



Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Tyche Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at (312) 533-6050. 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.

Tyche Asset Management LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Tyche Asset Management LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

Tyche Asset Management LLC (the “Adviser”) is a new registrant. Therefore, this is its initial “Brochure” with the United States Securities and Exchange Commission (the “SEC”). In the future, this Item will discuss only specific material changes that are made to the Brochure and provide a summary of such changes. The Adviser will also reference the date of the last annual update of its Brochure on each future amendment, if applicable.

Pursuant to SEC rules, the Adviser will ensure that its clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of its business fiscal year. The Adviser may further provide other ongoing disclosure information about material changes as necessary.

Currently, the Brochure may be requested by contacting Mr. Phillip Galles, the Adviser’s Chief Compliance Officer at (312) 533-6050.

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Item 4 - Advisory Business

- A. The Adviser is a newly formed investment advisory firm located in Chicago, IL that intends to commence business in the third quarter of 2021. Through multiple investment strategies, the Adviser aims to achieve superior risk-adjusted rates of return with no significant correlation to any major market index.

Phillip Galles is the principal beneficial owner of the Adviser.

- B. The Adviser will act as an investment adviser to private funds, Tyche Master Fund, Ltd., Tyche Onshore Fund, LP, and Tyche Offshore Fund, Ltd. (collectively, referred to as the “Fund”), for sophisticated, qualified investors. The Adviser will pursue its investment strategy through managing the Funds. The Adviser will provide investment advisory services to the Funds based on the investment objectives and strategies described in the Fund’s confidential explanatory memorandum and governing documents (collectively, the “Offering Documents”). The Fund’s investment objective, generally speaking, is to achieve capital appreciation through investments in (i) futures contracts; (ii) derivatives; (iii) securities; (iv) options on securities; (v) foreign exchange contracts (collectively, “Financial Instruments”).
- C. The Adviser’s only clients will be the Fund. As such, the Adviser will follow the investment strategy described in the Fund’s Offering Documents.
- D. The Adviser does not participate in wrap fee programs.
- E. Neither the Adviser nor the Fund have established operations as of the date of this Brochure. Therefore, as of May 11, 2021 the Adviser manages \$0 in discretionary and non-discretionary portfolios.

Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser will be compensated in connection with providing advisory services to the Fund. In the future, the Adviser may enter into different fee arrangements on a client by client basis. It is critical that all clients, and investors in all clients, refer to the applicable client's Offering Documents for a complete understanding of how the Adviser and its affiliates are compensated for advisory services. The following information is a summary only and is qualified in its entirety by the Fund's Offering Documents:

Management Fee. In consideration of management and advisory service provided by the Adviser, it is anticipated that the Fund will pay to the Adviser a monthly management fee (the "Management Fee") in arrears equal to a percentage, 2.0% per annum, of net asset value of the Fund.

Performance Allocation. In addition to the Management Fee, it is anticipated that the Fund will pay to an affiliate of the Adviser, an incentive-based fee based upon New Net Profits of the Master Fund above a cumulative High-Water Mark (the "Incentive Allocation"). This is equal to 20% annually.

LOWER FEES FOR COMPARABLE SERVICES MAY BE AVAILABLE FROM OTHER SOURCES.

- B. Management Fees will be payable by the Fund to the Adviser monthly in arrears as of the first day of each calendar quarter and the Performance Allocation will be distributed by the Fund to an affiliate of the Adviser at the end of each fiscal year as applicable, in each case on the terms provided for in the Fund's governing documentation. In either case, the Adviser will deduct fees directly from the Fund's assets. The Adviser has the authority to waive or modify the Management Fee for certain Limited Partners at any time or on an ongoing basis.
- C. With respect to the Fund, and as more fully described in the Fund's Offering Documents, the Fund will bear costs and expenses relating to the fund, including, but not limited to: Organization Expenses (as defined below), legal, compliance, accounting, auditing, administration, recruiting (including fixed and/or variable fees based on bonus pay-outs) and other professional expenses (including regulatory and investor reporting costs, external compliance costs associated with direct Fund activities, costs associated with fund regulatory filings, cost of forming new trading entities for the Fund to invest in or through, and outsourced middle and back-office services provided by unaffiliated service providers), bank service fees and any other reasonable expenses related to the operation of the Fund and the Master Fund; trading costs, including brokerage, commissions, clearing fees, regulatory fees, exchange fees, debit financing fees, lending and financing fees and other direct trading costs associated with the activities of the Fund and the Master Fund; Extraordinary Expenses.

For this purpose, "Operating Expenses" means the Fund's compliance, legal, accounting, auditing, and other professional expenses, administration expenses, bank service fees and other reasonable expenses related to the operations of the Fund. For the avoidance of doubt, Operating Expenses do not include the Management Fee, the Incentive Allocation, any litigation expenses, indemnification expenses, non-routine legal fees and expenses, commissions, margin costs and other related investment expenses.

The organizational expenses of the Fund (including expenses of the initial offer and sale of Common Shares) (the “Organizational Expenses”) will be paid by the Fund. Organizational Expenses, for net asset value purposes and in the sole discretion of the Adviser, may be amortized over a period of up to 60 months from the date the Fund commences operations.

- D. As stated in Item 5.A. above, any Management Fees will be payable monthly in arrears. Since Fund investors will generally be permitted to withdraw their investment in the Fund with certain advance notice and subject to redemption fees described in their entirety in the Fund’s Offering Documents, the Adviser plans to refund any pre-paid Management Fees if an investor withdraws or redeems their investment in the Fund before the end of the billing period.
- E. Other than as described above, neither the Adviser nor any of its supervised persons receive any compensation from the sale of securities or other investment products.

Item 6 - Performance-Based Fees and Side-By-Side Management

As stated in Item 5 above, affiliates of the Adviser may receive an Incentive Allocation from the Fund. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities.

Fund investors are provided with disclosure in the Fund’s Offering Documents as to how investment opportunities are allocated and how performance-based compensation is charged and the risks associated with such performance-based compensation, prior to making capital commitments to the Fund.

In addition, the Adviser employs policies and procedures governing the identification, assessment and monitoring of conflicts of interest.

Item 7 - Types of Clients

As described in Item 4, the Adviser will provide investment advisory services only to the Fund, which are investment partnerships, or similar entities, which are exempt from registration under the Investment Company Act of 1940, as amended. Each investor in each Fund must be a “qualified purchaser” for Investment Company Act purposes and a “qualified client” for Advisers Act purposes.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

- A. The Fund will deploy a trading strategy to keep superior risk-adjust rates of return with no significant correlation to any major market index. This strategy is quantitative in nature and relies on the use of an automated trading model, which is a proprietary and confidential model created by, and owned by, the General Partner.

The Fund seeks to achieve capital appreciation through investments in (i) futures contracts; (ii) options on futures contracts; (iii) derivatives; (iv) securities; (v) options on securities; and (vi) foreign exchange contracts (each an “Investment Strategy”).

The Adviser implements its Investment Strategy through the development and application of models consisting of sets of algorithms that are “Chaos Theory” principled predictive oscillator studies that expand and contract with the market’s volatility. The model uses a filtering process to locate market anomalies that define what it believes are high-probability trade ideas. The identified high probability trade ideas are then combined with 29 years of gray box and black box methodologies to make trading decisions. The methodologies are quantitative in nature, combining long-term, intermediate-term, short-term, high-frequency and options strategies coordinated to drive as one.

The General Partner intends to use the model and its methodologies to speculatively and actively trade Financial Instruments and will primarily use futures contracts and options thereon to gain exposure for the Fund. The General Partner intends to trade Financial Instruments on various U.S. and non-U.S. markets, including the NYSE, Nasdaq, CBOE, CME Group and ICE Futures, among others. The General partner may remove or add markets at any time in its sole discretion.

While at any given time the strategies and techniques employed by the Fund may involve significant systematic risks, the Adviser anticipates that, over longer periods of time, the portfolio of the Fund will have little or no correlation to major market indices and factors. In an effort to increase investors' aggregate return-to-risk ratio resulting from the strategies utilized by the Fund, the Adviser may manage and attempt to limit the Fund's exposure to certain financial instruments by managing risk with both portfolio optimization techniques, and position and exposure limits.

