Memorandum Number _____

Amended & Restated
Confidential
Private Placement Memorandum

Limited Partner Interests
in

ARGONAUT 2000 PARTNERS, L.P.

General Partner

Millennium Asset Management, L.L.C.

January 1, 2019

ARGONAUT 2000 PARTNERS, L.P.

A Delaware Limited Partnership

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NOTICE

THE INFORMATION CONTAINED IN THIS AMENDED AND RESTATED PRIVATE PLACEMENT MEMORANDUM (THE "MEMORANDUM") SUPERSEDES ALL PRELIMINARY VERSIONS HEREOF AND ALL OTHER INFORMATION POTENTIAL INVESTORS MAY HAVE RECEIVED FROM MILLENNIUM ASSET MANAGEMENT, L.L.C. (THE "GENERAL PARTNER").

THE LIMITED PARTNER INTERESTS OF ARGONAUT 2000 PARTNERS, L.P. (THE "PARTNERSHIP") WHICH ARE DESCRIBED IN THIS MEMORANDUM HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OF THE STATES OF THE UNITED STATES. THE OFFERING CONTEMPLATED BY THIS MEMORANDUM WILL BE MADE IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT FOR OFFERS AND SALES OF SECURITIES WHICH DO NOT INVOLVE ANY PUBLIC OFFERING AND ANALOGOUS EXEMPTIONS UNDER STATE SECURITIES LAWS.

THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF INTERESTS IN THE PARTNERSHIP IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS CONCERNING THE PARTNERSHIP WHICH ARE INCONSISTENT WITH THOSE CONTAINED IN THIS MEMORANDUM. PROSPECTIVE INVESTORS SHOULD NOT RELY ON ANY INFORMATION NOT CONTAINED IN THIS MEMORANDUM.

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX OR FINANCIAL ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OWN PROFESSIONAL ADVISORS AS TO THE LEGAL, TAX, FINANCIAL OR OTHER MATTERS RELEVANT TO THE SUITABILITY OF AN INVESTMENT IN ARGONAUT 2000 PARTNERS, L.P. FOR SUCH INVESTOR.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS

PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM, AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE REQUIREMENTS AND CONDITIONS DESCRIBED IN THIS MEMORANDUM. PROSPECTIVE INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS MEMORANDUM IS INTENDED SOLELY FOR THE USE OF THE PERSON TO WHOM IT HAS BEEN DELIVERED BY THE GENERAL PARTNER OR ITS AUTHORIZED REPRESENTATIVE FOR THE PURPOSE OF EVALUATING A POSSIBLE INVESTMENT BY THE RECIPIENT IN THE LIMITED PARTNER INTERESTS DESCRIBED HEREIN, AND IS NOT TO BE REPRODUCED OR DISTRIBUTED TO ANY OTHER PERSONS (OTHER THAN PROFESSIONAL ADVISORS OF THE PROSPECTIVE INVESTOR RECEIVING THIS DOCUMENT FROM THE GENERAL PARTNER OR ITS AUTHORIZED REPRESENTATIVE).

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EACH PROSPECTIVE INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF THE PROSPECTIVE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF AN INVESTMENT IN THE PARTNERSHIP AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE PROSPECTIVE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE.

TREASURY DEPARTMENT CIRCULAR 230 DISCLOSURE:

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF A VOIDING PENALTIES THAT MAYBE IMPOSED ON PROSPECTIVE INVESTORS UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; (II) SUCH DISCUSSION IS INCLUDED HEREIN BY THE PARTNERSHIP IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE PARTNERSHIP OF THE TRANSACTIONS OR MA TIERS ADDRESSED HEREIN; AND (III) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

FOR RESIDENTS OF ALL STATES:

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING, WITHOUT LIMITATION, THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY U.S.

FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE 1933 ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PROSPECTIVE INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

SPECIAL NOTICE TO FLORIDA PROSPECTIVE INVESTORS:

THE FOLLOWING NOTICE IS PROVIDED TO SATISFY THE NOTIFICATION REQUIREMENT SET FORTH IN SUBSECTION 11 (A)(5) OF SECTION 517.061 OF THE FLORIDA STATUTES, 1987, AS AMENDED:

IF THE PROSPECTIVE INVESTOR IS NOT A BANK, A TRUST COMPANY, A SAVINGS INSTITUTION, AN INSURANCE COMPANY, A DEALER, AN INVESTMENT COMPANY AS DEFINED IN THE ICA, A PENSION OR PROFIT-SHARING TRUST, OR A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE I44A UNDER THE 1933 ACT), THE PROSPECTIVE INVESTOR ACKNOWLEDGES THAT ANY SALE OF AN INTEREST TO THE PROSPECTIVE INVESTOR IS VOIDABLE BY THE PROSPECTIVE INVESTOR EITHER WITHIN THREE (3) DAYS APTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PROSPECTIVE INVESTOR TO THE PARTNERSHIP, OR AN AGENT OF THE PARTNERSHIP, OR WITHIN THREE (3) DAYS APTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PROSPECTIVE INVESTOR, WHICHEVER OCCURS LATER.

ARGONAUT 2000 PARTNERS, L.P.
A Delaware Limited Partnership

EXECUTIVE SUMMARY

The objective of **ARGONAUT 2000 PARTNERS, L.P.** (the "Partnership") is to maximize risk-adjusted returns through aggressive alternative investments. The Partnership was created by **MILLENNIUM ASSET MANAGEMENT, L.L.C.**, a California limited liability company (the "General Partner"), which acts as general partner of the Partnership and will manage its investments. The General Partner is controlled by **ROBERT M. MALTBIE, JR.**

The investment objective of the Partnership is to seek to maximize risk-adjusted annual returns. The Partnership's investment portfolio will consist primarily of long and short positions in publicly traded U.S. equity securities with an emphasis in small (including micro)- and mid-capitalization companies. The Partnership intends to generate alpha by purchasing un-covered and under-covered securities which have historically traded at a 20 to 30% valuation discount while strategically shorting mid- to large capitalization companies which have fundamentally flawed business models and are experiencing a deterioration of intrinsic fundamentals. Deep fundamental analysis including corporate management contact uncovers dynamic catalysts for driving valuations of small cap stocks higher. Macro Market Indicators, a proprietary aggregation of 51 metrics, directs the long/short exposure. Exchange Traded Funds are used to adjust exposure quickly and mitigate market volatility.

The Partnership is seeking subscriptions from "*accredited investors*" and "*qualified clients*" (as defined in the Partnership's subscription application materials), generally in minimum amounts of at least $250,000 and additional investments from existing investors in such amounts as the General Partner may determine in its sole discretion. The Partnership generally is open for subscriptions on the first business day of each month.

For its services to the Partnership, the General Partner is entitled to management fees at an annual rate of one and one-half percent (1.5%) of each limited partner's capital account balance to be paid quarterly in advance. The General Partner is also entitled to an annual performance-based profit allocation at the end of each year of twenty percent (20%) of the Partnership's annual net profits attributable to a limited partner, but only to the extent that such profits exceed any losses carried forward from prior years, based on a "*high water mark*" formula. Net profit includes unrealized appreciation or depreciation of marketable positions but generally includes only realized amounts in the case of the Partnership's non-marketable investments.

The Partnership is offering for subscription limited partner interests (collectively, holders of limited partner interests are referred to as "Limited Partners" and, together with the General Partner, as referred to as "Partners").

A Limited Partner is permitted to make withdrawals as of each March 31, June 30, September 30 and December 31 (each such date a "Quarterly Withdrawal Date") beginning on the first Quarterly Withdrawal Date following the expiration of the 12-month period following the establishment of each capital account of a Limited Partner (the "Holding Period"). Notice of any withdrawal must be given no later than the last day of the fourth month prior to the proposed Quarterly Withdrawal Date[1]; *provided, however*, that notice may not be made until after the Holding Period. A withdrawing Partner's allocable interest in any non-marketable investments made prior to the Quarterly Withdrawal Date generally is settled as and when the investment is realized.

The General Partner is currently registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940, as amended.

The Partnership intends to be exempt from registration as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), pursuant to the exception from the definition of "*investment company*" provided in Section 3(c)(1) thereof. As a result, the Partnership may have no more than 100 beneficial owners of its limited partnership interests. Accordingly, the General Partner may in the future determine to offer a parallel investment partnership open solely for investment by "*qualified purchasers*", as that term is defined in Section 2(a)(51)(A) of the 1940 Act. Such partnership may be managed in parallel and make investments proportionately with the Partnership based on the respective net assets of each entity. In addition, the General Partner may also cause to be formed an exempted company in an offshore jurisdiction (an "Offshore Fund"), the shares of which would be offered to non-U.S. investors and U.S. tax-exempt investors. This Offshore Fund may be managed in parallel and make investments proportionately with the Partnership based on the respective net assets of each entity. This Offshore Fund may also invest with either of the Partnership or the parallel 3(c)(7) partnership (but not both) through a so-called "*master-feeder*" structure.

[1] For clarification purposes, notice of any withdrawal must be made no later than (i) November 31 prior to the March 31 Quarterly Withdrawal Date; (ii) February 28 prior to the June 30 Quarterly Withdrawal Date; (iii) May 31 prior to the September 30 Withdrawal Date; and (iv) August 31 prior to the December 31 Quarterly Withdrawal Date.

INVESTMENT PROGRAM

Investment Objective

The investment objective of the Partnership is to seek to maximize risk-adjusted annual returns.

Investment Strategy

The Partnership's investment portfolio will consist primarily of long and short positions in publicly traded U.S. equity securities with an emphasis in small (including micro)- and mid-capitalization companies. The Partnership intends to generate alpha by purchasing un-covered and under-covered securities which have historically traded at a 20% to 30% valuation discount while strategically shorting mid- to large capitalization companies which have fundamentally flawed business models and are experiencing a deterioration of intrinsic fundamentals. Deep fundamental analysis including corporate management contact uncovers dynamic catalysts for driving valuations of small cap stocks higher. Macro Market Indicators, a proprietary aggregation of 51 metrics, directs the long/short exposure. Exchange Traded Funds ("ETFs") are used to adjust exposure quickly and mitigate market volatility.

The Partnership will seek to invest in common stocks of companies that the General Partner believes are substantially under-valued. Typically, these companies will exhibit extraordinary revenue growth, earnings surprise potential, fundamental strength, and management vision, are capable of generating superior returns on equity and are fundamentally misunderstood by the broad majority of the market in certain aspects. The General Partner believes that certain companies are under-valued because of an informational gap due to one or more of the following factors. First, institutional investors may not follow the company because of the company's smaller market capitalization or a unique characteristic. Second, the investment community may discount a security because of the company's financial structure. For example, a company may have a particularly leveraged balance sheet or poor cash flow. Third, such companies may have limited or no analyst coverage. This informational gap can present alpha generation opportunities, both on the long and short side. Few investors are focused on identifying value and growth drivers in undiscovered companies. The General Partner utilizes a fundamental, research driven approach and disciplined investment process, which is designed to leverage the General Partner's experience and diligence, while seeking to identify and mitigate certain risks to capitalize on this informational gap.

The Partnership will primarily invest in publicly traded equities of small (including micro) capitalization (initially less than $1 billion market value) companies. The Partnership may also invest in mid- and large- capitalization companies with varying degrees of market liquidity when, in the view of the General Partner such investments present attractive opportunities for capital appreciation.

The Partnership considers a company's capitalization at the time the Partnership acquires the company's equity securities. Equity securities of a company whose capitalization exceeds the small cap range after purchase will not be sold solely because of its increased capitalization.

Investment Process

The General Partner's investment process is designed to leverage its research capabilities. The General Partner will seek to use a multi-staged, disciplined investment process that begins with idea generation. The General Partner will generate new ideas from a variety of sources including its industry contacts, public and private company management, professionals in private equity and venture capital and colleagues from the financial community. In addition, the General Partner will identify candidate companies presented in industry conferences, trade shows, investment banking and capital markets introductions and sell-side analysts and brokers calls.

From the new ideas it generates, the General Partner identifies the investment opportunities with the greatest potential, both long and short, conducts additional research and generally makes targeted inquiries into such companies. This phase of the investment process often includes some or all of the following steps: (i) analyzing a company's capitalization table, financial reports, filings, recent event transcripts, and sell-side notes, (ii) speaking with a company's management and visiting headquarters when possible, (iii) reviewing earning call transcripts and press releases about a company, (iv) building proprietary models, (v) evaluating current sentiment and expectations from buy-side, sell-side and industry networks, (vi) identifying catalysts, establishing timelines and determining upside and downside price ranges. The General Partner's research will often focus on a company's addressable market size, growth rate and drivers, managements' strengths, weaknesses, ownership stakes and demonstrated ability to value their company's true cost of capital, market and competitive risk analysis, and business strategy.

After evaluating a company based on the above criteria, the General Partner then evaluates the trading activity of each security. In order to establish a position in smaller capitalization securities, the General Partner examines the level of inside ownership and the availability of securities. Due to the smaller capitalization of the companies the General Partner is seeking to purchase, it is likely the trading activity in each security will become an important factor in determining the appropriate entry point.

In selecting securities with revenue growth potential, the General Partner may consider such factors as a company's competitive market position, quality of management, growth strategy, industry trends, internal operating trends (such as profit margins, cash flows and earnings and revenue growth), overall financial condition, and ability to sustain or improve its current rate of growth. In seeking to achieve its investment objective, the Partnership may also invest in equity securities of companies that the General Partner believes are temporarily undervalued or show promise of improved results due to new management, products, markets or other factors.

The Partnership's portfolio is expected to be comprised of securities that, in the opinion of the General Partner, present the most attractive risk/reward scenario. Securities are generally

eliminated from the portfolio when price targets are met, the street has fully discovered the name, developing fundamentals disprove the General Partner's original investment thesis, or a superior investment opportunity is identified. The General Partner expects to employ a buy and hold strategy with respect to the Partnership's core long positions. Other long positions and the short portion of the portfolio are expected to be more actively traded.

Active Portfolio Management

The Partnership will typically hold between 20 to 50 U.S. companies in its portfolio, the majority of which will include long positions.

The Partnership's portfolio is actively managed using the General Partner's proprietary Macro Market Indicator ("MMI"), which directs hedging and risk management. MMI is an aggregation of 51 indicators from six different indicator groups. The groups include: (1) monetary policy; (2) liquidity; (3) valuation; (4) earnings momentum; (5) market sentiment; and (6) technical analysis. This diverse indicator set makes MMI appropriately sensitive to changes in equity market attractiveness.

Top-down MMI research directs the percent of net exposure of the portfolio. For example, the General Partner considers lower market exposure when the MMI becomes bearish. In addition, ETFs are utilized to adjust market exposure quickly and hedge market exposure when MMI changes.

Other Investment Considerations

The Partnership may utilize leverage in its investment program. The use of leverage potentially increases the magnitude of both gains and losses. The General Partner may undertake short-term and long-term borrowings (including reverse repurchase agreements) which may be secured by all or part of the assets of the Partnership and enter into derivative transactions that have the effect of giving the Partnership leveraged exposure to an asset class. The Partnership may pledge its assets to lenders as security for its obligations under loans or other credit facilities.

The Partnership may borrow funds from time to time, generally on a relatively short-term basis, to make investments, to fund Limited Partner withdrawals or for other reasons in the General Partner's sole discretion. However, it is not anticipated that such borrowings will be material as compared to the Partnership's assets under management. It is likely that any borrowed funds will be provided by a bank or other financial institution and that any lending facility will have certain terms and conditions associated with it, including, without limitation, certain events of default and the requirement that the facility be secured by certain of the Partnership's investments. There is no assurance that any such lending arrangements will be entered into or maintained for any period of time.

