANGIBLE AND OTHER TAXES IMPOSED IN THEIR STATES OF RESIDENCE, AND IN STATES WHERE THEY ARE ENGAGED IN BUSINESS, WITH RESPECT TO THEIR INVESTMENT IN THE PARTNERSHIP.



Foreign Taxes

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

SUMMARY OF THE PARTNERSHIP AGREEMENT

The rights and obligations of Partnership's Partners are governed by the Partnership Agreement, a copy of which has been included with this Memorandum. The following briefly summarizes certain provisions of the Partnership Agreement that are not described elsewhere in this Memorandum. Prospective investors are urged to read the Partnership Agreement in its entirety before subscribing.

General

The Partnership has been organized as a limited partnership under the Colorado Uniform Limited Partnership Act. SAIC, Limited, a Colorado limited liability company, is the sole General Partner of the Partnership. The Partnership Agreement provides that the General Partner has complete control of the business of the Partnership and that the Limited Partners have no power to take part in the management of the Partnership. Limited Partners have no right to remove or replace the General Partner.

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

Allocation of Net Profit and Net Loss

Generally, except to the extent the General Partner receives Performance Allocations, and subject to special allocations for "hot issues," as described below, Partners share in the Net Profit and Net Loss of the Partnership for each accounting period in proportion to their relative Capital Account balances as of the beginning of that period. For these purposes Article V of the Partnership Agreement provides detailed procedures for maintaining each Partner's Capital Account and allocating Net Profit and Net Loss to such accounts. Whenever allocations are made, the Partnership's portfolio Securities will be "marked to market" so that profit and loss will include all portfolio gains and losses, whether realized or unrealized. All other Partnership income (such as interest) and all expenses (excluding the Management Fee and other amounts that are specially allocated to particular Partners) are calculated to arrive at Net Profit or Net Loss for that period. All Securities are valued as described below under the heading "Net Asset Valuation."

Capital Accounts generally are adjusted at the beginning and the end of each quarter (or shorter period, if capital is contributed or withdrawn in mid-quarter) to reflect allocations arising out of various events. As of the *beginning* of each period, each Limited Partner's Capital Account is (i) increased to reflect additional capital contributions made as of the beginning of the period (less any special administrative charge the General Partner assesses or expenses arising out of contributions of Securities), (ii) decreased to reflect withdrawals effective as of the end of the prior period (regardless of whether the amount of the withdrawal has actually been delivered to the limited Partner) and (iii) decreased by the amount of the Management Fee (if any) specially allocated as to that Partner as of the beginning of the period. As of the *end* of each period, each Limited Partner's Capital Account is (i) decreased to reflect most types of distributions during the period and certain other special allocations (such as



expenses directly related to withdrawals by the Limited Partner) and (ii) increased or decreased to reflect the Limited Partner's share of Net Profit or Net Loss. If the end of the period is a performance allocation determination time as to a Limited Partner, the Limited Partner's Capital Account is also reduced by the amount of the Incentive Allocation (if any) then due, and the General Partner's Capital Account is increased by the same amount. Profits or losses on "hot issues" are allocated separately to Partners who have demonstrated to the General Partner's satisfaction that they are eligible to participate in them under the Interpretation on Free-Riding and Withholding adopted by the NASD's Board of Governors, as amended from time to time, and the policies of underwriters from which the "hot issue" Securities are purchased. See "Securities Regulatory Matters—'Hot' Public Offerings."

Allocation of Taxable Income and Loss

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

Distributions

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

Asset Valuation

The Partnership's Net Asset Value is determined for all purposes (such as calculating profits and losses) by or at the direction of the General Partner as of the close of business on the last day of each period for which calculations are required. Generally, Securities are valued: (i) at their last published sale price, if they are listed on an established securities exchange or on Nasdaq; or (ii) if last sales prices are not published, at the mean of the highest reported closing bid, and the lowest reported closing asked price, in certain established quotation systems. Where the General Partner determines that market prices or quotations do not fairly represent the value of a Security in the Partnership's portfolio (for example, if a Security is a restricted Security of a class that is publicly traded, or if the Partnership owns a large block of a Security), the General Partner may assign a different value. The General Partner also determines the value of Securities and other assets that are not publicly traded. In these cases, the General Partner may, but is not required to, cause the Partnership to obtain independent valuations of assets and to establish procedures by which Limited Partners may be entitled to approve or replace the person performing the valuation. Where an asset for which no established market exists has been valued in any of these ways, the Partnership could, under some circumstances, suffer adverse effects if the Partnership were unable to obtain the value for that asset assigned by the General Partner or by the person performing the independent valuation. Determinations of Net Asset Value are conclusive and binding on all Partners unless the General Partner has been found to have used bad faith or there is a manifest error involved. See Section 3.1 of the Partnership Agreement.