In order to better control aggregate risk and to obtain efficiency in execution, multiple strategies are often traded together in combined, quantitatively optimized portfolios. In addition to risk aversion, the Adviser’s optimizer uses position limits and other controls to attempt to lessen the risk of unanticipated loss. In addition to automatic controls, fund-wide risks are also monitored by the Adviser's risk management team, which constitutes a second level of risk monitoring.

The foregoing discussion includes and is based upon numerous assumptions and opinions of the Adviser concerning world financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that the Fund’s investment strategy will achieve profitable results or that the Fund’s investors will not incur substantial or total losses.

- B. The Adviser’s investment strategy and the securities it will invest in to carry out this strategy involve a high degree of business and financial risk that could result in substantial losses and are suitable only for Fund investors prepared to bear such risk. The risk factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the Fund’s Offering Documents.

No Operating History; Risk of Loss

The Fund has no operating history upon which prospective Limited Partners can evaluate performance. No guarantee or representation is made that the Fund will achieve its investment objective or that Limited Partners will not lose all or substantially all of their investment in the Fund. The past performance of the General Partner, the Investment Manager or their affiliates is no guarantee of the future performance of the Fund. There is no assurance that the Fund will be profitable or successful. The success of the Fund will in a large part depend on its ability to identify and make profitable investments. Identifying and making profitable investments is difficult and involves a high degree of risk, competition and uncertainty, and the availability of such investments is subject to general market conditions. There is no assurance that the Fund will be able to successfully implement its investment strategy or attain profitability. The Fund's profitability is dependent upon many factors beyond its control.

Failure to Achieve Investment Objective

There is no guarantee that a Limited Partner's capital contributions will ever be returned or repaid or that the Fund will realize any profits. A prospective Limited Partner should not subscribe for Interests unless it can readily bear the consequences of such loss. Even if the Fund achieves profitability, an investment in the Fund should be viewed as a long-term investment.

Speculative Investment Strategies

Trading in Financial Instruments is highly speculative and subject to substantial risks, including a total loss of investment. Among other things, the prices of Financial Instruments can be highly volatile and subject to rapid and substantial fluctuations. Price movements for Financial Instruments may be influenced by, among other things:

- company fundamentals
- changes in interest rates;
- governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies;
- weather and climate conditions;
- changing supply and demand relationships;
- money supply policies and available liquidity;
- changes in balances of payments and trade;
- currency devaluations and revaluations;
- rates of inflation or deflation;
- political and economic events; and
- changes in philosophies and emotions of market participants.

A trading method (regardless of the nature of the method) may not take account of all these factors.

Broad Investment Discretion

The General Partner has broad discretion in making investments for the Fund. The General Partner may change its investment strategy without notice to investors and there are no limitations on the types of Financial Instruments that may be traded.

Past Results

There can be no assurance, nor should it be assumed, that the future investment performance of the Fund, if any, will conform to any performance history of similar strategies of the General Partner or that the Fund's investments will avoid significant losses, including a total loss of investor capital. The investment results and portfolio compositions set forth in this report are provided for illustrative purposes only and may not be indicative of the future investment results or future portfolio composition of the Fund. The composition, size of, and risks associated with an investment in the Fund may differ substantially from the examples set forth in this report. An investment in the Fund can lose value.

Possible Positive Correlation with Stock and Bonds

One of the goals in incorporating a non-traditional investment such as the Fund into a portfolio is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important, that the Fund will, in fact, be non-or negatively correlated with a traditional portfolio of stocks and bonds.

Counterparties and Brokers

The counterparties with which the Fund trades or invests or that clear trades may encounter financial difficulties and delay or default on their payment obligations. Any such default could result in material losses to the Fund.

Custodial Risk

One or more banks or Brokers may act as custodians for certain assets of the Fund. If a custodian were to become insolvent, the Fund would, in respect of financial assets credited to accounts and held in street name, have only rights in common with other customers of the custodian and would not have ownership of, or rights with respect to, any specific financial assets maintained by the custodian. If any custodian has insufficient financial assets to satisfy all of its customers and its secured creditors, the Fund could suffer significant losses.

Financing Arrangements; Availability of Credit

The use of leverage is integral to certain of the Fund's strategies, and the Fund depends on the availability of credit in order to finance its portfolio. There can be no assurance that the Fund will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to the Fund can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel the Fund to liquidate all or part of its portfolio at disadvantageous prices.

Reliance on Corporate Management and Financial Reporting

Certain of the strategies implemented by the Fund rely on the financial information made available by the issuers in which the Fund invests. The General Partner has no ability to independently verify the financial information disseminated by the issuers in which the Fund invests and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses investors such as the Fund can incur as a result of corporate mismanagement, fraud and accounting irregularities.

Competition; Potential Strategy Saturation

The Fund competes with numerous other private investment funds as well as other investors, many of which have resources substantially greater than the Fund's. The amount of capital committed to "alternative investment strategies" has increased dramatically during recent years. The profit potential of the Fund may be materially reduced as a result of the "saturation" of the alternative investment field.

Intellectual Property Infringement/Misappropriation

Third parties may obtain and use the General Partner's or any of its affiliates' intellectual property or technology, including its trade secrets and trading program software, without permission. Any unauthorized use or misappropriation of the General Partner's or an affiliate's trade secrets, proprietary software and other technology could adversely affect its competitive advantage. Proprietary software and other technology are becoming increasingly easy to duplicate, particularly as employees with proprietary knowledge leave the owner or licensed user of that software or other technology. The General Partner and its affiliates may have difficulty monitoring unauthorized uses of its proprietary software and other technology. The precautions they have taken may not prevent misappropriation or infringement of its proprietary software and other technology. Also, third parties may independently develop proprietary software and other technology similar to that of the General Partner or an affiliate, or claim that the General Partner or an affiliate has violated their intellectual property rights, including their copyrights, trademark rights, trade names, trade secrets and patent rights. As a result, the General Partner or an affiliate may have to litigate in the future to protect its trade secrets, determine the validity and scope of other parties' proprietary rights, defend itself against claims that it has infringed or otherwise violated other parties' rights, or defend itself against claims that its rights are invalid. Any litigation of this type, even if the General Partner or affiliate is successful and regardless of the merits, may result in significant costs, divert its resources from the Fund, or require it to change its proprietary software and other technology or enter into royalty or licensing agreements.

Trading in International Markets

The risk of loss in trading Financial Instruments on markets outside of the U.S. is substantial. Participation in non-U.S. markets involves the execution and clearing of trades on, or subject to the rules of, a foreign board of trade or foreign securities market. Some of these non-U.S. markets, in contrast to U.S. markets, are so-called principals' markets in which performance is the responsibility only of the individual counterparty with whom the trader has entered into a transaction—not of the exchange or clearing house. In these kinds of markets, the Fund will be subject to the risk of bankruptcy, insolvency, payment failure or other failures or refusals to perform by the counterparty. Moreover, many of these non-U.S. market are unregulated, which means that the Fund may have no or limited recourse in the event of such a failure or refusal. Some non-U.S. markets present additional risk because they are not subject to the same degree of

regulation as their U.S. counterparts. Neither the SEC nor the CFTC or any domestic exchange regulates activities of foreign boards of trade or securities markets outside of the U.S., including the execution, delivery and clearing of transactions, nor has the power to compel enforcement of the rules of a foreign board of trade or exchange or of any applicable non-U.S. laws. Additionally, trading on non-U.S. markets is subject to the risks presented by exchange controls, expropriation, increased tax burdens and exposure to local economic declines and political instability. An adverse development with respect to any of these variables could reduce the profit or increase the loss earned on trades in the affected international markets. Some non-U.S. markets also may be in a more developmental stage so that prior price histories may not be indicative of current price dynamics. In addition, the Fund may not have the same access to certain positions on foreign markets as do local traders, and the historical market data on which the General Partner bases its strategies may not be as reliable or accessible as it is in the U.S.

Market Risks in General

The General Partner's strategies are each subject to certain dimensions of market risk: directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, "flights to quality," "credit squeezes," among other possible events. The particular or general types of market conditions in which the Fund may incur losses or experience unexpected performance volatility cannot be predicted.

Changing Market Conditions

Certain changes in general market conditions — for example, a decline in listed derivatives trading volume — could materially reduce the Fund's profit potential.