In appropriate circumstances, the Partnership may seek protection of capital by means of investments in government or municipal obligations or by means of maintenance of cash or cash-equivalent funds, including demand deposits and investments in certificates of deposit, time

deposits, money market instruments, and in securities of registered investment companies that invest primarily in certificates of deposit and other money market instruments.

The cash balances of the Partnership may be significant from time to time and will vary as the General Partner may deem advisable. The Partnership will hold any cash balances it may accumulate for investment, reinvestment or distribution to Partnership investors in short-term debt securities, securities subject to repurchase agreements, money market mutual funds, interest-bearing bank accounts, short-term U.S. government securities or other securities. The General Partner may also deem it advisable to hold no cash balances whatsoever from time to time.

The General Partner does not currently, but may in the future invest in, purchase or sell commodities, options and financial futures. Such trading activity is regulated by the Commodity Futures Trading Commission ("CFTC"). Should the General Partner engage in such trading, the General Partner intends to do so pursuant to an exemption from registration as a commodity pool operator available pursuant to the regulations of the CFTC. The exemption requires that, among other requirements, the General Partner file a notice of exemption with the National Futures Association and restrict the commodities/futures positions held. Investors will be notified prior to the commencement of any such trading activity.

Restricted New Issues

The Partnership may from time to time purchase securities in public offerings made through firms regulated by the Financial Industry Regulatory Authority, Inc. ("FINRA"). Firms subject to FINRA regulation are not permitted to sell certain "*new issues*" ("Restricted New Issues") to accounts in which certain persons engaged in the securities, banking or financial services industries (and certain members of their respective families), and executive officers and directors of certain public or non-public companies (and persons materially supported by them), have a significant beneficial interest. A "*new issue*" generally is any initial public offering of an equity security, as defined in Section 3(a)(11) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). In order to enable the Partnership to participate in Restricted New Issues, the Partnership will require each Limited Partner to provide information to enable the Partnership to determine whether the Limited Partner is eligible to participate in "*new issues*" under FINRA rules. When the Partnership invests in a Restricted New Issue, the profits and losses associated with the investment will be specially allocated exclusively to those Partners who are permitted by the FINRA rules to have a beneficial interest therein.

FINRA rules permit persons who are not eligible to fully participate in "*new issues*" to participate, up to a threshold percentage, in Restricted New Issues pursuant to certain exemptions. If the ownership of the Partnership by persons who are not eligible to fully participate in "new issues" under FINRA rules exceeds the applicable percentage threshold, the General Partner will allocate such excess amount above such threshold percentage *pro rata* among the capital accounts of Partners who are eligible to fully participate in "new issues" under FINRA rules.

Special Situation Investments

The Partnership may invest in non-marketable or illiquid investments ("Special Situation Investments"). The General Partner determines, in its sole discretion, whether and when to classify a Partnership investment as a Special Situation Investment. Whenever the Partnership makes a Special Situation Investment, each Partner at such time is allocated a *pro rata* interest in the Special Situation Investment, based on such Partner's percentage interest in the Regular Account at such time. An amount equal to such Partner's *pro rata* share of the cost of the Special Situation Investment is debited from such Partner's capital account balance relating to the Regular Account and credited to a separate sub-account, maintained on a Partner-by-Partner basis, relating specifically to that Special Situation Investment (the "Special Situation Investment Sub-account"). The Special Situation Investment Sub-accounts relating to a particular Special Situation Investment are closed out, and the associated profit or loss is determined and allocated, upon the occurrence of a Recognition Event relating to such Special Situation Investment. A "Recognition Event" means any of the following:

(1) a sale of the Special Situation Investment for cash;

(2) an exchange of the Special Situation Investment for marketable securities;

(3) an in-kind distribution of the Special Situation Investment to Partners; or

(4) at the discretion of the General Partner and if market quotations have become readily available for securities of the same class and series as the Special Situation Investment, the occurrence of all events necessary to permit the Partnership to make unrestricted public resales of such Special Situation Investment in the principal market for which such quotations are available.

The profit or loss relating to a Special Situation Investment is equal to the difference between the sales proceeds (in the case of a sale) or the fair market value (in the case of another Recognition Event) and the original cost of the Special Situation Investment. Appropriate adjustment is made for any expenses directly related to the Special Situation Investment and for any dividends or interest received with respect thereto. The profit or loss relating to a particular Special Situation Investment is allocated *pro rata* among each of the Partners participating in such Special Situation Investment based on each such Partner's Special Situation Investment Sub-account, with no allocation being made to any Partner not having a Special Situation Investment Sub-account relating to the particular Special Situation Investment.

When a Special Situation Investment Sub-account is closed, each Partner's balance therein is combined with such Partner's capital account relating to the Regular Account, and each Partner's percentage interest in the Regular Account is adjusted accordingly.

THERE CAN BE NO ASSURANCE THAT THE PARTNERSHIP'S INVESTMENT OBJECTIVE WILL BE ACHIEVED, AND CERTAIN INVESTMENT PRACTICES (*E.G.*, THE USE OF LEVERAGE AND SHORT SALES) MAY, IN SOME CIRCUMSTANCES, INCREASE ANY ADVERSE IMPACT TO WHICH THE PARTNERSHIP'S INVESTMENT PORTFOLIO MAY BE SUBJECT.

THE DESCRIPTIONS CONTAINED HEREIN OF SPECIFIC STRATEGIES THAT ARE OR MAY BE ENGAGED IN BY THE PARTNERSHIP SHOULD NOT BE UNDERSTOOD AS IN ANY WAY LIMITING THE PARTNERSHIP'S INVESTMENT ACTIVITIES. THE PARTNERSHIP MAY ENGAGE IN INVESTMENT STRATEGIES NOT DESCRIBED HEREIN THAT THE GENERAL PARTNER CONSIDERS APPROPRIATE. THE FOREGOING DISCUSSION INCLUDES AND IS BASED UPON NUMEROUS ASSUMPTIONS AND OPINIONS OF THE GENERAL PARTNER CONCERNING WORLD FINANCIAL MARKETS AND OTHER MATTERS, THE ACCURACY OF WHICH CANNOT BE ASSURED.

THE INVESTMENT PROGRAM OF THE PARTNERSHIP IS SPECULATIVE AND MAY ENTAIL SUBSTANTIAL RISKS. SINCE MARKET RISKS ARE INHERENT IN ALL INVESTMENTS TO VARYING DEGREES, THERE CAN BE NO ASSURANCE THAT THE PARTNERSHIP'S INVESTMENT OBJECTIVE WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED. IN FACT, CERTAIN INVESTMENT PRACTICES DESCRIBED ABOVE CAN, IN SOME CIRCUMSTANCES, INCREASE ANY ADVERSE IMPACT TO WHICH THE PARTNERSHIP'S INVESTMENT PORTFOLIO MAY BE SUBJECT. REVIEW THE SECTION ENTITLED "*RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST*" FOR A DISCUSSION OF THE RISKS ASSOCIATED WITH INVESTING IN THE PARTNERSHIP.

THE ABOVE DISCUSSION IS OF A GENERAL NATURE AND IS NOT INTENDED TO BE EXHAUSTIVE.

MANAGEMENT

The General Partner

The general partner of the Partnership is **MILLENNIUM ASSET MANAGEMENT, L.L.C.** (the "General Partner"), a California limited liability company. The General Partner has responsibility for all investment decisions made by the Partnership. The General Partner is controlled by **ROBERT M. MALTBIE, JR.**

ROBERT M. MALTBIE, JR., CFA

ROBERT M. MALTBIE, JR. is the Chief Investment Officer and Portfolio Manager of the General Partner. He is also the founder and President of Singular Research, Inc. Mr. Maltbie has over 30 years of experience in money management. He began his career as an investment adviser with Morgan Stanly Dean Witter in 1983 and later joined Spear Financial in 1992 where he created and managed its equity research department. In 1994 Mr. Maltbie joined Salomon Smith Barney in Beverly Hills, California where he managed growth portfolios for private and institutional clients. Mr. Maltbie founded the General Partner in 1999 and holds a controlling interest. He has a BA in Political Science from UCLA, is a member of the Association for Investment Management Research and holds the Chartered Financial Analyst designation.

The Administrator

The Partnership and Miracle Mile CPA an Accountancy Corporation of Los Angeles, California (the "Administrator") have entered into an agreement (the "Administration Agreement") pursuant to which the Administrator provides the Partnership with certain transfer agency and accounting services, including, without limitation, computation of the Partnership's net asset value, in exchange for a fee based upon the Partnership's and its affiliates' assets under administration.

The Administrator bases its computations on the assets and liabilities reported to the Administrator by the Partnership, its prime brokers, custodians and the General Partner. The Administrator will assume that these assets and liabilities represent a complete record of the Partnership's investments as of the date of the Partnership's report as prepared by the Administrator.

The Administrator, in computing the net asset value of the Partnership, will use prices that are determined by the Partnership in the Partnership's sole discretion, and described in the Administration Agreement. In particular, the Partnership may specify pricing methodologies that the Administrator shall rely upon (such as the prices of listed, liquid securities reported on exchanges and quoted by third-party vendors) or, alternatively, the Partnership shall require the Administrator to accept valuations provided by the General Partner. The prices of assets and liabilities used by the Administrator in computing the net asset value of the Partnership may vary

from prices that the Administrator accepts from its other clients and from prices that affiliates of the Administrator may use in connection with their customer or proprietary business. The Administrator does not assume any duty with respect to the accuracy of any information supplied to it by the Partnership's agents.

The Administrator is a service provider to the Partnership and is not responsible for the information in, or preparation of, this Memorandum or the activities of the Partnership. The Administrator is not an auditor and does not provide tax, accounting or auditing advice, nor is it a fiduciary to the Partnership, the General Partner, or the Partnership's investors. The Administrator is not responsible for monitoring the Partnership's portfolio to determine whether the Partnership is in compliance with the investment guidelines and restrictions set forth in this Memorandum.

Electronic Communication Consent

The General Partner, the Administrator or any agent of the foregoing may communicate with Limited Partners (e.g. financial statements, performance reports, manager letters) by using a variety of means, including, but not limited to, by telephone, e-mail, password protected internet website, regular mail and facsimile. A Limited Partner may, at any time, notify the Partnership that it does not wish to receive electronic communication and receive paper communication instead.

Data Protection / Confidentiality

Each subscriber and Limited Partner will be requested to acknowledge and consent that the Partnership, the Administrator and/or the General Partner may disclose to each other, to any regulatory body, to a delegate, agent or any other service provider in any jurisdiction, including those outside of the -U .S. or the European Economic Area, copies of the subscriber's subscription application and any information concerning the subscriber provided by the subscriber to the Partnership, the Administrator and/or the General Partner. Any such disclosure shall not be treated as a breach of any restriction upon the disclosure of information imposed on such person by law or otherwise.

RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST

Risk Factors

All investments risk the loss of capital. No guarantee or representation is made that the Partnership's program will be successful, and investment results may vary substantially over time. The Partnership's investment program utilizes investment techniques such as options, futures, derivatives, margin transactions and short sales, which practices can, in certain circumstances, maximize the adverse impact to which the Partnership may be subject.

Prospective investors should give careful consideration to the following factors in evaluating the merits and suitability of an investment in a limited partner interest in the Partnership:

Market and Investment Risks

- ***Investment and Trading Risks***. An investment in the Partnership involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Partnership's investment program will be successful. The General Partner will be investing substantially all of the Partnership's assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which the Partnership expects to invest have in recent years experienced and continue to experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Partnership.

- ***Limited Diversification***. At any given time, it is possible that the Partnership may make investments that are concentrated in a particular type of security, industry, geographic location or market capitalization. This limited diversity could expose the Partnership to significantly greater volatility than in a more diversified portfolio.

- ***Competition.*** The investment industry is extremely competitive. In pursuing its investment and trading methods and strategies for the Partnership, the General Partner competes with many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, the General Partner may have little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staffs and more investment professionals than the General Partner has or expects to have in the future.

- ***Equity Securities***. The General Partner may invest in equity securities (including derivatives on equity securities, such as options), the cost of value of which vary with an issuer's performance and movements in the broad equity markets, which can be

influenced by numerous economic factors as well as market sentiment and political and other factors. As a result, the Partnership may suffer losses if the General Partner invests in equity securities of issuers whose performance diverges from the General Partner's expectations of if equity markets generally move in a single direction and the General Partner has not hedged against such a general move.

- ***Small (including Micro) and Mid-Cap Issuers***. A portion of the Partnership's assets may be invested in securities of small (including micro) and mid-cap issuers. While, in the General Partner's opinion, the securities of small and mid-cap issuers may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small and mid-cap issuers may also present greater risks. For example, small and mid-cap issuers often have limited operating histories, product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and, thus, may create a greater chance of loss than investments in securities of larger-cap issuers. The market prices of securities of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small and mid-cap issuers may be higher than in those of large-cap issuers.

- ***Equity Securities of Growth Companies***. A portion of the Partnership's assets may be invested in equity securities of companies that the General Partner believes have potential for capital appreciation significantly greater than that of the market averages, so-called "*growth*" companies. The market capitalization of the growth companies in which the Partnership will invest may range from small to large capitalizations. Growth stocks are generally more sensitive to market movements than other types of stocks, primarily because their stock prices are based heavily on future expectations. Securities of growth companies may be traded in the OTC markets (including pink sheets and bulletin boards). While OTC markets have grown rapidly in recent years, many OTC securities trade less frequently and in smaller volume than exchange-listed securities. The values of these securities may fluctuate more sharply than exchange-listed securities, and the Partnership may experience some difficulty in acquiring or disposing of positions in these securities at prevailing market prices.

- ***Undervalued Equity Securities***. The Partnership's investment strategy focuses on investing in companies that the General Partner believes are undervalued. Opportunities in undervalued equity securities arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

- ***Purchasing Securities of Initial Public Offering***. From time to time the Partnership may purchase securities that are part of initial public offerings. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for the Partnership to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. The Partnership may invest in securities that are "*new issues*," as defined by Rule 5130. Rule 5130 and Rule 5131 restricts certain persons from participating in "*new issues*." The Partnership Agreement will provide a mechanism for the purchase of new issues that excludes participation in such investment by any Partner that is deemed restricted.

- ***Convertible Securities***. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

  A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Partnership is called for redemption, the Partnership will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Partnership's ability to achieve its investment objective.

- ***Investments in Fixed-Income Securities***. The Partnership may invest a portion of its capital in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations, debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, commercial paper, and "*higher yielding*" (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). A major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to

repay principal and pay interest thereon and increase the incidence of default for such securities.

- ***Investments in High Yield and Distressed Securities***. The Partnership may invest in "*below investment grade*" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Such securities are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, it frequently may be difficult to obtain information as to the true condition of certain troubled entities in which the Partnership may invest. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims.

- ***Illiquid Securities***. The Partnership may invest in securities, bank debt and other claims, and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Partnership may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Further, if there are other market participants seeking to dispose of similar investments at the same time, the Partnership may be unable to sell such investments or prevent losses relating to such investments. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Partnership may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the Partnership's portfolio positions may be reduced. During such times, the Partnership may not be able to dispose of certain assets, which would adversely affect the Partnership's ability to rebalance its portfolio or to meet withdrawal requests. Furthermore, if the Partnership incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired.