Reserves; Adjustments for Contingencies

The General Partner is authorized to create reserves against contingent liabilities the General Partner may identify or become aware of and to accrue expenses and effect charges against Partners' Capital Accounts in such amounts as the General Partner, in its sole discretion, considers appropriate. Amounts designated for such reserves in any fiscal period will generally be deducted from the Capital Accounts of the Partners in proportion to the amounts of their Capital Account balances as of the beginning of that period, and any decreases in reserves in a period will generally be added to Capital Accounts of Partners as of the beginning of that period. However, the General Partner is authorized to make special allocations to capital accounts for any large reserves, expenditures, or receipts by the Partnership that relate to earlier periods (and were not reflected in the calculation of Net Asset Value or profits and losses at the time), and to give appropriate benefits to, and make appropriate assessments against, Partners who were Partners at the time of the event giving rise to the reserve, expenditure, or receipt, in proportion to their Capital Accounts at the time. In some cases, allocations may be made to persons who are no



longer Partners. If the allocations are of reserves or expenditures and would reduce the amount those persons received upon withdrawal from the Partnership, the General Partner may demand that the former Partners repay the applicable amount, with interest at a rate of 3% *per annum*., from the time the General Partner determines that the allocation is to be made. However, no former Partner will be required to pay more than the amount of his or her capital account balance at the end of the period to which the charge relates, and no demand may be made more than four years after the former Partner withdrew from the Partnership. If the Partnership is unable to collect any of these amounts, the uncollected amount will be reallocated among the current Partners who were Partners at the time of the event giving rise to the charge.

Term

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

Admission of Additional Partners and Acceptance of Additional Capital

The General Partner may admit additional Limited Partners and accept additional capital contributions. Additional Limited Partners will share in the Net Profit or Net Loss of the Partnership on the same basis as the existing Limited Partners in proportion to their Capital Accounts. The General Partner may also admit additional or successor general partners without the consent of any Limited Partner. If, as a result, there are multiple general partners, they will share discretionary authority, the Management Fee, and the Performance Allocation in whatever manner they agree between or among themselves.

Limitations on Transferability

Limited Partners may not transfer their Interests except as permitted in Article XII of the Partnership Agreement. All transfers require the prior consent of the General Partner, which may be withheld for any reason and/or conditioned upon opinions of counsel satisfactory to the General Partner that, among other things, registration under the Securities Act and applicable state securities laws is not required. Neither the Partnership nor the General Partner is under any obligation to, nor does the Partnership intend to, register the Interests for resale. If a Limited Partner (after obtaining the appropriate consents) transfers its Interest, the transfer will be recognized for the purpose of making distributions (if any) and allocating Net Profit or Net Loss as of the first day of the next quarter following receipt and acceptance by the General Partner of all required documentation. If the transfer occurs in the middle of a period, all Net Profit or Net Loss for the period in which the transfer occurs generally will be pro rated between the transferor and the transferee based upon the number of days in the period that each was a holder of the Interest.

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

Liability of Limited Partners

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



General Partner Exculpation; Indemnification

Neither the General Partner nor any employee, agents or affiliate of the General Partner will be liable to the Partnership or to any Limited Partner for any act or omission based upon errors of judgment or other fault in connection with the business or affairs of the Partnership, and no such act or omission will in and of itself constitute a breach of any duty owed by any such person to the Partnership or any Limited Partner under the Partnership Agreement or the Act, *provided* the act or omission did not constitute gross negligence or a willful violation of law. The Partnership is obligated to indemnify the General Partner (and the employees, agents, members and affiliates of the General Partner) for any loss, claim, damage, liability or expense ("losses") incurred by it (or them) in connection with their management of the Partnership's affairs, participation in such management, or rendering of advice or consultation with respect to such management, or that relate to, the Partnership, its business or its affairs, except to the extent the acts or failures to act that gave rise to those losses are specifically and finally found by a court of competent jurisdiction to have constituted gross negligence or a willful violation of law. In addition, the Partnership must pay the expenses incurred by such persons in defending or responding to any threatened, pending or contemplated action, suit or proceeding, whether civil or criminal, administrative, arbitrative or investigative, or any appeal in such an action, suit or proceeding, as incurred, in advance of the final disposition of such action, suit or proceeding, provided such persons agree to repay such expenses to the extent such expenses were incurred defending or responding to claims or allegations for which he or she or it is specifically and finally found by a court of competent jurisdiction not to be entitled to indemnification. *See* Article IX of the Partnership Agreement.

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

Arbitration

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

Reports

Limited Partners will receive an annual report within 120 days following the close of each calendar year or as soon thereafter as possible. Tax information will be provided to Limited Partners within 90 days following the close of each calendar year or as soon thereafter as possible. For a more complete description of the books, records, and reports to be made available or to be provided by the Partnership to the Limited Partners, *see* Article XIII of the Partnership Agreement.



ADDITIONAL INFORMATION

The General Partner is available to answer prospective investors' questions and will make available any additional information to the extent such information can be obtained without unreasonable effort or expense.

Prospective investors and / or their advisors are invited to communicate with the General Partner at the office, or by telephone at the above telephone number, identified in the Directory.

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