Volatility

The prices of many of the instruments, including Financial Instruments, have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions. While volatility can create profit opportunities for the Fund, it can also create the specific risk, in the case of the Fund, that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur losses. On the other hand, the lack of volatility can also result in losses for certain of the General Partner's strategies that profit from price movements.

Stagnant Markets

Certain of the investment strategies employed by the General Partner rely for their profitability on market volatility contributing to the mis-pricings that they are designed to identify. In periods of trendless, stagnant markets and/or deflation, these strategies may have materially diminished prospects for profitability.

Market Disruptions

The Fund may incur major losses in the event of a market disruption or an extraordinary event in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Fund from its banks, dealers and other counterparties may be reduced

in disrupted markets. Such a reduction in financing and liquidity would likely result in substantial losses to the Fund. For example, in 1994, 1998, 2008 and 2020 sudden restrictions of credit by the bank and dealer community resulted in forced liquidations and major losses for a number of private investment funds. The Fund is not immune to a sudden restriction of credit. Moreover, market disruptions caused by unexpected political, military, pandemic, epidemic and terrorist events may from time to time cause dramatic losses for a Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

COVID-19

As of the date this document was prepared, the outbreak of the novel coronavirus (“COVID-19”) in many countries, including the U.S., continues to adversely impact global commercial and financial activity and has contributed to significant disruption and volatility in financial markets. The global impact of the outbreak has been rapidly evolving, and as cases of COVID-19 have continued to be identified in additional countries, many countries have reacted by instituting quarantines, stay at home/essential business orders, and restrictions on travel. It is also possible that one or more financial markets relied upon by the Fund could be closed or restricted. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, create significant disruption in economic activity. The COVID-19 or other similar outbreak could have a continued adverse impact on economic and market conditions and trigger a protracted period of global economic decline. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. In addition, the extent of the spread of the COVID-19, as well as the effects on the world and local economies, is changing daily and is not quantifiable. There are no comparable recent events in the U.S. which provide guidance as to the effect of the spread of COVID-19 and a potential pandemic on the economy as a whole or on the business, financial condition and results of operations of the Fund. Thus, there is substantial uncertainty of COVID-19’s potential effect on the Fund, which could have a material adverse effect on the Fund’s investments and on the business, financial condition and results of operations of the Fund.

Lack of Liquidity

Certain of the markets in which the Fund trades will from time to time experience periods of illiquidity. Illiquid markets can make it economically unfeasible for the Fund to recognize profits on open positions or to close out open positions against which the market is moving.

Cybersecurity Risk

Investment advisers, including the General Partner, must rely in part on digital and network technologies (collectively, “cyber networks”) to conduct their businesses. Such cyber networks might in some circumstances be at risk of cyber-attacks that could potentially seek unauthorized access to digital systems for purposes such as misappropriating personal data or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. The General Partner maintains a cybersecurity policy and certain technical and physical safeguards intended to protect the confidentiality of its internal data. Nevertheless, cyber incidents could potentially occur, and might in some circumstances result in unauthorized access to sensitive information about the General Partner or the Fund’s investors as the General Partner does not directly control the cyber security systems of issuers or third party service providers.

Force Majeure

The Fund's investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, war, terrorism and labor strikes). Some force majeure events may adversely affect the ability of a party (including a company or a counterparty to the Fund) to perform its obligations until it is able to remedy the force majeure event. To the extent the Fund is exposed to investments in assets that are exposed to force majeure events, the risks and potential losses to the Fund are significantly enhanced.

Strategy Risk

There can be no assurance that what is perceived by the General Partner as an investment opportunity will not, in fact, result in substantial losses due to one or more of a wide variety of factors. From time to time, the economic viability of an entire strategy may deteriorate, due to an excessive concentration of investors implementing the same approach or general economic events that disrupt the source of profits which the strategy seeks to exploit. The Fund can only be successful if the General Partner is able to invest successfully, and there can be no assurance that this will be the case.

Multiple-Strategy Approaches

The diversification of the General Partner's strategies may not be significant and, even if significant, may not provide meaningful risk control, while reducing the Fund's profit potential as a result of certain strategies being unprofitable while others are profitable. Certain of these strategies and markets may involve an unusually high degree of risk considered on a stand-alone basis, and combining multiple strategies inherently involves the opportunity cost of certain strategies' losses offsetting the gains recognized by other strategies.

Macro Strategies

Macro strategies are directional strategies that seek to profit from forecasting near- to medium-term price movements. The multitude of different factors which go into determining futures price levels makes any attempt at market forecasting inherently speculative and unexpected political, international, weather and other events can cause major losses for strategies even if they correctly identified "true value" in the positions taken.

Technical Strategies

Technical strategies implemented by the General Partner will take multiple forms, including "technical investing" based on various historical price patterns and market indicia. Other technical methods are more related to supply and demand driven by corporate life cycle events or by changes in rules or regulations in the markets. In general, the General Partner considers technical investing/trading not only to include the generic technical market factors used by most "technical" traders, but any approach based on identifying a "technical" reason why there will be an imbalance between investors moving in and out of a given financial instrument. There are many risks associated with this style of investing, including the non-consummation of the event that created the opportunity, particularly if many investors are making their investment decisions based on the assumption of consummation. Also, the General Partner could be wrong in identifying the technical opportunity and/or in executing trades to exploit the opportunity.

Other Strategies

The General Partner is continually developing new strategies, and adapting and refining existing strategies. Each of these strategies has its own peculiar risks and may, in connection with the other strategies then being used for the Fund, increase the overall risk and decrease the diversification of the Fund's overall portfolio.

Active Trading

The Fund's trading activities are expected to involve substantial portfolio turnover and correspondingly high transactional costs.

Commingled Fund Risk

The Fund may invest in one or more affiliated and unaffiliated commingled funds in which the managed fund consists of assets from several accounts that are blended together. The Fund relies on performance information provided by the investment manager of such commingled funds. The Fund does not participate in the calculation of a commingled funds' performance. The cost to Fund investors of investing in such vehicles through the Fund may be higher than investing directly in such vehicles.

Model and Data Risk

Given the complexity of the investments and strategies, the General Partner relies on quantitative models and systems (both proprietary models developed by the General Partner and those supplied by third parties) and information and data supplied by third parties (collectively, "Models and Data"). Models and Data are used to construct sets of transactions and investments and to provide risk management insights, and may be used to assist in hedging the Fund's investments. When Models and Data prove to be incorrect or incomplete, any decisions made in reliance thereon expose the Fund and the Fund to potential risks. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful. Some of the models used by the General Partner for the Fund are predictive in nature. The use of predictive models has inherent risks. Because predictive models are usually constructed based on historical data, the success of relying on such models may depend heavily on the accuracy and reliability of the historical data. All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting information will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices. In addition, the General Partner relies on its staff to properly operate and maintain its computer and communications systems upon which the trading systems rely. Execution and operation of the General Partner's computer and communications systems is subject to human error. Any failure, inaccuracy or delay in implementing any of the General Partner's computer and communications systems and executing Fund transactions will impair its ability to identify profit opportunities and benefit from them. It could also result in decisions to undertake transactions based on inaccurate or incomplete information. This could cause substantial losses to the Fund.

No True Arbitrage

The General Partner's strategies do not generally involve true arbitrage — in which profits will necessarily be realized if a position can be maintained until maturity. Certain of the General Partner's strategies generally involve taking what are evaluated to be only partially offsetting positions in instruments whose true price and correlations to other instruments are uncertain and

liquidity may be limited. What the General Partner analyzes as a mispricing may be evaluated quite differently by other market participants who may, in fact, use pricing models materially different from those used by the General Partner. No representation can be made that the General Partner will correctly identify any “true arbitrage” in any Financial Instrument market. Even if a true arbitrage is identified, there can be no assurance that the Fund will be able to maintain an arbitrage position until the inherent profit is recognized. In addition, all arbitrage strategies are subject to the risks that increasing market liquidity, technological innovation and new theoretical constructs or refinements will reduce or eliminate the arbitrage opportunity and the profitability of its exploitation.

Volatility Assessment Risk

The General Partner’s strategies require it to estimate, utilizing proprietary assumptions, future levels of the price volatility of given instruments. This means that the Fund is exposed to the risk of actual levels of price volatility differing from those estimated by the General Partner. Changes in the volatility of the price of an underlying security or index may make a large difference to the theoretical value of a Derivative.