  In addition, the Partnership may invest part of its assets in investments that the General Partner believes either lack a readily assessable market value or should be held until the resolution of a special event or circumstances (i.e., Special Investments). The Partnership may not be able to readily dispose of Special Investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. For accounting purposes, Special Investments and other assets and liabilities for

which no such market prices are available will generally be carried on the books of the Partnership at fair value as reasonably determined by the General Partner. There is no guarantee that fair value will represent the value that will be realized by the Partnership on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. A withdrawing Partner with an investment in a Special Investment will not receive any amount in respect of such interest until the related Special Investment is realized or deemed realized.

- ***High Portfolio Turnover***. The Partnership may seek long term capital appreciation at times as well as sell securities and other investments when deemed appropriate by the General Partner, without regard to how long they have been held. As a result, the Partnership's portfolio turnover rate may be high. A high portfolio turnover means that the Partnership will incur higher brokerage commissions, which will reduce the Partnership's investment returns, and may result in short-term gains that will be taxable to investors.

- ***Use of Leverage***. The General Partner may leverage the Partnership's portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to the Partners if the Partnership earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to the Partners if the Partnership fails to earn as much on such incremental investments as it pays for such funds. In the event that the Partnership leverages its portfolio, fluctuations in the market value of the Partnership's portfolio will have a significant effect in relation to the Partnership's capital and the risk of loss and the possibility of gain will each be increased. In addition, when the Partnership utilizes leverage, the level of interest rates generally, and the rates at which the Partnership can borrow in particular, will be an expense of the Partnership and therefore affect the operating results of the Partnership. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of the Partnership's portfolio.

  The Partnership may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to the Partnership. For example, should the securities pledged to brokers to secure the Partnership's margin accounts decline in value, the Partnership could be subject to a "*margin call*" pursuant to which the Partnership would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Partnership's assets, the Partnership might not be able to liquidate assets quickly enough to pay off its margin debt.

- ***Short Sales.*** The General Partner may engage in short sales as part of hedging transactions or when it believes securities are overvalued. Short sales are sales of securities the Partnership borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Partnership will be able to make a profit by purchasing the securities at a later date at the lower prices. The Partnership will incur a potentially unlimited loss on a short sale if the price of the

security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "*long*" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. The Partnership's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Partnership. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may impose restrictions that adversely affect the Partnership's ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Partnership may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Partnership may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Partnership is subject to strict delivery requirements. The inability of the Partnership to deliver securities within the required time frame may subject the Partnership to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Partnership to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Partnership's ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to the Partnership.

- ***Put and Call Options***. The Partnership may purchase exchange-listed and over-the-counter ("OTC") put and call options. In addition, the Partnership may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by the Partnership may be wholly or partially covered (meaning that the Partnership holds an offsetting position) or uncovered. Options on

specific investments may be used by the Partnership to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held by the Partnership without requiring a sale of the investments.

Use of put and call options may result in losses to the Partnership, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the Partnership can realize on their investments or cause the Partnership to hold an investment it might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by the Partnership to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by the Partnership. The use of uncovered option writing techniques may entail greater risks of potential loss to the Partnership than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in the Partnership realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

- ***Stock Index Options***. The Partnership may purchase and sell call and put options on stock indices listed on securities exchange or traded in the over-the-counter market for the purposes of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the Partnership's portfolio correlates with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rates than the price of a particular stock, whether the Partnership realizes gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Partnership of options on stock indices will be subject to the General Partner's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments.

- ***Risks of Investments in Options***. Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset

at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that the Partnership may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

- ***Hedging***. The Partnership may utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, the General Partner's ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Partnership's hedging strategies may also be subject to the General Partner's ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. It may be more difficult to hedge a position in a smaller cap issuer than a larger-cap issuer. The Partnership's portfolio is not expected to be completely hedged at all times and at various times the General Partner may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, the Partnership's assets may not be adequately protected from market volatility and other conditions.

- ***Swap Transactions***. The Partnership may enter into swap agreements with respect to securities, indexes of securities and other assets or other measures of risk or return. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard "*swap*" transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, or indices. The gross returns to be exchanged or "*swapped*" between the parties are generally calculated with respect to a "*notional amount*". Whether the Partnership's use of swap agreements will be successful will depend on the General Partner's ability to select appropriate transactions for the Partnership. Swap transactions may be highly illiquid. Moreover, the Partnership bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Partnership's ability to terminate existing swap transactions or to realize amounts to be received under such transactions. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

  Total return swaps are another form of swap transaction that the Partnership may utilize in its investment program. A total return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payer in return for paying a floating or fixed interest-

rate on a predetermined amount. The total return payer is synthetically short and the total return receiver is synthetically long. Thus, total return swap agreements may effectively add leverage to the Partnership's portfolio because, in addition, to its total net assets, the Partnership would be subject to investment exposure on the notional amount of the swap agreement.

- ***Other Derivative Investments***. Derivative instruments or "*derivatives*" include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose the Partnership to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

  Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "*daily price fluctuation limits*" or "*daily limits*." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the General Partner from promptly liquidating unfavorable positions and subject the Partnership to substantial losses.

- ***Forward Trading***. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "*cash*" trading is substantially unregulated; there is no limitation on daily price movements, and speculative position limits are not applicable. For example, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or contracting counterparty to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the Partnership has forward contracts. Although the General Partner seeks to trade with responsible counterparties, failure by a counterparty to fulfill its contractual obligation could expose the Partnership

to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any currency market traded by the Partnership due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the General Partner would otherwise recommend, to the possible detriment of the Partnership. Market illiquidity or disruption could result in significant losses to the Partnership.

- ***Foreign Securities***. The Partnership may invest in securities of non-U.S. issuers. The Partnership's investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Partnership's assets denominated in that currency and thereby impact the Partnership's total return on such assets. The Partnership may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

  Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of Partnership assets and any effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for the Partnership to obtain or enforce a judgment against the issuers of such securities.

  Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and settlement procedures in foreign markets may occasion delays in settlements of the Partnership's trades affected in such markets.

- ***Currency Risks***. The Partnership's investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. 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 try to hedge these risks by investing directly in foreign currencies, buying and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance such strategies will be effective.

To the extent unhedged, the value of the Partnership's positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various and local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Partnership makes its investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Partnership's securities in their local markets and may result in a loss to the Partnership. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Partnership's non-U.S. dollar investments. Furthermore, the Partnership may incur costs in connection with conversions between various currencies.

- ***Trading Non-U.S. Currencies***. The Partnership may trade currencies in the interbank market, a network of commercial banking institutions in the United States, France, Britain, Germany, Japan, Switzerland and other nations that make markets in non-U.S. currencies on a continuous basis during the banking day. Investments in these currencies involve the general risks associated with non-U.S. investments. Furthermore, the interbank market is not directly regulated by any U.S. or other government agency and trading therein may involve certain risks not applicable to trading on U.S. and non-U.S. exchanges. There is no limitation on daily price moves of contracts traded through banks. Banks and dealers may require the Partnership to deposit margin with respect to such trading. Banks and dealers are not required to continue to make markets in currencies. There have been periods during which certain banks have refused to quote prices for currency contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. The imposition of credit controls by government authorities might limit such trading to less than that which the General Partner would otherwise recommend, to the possible detriment of the Partnership. In respect of such trading, the Partnership will be subject to the risk of bank failure or the inability of or refusal by a bank to perform with respect to such contracts. Most, if not all, of these contracts are directly affected by changes in interest rates. The effects of governmental intervention also may be particularly significant at certain times in the interbank market.

- ***Exchange Traded Funds***. The Partnership may invest in and sell short shares of exchange traded funds ("ETFs") and other similar instruments. These transactions may be used to adjust the Partnership's exposure to the general market or industry sectors and to manage the Partnership's risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments

- ***American Depository Securities & Receipts***. In certain instances, rather than directly holding securities of non-U.S. companies, the Partnership may hold these securities through an American Depository Receipt (an "ADR"). An ADR is issued by a U.S. bank or trust company to evidence its ownership of securities of a non-U.S. company. The currency of an ADR may be U.S. dollars rather than the currency of the non-U.S. company to which it relates. The value of an ADR will not be equal to the value of the underlying non-U.S. securities to which the ADR relates as a result of a number of factors. These factors include the fees and expenses associated with holding an ADR, the currency exchange relating to the conversion of foreign dividends and other foreign cash distributions into U.S. dollars, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the rights of the Partnership, as a holder of an ADR, may be different than the rights of holders of the underlying securities to which the ADR relates, and the market for an ADR may be less liquid than that of the underlying securities. The foreign exchange risk will also affect the value of the ADR and, as a consequence, the performance of the investor holding the ADR.

- ***Money Market Instruments***. The General Partner may invest, for defensive purposes or otherwise, all or a portion of the Partnership's assets in high quality fixed-income securities, money-market instruments, and foreign money-market mutual funds, or hold cash or cash equivalents in such amounts as the General Partner deems appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers' acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

- ***Loans of Portfolio Securities***. The Partnership may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of the Partnership's assets. By doing so, the Partnership attempts to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Partnership could experience delays in recovering the securities it lent. To the extent that the value of the securities the Partnership lent has increased, the Partnership could experience a loss if such securities are not recovered.

- ***Undervalued Securities***. A portion of the Partnership's assets may be invested in companies that the General Partner believes are undervalued. Opportunities in undervalued securities arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

- ***Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act***. The global financial markets have in the past few years gone through pervasive and fundamental disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an "*emergency*" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, certain of these interventions have been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

  Because many provisions of the Dodd Frank Wall Street Reform and Consumer Protection Act (the "Reform Act") require rulemaking by the applicable regulators before becoming fully effective and the Reform Act mandates multiple agency reports and studies (which could result in additional legislative or regulatory action), it is difficult to predict the impact of the Reform Act on the Partnership, the General Partner and the markets in which they trade and invest. The Reform Act could result in certain investment strategies in which the Partnership engages or may have otherwise engaged becoming non-viable or non-economic to implement. The Reform Act and regulations adopted pursuant to the Reform Act could have a material adverse impact on the profit potential of the Company.

  The Partnership may incur major losses in the event of disrupted markets and other extraordinary events 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 Partnership from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Partnership. Market disruptions may from time to time cause dramatic losses for the Partnership, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

- ***General Economic and Market Conditions***. The success of the Partnership's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Partnership's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the Partnership's investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Partnership's profitability or result in losses. The Partnership may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets–the larger the positions, the greater the potential for loss.

- In recent years, global markets experienced unprecedented volatility and illiquidity. The effects thereof are continuing and there can be no assurance that the Partnership will not be materially adversely affected. These conditions have led to extensive governmental interventions. Such interventions have in certain cases been implemented on an "*emergency*" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition–as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action–these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the General Partner's strategies.

- ***Transaction Execution and Cost***s. As the General Partner expects to actively manage the Partnership's portfolio, purchases and sales of investments may be frequent and may result in higher transaction costs to the Partnership. In addition, in many cases relatively narrow spreads may exist between the prices at which the Partnership will purchase and sell particular positions. The successful application of the Partnership's investment strategy will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although the Partnership will seek to utilize brokerage firms that will afford superior execution capability to the Partnership, there is no assurance that all of the Partnership's transactions will be executed with optimal quality. Furthermore, due to the degree of trading, total commission charges and other transaction costs may be expected to be high. The level of commission charges, as an expense of the Partnership, may therefore be expected to be a factor in determining future profitability of the Partnership.

- ***Broker Risk.*** The Partnership's assets may be held in one or more accounts maintained for the Partnership by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the Partnership's assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the Partnership's assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on the Partnership and its assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Partnership's assets or in a significant delay in the Partnership having access to those assets.

- ***Counterparty Risk***. Some of the markets in which the Partnership may effect transactions are "*over-the-counter*" or "*interdealer*" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "*exchange–based*" markets are subject. This exposes the Partnership to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. Such "*counterparty risk*" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Partnership is not restricted from concentrating any or all of its transactions with one counterparty. The ability of the Partnership to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.

- ***Risk Arbitrage***. The Partnership may engage in certain arbitrage trading including, but not limited to, risk arbitrage, balance sheet arbitrage and convertible arbitrage. In such trading, the Partnership attempts to profit by exploiting price differences of identical or similar securities or financial instruments on different markets or in different forms. Often arbitrage opportunities disappear rapidly once the opportunity becomes well-known and many investors act on it. Arbitrage trading can involve large transaction costs because of the need to simultaneously buy and sell many different securities. There is no assurance that the arbitrage transaction will perform in the manner expected by the General Partner and the exposure of the Partnership to a movement in the market or other factors could be significantly increased. In certain transactions, the Partnership may not be hedged against market fluctuations unrelated to the anticipated transaction but which may affect the value of the consideration to be received. This may result in losses, even if the proposed transaction is consummated.

Risks Associated with the Partnership

- ***Limited Operating History and Dependence on Key Personnel.*** The Partnership has a limited history upon which a prospective investor may base its investment decision. **THE PRINCIPAL ALSO DEDICATES TIME TO SINGULAR RESEARCH, INC. AND OTHER OUTSIDE BUSINESS ACTIVITIES; AND MAY HAVE REDUCED TIME TO MANAGE THE BUSINESS AND AFFAIRS OF THE PARTNERSHIP AND MANAGE THE INVESTMENT AND REINVESTMENT OF THE PARTNERSHIP'S ASSETS**. The past performance of the General Partner or its respective affiliates is no guarantee of future performance. If the Principal ceases to be involved in the management of the Partnership's portfolio, such event may have a material adverse effect on the business of the Partnership.

- ***Risks of Converting to a Master-Feeder Structure***. The Partnership reserves the right, in the sole discretion of the General Partner with notice to but without the consent of the Limited Partners, to restructure the operations of the Partnership through the use of a master-feeder structure. A master-feeder structure would enable the General Partner to manage the assets of the Partnership, a companion non-U.S.-based investment fund and other current or potential future investment vehicles on a combined basis. The use of a master-feeder structure provides certain benefits to the Partnership, but also subjects the Partnership to certain risks. Among other things, the use of a master-feeder structure imposes incremental costs on the Partnership that would not be incurred if the Partnership and a non-U.S.-based fund traded on a parallel basis, although the General Partner believes these expenses will be minimal. A master-feeder structure creates a possible conflict for the General Partner since trading decisions made may benefit investors in a non-U.S.-based fund and disadvantage investors in the Partnership, or vice versa. In addition, if a disproportionate amount of capital is provided by one of the two feeder funds, significant withdrawals/redemptions might be more disruptive to the investors in the other fund than might be the case if the two funds traded on a parallel basis and not through a master-feeder structure. Similarly, a significant capital inflow from investors in one of the feeder funds at a time when capital cannot be effectively deployed could adversely affect the returns received by investors in the other feeder fund.

- ***Partnership Interests are Illiquid***. Because of the limitations on withdrawals and the fact that Interests are not tradable, an investment in the Partnership is relatively illiquid and involves a high degree of risk. A subscription for Interests should be considered only by sophisticated investors financially able to maintain their investment and who can afford to lose all or a substantial part of such investment. There is no public market for Interests.

- ***Limitations on Limited Partner Withdrawals and Transfers; Special Situation Investments***. A Limited Partner will have significant restrictions on its ability to withdraw all or any portion of its capital account from the Partnership, including withdrawal notice periods and other restrictions. There can be no assurance that the Partnership will have sufficient cash to satisfy withdrawal requests or that it will be able to liquidate investments at the time of such withdrawal requests at favorable prices. In addition, Limited Partners will not be permitted to make any withdrawals corresponding to amounts in their Special Situation Investment Account until after the particular Special Situation Investment is sold or the General Partner otherwise determines that it should not be treated as a Special Situation Investment. Although it is expected that withdrawal amounts will be paid in cash, it is possible that a portion of withdrawal proceeds may be paid in-kind, including, for example, in the event that an issuer's securities are no longer traded on public exchanges. Any distributions in kind may be made either directly or through the use of a liquidating entity. If a liquidating entity is used, the assets held therein will be sold at such times as the General Partner may determine, in which case payment to such Limited Partner of that portion of its withdrawal proceeds attributable to such assets will be delayed until such time as such assets can be liquidated. The General Partner may suspend or limit withdrawal rights (including the payment of withdrawal proceeds), in whole or in part, when there exists, among other extraordinary

circumstances as further described herein and in the Partnership Agreement, in the opinion of the General Partner a state of affairs where the disposal of the Partnership's assets, or the determination of the value of the Limited Partners' capital accounts, would not be reasonably practicable or would be seriously prejudicial to the non-withdrawing Limited Partners or if required under any applicable anti-money laundering laws or regulations. In addition, a Limited Partner may not sell, assign, pledge, rehypothecate or transfer its Interest without the prior written consent of the General Partner, which consent may be granted or refused by the General Partner in its sole discretion. Accordingly, Interests should only be acquired by investors willing and able to commit their funds for an appreciable period of time.

- ***A Limited Partner May Be Required to Withdraw Its Capital***. Under the Partnership Agreement, the General Partner may, in its sole discretion at any time, require any Limited Partner to withdraw all or a portion of such Limited Partner's capital from the Partnership upon prior written notice. Such mandatory withdrawal may create adverse tax and/or economic consequences to the Limited Partner depending on the timing thereof.

- ***Limited Partners Do Not Participate in Management***. Limited Partners do not participate in the management of the Partnership or in the conduct of its business. Moreover, Limited Partners have no right to influence the management of the Partnership, whether by voting or otherwise. Any participation in the management of the Partnership could subject a Limited Partner to unlimited liability as a general partner.

- ***Liability of Limited Partners for the Return of Capital Contributions.*** If the Partnership should become insolvent, the Partners may be required to return, with interest, any property distributed that represented a return of capital, repay any distributions wrongfully made to them and forfeit any undistributed profits.

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

- ***Trade Errors***. Although the General Partner exercises due care in making and implementing investment decisions, employees of the General Partner may from time to time make errors with respect to trades made on behalf of the Partnership. The General Partner will not be liable to the Partnership or the Limited Partners for any trading losses, liabilities, damages, expenses or costs resulting from trade errors by the Partnership except those losses, liabilities, damages, expenses or costs (i) resulting from the General Partner's fraud, willful misconduct or gross negligence and (ii) that may not be waived or limited under applicable law. Notwithstanding this limitation on liability, the General

Partner may voluntarily reimburse the Partnership for certain other losses suffered as a result of trade errors identified by the General Partner.

- ***In-Kind Distributions.*** The Partnership expects to distribute cash to a Partner upon a withdrawal. However, there can be no assurance that the Partnership will have sufficient cash to satisfy withdrawal requests or that it will be able to liquidate investments at the time of such withdrawal requests at favorable prices. Under the foregoing circumstances, and under other circumstances deemed appropriate by the General Partner, a Partner may receive in-kind distributions from the Partnership's portfolio. The risk of loss and delay in liquidating these securities will be borne by the Partner, with the result that such Partner may receive less cash than it would have received as of the Quarterly Withdrawal Date.

- ***Conflicts of Interest***. There are certain actual and potential conflicts of interest that should be considered by prospective investors before subscribing for Interests. These include that the General Partner, its members, principals, managers, affiliates and employees may engage in other activities, including providing investment management and advisory services to other accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to the Partnership and its affairs. Any such accounts may include other funds that may have the same or similar investment objectives as the Partnership. Although the General Partner will act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to the Partnership, it otherwise is not restricted in the nature or timing of investments for the Partnership and other accounts and may average the prices paid or received in connection with such investments.

- ***Managed Accounts Implementing Similar Strategy as the Partnership***. The General Partner anticipates managing one or more separate accounts pursuing the same or substantially similar strategies as the Partnership. Although the agreement between the General Partner and the holder of any such account may limit the ability of such holder to terminate the agreement, such holder always has the ability to assume control over the account and to liquidate positions in the account. In the case of a large managed account, such liquidations could have an adverse effect on the Partnership. In addition, the holder of a managed account has an inherent ability to see all positions in the account. Accordingly, the General Partner's advising a managed account pursuing the same or substantially similar strategies as the Partnership involves some of the same risks as having a Limited Partner in the Partnership with full transparency and immediate liquidity.

- ***Supplementary Agreements with Limited Partners***. In connection with an investor's subscription for an Interest, the General Partner may enter into a side letter or similar agreement (a "Supplementary Agreement") with such new investor. A Supplementary Agreement may provide for, among other things, (i) the General Partner's agreement to exercise its discretionary authority under the Partnership Agreement in certain respects for the benefit of the new investor; (ii) the General Partner's agreement to extend certain

information rights or additional reporting to such investor, in some cases to accommodate special regulatory or other circumstances of the new investor; or (iii) restrictions on, or special rights of the new investor with respect to, the activities of the General Partner. The entry by the General Partner into any Supplementary Agreement would not require the vote or consent of any Limited Partner unless such Supplementary Agreement constituted or required an amendment to the Partnership Agreement requiring such a vote or consent. In addition, the terms of any such Supplementary Agreement will not be disclosed to other Limited Partners unless the General Partner, in its sole discretion, agrees otherwise.

- ***Soft Dollars***. The use of brokerage commissions to obtain research services creates a conflict of interest between the General Partner and the Partnership. This may result in the Partnership paying higher brokerage commissions than might be paid if transactions were effected through brokers that do not provide such services. To the extent that the General Partner is able to acquire these products and services without expending its own resources or at reduced prices, the General Partner's use of "*soft-dollars*" would tend to increase its profitability. In addition, the availability of these non-monetary benefits may influence the General Partner to select one broker rather than another to perform services for the Partnership.

- ***Valuation.*** Valuations of the Partnership's securities and other investments, such as options, may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net asset value of the Partnership could be adversely affected. Certain of the Partnership's investments may not be listed on established exchanges, which may make a determination of the fair market value of such securities difficult to accurately determine. Furthermore, even for listed securities, the General Partner may determine that the listed prices of the securities as determined in accordance with the valuation procedures set forth in the Partnership Agreement do not reflect the actual value of the securities and the General Partner may make such appropriate and reasonable modifications thereto to reflect the value of the securities, including to reflect liquidity conditions or other factors affecting such value. Third party pricing information may at times not be available regarding certain securities. Valuation determinations made by the General Partner, which will be conclusive and binding, may affect the amount of the management fee and performance allocation.

- ***Federal Income Tax Risks***. The Partnership has not requested a ruling from the Internal Revenue Service (the "IRS") as to any tax matters, including whether the Partnership will be treated as a partnership (and not as an association taxable as a corporation) for U.S. federal income tax purposes. If the Partnership were to be treated as a corporation rather than as a partnership for U.S. federal income tax purposes, the Partnership itself would be taxed on its taxable income at corporate tax rates, there would be no flow-through of items of Partnership income, gain, loss or deductions to the Partners, and Partnership distributions generally would be taxable as dividends. Under present laws and regulations and judicial interpretations thereof, the General Partner believes the Partnership would be classified and treated as a partnership for U.S. federal income tax purposes, and not as an association taxable as a corporation.

Assuming that the Partnership is treated as a partnership, each Limited Partner must include in its own income its allocable share of Partnership taxable income, whether or not any cash is distributed and, as a result of various limitations imposed by the tax laws regarding passive losses and otherwise, may be unable to currently deduct its allocable share of Partnership expenses and capital losses, if any. Because the General Partner currently does not expect the Partnership to make cash distributions to Limited Partners, a Limited Partner's tax liability with respect to its share of the Partnership's taxable income may exceed the cash distributions, if any, to such Partner in a particular year. Furthermore, special tax rules apply to certain categories of Limited Partners, including individual retirement accounts and other tax-exempt entities. Because the Partnership may borrow money, a tax exempt investor may incur income tax liability to the extent the Partnership's transactions are treated as giving rise to "*unrelated business taxable income*" and, in such case, may be required to make payments including estimated payments, and file income tax returns. See "*Federal Income Tax Matters*."

An audit of the Partnership's federal informational tax return may cause a change in or precipitate an audit of the Limited Partners' federal income tax returns. Further, any such audit might result in adjustments by the IRS to items of non-Partnership income or loss. Any additional federal income tax due as a result of any such adjustment will bear interest (compounded daily) at rates established quarterly by the IRS (for individuals) equal to three percentage points above the federal short term rate determined in accordance with Section 1274(d) of the Code for the first month in the quarter (rounded to the nearest full percent).

- ***Accounting for Uncertainty in Income Taxes***. Accounting Standards Codification Topic No. 740, "Income Taxes" ("ASC 740") (in part formerly known as "FIN 48"), provides guidance on the recognition of uncertain tax positions. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on recognition, measurement, classification and interest and penalties with respect to tax positions. A prospective Investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the net asset value of the Partnership, including reducing the net asset value of the Partnership to reflect reserves for income taxes, such as foreign withholding taxes, that may be payable by the Partnership. This could cause benefits or detriments to certain Limited Partners, depending upon the timing of their subscriptions and withdrawals from the Partnership.

- ***Tax-Exempt Investors.*** Entities subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as well as other investors that are exempt from taxation (or that are entities composed primarily of tax-exempt U.S. Persons), may be subject to U.S. federal, state and local laws, rules and regulations, which may regulate their participation in the Partnership or their engaging directly or indirectly through an investment in the Partnership in investment strategies of the types which the Partnership may utilize from time to time (*e.g.*, short sales of securities and the use of leverage and limited diversification). Each type of exempt organization may be subject to different

laws, rules and regulations, and prospective investors should consult with their own advisers as to the advisability and tax consequences of an investment in the Partnership. See Appendix B and Appendix C.

- ***Benefit Plan Regulatory Risks***. The Partnership intends to limit investment by "*benefit plan investors*" (as described in Appendix C under "*ERISA Considerations*") so that the assets of the Partnership will not constitute "*plan assets*" of an investor which is subject to the fiduciary responsibility provisions of Title I of ERISA, or to Section 4975 of the Code. Accordingly, the General Partner does not anticipate that the Partnership or the General Partner will be subject to the fiduciary and other requirements of ERISA, the prohibited transaction rules of ERISA or the Code, or any other related requirements with respect to any benefit plan investor. However, if the Partnership were at any point to be deemed to hold "*plan assets*" for purposes of ERISA or the Code, the activities of the Partnership would become subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA and the Code, the operations and investments of the Partnership may be limited as a result, and the General Partner could be exposed to litigation, penalties and liabilities which might adversely affect its ability to fully satisfy its obligations to the Partnership. See Appendix C.

- ***General Partner's Compensation***. The performance allocation to the General Partner will be based, in part, on unrealized investment gains that may never be realized in the event of adverse changes in the value of such investments. A performance-based allocation arrangement may create an incentive for riskier or more speculative investments by the General Partner, than might be the case in the absence of such performance-based allocation arrangement; however, any such risks would be equally applicable to the General Partner's own capital account. Such risk may also be reduced as a result of the Partnership's "*high watermark*" provision, which requires recovery of any prior losses before a performance allocation is made to the General Partner.

- ***Restrictions on the Number of Limited Partners***. The Partnership has not registered under the 1940 Act, in reliance upon the exemption provided by Section 3(c)(1) under the 1940 Act for entities whose outstanding securities are beneficially owned by fewer than 100 U.S. persons and which do not publicly offer their securities. The admission of Limited Partners is monitored to ensure that there are fewer than 100 U.S. beneficial owners of the Interests. In computing the number of U.S. beneficial owners of the Partnership for this purpose, the Partnership may be required under certain circumstances to count each U.S. beneficial owner of any Limited Partner that is a corporation, partnership, trust or association if such U.S. Limited Partner acquires a beneficial interest in the Partnership that results in such U.S. Limited Partner beneficially owning 10% or more of the aggregate amount of the U.S. Limited Partner's investment in the Partnership or in certain other circumstances.

- ***Conversion to 3(c)(7) Fund***. The Partnership may, in the General Partner's sole discretion and with notice to but without the consent of the Limited Partners, determine in the future to require that any investors who hold or subscribe for Interests be *qualified purchasers*," as defined in Section 2(a)(51)(A) of the 1940 Act in order for the

Partnership will comply with Section 3(c)(7) of the 1940 Act. The Partnership may require an existing or potential investor to make appropriate representations and undertakings in order to assure that the Partnership meets the conditions for such exemption, and the Partnership may withdraw the Interests of any Limited Partner who is unable to provide such representations and undertakings.

- ***Limitation of Liability and Indemnification of the General Partner***. The Investment Management Agreement provides that the General Partner and its affiliates shall be indemnified and held harmless from and against any loss or expense suffered or sustained in connection with the General Partner's duties under the Investment Management Agreement, so long as such loss or expense did not result from action or inaction adjudged to constitute fraud, willful misconduct or gross negligence. Therefore, a Limited Partner may have a more limited right of action against the General Partner than a Limited Partner would have had absent these provisions.

- ***Absence of Certain Statutory Registrations***. The Partnership will not be registered as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), in reliance upon certain exemptions from such registration requirements. Accordingly, the Partnership will not be subject to the various statutory and SEC regulatory requirements applicable to registered investment companies. For example, the Partnership is not required to maintain custody of its securities or place its securities in the custody of a bank or a member of a U.S. securities exchange in the manner required of registered investment companies under rules promulgated by the SEC. The Partnership generally will maintain such accounts at brokerage firms that do not separately segregate such assets as would be required in the case of registered investment companies. Under the provisions of the U.S. Securities Investor Protection Act, the bankruptcy of any such brokerage firms might have a greater adverse effect on the Partnership than registered investment companies. The General Partner is not currently registered with the SEC or any other regulatory agency as an investment adviser under the Advisers Act, or any state laws or regulations but either may, in its sole and absolute discretion, or as otherwise required by applicable law or regulation, become so registered in the future. Such registration or other regulations that may in the future be adopted could adversely affect the Partnership or create additional costs and expenses for the Partnership. It is possible in the future that the regulatory environment for hedge funds and their managers could change. This could result in new laws or regulations that could, for example, impose restrictions on the operation of the Partnership, the General Partner and their respective affiliates; impose disclosure or other obligations on those entities; or restrict the offering, sale or transfer of Interests. Accordingly, any such laws or regulations could adversely affect the investment performance of the Partnership or its access to additional capital, create additional costs and expenses for the Partnership or otherwise have an adverse impact on the Partnership and its Partners.

- ***Change in Investment Strategies***. The investment strategies, approaches and techniques discussed herein may evolve over time due to, among other things, market developments and trends, the emergence of new or enhanced investment products, changing industry practice and/or technological innovation. As a result, these investment strategies,

approaches and techniques may not reflect the investment strategies, approaches and techniques actually employed by the Partnership. Nevertheless, the investments made on behalf of the Partnership will be consistent with the Partnership's investment objective.