Lack of Diversification

The Fund focuses its investments in equities, options, futures, and related instruments, and is likely to be invested only in a limited number of classes of such instruments at any time. Concentration of the Fund’s investments in a limited number of markets and instruments results in increased risk. Diversification is not a goal of the General Partner investment strategy. The General Partner is not restricted as to the percentage of the Client’s assets that may be invested in any particular instrument, market or strategy. The General Partner does not and will not maintain any fixed requirements for diversifying the Fund portfolio.

Exchange Rates

The Fund may invest in Financial Instruments denominated in non-U.S. currencies. Such investments are subject to the risk that the value of a particular currency will change in relation to the U.S. Dollar, which is the base currency of the Fund. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The General Partner may seek to hedge these risks by investing directly in non-U.S. currencies and buying and selling options, futures or forward contracts thereon. The Fund cannot, however, assure any Limited Partner that those strategies, if implemented, will be effective.

Duration of Investment Positions

The General Partner does not typically know (except in the case of certain options or other derivatives positions that have pre-established expiration dates) the maximum — or, often, even the expected (as opposed to optimal) — duration of any particular position at the time of initiation. Actual holding periods will depend on numerous market factors which can both expedite and disrupt price convergences. There can be no assurance that the Fund will be able to maintain any particular position, or group of related positions, for the duration required to realize the expected gains, or avoid losses, from such positions.

Securities Lending

The Fund may borrow and lend securities on an ongoing basis in the regular course of its investing. Third parties that borrow securities from the Fund may not be able to return them on demand (possibly causing the Fund to default on its obligations to other parties) and may also default on the payment obligations owed to the Fund in connection with such securities loans, potentially resulting in substantial losses to the Fund.

Absence of Hedging

The General Partner will not, in general, attempt to hedge all market or other risks inherent in the Fund's positions, and will hedge certain risks, if at all, only partially. Specifically, the General Partner may choose not, or may determine that it is economically unattractive, to hedge certain risks — either in respect of particular positions or in respect of the Fund's overall portfolio. The Fund will have significant market risk, despite the hedging costs which it incurs. To the extent that the General Partner hedges, its hedges will not be static but rather will need to be continually adjusted based on the General Partner's assessment of market conditions, as well as the expected degree of non-correlation between the hedges and the portfolio being hedged. The mechanisms employed by the General Partner to monitor and manage the risks associated with its trading activities on behalf of the Fund may not succeed in mitigating any or all identified risks. The success of the General Partner's hedging strategy will depend on the General Partner's ability to implement this strategy efficiently and cost-effectively, as well as on the accuracy of the ongoing judgments concerning the hedging positions to be acquired by the Fund.

Trade Execution Risk

Many of the trading techniques used by the General Partner will require the rapid and efficient execution of transactions. Inefficient executions can eliminate the small pricing differentials which the General Partner is seeking to exploit.

Trading Errors

While the General Partner will attempt to correct trading errors as soon as they are discovered, none of the Fund, the General Partner, the Broker or any of their service providers will be responsible for poor executions, erroneous orders, rogue algorithms or trading errors.

Model Errors

The General Partner's quantitative modeling process is complex and involves market data, statistical estimates, numerous research inputs, modeling, and proprietary algorithms. Although the General Partner attempts to employ individuals skilled in these responsibilities and to provide appropriate levels of oversight, there is a possibility that mistakes will be made in programming, as well as technical issues that could arise in computer hardware or software. These errors could adversely affect a General Partner portfolio. For these reasons the General Partner does not expect to disclose discovered coding or model errors to clients or investors or to reimburse client accounts for their economic impact.

Compliance

While the General Partner believes that it has established and maintains a system to supervise the activities of its personnel that is reasonably designed to achieve compliance with applicable laws

and rules, neither the Fund nor the General Partner can provide assurance that any controls, procedures, safeguards or policies will be sufficient to prevent a violation of applicable law or rules, including with respect to trading in the securities and derivatives markets.

Developing New or Additional Investment Strategies

The General Partner is not restricted from developing and incubating new strategies, even if the General Partner has limited or no experience in a new strategy. There can be no assurance that the General Partner will be successful in developing and implementing new or additional strategies.

Speculative Position Limits

Speculative position limits imposed by various regulators and exchanges may limit the Fund's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Fund does not intend to exceed applicable position limits, it is possible that different accounts managed by the General Partner or its affiliates may be aggregated. If at any time positions managed by the General Partner were to exceed applicable position limits, the General Partner would be required to liquidate positions, which might include positions of the Fund, to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, the Fund might have to forego or modify certain of its contemplated trades.

Electronic Trading and Order Routing Systems

The Fund intends to trade on electronic trading and order routing systems for a portion of its order flow. Transactions using an electronic system are subject to the rules and regulations of the exchanges offering the system or listing the contract. Characteristics of electronic trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, opening and closing procedures and prices, error trade policies and trading limitations or requirements. There are also differences regarding qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times and security. In the case of internet-based systems, there may be additional risks related to service providers and the receipt and monitoring of electronic mail.

Trading through an electronic trading or order routing system is also subject to risks associated with system or component failure. In the event of system or component failure, it is possible that for a certain time period, it might not be possible to enter new orders, execute existing orders or modify or cancel orders that were previously entered. System or component failure may also result in loss of orders or order priority, or the sending of erroneous orders. Some contracts offered on an electronic trading system may be traded electronically and through open outcry during the same trading hours. Exchanges offering an electronic trading or order routing system and listing the contract may have adopted rules to limit their liability, the liability of futures brokers and software and communication system vendors and the amount that may be collected for system failures and delays. These limitations of liability provisions vary among the exchanges.

Equities

Equities invested in by the Fund may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which the Fund may invest.

Options

The Investment Manager will make extensive use of listed options on stocks and stock indices (including volatility indices) for the Fund's portfolio. These activities involve risks that can be substantial, depending on the circumstances. Options trading is highly specialized and is subject to risks that are in addition to the risks generally associated with trading derivatives. If the Fund purchases a put or a call option, it may lose the entire premium paid. If the Fund writes or sells a put or call option, its loss is potentially unlimited. For example, the seller of an uncovered call option is subject to the risk that the price of the underlying security will increase, thereby subjecting the seller to significant losses. Also, option prices tend to decline over time as options near their exercise dates. This "time decay" must be offset by other factors, such as increased volatility, or options positions will decline in value.

Derivatives Generally

The General Partner intends primarily to use derivatives, including futures and options thereon, to implement its investment strategies. The pricing of derivatives is uncertain, variable and based primarily on theoretical models, the outputs of which may vary substantially from the prices actually recognized in the market. The market for many types of derivatives is comparatively illiquid and inefficient, creating the potential for substantial mis-pricings, as well as sustained deviations between theoretical and market value.

Futures Contracts and Options

The Fund will buy and sell futures contracts and options thereon. Futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical. The amount of margin funds necessary to be deposited with a bank or broker to enter into a futures contract is typically about 2% to 10% of the total value of the contract (and may even be zero). As a result of this leveraging, even a small movement in the price of a contract can cause major losses. Any purchase or sale of a futures contract may result in losses that substantially exceed the amount invested in the contract. For example, if \$2,200 in margin is required to hold one U.S. Treasury bond futures contract with a face value of \$100,000, a \$2,200 decrease in the value of that contract could, if the contract is then closed out, result in a complete loss of the margin deposit, without taking into account deductions for fees and/or commissions. Severe short-term price declines could thus force the liquidation of open positions with large losses. If the Fund suffers losses, the Fund may de-leverage its account(s), which would materially impair the Fund's ability to recover its initial losses. Futures contract gains and losses are marked-to-market daily for purposes of determining margin requirements. Options on futures contracts generally are not marked-to-market daily, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options thereon, there may be periods in which positions on both sides must be closed down prematurely due to short term cash flow needs. If, for example, this occurs during an adverse move in a spread or straddle relationship, then a substantial loss could occur.