- ***Reserves*.** Under certain circumstances, the Partnership may find it necessary to establish a reserve for contingent liabilities or withhold a portion of the Limited Partner's proceeds at the time of withdrawal. If the reserve is subsequently determined to have been excessive, such excess amount shall be returned to the net assets of the Partnership, but the amount paid upon a prior withdrawal will not be adjusted. Conversely, if the reserve is subsequently determined to have been insufficient, the net assets of the Partnership will be used to pay such amounts and the Partnership shall have no right to recover any excess withdrawal proceeds from a Limited Partner. As the establishment of a reserve impacts the determination of the Partnership's net asset value, an incorrect reserve will impact the subscription prices for Interests purchased by Limited Partners.

- ***No Separate Counsel***. **JEFFREY G. ABER, P.C.** ("JGAPC") acts as counsel to the Partnership in connection with this Memorandum; and JGAPC acts as counsel to the General Partner. Should a future dispute arise between the Partnership and General Partner, separate legal advisors may be retained as circumstances and professional responsibilities then dictate. In connection with this Memorandum and ongoing advice to the Partnership and the General Partner and their affiliates, JGAPC has not represented, and will not be representing, the Limited Partners. No independent counsel has been retained to represent the Limited Partners. JGAPC's representation of the Partnership and the General Partner and their affiliates is limited to those specific matters upon which it has been consulted. There may exist other matters which would have a bearing on the Partnership and the General Partner and their affiliates upon which JGAPC has not been consulted. JGAPC does not undertake to monitor the compliance of the Partnership and the General Partner and their affiliates with the investment program, valuation procedures and other guidelines set out herein, nor does it monitor compliance with applicable laws. Additionally, in all cases, including the preparation of this Memorandum, JGAPC relies upon information furnished to it by the General Partner and its affiliates, and does not investigate or verify the accuracy and completeness of such information. In the course of advising the Partnership and the General Partner and their affiliates, there may be times when the interests of the General Partner may differ from those of the Limited Partners. JGAPC does not represent the interests of the Limited Partners in resolving such issues.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE RISKS INVOLVED IN THE OFFERING. POTENTIAL INVESTORS SHOULD READ THIS MEMORANDUM IN ITS ENTIRETY BEFORE DETERMINING WHETHER TO SUBSCRIBE FOR INTERESTS.

Potential Conflicts of Interest; Other Matters

Mr. MALTBIE currently provides non-editorial services to **SINGULAR RESEARCH, INC.** ("Singular"), an affiliate of the General Partner. Singular is a California corporation, which

supplies performance-based equity research reports on small and micro-cap companies. Singular covers approximately forty (40) U.S. companies and distributes its research to institutional investors, primarily by means of the Internet. Mr. Maltbie does not maintain editorial control over Singular research (which is produced by independent contractor analysts); and Mr. Maltbie and the General Partner do not have access to Singular research until such time that the research is made available to the general public. Mr. Maltbie uses Singular research with respect to making investment decisions on behalf of the Partnership. Companies covered by the analysts at Singular may be included in the Partnership's portfolio. A potential conflict may arise with respect to (i) time spent by the Mr. Maltbie managing the Partnership's assets versus providing services to Singular; and (ii) whether the General Partner will be restricted from trading Partnership assets in a security of a company that Singular covers due to an unintentional leak of privileged information or otherwise.

The General Partner has the option to use "*soft dollars*" generated by the Partnership to pay for the Singular research, and in such event Mr. Maltbie, as an owner of Singular, stands to receive a financial benefit from the General Partner's use of such research. For more information concerning the use of "*soft dollars,*" see below and Appendix A.

Mr. MALTBIE is establishing an investment relations firm, which will provide services to publicly traded U.S. Companies. Mr. Maltbie does not participate in the day to day operations of the investment relations firm (which will be conducted by a dedicated person); and Mr. Maltbie and the General Partner will not access to the firm's client information prior to the time such information is made available to the general public. Clients of the investment relations firm may include companies covered by Singular, and such clients may also be included in the Partnership's portfolio. A potential conflict arises with respect to (i) time spent by the Mr. Maltbie managing the Partnership's assets versus providing services to the investment relations firm; and (ii) whether the General Partner will be restricted from trading Partnership assets in a security of a company that the investment relations firm provides services to due to an unintentional leak of privileged information or otherwise.

Mr. MALTBIE provides services to the General Partner from his home-offices; and the General Partner maintains a principal office in Calabasas for meeting clients.

The General Partner and its affiliates may manage other client accounts, some of which have objectives similar to those of the Partnership, including other collective investment vehicles which may be managed by the General Partner or any of its affiliates and in which the General Partner or any of its affiliates may have an equity interest.

The Partnership Agreement requires that the General Partner act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to the Partnership but does not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Partnership or any restrictions on the nature or timing of investments for the account of the Partnership and for the General Partner's own account or for other accounts that the General Partner or its affiliates may manage. The General Partner is not obligated to devote any specific amount of time to the affairs of the Partnership and is not required to accord exclusivity or priority to the Partnership in the event of limited investment opportunities arising from the application of speculative position limits or other factors.

When the General Partner determines that it would be appropriate for the Partnership and one or more other investment accounts to participate in an investment opportunity, the General Partner will seek to execute orders for all of the participating investment accounts on an equitable basis. If the General Partner has determined to invest at the same time for more than one of the investment accounts, the General Partner will generally place combined orders for all such accounts simultaneously and if all such orders are not filled at the same price, it will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the General Partner will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where the Partnership could be disadvantaged because of the investment activities conducted by the General Partner for other investment accounts.

The principals of the General Partner, as well as the employees and officers thereof and of organizations affiliated with the General Partner ("Affiliates"), 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 Partnership. The Affiliates may engage for their own accounts, or for the accounts of others, in other business ventures of any nature, and the Partnership has no right to participate in or benefit from the other management activities of the General Partner described above and the Affiliates shall not be obligated to account to the Partnership for any profits or benefits made or derived therefrom, nor shall they have any obligation to disclose or refer to the Partnership any of the investment or service opportunities obtained through such activities.

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

From time to time, the General Partner may come into possession of non-public information concerning specific companies although internal structures are in place to prevent the receipt of such information. Under applicable securities laws, this may limit the General Partner's flexibility to buy or sell portfolio securities issued by such companies. The Partnership's investment flexibility may be constrained as a consequence of the General Partner's inability to use such information for investment purposes.

The existence of the General Partner's performance allocation may create an incentive for the General Partner to make more speculative investments on behalf of the Partnership than it would otherwise make in the absence of such performance-based compensation.

The General Partner may, but is not obligated to, appoint a committee (the "Investment Committee") consisting of one or more individuals selected by the General Partner, none of whom is affiliated or associated with the General Partner (except as a Limited Partner or as an investor in an affiliate of the Partnership). If established, the Investment Committee will have the authority, at the request of the General Partner, to consult with the General Partner on any matters that may involve a conflict of interest between the General Partner on the one hand and the Limited Partners and the Partnership on the other. Any consent given by the Investment Committee on behalf of the Partnership in good faith after consultation with the General Partner is binding on the Partnership and the Limited Partners. The Partnership will have the authority to agree to reimburse members of the Investment Committee for their out-of-pocket expenses and to indemnify them to the maximum extent permitted by law.

SUMMARY OF TERMS

The following Summary of Terms governing a limited partner's investment in the Partnership is qualified in its entirety and should be read in connection with the Amended and Restated Limited Partnership Agreement of the Partnership, as amended, supplemented or otherwise modified, from time to time (the "Partnership Agreement"), the form of which is attached hereto as Exhibit I.

The Partnership	**ARGONAUT 2000 PARTNERS, L.P.** (the "Partnership) is a limited partnership organized March 2, 2000 under the laws of the State of Delaware.
General Partner	**MILLENNIUM ASSET MANAGEMENT, L.L.C.** (the "General Partner"), a California limited liability company controlled by **ROBERT M. MALTBIE, JR.**, acts as general partner of the Partnership and manages its investments.
Eligible Investors	Limited partner interests may be purchased only by investors who qualify as "*accredited investors*" and "*qualified clients*" as defined in the Partnership's subscription application materials. The General Partner reserves the right to reject any initial or additional investment for any reason or for no reason in its sole discretion.
Subscriptions	The Partnership is currently offering for subscription limited partnership interests. Subscriptions for limited partner interests may be accepted as of the first day of each month (or at other times in the General Partner's discretion), subject to the receipt of cleared funds on or before the acceptance date. The minimum investment is $250,000, although the General Partner may accept investments in a lesser amount. The General Partner, in its sole discretion, may increase the required initial minimum investment at any time. A subscriber admitted to the Partnership (each, a "Limited Partner" and collectively, with the other Limited Partners and the General Partner, the "Partners") receives, in exchange for the initial capital contribution and any subsequent capital contribution, a limited partner interest representing a proportionate share of the net assets of the Partnership at that time. However, a subscriber does not participate in any Special Situation Investment (as defined below) that is initiated prior to

the admission of such subscriber to the Partnership.

Limited Partners may make additional investments in such amounts as determined by the General Partner, in its sole discretion. There is no minimum aggregate amount of subscriptions that is required for the initial acceptance of subscriptions, nor has the General Partner established any maximum amount of subscriptions that may be accepted.

To comply with anti-money laundering requirements, the General Partner of the Partnership's administrator may require additional information as necessary as provided in the subscription application materials.

All subscriptions may be subject, at the General Partner's discretion, to a sales charge of up to 2% of the total amount subscribed. All or a portion of any such subscription charge may be paid to authorized dealers, placement agents or independent third parties, other than the General Partner, for services provided in connection with the solicitation of subscriptions. Any applicable subscription charge is deducted from the Limited Partner's capital contribution. Additionally, the Partnership or the General Partner may enter into agreements with one or more third parties providing for, among other things, payments by the General Partner to one or more of such third parties of a one-time or ongoing fee based upon the capital contributions of certain investors.

Borrowing and Leverage

The Partnership may buy securities on margin and arrange with banks, brokers and others to borrow money against a pledge of securities in order to employ leverage when the General Partner deems such action appropriate.

Fees and Expenses

For its services to the Partnership, the General Partner is entitled to receive management fees at an annual rate of one and one-half percent (1.5%) of the capital account balance of each Limited Partner. Management fees are calculated and payable quarterly in advance.

The Partnership bears the expenses of the organization of the Partnership and the offering of limited partner interests (including legal and accounting fees, printing costs, travel, "blue sky" filing fees and expenses and out-of-pocket expenses). Organizational expenses were fully amortized over the sixty (60) month period beginning on the date that the Partnership commenced operations.

The Partnership bears all costs and expenses directly related to its investment program, including expenses related to proxies, underwriting and private placements, brokerage commissions, interest on debit balances or borrowings, custody fees and any withholding or transfer taxes imposed on the Partnership. The Partnership also bears all out-of-pocket costs of the administration of the Partnership, including accounting, audit and legal expenses, costs of any litigation or investigation involving the Partnership's activities, fees and reimbursable expenses of the Partnership's administrator and costs associated with reporting and providing information to existing and prospective Limited Partners. However, the General Partner may, in its sole discretion, choose to absorb any such expenses incurred on behalf of the Partnership.

The Partnership does not have its own separate employees or office, and it does not reimburse the General Partner for salaries, office rent and other general overhead costs of the General Partner (collectively, "Overhead Costs"). A portion of the commissions generated on the Partnership's brokerage transactions may generate "*soft dollar*" credits that the General Partner is authorized to use to pay for research and other non-research related services and products used by the General Partner, including Overhead Costs. See Appendix A.

Allocation of Net Profit and Loss from the Regular Account

Net profit or net loss is allocated among the Partners as of the close of each fiscal quarter, at any other time when the Partnership receives an initial or additional capital contribution or effects a withdrawal or distribution, at the time of a disposition or other "Recognition Event" (as described below) with respect to a Special Situation Investment, or at such other times as the General Partner may determine.

Profit and loss attributable to Special Situation Investments and to any Restricted New Issues (as described below) are determined and allocated among the Partners separately and are not reflected in the determinations and allocations of net profit or net loss attributable to the remainder of the Partnership's net assets (the "Regular Account").

The net profit or net loss of the Regular Account for any fiscal quarter or other valuation period will reflect, with respect to all positions other than Special Situation Investments and Restricted New Issues (as described below), (1) the dividends and interest accrued during the period, (2) the net realized gains or losses from the sale or other disposition of investments during the period, (3) the net change in the unrealized appreciation or

depreciation of investments during the period (*i.e.*, the difference between the fair market value of each investment at the end of the period compared with either the fair market value at the commencement of the period or, in the case of any investment made after the commencement of the period, the cost) and (4) the expenses of the Partnership incurred or accrued during the period. As of the close of each accounting period, the net profit or net loss of the Regular Account will be allocated *pro rata* among the capital accounts of the Partners in proportion to their percentage interests in the Regular Account as of the commencement of the period. Each Partner's percentage interest in the Regular Account as of the commencement of any period is based on the value of the Partner's capital account at such time (excluding any amount attributable to such Partner's share of Special Situation Investments and Restricted New Issues), in relation to the total value of the Partnership's net assets at such time (excluding the aggregate amount of net assets attributable to Special Situation Investments and Restricted New Issues).

Allocations to each Partner of net profit or net loss of the Regular Account are subject to periodic adjustment to give effect to the General Partner's performance allocation, as described below.

Special Situation Investment Allocations

The Partnership may invest in non-marketable or illiquid investments ("Special Situation Investments"). The General Partner determines, in its sole discretion, whether and when to classify a Partnership investment as a Special Situation Investment. Whenever the Partnership makes a Special Situation Investment, each Partner at such time is allocated a *pro rata* interest in the Special Situation Investment, based on such Partner's percentage interest in the Regular Account at such time. An amount equal to such Partner's *pro rata* share of the cost of the Special Situation Investment is debited from such Partner's capital account balance relating to the Regular Account and credited to a separate sub-account, maintained on a Partner-by-Partner basis, relating specifically to that Special Situation Investment (the "Special Situation Investment Sub-account"). The Special Situation Investment Sub-accounts relating to a particular Special Situation Investment are closed out, and the associated profit or loss is determined and allocated, upon the occurrence of a Recognition Event relating to such Special Situation Investment. A "Recognition Event" means any of the following:

(1) a sale of the Special Situation Investment for cash;

(2) an exchange of the Special Situation Investment for marketable securities;

(3) an in-kind distribution of the Special Situation Investment to Partners; or

(4) at the discretion of the General Partner and if market quotations have become readily available for securities of the same class and series as the Special Situation Investment, the occurrence of all events necessary to permit the Partnership to make unrestricted public resales of such Special Situation Investment in the principal market for which such quotations are available.

The profit or loss relating to a Special Situation Investment is equal to the difference between the sales proceeds (in the case of a sale) or the fair market value (in the case of another Recognition Event) and the original cost of the Special Situation Investment. Appropriate adjustment is made for any expenses directly related to the Special Situation Investment and for any dividends or interest received with respect thereto. The profit or loss relating to a particular Special Situation Investment is allocated *pro rata* among each of the Partners participating in such Special Situation Investment based on each such Partner's

Special Situation Investment Sub-account, with no allocation being made to any Partner not having a Special Situation Investment Sub-account relating to the particular Special Situation Investment.

When a Special Situation Investment Sub-account is closed, each Partner's balance therein is combined with such Partner's capital account relating to the Regular Account, and each Partner's percentage interest in the Regular Account is adjusted accordingly.