Foreign Exchange

The prices of assets held by the Fund may be sensitive to foreign exchange-rate fluctuations; such fluctuations could cause the U.S. dollar value of long and short positions to move in unanticipated directions. The Fund may invest in Financial Instruments denominated in non-U.S. currencies. Such investments are subject to the risk that the value of a particular currency will change in relation to the U.S. Dollar, which is the base currency of the Fund. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The General Partner may seek to hedge these risks by investing directly in non-U.S. currencies and buying and selling options, futures or forward contracts thereon. The Fund cannot, however, assure any Limited Partner that those strategies, if implemented, will be effective. To the extent that foreign exchange-rate assumptions underpin the hedging of a particular position, fluctuations in rates could invalidate those underlying assumptions and expose the Fund to losses. The General Partner is not obligated to hedge Fund exposure to any risks, including, foreign exchange-rate risks.

Non-U.S. Securities

The Fund may trade in securities of companies domiciled or operating in one or more non-U.S. countries. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States (“U.S.”), including instability of certain non-U.S. governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the U.S. or abroad) or changed circumstances in dealings between nations. The application of non-U.S. tax laws (e.g., the imposition of withholding taxes on dividend or interest payments, income taxes and excise taxes) or confiscatory taxation may also affect the Fund’s investment in non-U.S. securities. The Fund may incur higher expenses from investment in non-U.S. securities than from investment in U.S. securities because of the costs that must be incurred in connection with conversions between various currencies and because non-U.S. brokerage commissions may be higher than commissions in the U.S. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the U.S. The Fund’s investments in non-U.S. countries could be adversely affected by other factors not present in the U.S., including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Other Instruments and Future Developments

The Fund may take advantage of opportunities in customized “synthetic” or derivatives investments. Special risks may apply to the Fund’s investments in the future.

Projections and Opinions

Statements contained in this Memorandum that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of the General Partner. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. No assurance can be given that returns from the Fund will be equal or similar to those achieved or expected to be achieved by any past results, and no assurances can be given that actual results will achieve the Fund’s stated objectives.

Importance of the General Partner

The Fund must rely on the ability of the General Partner to implement and maintain the General Partner's trading and investment program. The General Partner, in turn, is dependent on the services of certain key personnel—including its traders—and the loss of the services of one or more such professionals would likely materially impair the ability of the General Partner to provide services to the Fund.

Lack of Limited Partner Control over Fund Policies

The management, financing, leasing and disposition policies of the Fund and its policies with respect to certain other activities, including its distributions and operating policies, are determined by the General Partner. To the extent permitted by the Operating Agreement, these policies may be changed from time to time at the discretion of the General Partner without a vote of the Limited Partners of the Fund, although the General Partner has no present intention to make any such changes. Any such changes could be detrimental to the Limited Partners' Interests in the Fund.

Fund Currency Exposure and Hedging

The Interests are issued and redeemed in U.S. dollars. Certain of the assets of the Fund may be invested in Financial Instruments denominated in other currencies. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. The Investment Manager will generally seek to hedge the foreign currency exposure of certain Classes or series of Interests of the Fund. The Investment Manager retains the sole discretion to determine when and to what extent to engage in currency hedging transactions. To the extent that the Investment Manager engages in currency hedging, Limited Partners may be exposed to certain risks. The Fund may be exposed to considerable losses as a result of its hedging policy. Limited Partners should also note that there can be no guarantee that the hedges which the Investment Manager puts in place will be effective for any or for all Classes or series of Interests.

No Recourse to Fund Assets

Assets of the Fund, including any capital held by the Fund, are available to satisfy the obligations and liabilities of the Fund. If the Fund itself becomes subject to a liability, parties seeking satisfaction of such liability may have recourse to the Fund's assets generally rather than being limited to a particular asset (such as the one giving rise to the liability).

Absence of Recourse to General Partner

The Partnership Agreement of the Fund includes exculpation and indemnification provisions that will limit the circumstances under which the General Partner can be held liable to the Fund. As a result, Limited Partners may have a more limited right of action in certain cases than they would in the absence of such limitations.

Recourse to the Fund's Assets; Cross-Class Liability

The assets of each feeder fund and the Master Fund, including their respective investments and any cash held by each feeder fund or the Master Fund, are available to satisfy all liabilities and other obligations of each feeder fund or the Master Fund (as applicable), regardless of any class of interests which such investments, assets, liabilities or obligations are attributable to (if any). If any feeder fund or the Master Fund becomes subject to a liability, parties seeking to have the

liability satisfied may have recourse to the assets of any feeder fund or the Master Fund generally (as applicable) and may not be limited to any particular asset, such as the investment giving rise to the liability. Any feeder fund and the Master Fund may (but shall not be obligated to) use special purpose vehicles to reduce this risk and the recourse described in this paragraph. To the extent that such special purpose vehicles are used, the bona fides of such entities may be subject to later challenge based on a number of theories, including veil piercing or substantive consolidation.

Restrictions on Capital Withdrawals

Because amounts invested may only be withdrawn as of a month-end and subject to certain requirements, and the Interests are not freely tradable, an investment in the Fund is highly illiquid and involves a high degree of risk. Irrespective of the success or failure of the General Partner's strategies, Limited Partners' inability to withdraw from the Fund on short notice materially increases the risk of an investment in the Interests because it is not possible to make Capital Withdrawals in order to recognize profits or mitigate losses before such profits may have been eliminated or such losses significantly accelerated. In fact, under certain circumstances, the Fund may suspend Limited Partners' ability to make Capital Withdrawals, leaving them fully exposed to the risk of the Fund's performance for an indefinite period of time.

Effect of Suspension of Capital Withdrawals

Capital Withdrawals by Limited Partners may be suspended in certain emergency circumstances. If the Fund suspends the withdrawal of Interests, the value of the Interest may decrease substantially both during the period of suspension and possibly longer as a result of the Fund imposing a suspension.

Effect of Substantial Capital Withdrawals

In the event that there are substantial withdrawals, it may be more difficult for the Fund to generate the same level of profits operating on a smaller capital base. In the event that there are substantial withdrawals at the Fund level on any date or a short period of time, the General Partner may find it difficult to adjust the asset allocation and trading strategies to the suddenly reduced amounts of assets under management. Under such circumstances, in order to provide sufficient funds to pay withdrawals, the General Partner might be required to liquidate positions at an inappropriate time or on unfavorable terms. In addition, regardless of the period of time in which withdrawals occur, the resulting reduction of the Fund's NAV could make it more difficult for the Fund to generate profits or recover losses.

Contagion

The General Partner has the power to issue Interests in Classes. The Operating Agreement of the Fund provides for the manner in which the liabilities are to be attributed across the various Classes (liabilities are to be attributed to the specific Class in respect of which the liability was incurred). However, the Fund is a single legal entity and although the General Partner may allocate liabilities to specific Classes, the assets and liabilities of each Class are not legally segregated and there is no "ring fencing" between Classes. Limited Partners of one or more Classes of Interests may be compelled to bear the liabilities incurred in respect of other Classes which such Limited Partners do not themselves own if there are insufficient assets in that other Class or series to satisfy those liabilities. Accordingly, there is a risk that liabilities of one Class may not be limited to that particular Class and may be required to be paid out of the assets of one or more other Class.

Master-Feeder Fund Structure

The Fund will invest, together with certain other entities, all, or substantially all, of its assets through a “master-feeder” fund structure in the Master Fund. A “master-feeder” fund structure, in particular the existence of multiple investment vehicles investing in the same portfolio, presents certain unique risks to investors. Smaller investment vehicles investing in the Master Fund may be materially affected by the actions of larger investment vehicles investing in the Master Fund. For example, if a larger investment vehicle withdraws from the Master Fund, the remaining funds may experience higher pro rata Operating Expenses, thereby producing lower returns. Similarly, the Master Fund may become less diverse due to a withdrawal by a larger investment vehicle, possibly resulting in increased portfolio risk for the Fund. Substantial withdrawals of capital by investors in the Master Fund, including the Fund and other “feeder” funds, over a short time period could necessitate the liquidation of futures positions at a time and in a manner which does not provide the most economic advantage to the Master Fund and which therefore could adversely affect the value of the Master Fund’s assets.

Management Fees

The General Partner will receive a Management Fee irrespective of the performance of the Fund. Thus, while Limited Partners may lose money in the Fund, the Limited Partners will still be assessed a Management Fee.

Performance Allocations

The Performance Allocations are calculated by reference to unrealized and realized gains. As a result, Performance Allocations may be paid on unrealized gains which may subsequently never be realized by a Limited Partner as positions may be closed out at a loss in a later period with a consequent reduction in the NAV of a Limited Partner’s Capital Account on a later Withdrawal Date. Further, payment of the Performance Allocations may create an incentive to the General Partner to make investments or trades that are riskier than would otherwise be the case in the absence of such an arrangement.

Fund Expenses; “Layering” of Expenses

As described herein, the Fund incurs substantial costs in addition to the Performance Allocation and Management Fee. The expenses of the Fund may represent a higher percentage of net assets than would be found in many other private investment funds. If there are no net trading profits, there will be a loss to Limited Partners through the absorption of expenses.

Amortization of Organizational Expenses

The Fund will reimburse the General Partner the full amount of the Organizational Expenses, and the Fund will assume the Organizational Expenses, which will be paid by the Limited Partners over 60 equal monthly installments, commencing on establishment of the operations of the Fund. Amortization of the Organizational Expenses over such period is a divergence from U.S. GAAP, and may, in certain circumstances, result in a qualification of the Fund’s (and Master Fund’s) annual audited financial statements. In such circumstances, the General Partner may decide to (i) avoid the qualification by recognizing the unamortized expenses or (ii) make GAAP conforming changes for financial reporting purposes, but amortize expenses for purposes of calculating the Fund’s (and Master Fund’s) NAV. There will be a divergence as between the Fund (and Master Fund’s) fiscal year-end NAV (which is used to determine Management Fees, Performance

Allocation and amounts available for withdrawal), on the one hand, and the NAV reported in the Fund's (and Master Fund's) financial statements, on the other, in any year where, pursuant to clause (ii), GAAP conforming changes are made only to the Fund (and Master Fund's) financial statements for financial reporting purposes. If the Fund (or Master Fund) is terminated within 60 months of the commencement of the operations of the Fund, any unamortized expenses will be recognized. If a Limited Partner redeems all or a portion of its Interests prior to the end of such 60-month period, the Fund may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the amount being redeemed and reduce redemption proceeds by the amount of such accelerated expenses.

Valuation Risk; Use of Estimates

The General Partner will value the Fund's positions in such manner as it deems fair. The Fund's NAV is based to the extent possible on quotes provided by brokers and other competent third-party pricing sources. The fair market value of those investments of the Fund for which a reliable third-party quote is not available or is overruled will be based on other relevant sources deemed reliable by the General Partner in its good faith judgment. Investors should note that NAV calculations of the Fund may be adjusted following the year-end audit. The Performance Allocation, as well as amounts due to investors upon withdrawal or in connection with distributions, may be determined on the basis of estimates.

Valuation/Withdrawal Discrepancies

In many cases, even if the Fund has correctly valued an asset, there will be (or potentially will be) a wide disparity between such valuation and the amount that the Fund could actually realize on the sale of such asset.

NAV Considerations

The NAV is expected to fluctuate over time with the performance of the investments of the Fund. A Limited Partner may not fully recover the initial investment if the NAV at the time of withdrawal is less than the subscription amount paid by such Limited Partner.

Risk of Litigation

In the ordinary course of its business, the Fund may be subject to litigation from time to time. The outcome of such proceedings, which may materially adversely affect the value of the Fund, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partner's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Leverage Risk

The General Partner expects to utilize leverage in investing Fund assets, including through engaging in trading on margin by borrowing funds, pledging securities as collateral, and through instruments with embedded leverage such as derivatives. Losses incurred on the Fund's leveraged investments increase in direct proportion to the degree of leverage employed. The Fund may also incur interest expense on the borrowings used to leverage its positions. To the extent the assets of the Fund have been leveraged through borrowings, the purchase of securities on margin or

otherwise, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by the Fund's portfolio fail to cover such costs, the NAV of the Fund portfolio may decrease faster than if there had been no borrowings. The General Partner also expects to engage in certain hedging strategies in both long and short investments, including through the use of equities, equity options, equity and sector indices, credit, currencies, futures and other marketable securities. Strategies employed by the General Partner also require frequent trading, resulting in substantial brokerage commissions and other transaction fees and expenses. The brokerage and commission expenses of the Fund, as a percentage of its NAV, generally will substantially exceed those of many other private investment funds. These expenses must be offset by investment gains in order for a Fund investor to be profitable.

Deleverage Risk

The Fund may be forced to “deleverage” by selling large portions of its investments in a relatively short period of time in the event of market turmoil (which may cause many financial services companies to reduce or terminate the credit they extend to the Fund) or other adverse events (such as the conditions that occurred during the financial crisis). If the Fund is required to deleverage in such fashion, its returns will likely be substantially reduced, and it may be forced to liquidate entirely if it cannot cover its outstanding indebtedness. In addition, legal and regulatory changes applicable to funds generally may force the Fund to deleverage or otherwise limit its ability to utilize leverage.

New Strategies

The descriptions of specific investment strategies and methods that may be engaged in by the General Partner should not be understood as limiting the General Partner's investment activities. For example, the General Partner may move Fund assets to cash equivalents or Treasuries for defensive purposes or in an effort to preserve capital in the event the General Partner has identified what the General Partner feels is a widespread market disruption. The General Partner may engage in investment strategies and methods not described that the General Partner considers appropriate; provided, however, the General Partner will keep Fund investors informed of any material change in overall strategy or approach. There can be no assurance that the investment objective of the Fund will be achieved. A Limited Partner must be prepared to lose its entire investment. There are no material restrictions on the strategies, leverage, markets or instruments that may be incorporated into the portfolio or the percentage of assets that may be committed to any particular issuer, strategy type, market or instrument. By investing with the Fund, subscribers are relying on the discretionary market judgment of the General Partner, without any meaningful diversification, leverage, type of trading or strategy concentration limitations. An investment in the Fund is speculative and involves substantial risks, including, without limitation, general market and investment risks, risks associated with certain instruments, trading techniques and strategies, risks associated with derivatives, structural risks and tax risks. Prospective Fund investors are encouraged to consult their own financial, legal, and tax advisers regarding their individual circumstances and the suitability of an investment.

Conflict-related Risks

The General Partner and its affiliated Persons, co-investments, and other related entities and private funds have been formed by the same group of Persons. A private fund's selection of the General Partner and the establishment of its arrangements with the General Partner is not the result of an arm's length negotiation; however, the arrangements with the General Partner are comparable to what would have been achieved on an arm's-length negotiation. It is anticipated

that the General Partner (or an affiliate) will act as the General Partner to one or more current and upcoming private funds and may own an interest in such private funds; and, in some cases, any or all of the General Partner, its members, officers and/or employees (or members, officers and/or employees of any affiliate of General Partner) (“Affiliated Persons”) may invest their own additional capital into the private fund vehicle, including, without limitation the Fund. In these cases, the General Partner and its Affiliated Persons each have their own investment interests to consider along with the interest of other clients of the General Partner.

Fund Not Registered as an Investment Company

The General Partner believes the nature of the Fund will not subject it to, and the General Partner intends for the Fund to rely on exemptions from, the registration requirements of the 1940 Act. There is no assurance that the General Partner’s belief in this regard is or will continue to be correct or that such exemptions will remain available. The performance of the Fund’s investment portfolio could be materially adversely affected if the Fund or the General Partner were to become subject to the 1940 Act because of the various burdens of compliance therewith. Neither the Fund nor its counsel can assure Limited Partners that, under certain conditions, changing circumstances or changes in the law, the Fund may not become subject to such regulation.

Failure to Register for an Exemption Under U.S. Federal and State Securities Laws

The Fund intends to offer Interests without registration under any U.S. federal or state securities laws in reliance on an exemption for “transactions by a company not involving any public offering.” While the General Partner believes reliance on such exemption is justified, there can be no assurance that factors such as the manner in which offers and sales are made, concurrent offerings by other companies, the scope of disclosure provided, failures to make notices, filings or changes in applicable laws, regulations or interpretations will not cause the Fund to fail to qualify for such exemptions under U.S. federal or one or more states’ securities laws. Failure to so qualify could result in the rescission of sales of Interests at prices higher than the current value of those Interests, thus resulting in a potentially material and adverse effect on the Fund’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 Fund’s business.

Possibility of Additional Government or Market Regulation

Market disruptions, manager fraud and misconduct, and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased governmental as well as self-regulatory scrutiny of the “hedge fund” industry in general, and certain legislation proposing greater regulation of the industry periodically is considered by the U.S. Congress, as well as the governing bodies of foreign jurisdictions. It is impossible to predict what, if any, changes in regulation applicable to the Fund, the General Partner, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse impact on the profit potential of the Fund, as well as required increased transparency as to the identity of the Limited Partners.