Restricted New Issues

The Partnership may from time to time purchase securities in public offerings made through firms regulated by the Financial Industry Regulatory Authority, Inc. ("FINRA"). Firms subject to FINRA regulation are not permitted to sell certain "new issues" ("Restricted New Issues") to accounts in which certain persons engaged in the securities, banking or financial services industries (and certain members of their respective families), and executive officers and directors of certain public or non-public companies (and persons materially supported by them), have a significant beneficial interest. A "*new issue*" generally is any initial public offering of an equity security, as defined in Section 3(a)(11) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). In order to enable the Partnership to participate in Restricted New Issues, the Partnership will require each Limited Partner to provide information to enable the Partnership to determine whether the Limited Partner is eligible to participate in "*new issues*" under FINRA rules. When the Partnership invests in a Restricted New Issue, the profits and losses associated with the investment will be specially allocated exclusively to those Partners who are permitted by the FINRA rules to have a beneficial interest therein.

FINRA rules permit persons who are not eligible to fully participate in "*new issues*" to participate, up to a threshold percentage, in Restricted New Issues pursuant to certain exemptions. If the ownership of the Partnership by persons who are not eligible to fully participate in "*new issues*" under FINRA rules exceeds the applicable percentage threshold, the General Partner will allocate such excess amount above such threshold percentage *pro rata* among the capital accounts of Partners who are eligible to fully participate in "*new issues*" under FINRA rules.

Performance Allocation

As of the close of each fiscal year and subject to the limitations described below, a performance allocation is debited against the

capital account of each Limited Partner and simultaneously credited to the capital account of the General Partner. The performance allocation is equal to twenty percent (20%) of each Limited Partner's allocable share of net profits for the fiscal year from the Regular Account, and any Restricted New Issue sub-accounts, and any Special Situation Investment Sub-account closed during the period.

The performance allocation is subject to a "*high water mark*" limitation. Thus, the performance allocation with respect to a Limited Partner's interests only applies to the extent that such Limited Partner's pro rata share of net profits measured on a cumulative basis, net of any losses, for all years since admission exceeds the higher of the following amounts (i) the highest level of such cumulative net profits achieved through the close of any prior year since the date of purchase; and (i) the value of such Limited Partner's interests on the date of purchase. If a Limited Partner makes a withdrawal at a time when his capital account balance is below its historic "*high water mark*" level, the level is ratably reduced to reflect such withdrawal.

The performance allocation is generally calculated and charged to each Limited Partner at the end of each fiscal year. A performance allocation is also calculated and charged (i) with respect to any Limited Partner permitted or required to withdraw, and (ii) with respect to Limited Partner making a partial withdrawal, as of any time other than the close of a year on the basis of net profits allocated to such Limited Partner through the withdrawal date (but only with respect to the amount withdrawn on a pro rata basis in the event of a partial withdrawal).

The performance allocation with respect to any Limited Partner may be waived or altered by the General Partner in its sole discretion.

The General Partner does not receive a performance allocation on assets of the Partnership that are held in a Special Situation Investment Sub-account until such account is liquidated.

Distributions; Withdrawals

Subject to the withdrawal privilege described below, all earnings of the Partnership are ordinarily retained for investment.

A Limited Partner is permitted to make withdrawals as of each March 31, June 30, September 30 and December 31 (each such date a "Quarterly Withdrawal Date") beginning on the first Quarterly Withdrawal Date following the expiration of the 12-

month period following the establishment of each capital account of a Limited Partner (the "Holding Period"). The capital to be withdrawn does not participate in new Special Situation Investments made after the relevant Quarterly Withdrawal Date.

Notice of any withdrawal must be given no later than the last day of the fourth month prior to the proposed Quarterly Withdrawal Date[2]; *provided*, *however*, that notice may not be made until after the Holding Period. The General Partner may, in its sole discretion, waive such notice requirements. At least 90% of the estimated amount due is normally settled in cash or, subject to the sole discretion of the General Partner, wholly or partially with securities or other assets of the Partnership, whether readily or not readily marketable, within thirty (30) days after the Quarterly Withdrawal Date, provided that the General Partner may delay such payment if such delay is reasonably necessary to prevent such withdrawal from having a material adverse impact on the Partnership. Any balance will be settled (without interest thereon) promptly following completion of the audit of the Partnership's financial statements for the year.

Limited Partners admitted to the Partnership prior to May 1, 2014 received withdrawal terms, which are more favorable than the terms set forth above; and such previous withdrawal terms will remain in full force and effect with respect to such previously admitted Limited Partners.

No withdrawal fee is payable upon withdrawal by a Limited Partner of amounts from his capital account. However, the General Partner may withhold for the benefit of the Partnership from any distribution to a withdrawing Limited Partner an amount representing the actual or estimated costs incurred by the Partnership with respect to such withdrawal.

If a Limited Partner requests a partial withdrawal, such amount is deducted first from the Limited Partner's capital account balance attributable to the Regular Account, unless otherwise agreed with the General Partner.

In the case of a complete withdrawal, or a partial withdrawal that cannot be fully funded out of the Limited Partner's interest in the Regular Account, no settlements occur with respect to any of

[2] For clarification purposes, notice of any withdrawal must be made no later than (i) November 31 prior to the March 31 Quarterly Withdrawal Date; (ii) February 28 prior to the June 30 Quarterly Withdrawal Date; (iii) May 31 prior to the September 30 Withdrawal Date; and (iv) August 31 prior to the December 31 Quarterly Withdrawal Date.

such Limited Partner's Special Situation Investment Sub-accounts until the occurrence of a Recognition Event with respect to each such Special Situation Investment after the scheduled payment date for the withdrawal. If the Recognition Event is a sale for cash, the settlement is funded in cash within ninety (90) days after the Recognition Event (without interest). If the Recognition Event is not a sale for cash, the General Partner may effect the settlement either by making a distribution in kind of the Limited Partner's ratable share of the relevant security or by distributing the net proceeds derived from a sale of such securities. In connection with any such settlement, a calculation of the Limited Partner's net profits through the date of the Recognition Event is made to determine whether any performance allocation is to be credited to the General Partner. The General Partner is entitled to withdraw an amount equal to any such allocation at the same time and in the same form (in cash or in kind) as the distribution to the withdrawing Limited Partner.

The General Partner reserves the right, in its sole discretion, to compel the withdrawal of any Limited Partner's interest in the Partnership, in part or in its entirety, as of the end of an accounting period on not less than thirty (30) days' prior written notice (or not less than five (5) days' prior written notice if the General partner determines in its sole discretion that such Limited Partner's continued participation in the Partnership may cause the Partnership or the General Partner to violate any applicable law). Settlements are made in the same manner as voluntary withdrawals.

The General Partner may suspend or restrict the right of any Limited Partner to withdraw capital from the Partnership or to receive a distribution from the Partnership upon the occurrence of any of the following events: (i) if withdrawals or issuances would result in a violation by the Partnership of the laws of any relevant jurisdiction or the rules of any self-regulatory organization applicable to the Partnership; (ii) when any securities exchange or organized interdealer market on which a significant portion of the Partnership's assets are regularly traded or quoted is closed (other than for holidays), or trading thereon has been restricted or suspended; (iii) whenever disposal of the assets of the Partnership or other transactions involving the sale, transfer or delivery of funds or securities in the ordinary course of the business of the Partnership are not reasonably practicable without being detrimental to the interest of the withdrawing or remaining Limited Partners; (iv) if it is not reasonably practicable to make an accurate and timely determination of the

net asset value of the Partnership's assets; (v) when any investment vehicle in which a significant portion of the Partnership's assets are invested has suspended or restricted redemptions or the determination of the net asset value; (vi) if any event has occurred which calls for the termination of the Partnership; or (vii) at any other time in its sole discretion.

Limited partner interests held by investment funds managed by the General Partner or any of its affiliates are not subject to the restrictions on withdrawal described herein.

Subject to maintaining the minimum capital account balance required by the Partnership Agreement, the General Partner is permitted to make cash withdrawals from its capital account at any time without notice to the Limited Partners.

Transfers

Limited partner interests are not transferable except with the prior written consent of the General Partner, which consent may be withheld in the General Partner's sole discretion. The General Partner in its sole discretion may require any transferee or assignee of any Limited Partner to agree in writing to be bound by the Partnership Agreement.

If accepted by the Partnership, the Administrator will use reasonable efforts to acknowledge in writing all transfer or assignment requests that are fully executed by each of the transferor, transferee and the Partnership in good order, five (5) days prior to the date of the transfer. A Limited Partner failing to receive such written acknowledgement from the Administrator within five (5) business days should contact the Administrator to obtain the same. Failure to obtain such a written acknowledgment from the Administrator may render the transfer void, unless otherwise permitted by the Partnership.

Duty of Care; Indemnification

The Partnership Agreement provides that the General Partner and its affiliates are not liable to the Partnership or the Limited Partners for any loss or damage arising by reason of being or having been the General Partner or from any acts or omissions in the performance of its services as General Partner in the absence of willful misconduct, recklessness, or gross negligence or as otherwise required by law, and contains provisions for the indemnification of the General Partner and its affiliates by the Partnership (but not by the Limited Partners individually) against any liabilities arising by reason of being or having been the General Partner or in connection with the Partnership Agreement or the Partnership's business or affairs to the fullest extent permitted by law. The General Partner is not personally

liable to any Limited Partner for the repayment of any positive balance in such Limited Partner's capital account or for contributions by such Limited Partner to the capital of the Partnership or by reason of any change in the federal or state income tax laws applicable to the Partnership or its investors.

Non-Exclusivity; Allocation of Opportunities

None of the partners, officers, managers, members, employees or affiliates of the General Partner are precluded from engaging in or owning an interest in other business ventures or investment activities of any kind, whether or not such ventures are competitive with the Partnership.

The Partnership Agreement requires that the General Partner act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to the Partnership but does not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Partnership or any restrictions on the nature or timing of investments for the account of the Partnership and for the General Partner's own account or for other accounts that the General Partner or its affiliates may manage. The General Partner is not obligated to devote any specific amount of time to the affairs of the Partnership and is not required to accord exclusivity or priority to the Partnership in the event of limited investment opportunities arising from the application of speculative position limits or other factors.

The principals of the General Partner, as well as the employees and officers thereof and of organizations affiliated with the General Partner, 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 Partnership.

When the General Partner determines that it would be appropriate for the Partnership and one or more other investment accounts to participate in an investment opportunity, the General Partner will seek to execute orders for all of the participating investment accounts on an equitable basis. If the General Partner has determined to invest at the same time for more than one of the investment accounts, the General Partner will generally place combined orders for all such accounts simultaneously and if all such orders are not filled at the same price, it will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the General Partner will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where the

Partnership could be disadvantaged because of the investment activities conducted by the General Partner for other investment accounts.

Valuations; Reserves

The Partnership's assets are valued by the General Partner as of the close of each quarter, at any other time when the Partnership receives an initial or additional capital contribution or effects a withdrawal or distribution, or at such other times as the General Partner may determine. The valuation of Special Situation Investments (which does not affect capital account allocations pending a Recognition Event) generally is at historical cost, subject to the General Partner's discretion to estimate the fair value of each Special Situation Investment in accordance with generally accepted accounting principles.

Appropriate reserves may be accrued and charged against net assets and proportionately against the capital accounts of the Partners for contingent liabilities, such reserves to be in the amounts (subject to increase or reduction) that the General Partner in its sole discretion deems necessary or appropriate. At the sole discretion of the General Partner, the amount of any such reserve (or any increase or decrease therein) may be charged or credited, as appropriate, to the capital accounts of those investors who are Partners at the time when such reserve is created, increased, or decreased, as the case may be, or alternatively may be charged or credited to those investors who were Partners at the time of the act or omission giving rise to the contingent liability for which the reserve was established.

If the General Partner determines that it is equitable to treat an amount to be paid or received as being applicable to one or more prior periods, then such amount may be proportionately charged or credited, as appropriate, to those persons who were Partners during any such prior period.

Fiscal Year

The Partnership has a fiscal year ending on December 31 of each calendar year.

Reports to Partners

The Partnership furnishes to its Partners as soon as practicable after the end of each taxable year (or as otherwise required by law) annual reports containing financial statements examined by the Partnership's independent auditors as well as such tax information as is necessary for each Partner to complete federal and state income tax or information returns, along with any other tax information required by law. The Partnership also furnishes quarterly reports reviewing the Partnership's performance for such quarter. The General Partner selects the Partnership's

independent accountants in its sole discretion.

Investment Committee

The General Partner may appoint a committee (the "Investment Committee") consisting of one or more individuals selected by the General Partner, none of whom is affiliated or associated with the General Partner (except as a Limited Partner or as an investor in an affiliate of the Partnership). If established, the Investment Committee will have the authority, at the request of the General Partner, to consult with the General Partner on any matters that may involve a conflict of interest between the General Partner on the one hand and the Limited Partners and the Partnership on the other. Any consent given by the Investment Committee on behalf of the Partnership in good faith after consultation with the General Partner is binding on the Partnership and the Limited Partners. The Partnership will have the authority to agree to reimburse members of the Investment Committee for their out-of-pocket expenses and to indemnify them to the maximum extent permitted by law.

Dissolution and Liquidation

In the event of the death, incapacity or departure of **ROBERT M. MALTBIE, JR.** from the General Partner, the General Partner must provide each Limited Partner with prompt written notice of such event and the Limited Partners will vote either to continue or to dissolve the Partnership. If a majority in interest of the Limited Partners vote to dissolve the Partnership, a trustee that has been pre-appointed by the General Partner conducts an orderly liquidation of the assets of the Partnership. The liquidating Partners are paid liquidating distributions (in cash or in securities or other assets, whether readily or not readily marketable) *pro rata* in accordance with their respective capital accounts.

Dissolution of the Partnership may also occur upon the General Partner's election, in its sole discretion, to dissolve the Partnership or upon the occurrence of any event which results in the General Partner (or a successor to its business) ceasing to be the general partner of the Partnership. Upon the occurrence of any such event, the General Partner (or a liquidator elected by a majority in interest of the Limited Partners, if the General Partner is unable to perform this function) is charged with winding up the affairs of the Partnership, liquidating its assets to the extent feasible and making liquidating distributions (in cash or in securities or other assets, whether readily or not readily marketable) *pro rata* in accordance with each Partner's capital account balance.

Regulatory Matters

The General Partner is currently registered with the Securities and Exchange Commission (the "SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the Advisers Act").

The Partnership is not and does not intend to be registered as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). The Partnership relies on the exception from the definition of "*investment company*" provided in Section 3(c)(1) of the 1940 Act. Therefore, each investor in the Partnership must be an "*accredited investor*", as that term is defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act") and the Partnership may have no more than 100 beneficial owners of its limited partnership interests. Additionally, the General Partner is required to comply with the SEC rules on incentive allocations, which means that all investors in the Partnership must be "qualified clients," as that term is defined under the Advisers Act. The General Partner is currently registered with the SEC as an investment adviser.

The Partnership may, in the General Partner's sole discretion with notice to but without the consent of the Limited Partners, determine in the future to require that any investors who hold or subscribe for Interests be a *qualified purchasers*," as defined in Section 2(a)(51)(A) of the 1940 Act in order for the Partnership to comply with Section 3(c)(7) of the 1940 Act. The Partnership may require an existing or potential investor to make appropriate representations and undertakings in order to assure that the Partnership meets the conditions for such exemption, and the Partnership may withdraw the Interests of any Limited Partner who is unable to provide such representations and undertakings.