“Hedge Fund” Market Risk

Recent global economic conditions, negative publicity regarding “tax havens” and the operating and investing practices of hedge funds, including high profile cases involving alleged fraudulent

practices, and the collapse or closure of significant numbers of hedge funds (including commodity pools) have had an adverse effect on the reputation of hedge funds and the Fund's own reputation may be adversely affected by these market developments. As a consequence, the Fund may experience increased numbers of withdrawal requests, which in turn may lead to increased volatility and illiquidity of the Interests. Furthermore, it is likely that legal and regulatory changes may be introduced to better regulate the hedge fund market and such changes could have an adverse effect on the Fund and its Limited Partners. Any of these occurrences could seriously impair the ability of the Company to conduct its business, which could have an adverse effect on the performance of the Fund, the liquidity of its Interests and returns to Limited Partners.

Side Letters and Other Arrangements with Limited Partners; Modification of Terms

The Fund and the General Partner may enter into one or more side letter agreements or other arrangements with certain Limited Partners from time to time that will contain more favorable fee and expense terms and other terms for such certain Limited Partners, and/or create preferences, priorities or other rights for such certain Limited Partners. To the extent that any fees or expense (including, but not limited to Organizational Expenses, Operating Expenses and transactional costs) are waived, reduced or rebated to a particular Limited Partner, the remaining Limited Partners may, as a result, bear a larger share of any fees payable, or expenses incurred, by the Fund. Additionally, any preferences or priorities or other rights provided to such Limited Partners could adversely affect the rate of return on other Limited Partners' investment in the Fund, or cause other adverse consequences to the other Limited Partners and/or their Interests. These arrangements may also give rise to the issuance of a new Class of Interests. In addition, the Fund or General Partner may offer certain Limited Partners and prospective Limited Partners additional or different information or reports than that provided to the other Limited Partners of the Fund. Such information and reports may provide the recipient greater insights into the Fund's activities than is included in the reports provided to the other Limited Partners, thereby enhancing the recipient's ability to make investment decisions with respect to the Fund. Subject to applicable law, neither the Fund nor the General Partner is required to disclose the existence or terms of any such agreements to any other Limited Partner or to offer the terms of any such agreements to any other Limited Partner.

Possible Adverse Tax Consequences

There are a number of tax considerations with respect to an investment in an entity taxed as a partnership for U.S. federal income tax purposes such as the Fund. In particular, investors should be aware that they will be taxed annually on their allocable interest of Fund income and realized gains, if any, whether or not they receive any cash distributions from the Fund. Moreover, no distributions are expected to be made by the Fund to the Limited Partners.

The Fund may have to sell certain securities in order to fund a Limited Partner's withdrawal request. The Fund may specially allocate gain from that sale to the Limited Partner that requested the withdrawal, and the IRS may disagree with this special allocation. If the IRS were to successfully challenge this special allocation, the IRS may require the Fund to allocate gains arising from such sale to all of the Limited Partners. In this situation, each Limited Partner is at risk of being allocated additional taxable income resulting from the withdrawal of an unrelated Limited Partner. The Fund may mitigate this risk if it makes a Section 475 Election as discussed in Section 18 of this Memorandum.

The Fund cannot assure any investors that the relevant government tax administrators (the "Tax

Authorities”) will accept the tax positions taken by it or the Master Fund. If any Tax Authority successfully contests a tax position taken by the Fund or the Master Fund, the Fund or the Master Fund or the investors may be liable for tax, interest or penalties and such persons may need to file or amend one or more tax returns. Tax laws are subject to change, and tax liabilities could be incurred by investors as a result of changes thereto. Therefore, investors should consult their own tax advisers to determine the tax effects of an investment in the Fund, especially in light of their particular financial situations.

Risks Relating to U.S. Withholding Tax Regime Under the Foreign Account Tax Compliance Act

The “Foreign Account Tax Compliance Act,” or “FATCA,” imposes a 30% U.S. withholding tax on certain U.S.-source income, including dividends and interest, paid to non-U.S. recipients if such persons do not provide the Fund with the required tax certifications under FATCA. Prospective Limited Partners should consult their own tax advisers regarding FATCA and its impact on their investment in the Fund in light of their particular circumstances.

Risks Relating Possible Legislative or Other Developments

All statements contained in this Memorandum concerning the U.S. federal income tax consequences of an investment in the Fund are based upon existing law and the interpretations thereof. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of Treasury (the “Treasury”), resulting in revisions of resolutions and revised interpretations of established concepts as well as statutory changes. Therefore, no assurance can be given that the currently anticipated income tax treatment of an investment in the Fund will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment of a Limited Partner. Changes in U.S. federal income tax law, guidance thereunder, or interpretations thereof may adversely affect the Fund or the Limited Partners.

Risks Relating to Admission of ERISA Investors to the Fund

The General Partner intends to conduct the operations of the Fund so that the assets of the Fund and the Master Fund will not be deemed to constitute “plan assets” of Benefit Plan Investors. If, however, the Fund or the Master Fund were deemed to hold “plan assets” of Benefit Plan Investors, (i) if any such Benefit Plan Investors are subject to ERISA, ERISA’s fiduciary standards would apply to the Fund or Master Fund, as applicable, and might materially affect the operations of the Fund and the Master Fund, as applicable, and (ii) any transaction with the Fund or Master Fund, as applicable, could be deemed a transaction with each Benefit Plan Investor and may cause transactions into which the Fund or Master Fund, as applicable, might enter in the ordinary course of business to constitute prohibited transactions under ERISA and/or Section 4975 of the Code. In order to avoid having the Fund’s assets treated as “plan assets,” the General Partner intends to restrict the acquisition, withdrawal and transfer of Interests to ensure that the ownership interest of Benefit Plan Investors does not become “significant” with respect to any Class (and such restrictions could delay or preclude a Limited Partner’s ability to withdraw or transfer its Interests) or may cause an early termination of the Fund.

Handling of Mail

Mail addressed to the Fund and received at its registered offices will be forwarded unopened to the forwarding address supplied by the General Partner. The Fund and its directors, officers,

advisors or service providers (including the organization which provides registered office services in Delaware) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address. In particular the General Partner will only receive, open or deal directly with mail which is addressed to them personally (as opposed to mail which is addressed just to the Fund).

Prevention of Money Laundering

The U.S. criminal anti-money laundering laws, 18 U.S.C. §§ 1956, 1957, generally prohibit the Fund or the General Partner from being involved in any financial or monetary transactions, directly or indirectly, involving property or proceeds derived from, related to, or in furtherance of, any activity that is deemed criminal under, or that may be in contravention of, federal, state, or foreign laws, rules, or regulations. Therefore, there is the potential that transactions effected by or through the Fund and/or the General Partner may be subject to the U.S. criminal Anti-Money Laundering laws, which provide for criminal sanctions, including forfeiture. The USA PATRIOT Act, effective as of October 26, 2001, requires that financial institutions establish and maintain compliance programs to guard against money laundering activities. The USA PATRIOT Act requires the Secretary of the U.S. Treasury ("Treasury") to prescribe regulations in connection with anti-money laundering policies of financial institutions. The Financial Crimes Enforcement Network ("FinCEN"), an agency of the Treasury, has proposed regulations that require certain private investment funds and managers such as the Fund to develop and maintain anti-money laundering compliance policies and procedures. If enacted, these regulations could require the Fund and the General Partner to establish certain anti-money laundering compliance procedures, provide information to governmental authorities with respect to its transactions and investors in the Fund, as well as to subject the Fund and/or General Partner to additional compliance costs and regulatory scrutiny. Such regulations could also require the General Partner to impose additional restrictions on the transfer of Interests. The General Partner reserves the right to request any information necessary to comply with any requirements imposed upon the Fund and/or the General Partner by the Treasury, FinCEN, and/or the SEC, including, but not limited to, anti-money laundering compliance programs and customer identification programs. In the event of delay or failure by a Limited Partner or prospective investor to produce any information required for verification purposes, a subscription for (and the subscription payment relating thereto) or transfer of Interests may be refused. Finally, financial institutions with which the Fund and the General Partner do business are also required to undertake AML compliance measures with respect to the Fund and the General Partner, including maintaining records, customer identification procedures and AML compliance programs, and filing suspicious activity reports, which could result in scrutiny as to the source and ownership of funds and the legal and the beneficial ownership of the Fund.

No Separate Counsel

Mayer Brown LLP ("Mayer") acts as U.S. legal counsel to the General Partner/Investment Manager and to the Fund, the Offshore Fund and the Master Fund. Walkers is the Offshore Fund's and the Master Fund's legal counsel with respect to Cayman Islands legal matters. In advising the Fund with respect to the Memorandum, Mayer has relied upon information provided by the Fund, and Mayer is not responsible for the accuracy or completeness of such information and has no obligation to verify such information. Mayer has no obligation to independently update or monitor compliance by the Fund, the Master Fund, the General Partner or the Investment Manager with the Memorandum or the Partnership Agreement or any related document. Neither Mayer nor Walkers acts as legal counsel to prospective Limited Partners in connection with the offering of Interests, and neither acts as legal counsel to the Limited Partners. No independent legal counsel

has been engaged by the Fund, the Master Fund or the General Partner to represent any prospective Limited Partner or Limited Partner; accordingly, prospective Limited Partners and Limited Partners are encouraged to consult with their respective legal counsel.

C. See Item 8.B. above.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of an adviser or the integrity of an adviser's management.

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of its management.

Item 10 - Other Financial Industry Activities and Affiliations

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. The Adviser is pending registration as a commodity pool operator with the U.S. Commodity Futures Trading Commission. Moreover, Phillip Galles is a pending Associated Person of the Adviser.
- C. The Adviser has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to its Clients.
- D. Though it may have the authority to do so under the terms of the Fund's Offering Documents, the Adviser does not recommend or select other investment advisers for Fund investors.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. The Adviser has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser’s employees. The Code contains policies and procedures that are reasonably designed to ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including certain personal securities transactions, an IPO, a new private placement, and other limited offerings; requires periodic reporting of employees’ personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

As part of its Code, the Adviser has established procedures reasonably designed to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non-public information and, therefore, such professionals may not trade on the basis of that information.

The Adviser will provide a copy of the Code to any Fund investor or prospective Fund investor upon request.

- B. Neither the Adviser nor any of its related persons recommend to its Clients investments in which the Adviser or any related persons have a material financial interest.
- C. The Adviser, as well as the employees and officers thereof, may buy and sell securities for their own account or the account of others, but may not buy securities from or sell securities to the Fund. As discussed in Item 11.A. above, the Adviser has established policies and procedures to avoid conflicts of interest that may arise due to personal trading activities.
- D. See Item 11.C. above.

IT IS CRITICAL THAT FUND INVESTORS REVIEW THE FUND’S OFFERING DOCUMENTS FOR A DETAILED DESCRIPTION OF POTENTIAL CONFLICTS OF INTEREST RELATED TO AN INVESTMENT IN THE FUND. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY, DRAFTED IN ACCORDANCE WITH THE GENERAL INSTRUCTIONS FOR PART 2 OF FORM ADV, AND INVESTORS AND PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY REVIEW ALL CONFLICTS OF INTEREST SET FORTH IN THE RELEVANT OFFERING AND GOVERNING DOCUMENTS.

Item 12 - Brokerage Practices

- A. The Adviser has complete discretion to determine, subject to each Fund's disclosed investment objectives, policies and strategies, the securities to be purchased or sold and in what amounts, the broker-dealers and other financial intermediaries use in effecting the transactions for the Funds, and the commission rates to be paid for such transactions.

Brokerage

The Adviser selects the broker-dealers and other financial intermediaries used to effect transactions on behalf of the Fund. The Adviser seeks to obtain "best execution" from these broker-dealers based on a variety of factors. In selecting broker-dealers to effect portfolio transactions, the Adviser may cause a Fund to enter into arrangements pursuant to which the Fund pays transaction costs in an amount greater than would be incurred if another broker-dealer were used. The Adviser is not required to solicit competitive bids or seek the lowest available commission or transaction costs. The transactions executed by the Fund may be cleared through, and the Fund's investment instruments may be held by, a number of financial institutions the Adviser selects on terms negotiated with each such financial institution individually. Subject to the Adviser's agreement with the Fund, the Adviser generally will use a variety of financial institutions both to take advantage of differing expertise and capabilities and to avoid, due to credit concerns, having all investment instruments concentrated at one firm. The Adviser does not consider the receipt of investor referrals when selecting broker-dealers to execute transactions.

The Adviser does not permit the Fund to direct brokerage to a specified broker-dealer. All brokerage transactions will be executed through the broker-dealers selected by the Adviser.

Soft Dollars

The Adviser or its affiliates may receive from a Fund's broker-dealers products and services in addition to brokerage services.

A portion of the commissions generated on a Fund's brokerage transactions may generate "soft dollar" credits that the Adviser is authorized to use to pay for research and other non-research related services and products used by the Adviser or its affiliates. The Adviser may enter into "soft dollar" arrangements with one or more broker-dealers whereby the Adviser will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. Although the Adviser will use the research and services in making investment decisions for the applicable Fund, the Adviser may use such research or services for other Funds and the applicable Fund will generally pay more than the lowest available commissions for execution of these transactions. The Adviser may also enter into "soft dollar" arrangements to cover Fund expenses or costs and expenses of the Adviser to the extent such arrangements are permitted by law.

The Adviser has authority to use "soft dollar" credits generated by a Fund's securities transactions to pay for expenses that might otherwise have been borne by the Adviser. This may give the Adviser an incentive to select brokers or dealers for Fund transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by the Adviser rather than giving exclusive consideration to the interests of the Funds.

In the event that the Adviser elects to use soft dollars, it intends to limit such use to services that fall within the safe harbor afforded by Section 28(e) of the Securities Exchange Act of

1934, as amended, or such services that are otherwise reasonably related to the investment decision-making process.

B. Not applicable.

Item 13 - Review of Accounts

- A. The Adviser maintains comprehensive review procedures for the ongoing monitoring of the Fund's investment portfolio. The Principals will perform intraday, daily, weekly or monthly reviews of the Fund's positions as it deems appropriate. Performance, security positions and investment opportunities are among some of the matters that may be reviewed.
- B. See Item 13.A. above.
- C. The Adviser will provide written periodic financial reports, such as audited annual financial statements, to the Investors in the Fund. This reporting includes customary financials relating to the business and operations of the Fund.

Item 14 - Client Referrals and Other Compensation

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Fund.
- B. Despite that the Adviser currently does not use a placement agent, it may enter into agreements with certain placement agents that provide for compensation to be paid for referring Fund investors to the Fund or the Adviser. In the event that the Adviser chooses to engage a placement agent in the future, all such solicitation arrangements will be in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. Clients and Investors will not be responsible for any of the fees paid to the placement agents.

Item 15 - Custody

This item is not applicable to the Adviser.

Item 16 - Investment Discretion

The Adviser will exercise discretion in managing the investments of the Fund, based on the Fund's investment objectives, policies and strategies disclosed in its governing documents (such as the Offering Documents and investment management agreement). The limitations on such authority are described in such documents. The Adviser will contractually assume discretionary authority over the assets of the Fund under an investment management agreement entered into among the Adviser, the Fund and other affiliates.

Item 17 - Voting Client Securities

The Adviser follows a proxy voting policy to help ensure that proxies the Adviser votes, on behalf of the Fund, are voted to further the best interest of the Fund. The policy establishes a mechanism to address any conflicts of interests between the Adviser and the Fund. Further, the policy establishes how the Fund may obtain information on how the proxies have been voted.

The Adviser determines how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. The Adviser votes proxies in a manner that it believes reasonably furthers the best interests of the Fund and is consistent with the investment philosophy as set forth in the Offering Documents.

If a proxy vote creates a material conflict between the interests of the Adviser and the Fund, the Adviser will resolve the conflict before voting the proxies. The Adviser will take steps designed to ensure that a decision to vote the proxy was based on the Adviser's determination of the Fund's best interest and was not the product of the conflict.

The Adviser maintains records of all proxy votes that are made on behalf of the Fund. Such records are available to Adviser's Funds upon request.

Item 18 - Financial Information

- A. The Adviser does not require or solicit prepayment of any fees greater than six months in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Fund.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.