Tax Status

The Partnership should not itself be subject to U.S. federal income taxation. Each Limited Partner otherwise subject to U.S. federal income tax is required to include in such Limited Partner's taxable income such Limited Partner's share of the Partnership's income and gains, when realized by the Partnership (regardless of cash distributions from the Partnership to such investor), and may claim, to the extent allowable, such Limited Partner's share of the Partnership's losses and deductions. Due to the nature of the Partnership's activities, the Partnership's income or loss for U.S. federal income tax purposes for a particular taxable period may differ from its financial or economic results. The deductibility of a Limited Partner's share of any Partnership losses or deductions may be

limited. See Appendix B.

ERISA

The General Partner intends to limit the amount of investments by employee benefit plans so that the assets of the Partnership will not be considered "*plan assets*" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). See Appendix C.

Amendment of the Limited Partnership Agreement

The Partnership Agreement may be amended by the General Partner with the consent of a majority in interest of the Limited Partners. However, without the consent of each Limited Partner adversely affected thereby, the Partnership may not reduce the capital account of any Limited Partner other than as contemplated by the Partnership Agreement or reduce any Limited Partner's right to share in net profits or assets of the Partnership.

Notwithstanding the foregoing, the General Partner may amend the Partnership Agreement without the consent of any Limited Partner at any time (i) to comply with applicable laws and regulations; (ii) to make changes that do not adversely affect the rights or obligations of any Limited Partner; (iii) to cure any ambiguity or correct or supplement any conflicting provisions of the Partnership Agreement; or (iv) with respect to any other amendment, if any Limited Partner objecting to such amendment has an opportunity to withdraw from the Partnership as of a date that is not less than forty-five (45) days after the General Partner has furnished written notice of such amendment to each Limited Partner and that is prior to the effective date of the amendment.

The General Partner has the absolute discretion to agree with a Limited Partner to waive or modify the application of any provision of the Partnership Agreement with respect to such Limited Partner, without obtaining the consent of any other Limited Partner (other than a Limited Partner who is materially and adversely affected by such waiver or modification).

Legal Counsel

JEFFREY G. ABER, P.C., Mamaroneck, New York ("JGAPC").

JGAPC has been retained to act as counsel to the Partnership, the General Partner and their respective affiliates as of January 1, 2013**.** In connection with the Partnership's issuance of limited partner interests and subsequent advice to the Partnership, the General Partner and/or their respective affiliates, as applicable, JGAPC does not represent the Limited Partners. JGAPC's representation of the Partnership, the General Parmer and/or their respective affiliates, as applicable, is limited to those specific matters on which JGAPC has been consulted. No

	independent counsel has been retained to represent the Limited Partners.
Auditors	Richey May Richey May Headquarters 9780 S Meridian Blvd., Suite 500 Englewood, CO 80112
Administrator	Miracle Mile CPA an Accountancy Corporation Los Angeles, California, serves as the administrator to the Partnership ("Administrator").
Introducing Broker	
Prime Broker / Custodian	Interactive Brokers
Governing Law	All claims against the Partnership, based on any legal theory whatsoever, shall be governed by the laws of the State of Delaware without regard to principles of conflict of laws. This Memorandum shall be construed in accordance with, and governed by, the laws of the State of Delaware.

INQUIRIES

Inquiries concerning the Partnership and limited partner interests (including information concerning subscription procedures) should be directed to:

Argonaut 2000 Partners, L.P.
22287 Mulholland Highway, Suite #417
Calabasas, California 91302
Telephone: (818) 222-6915
Facsimile: (818) 222-6915
Attention: Robert M. Maltbie, Jr.

* * * * *

This Amended and Restated Private Placement Memorandum does not purport to be and should not be construed as a complete description of the Partnership Agreement, a copy of which is attached hereto as Exhibit I. Any potential investor in the Partnership is encouraged to review the Partnership Agreement carefully, in addition to consulting appropriate legal and tax counselors.

ANTI-MONEY LAUNDERING COMPLIANCE

In response to increased regulatory concerns with respect to the identification of sources of funds used to make an investment in the Partnership, the General Partner and/or its affiliates have implemented policies and procedures ("AML Program") designed to guard against and identify money laundering activities. Pursuant to the Partnership's AML Program, the General Partner and/or its affiliates will request prospective investors and, in some instances, existing Limited Partners, to provide additional documentation verifying, among other things, such person's identity and the source of funds used to purchase its Interest in the Partnership. The General Partner may decline to accept a subscription based upon this information or if this information is not provided.

Pursuant to the Partnership's AML Program, the General Partner and/or its affiliates will generally undertake enhanced due diligence procedures prior to accepting investors the General Partner believes present high risk factors with respect to money laundering activities. Examples, although not comprehensive, of persons posing high risk factors are persons resident in or organized under the laws of a "*non-cooperative jurisdiction*" or other jurisdictions designated by the Department of the Treasury as warranting special measures due to money laundering concerns, and any person whose capital contributions originate from or are routed through certain banking entities organized or chartered in a non-cooperative jurisdiction.

In addition, the Partnership's AML Program prohibits the acceptance of subscriptions from or on behalf of:

- persons on the List of Specially Designated Nationals and Blocked Persons maintained by the U.S. Office of Foreign Asset Control;
- persons on the Annex to Executive Order 13224;
- persons on such other lists as may be promulgated by law or regulation; and
- foreign banks unregulated in the jurisdiction they are domiciled in or which have no physical presence.

Governmental regulators are continuing to consider appropriate measures to implement anti-money laundering laws as they apply to private investment funds such as the Partnership. The General Partner and/or its affiliates will take such steps as it determines are necessary to comply with applicable law, regulations, orders, directives or special measures that may be required by governmental regulators. The specific policies and procedures that the Partnership may be required to implement remain unclear, although such steps may include additional measures to confirm the identity of each investor, including the principal beneficial owners of the investor, if applicable, and/or reporting suspicious transactions to governmental regulators.

The requirements for the General Partner and the Administrator to guard against and identify money laundering activities in deciding whether to accept subscriptions are in addition to the discretion that the General Partner has in deciding whether to accept subscriptions.

The Administrator and its agents may request such further information as they consider necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator may refuse to process the application until proper information has been provided, and any subscription moneys relating thereto received will be returned to the account from which they were originally remitted without interest. Additionally, the Administrator and its agents may request such further information as they consider necessary to process a redemption request and may refuse to remit redemption proceeds (that is "*freeze*" the redemption proceeds) until proper and satisfactory information has been provided. The Administrator shall have no liability if there are losses due to a delay in or refusal to admit the investor, as a result of inadequate information from the applicant.

APPENDIX A

BROKERAGE AND CUSTODY

Brokerage Arrangements

The General Partner is responsible for the placement of the portfolio transactions of the Partnership and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased through brokers on securities' exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the asked price.

Many of the Partnership's securities trades will be cleared by Interactive Brokers, LLP (the "Prime Broker") pursuant to the terms of a clearing agreement with the General Partner. Securities transactions are executed by brokers selected by the General Partner in its sole discretion and without the consent of the Partnership. In placing portfolio transactions, the General Partner will seek to obtain the best execution for the Partnership, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the General Partner's other selection criteria. The General Partner is not required to weigh any of these factors equally.

The General Partner is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if the General Partner determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. The General Partner is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by the General Partner, and the General Partner's fee is not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers used by the Partnership may be utilized by the General Partner or its affiliates in connection with its investment services for other accounts and, likewise, research services provided by broker-dealers used for transactions of other accounts may be utilized by the General Partner in performing its services for the Partnership. Since commission rates in the United States are negotiable, selecting brokers on the

basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

In addition to research services, the General Partner may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of the Partnership. These benefits may take the form of special execution capabilities, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution. They may also take the form of payment of all or a portion of the General Partner's research and research related costs and expenses. These benefits may be available for use by the General Partner in connection with transactions in which the Partnership will not participate. The availability of these benefits may influence the General Partner to select one broker rather than another to perform services for the Partnership. Nevertheless, the General Partner will attempt to assure either that the fees and costs for services provided to the Partnership by brokers offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers not offering such services or that the Partnership also will benefit from the services.

The General Partner has the option to use "*soft dollars*" generated by the Partnership to pay for the research and research related services described above. The term "*soft dollars*" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the General Partner, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the General Partner. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "*safe harbor*" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the General Partner in the performance of investment decision-making responsibilities. In the event the General Partner elects to use its soft dollars for payment of all or a portion of the General Partner's costs and expenses related to research and research related requirements, such uses of soft dollars will be within the safe harbor afforded by Section 28(e).

The use of brokerage commissions to obtain investment research services of the General Partner creates a conflict of interest between the General Partner and the Partnership, because the Partnership pays for such products and services that are not exclusively for the benefit of the Partnership. To the extent that the General Partner is able to acquire these products and services without expending its own resources (including management fees paid by the Partnership), the General Partner's use of "*soft-dollars*" would tend to increase the General Partner's profitability. In addition, the availability of these non-monetary benefits may influence the General Partner to select one broker rather than another to perform services for the Partnership. The Partnership Agreement specifically authorizes these practices to the fullest extent permitted by law.

Custody

Most of the Partnership's securities and other assets are held in the custody of the Prime Broker. The Partnership is eligible for insurance coverage against loss with respect to assets held

in the custody of the Prime Broker in the event of the bankruptcy or liquidation of the Prime Broker to the same extent as that broker's other customers.

APPENDIX B

TAXATION

Circular 230 Notice

The tax advice contained in this document is not given in the form of a covered opinion, within the meaning of Circular 230 issued by the United States Secretary of the Treasury. Thus, we are required to inform you that you cannot rely upon any advice contained in this document for the purpose of avoiding United States federal tax penalties. The tax advice contained in this document was written to support the promotion or marketing of the transactions or matters described in this document. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Introduction

The following is a summary of certain aspects of U.S. federal taxation of the Partnership and their Limited Partners arising from the purchase, ownership and disposition of an interest in the Partner (the "Interest"). The Partnership has not sought a ruling from the Internal Revenue Service (the "Service") or any similar state or local authority with respect to any of the tax issues affecting the Partnership and none will be sought, nor has it requested or obtained an opinion of counsel with respect to any tax issues.

This summary is based on U.S. tax laws, regulations, judicial decisions, undertakings and rulings in force on the date of this Memorandum. Changes in existing laws or regulations and their interpretation may occur after the date of this Memorandum and could alter the income tax consequences of an investment in the Partnership. This summary does not discuss all of the tax consequences that may be relevant to a particular investor or to certain investors subject to special treatment under the federal income tax laws, such as insurance companies, financial institutions or securities dealers. Further, this discussion assumes that all non-U.S. persons will invest in the Offshore Fund and will not invest in the Partnership and, therefore, does not address the tax considerations relevant to an investment in the Partnership by a non-U.S. person.

EACH PROSPECTIVE LIMITED PARTNER IS URGED TO CONSULT ITS TAX ADVISOR IN ORDER TO UNDERSTAND FULLY THE FEDERAL, STATE, LOCAL AND ANY FOREIGN TAX CONSEQUENCES OF SUCH AN INVESTMENT IN ITS PARTICULAR SITUATION.

United States Taxation Matters

Classification of the Partnership

The General Partner believes that, under the provisions of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated under the Code (the

"Regulations") as currently in effect, the Partnership will be treated for federal income tax purposes as a partnership and not as an association taxable as a corporation.

Certain "*publicly traded partnerships*" are treated as associations that are taxable as corporations for U.S. federal income tax purposes. A publicly traded partnership is any partnership the interests in which are traded on an established securities market or which are readily tradable on a secondary market (or substantial equivalent thereof). Interests in the Partnership will not be traded on an established securities market. Regulations concerning the classification of partnerships as publicly traded partnerships provide certain safe harbors under which interests in a partnership are not considered readily tradable on a secondary market (or the substantial equivalent thereof). Depending on the number of Partners, the Partnership may qualify for a safe harbor exemption for partnerships that are offered to investors in a private placement.

If it were determined that the Partnership should be classified as an association or a publically traded partnership taxable as a corporation for U.S. federal income tax purchases, the taxable income of the Partnership would be subject to corporate income taxation when recognized by the Partnership; distributions of such income, other than with respect to certain withdrawals, would be treated as dividend income when received by the Limited Partners to the extent of the current or accumulated earnings and profits of the Partnership and Limited Partners would not report profits or losses realized by the Partnership.

It is assumed in the following discussion of tax considerations that the Partnership is classified as a partnership for federal income tax purposes.

U.S. Federal Income Taxation of the Partnership and Partners Generally

If the Partnership is treated as a partnership, the Partnership will not be subject to U.S. federal income tax. Each Limited Partner, in computing its own U.S. federal income tax liability for a taxable year, will be required to report separately on its federal income tax return its distributive share of the Partnership's net long-term capital gain or loss, net short-term capital gain or loss, and net ordinary income and deductions and credits for such taxable year ending within or with the Limited Partner's taxable year in accordance with the allocations set forth in the Partnership Agreement. Each Limited Partner will be taxed on its distributive share of the Partnership's taxable income and gain regardless of whether it has received or will receive a distribution from the Partnership.

The Partnership will file annual partnership information returns with the Service that reports the results of its operations for the taxable year, and will distribute annually to each Limited Partner a form showing its distributive share of Partnership items of income, gain, loss, deduction or credit. The General Partner will have the authority to decide how to report the Partnership items on the Partnership's tax returns, and all Limited Partners will be required under the Partnership Agreement to treat the items consistently on their own returns. An audit by the Service of the tax treatment of the Partnership's income and deductions generally will be determined at the Partnership level in a single proceeding rather than by individual audits of the Limited Partners. In this regard, the General Partner, as the "*Tax Matters Partner*," will have the authority to bind certain Limited Partners to settlement agreements and the right on behalf of all

Limited Partners to extend the statute of limitations relating to the Limited Partners' tax liabilities with respect to Partnership items.

Under the Partnership Agreement, for U.S. federal income tax purposes for any fiscal year, the General Partner has the discretion to allocate specially an amount of the Partnership's net gains or net losses (or items of gross income or losses or deduction) from the sale of Partnership assets to a withdrawing Partner to the extent that the Partner's capital account differs either positively or negatively from its U.S. federal income tax basis in its Interest. There can be no assurance that, if the General Partner makes such a special allocation, the Service will accept such allocation. If such allocation is successfully challenged by the Service, the Partnership's gains allocable to the remaining Partners would be increased.

The Partnership expects to act as a trader or investor, and not as a dealer, with respect to its securities transactions. Generally, the gains and losses realized by a trader or investor on the sale of securities are capital gains and losses. Thus, the Partnership expects that its gains and losses from its securities transactions typically will be capital gains and capital losses. These capital gains and losses may be long-term, or short-term depending, in general, upon the length of time the Partnership maintains a particular investment position and, in some cases, upon the nature of the transaction. Property held for more than twelve (12) months generally will be eligible for long-term capital gain or loss treatment.

The Partnership may be involved in a variety of hedging transactions to reduce the risk of changes in value in their investments. Special rules may apply to determine the tax treatment of such hedging transactions, which may affect the Partnership's holding period attributable to such property, the characterization of gain or loss as ordinary or capital and, if capital, as long-term or short-term, and the timing of the realization of gains or losses on the actual or deemed sale of the property, including, in some cases, property owned by a Limited Partner outside of the Partnership. For instance, gain or loss from a short sale of property generally will be considered as capital gain or loss to the extent the property used to close the short sale constitutes a capital asset in the Partnership's hands. Except with respect to certain situations where the property used by the Partnership to close a short sale has a long-term holding period on the date of the short sale, gains on short sales will be treated as short-term capital gains. These rules also may terminate the running of the holding period of "*substantially identical property*" held by the Partnership. Moreover, a loss on a short sale will be treated as a long-term capital loss if, on the date of the short sale, "*substantially identical property*" has been held by the Partnership for more than one year. Certain hedging transactions also may cause a constructive sale of the Partnership's long position that is the subject of the hedge.

The Partnership may derive ordinary interest income (and possibly dividends) on securities, and may be required to recognize income in respect of certain securities prior to receipt of any payment in respect of such securities. For instance, the Partnership may hold debt obligations with "*original issue discount*." In such case, the Partnership will be required to include a portion of such discount in its taxable income on a current basis, and allocate such income to the Limited Partners, even though receipt of such amounts by the Partnership may occur in a subsequent tax year. The Partnership al so may acquire debt obligations with "*market discount*." Upon disposition of such an obligation, which might include the receipt of securities of the issuer in a recapitalization exchange, the Partnership generally will be required to treat any

gain realized (and required to be recognized) as ordinary interest income to the extent of the market discount that accrued during the period the debt obligation was held by the Partnership. Recapitalization exchanges involving securities held by the Partnership also may result in the recognition of taxable gains prior to the receipt of cash or readily tradable property.

If the Partnership is treated as a trader, the Partnership may, in its discretion, make an election under Section 475(f) of the Code to apply a mark to market system of recognizing unrealized gains and losses on securities as if the securities were sold for fair market value at the close of any taxable year of the Partnership. The amount recognized when gain or loss is subsequently realized would be adjusted for amounts recognized in marking to market. The election would apply with respect to securities held in connection with the Partnership's trade or business as a trader in securities. The election would not apply to any securities with respect to which the Partnership could demonstrate, to the satisfaction of the Service, that they are held for investment. Once a Section 475(f) election is made, it can be revoked only with the consent of the Service. In the event that the Partnership makes such an election, the Partnership's gains and losses from marking securities to market (and gain or loss recognized before the end of the taxable year with respect to any security that would have been marked to market) would be treated as ordinary income and losses. The mark to market election offers certain tax advantages for the Limited Partners, such as the following: (a) the election allows full deduction for trading losses if any, without regard to the $3,000 annual limit on capital losses for individuals (see below); (b) allocated losses can be used fully to offset other sources of income (e.g., wages, dividend, interest, capital gain, etc.) and may, in certain circumstances, be carried back up to two years and forward twenty years; (c) the wash sale rules will not apply to losses recognized as a result of a security being marked to market; (d) absent the election, the Partnership's gains from writing options are expected to be short-term capital gains, which generally would be taxed at ordinary income rates and so making the election should not increase the rate of tax on these gains, and (e) it would eliminate the possibility of having to report capital gains at a time when the overall portfolio may have decreased in value.

The Partnership may be required to purchase foreign currency with which to make their investments and may receive foreign currency when a security is sold or when an interest payment is made on a security. These transactions may give rise to gains and losses because of fluctuations in the value of the foreign currency relative to the U.S. dollar during the Partnership's holding period of an investment. Foreign currency gain or loss must be accounted for separately, apart from any gain or loss on the underlying transaction, and the Code contains special rules which treat, in most circumstances, such gains and losses as ordinary income or losses rather than capital gains or losses.

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

For taxable years beginning after December 31, 2012, a 3.8% Medicare contribution tax will generally apply to all or a portion of the net investment income of a U.S. Limited Partner that is an individual, that is not a nonresident alien for federal income tax purposes, and that has adjusted gross income (subject to certain adjustments) that exceeds a threshold amount ($250,000 if married filing jointly or if considered a "*surviving spouse*" for U.S. federal income tax purposes, $125,000 if married filing separately, and $200,000 in other cases). This 3.8% tax will also apply to all or a portion of the undistributed net investment income of certain U.S. Limited Partners that are estates and trusts. For these purposes, a U.S. Limited Partner's distributive share of income characterized as interest, dividend and capital gain income from the Partnership will generally be taken into account in computing such U.S. Limited Partner's net investment income.

Taxation of Distributions and Withdrawals

Cash non-liquidating distributions and withdrawals, to the extent they do not exceed a

Limited Partner's basis in its Interest, will not result in taxable income to that Limited Partner, but will reduce its tax basis in its Interest by the amount distributed or withdrawn. Cash distributed to a Limited Partner in excess of the basis of its Interest is generally taxable as capital gain.

Upon the withdrawal of a Limited Partner receiving a cash liquidating distribution from the Partnership, such Limited Partner generally will recognize capital gain or loss to the extent of the difference between the proceeds received by the withdrawing Limited Partner and such Partner's adjusted tax basis in its Interest. Such capital gain or loss will be short-term or long-term depending upon the Partner's holding period (or holding periods) for its Interest. However, a withdrawing Limited Partner will recognize ordinary income to the extent such Partner's allocable share of the Partnership's "*unrealized receivables*" exceeds the Partner's basis in such unrealized receivables (as determined pursuant to the Treasury Regulations promulgated under the Code). For these purposes, accrued but untaxed market discount, if any, on securities held by the Partnership will be treated as an unrealized receivable, with respect to which a withdrawing Partner would recognize ordinary income.

Distributions of property other than cash, whether in complete or partial liquidation of a Limited Partner's Interest, generally will not result in the recognition of taxable income or loss to the Limited Partner (except to the extent such distribution is treated as made in exchange for such Limited Partner's share of the Partnership's unrealized receivables). However, a distribution of marketable securities will be treated as a distribution of cash (which, as described above. can require the recognition of gain by the recipient Limited Partner), unless the distributing partnership is an "*investment partnership*" and the recipient is an "*eligible partner*" as defined in Section 731(c) of the Code. Although the General Partner cannot provide any assurances of whether the Partnership is an "*investment partnership*" for these purposes, the General Partner anticipates that the Partnership should qualify as "*investment partnerships*." Thus, if a Limited Partner is an "*eligible partner*," which term should include a Limited Partner whose sole contributions to the Partnership consisted of cash, a distribution of marketable securities to such Limited Partner should not require the recognition of gain by such Limited Partner.

The Partnership Agreement provides that the General Partner has the discretion to allocate specially an amount of the Partnership's net gains or net loss (or items of gross income or losses or deductions) from the sale of Partnership assets for U.S. federal income tax purposes for any fiscal year to a withdrawing Partner to the extent that the Partner's capital account differs from its U.S. federal income tax basis in its Interest. Such a special allocation may result in the withdrawing Partner recognizing taxable income, which may include short-term gain, in the Partner's last taxable year in the Partnership, thereby reducing the amount of long-term capital gain recognized during the tax year in which it receives its liquidating distribution upon withdrawal. In certain circumstances, special allocations of net losses (or items of expense, loss or deduction) to a withdrawing Partner may result in a greater allocation of taxable income or gain, or a lower allocation of losses, to the remaining Partners.

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

Limitations on Losses and Deductions

Limited Partners that are individuals or certain types of corporations may be limited in their ability to deduct expenses or losses of the Partnership. For instance, if or to the extent that the Partnership's operations do not constitute a "*trade or business*" within the meaning of Section 162 and other provisions of the Code, an individual Limited Partner's distributive share of the Partnership's expenses (including any amounts that are treated for tax purposes as expenses of the Partnership) would be deductible only as itemized deductions, subject to the limitations of Sections 67 and 68 of the Code. The deductible portion, if any, of such expenses becomes part of the Limited Partner's total itemized deductions, which total is in the case of certain individuals, for tax years starting after December 31, 2012 subject to further reduction generally in amount equal to the lesser of three (3%) percent of a Limited Partner's adjusted gross income over a threshold level or eighty (80%) percent of the Limited Partner's otherwise allowable total itemized deductions. In this regard, if all or a portion of the Performance Allocation to the General Partner were re-characterized for tax purposes as an expense of the Partnership, each non-corporate Limited Partner's share of such expense could be subject to such limitations. Itemized deductions are non-deductible in computing such Limited Partner's alternative minimum taxable income and alternative minimum tax liability.

Interest paid or accrued on indebtedness properly allocable to property held for investment, other than a passive activity ("investment interest"), generally is deductible by individuals and other non-corporate taxpayers only to the extent it does not exceed net investment income. Investment interest disallowed under this limitation is carried forward and

treated as investment interest in succeeding taxable years. Investment income includes (i) gross income from "*property held for investment*", and (ii) generally includes short-term capital gains attributable to the disposition of such property and (iii) any (long-term) capital gains attributable to the disposition of such property and qualified dividend income so long as the taxpayer has elected to have such net (long-term) capital gains and qualified dividend income taxed at ordinary income rates. For purposes of these rules, property held for investment includes property that produces "*portfolio income*" and any interest in a trade or business activity which is not a passive activity and in which the holder does not materially participate. Any items of income or expense taken into account under the passive activity loss limitation are excluded from investment income and expense for purposes of computing net investment income. It should be noted that if the Partnership is treated as engaged in a trade or business with respect to its trading activities, then in the case of an individual, interest paid or accrued on indebtedness allocable to property held for investment (i.e. any interest in a trade or business activity which is not a passive activity and in which the holder does not materially participate) is (after the application of the limitation described in the first sentence of this paragraph) a trade or business deduction taken into account in determining the individual's adjusted gross income.

Further, income, gains and losses of the Partnership generally will not be treated as passive income or losses for purposes of the passive activity loss limitations of Section 469 of the Code. Accordingly, individuals, personal service corporations and certain closely-held corporations that have passive activity losses from other activities are restricted in their ability to use such losses to offset income and gains from the Partnership, although losses of the Partnership will not be subject to the passive activity loss limitation.

A Limited Partner that is subject to the "*at risk*" limitations (generally, non-corporate taxpayers and closely held corporations) may not deduct losses of the Partnership to the extent that they exceed the amount such Limited Partner has "*at risk*" with respect to its Interest at the end of the year. The amount that a Limited Partner has "*at risk*" will generally be the same as its adjusted tax basis as described below, except that it will generally not include any amount attributable to liabilities of the Partnership, or any amount borrowed by the Limited Partner, on a non-recourse basis. Losses denied under the basis or "*at risk*" limitations will be suspended and may be carried forward in subsequent taxable years, subject to these and other applicable limitations.

A Limited Partner may not deduct its allocable share of the Partnership's losses to the extent it exceeds the amount of its adjusted tax basis in its Interest. A Limited Partner's adjusted tax basis in its Interest also determines the amount of gain or loss on a sale or other disposition of its Interest. Generally, the adjusted tax basis of an Interest equals the amount paid by a Limited Partner for the Interest reduced (but not below zero) by the Limited Partner's allocable share of cash distributions from the Partnership and losses and increased by its share of taxable Partnership income and Partnership indebtedness.

Tax Consequences for Tax-Exempt Investors

A Limited Partner that is an organization exempt from tax under Section 501(a) of the Code (a "Tax-Exempt U.S. Investor") will be subject to tax on its allocable share of the Partnership's income that is considered to be "*unrelated business taxable income*" ("UBTI") as

defined in Section 512 of the Code, and may be subject to the alternative minimum tax with respect to items of tax preference which enter into the computation of UBTI. Section 512(b) of the Code provides that UBTI generally does not include dividends, interest, and gain or loss from the disposition of property other than stock in trade or property held for sale in the ordinary course of the unrelated trade or business. Therefore, in light of the Partnership's investment program, a Tax-Exempt U.S. Investor should not realize UBTI to the extent that its distributive share of the Partnership's income consists of dividends, interest, capital gains and certain other items which are excluded from unrelated business taxable income under Section 512(b) of the Code (except to the extent any such income constitutes "UDFI", as discussed in the next paragraph).

A Tax-Exempt U.S. Investor also is subject to tax with respect to its, and its allocable share of the Partnership's, "*unrelated debt-financed income*" pursuant to Section 514 of the Code ("UDFI"). In general, UDFI consists of (i) income derived by a tax-exempt organization (directly or through a partnership) from income-producing property with respect to which there is "*acquisition indebtedness*" at any time during the taxable year and (ii) gains derived by a tax exempt organization (directly or through a partnership) from the disposition of property with respect to which there is "*acquisition indebtedness*." For these purposes, a short sale of publicly traded stock will not create "*acquisition indebtedness*" unless the Partnership borrows funds to post collateral against such short sale.

The Partnership may generate income attributable to debt-financed property which will be attributed to the Partners, including any Tax-Exempt U.S. Investors. A Tax-Exempt U.S. Investor's share of the Partnership's income which is treated as UBTI may be significant (depending upon the degree of leverage utilized by the Partnership). In addition to other relevant considerations, fiduciaries of employee pension trusts and other prospective tax-exempt investors should consider the consequences of realizing UBTI in making a decision whether to invest in the Partnership.

Investor Tax Filings and Record Retention

The U.S. Treasury Department has adopted regulations designed to assist the Service in identifying abusive tax shelter transactions. In general, the regulations require investors in specified transactions (including partners in partnerships that engage in such transactions) to satisfy certain special tax filing and record retention requirements. Significant monetary penalties (in addition to penalties that generally may be applicable as a result of a failure to comply with applicable Treasury regulations) may be imposed for failure to comply with these tax filing and record retention rules.

The regulations are broad in scope, and it is conceivable that the Partnership may enter into transactions that will subject the Partnership and certain investors to the special tax filing and record retention rules. Additionally, under the regulations, an investor's recognition of loss upon its disposition of its Interest could cause the investor to become subject to special tax filing and record retention rules. The General Partner intends to provide information to investors necessary to enable investors to satisfy any tax filing and record retention requirements that may arise as a result of any transactions entered into by the Partnership.

State and Local Taxes

In addition to the federal income tax consequences described above, prospective Limited Partners should consider potential state and local tax consequences of an investment in the Partnership. State and local laws often differ from federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. A Partner's distributive share of the taxable income or loss of the Partnership generally will be required to be included in determining its reportable income for state and local tax purposes in the jurisdiction in which it is a resident.

Limited Partners may be subject to state and/or local franchise, withholding, income, capital gain or other tax payment obligations and filing requirements in those jurisdictions where the Partnership owns real estate assets or is otherwise regarded as doing business or earning income. Credits for these taxes may not be available (or may be subject to limitations) in the jurisdictions in which Limited Partners are residents. Each potential investor is urged to consult with its own tax advisor in this regard.

Other Taxation

Although there can be no assurance, it is intended that the affairs of the Partnership will be conducted such that the Partnership will not be subject to regular income taxation in any other jurisdiction. The Partnership and their Limited Partners may be subject to other taxes, such as the alternative minimum tax, and estate, inheritance or intangible property taxes that may be imposed by various domestic jurisdictions, as well as foreign withholding or gains taxes.

Income and gains from investments held by the Partnership may be subject to withholding taxes or taxes in jurisdictions other than those described herein, subject to the possibility of reduction under applicable tax treaties. Limited Partners generally may be entitled, subject to applicable limitations, to a credit against U.S. income tax for creditable foreign income taxes paid on the foreign source income and gains of the Partnership (which may not include all of the Partnership's gains). The foreign tax credit rules are complex, and may, depending on each Limited Partner's particular circumstances, limit the availability or use of foreign tax credits.

It is the responsibility of each prospective investor to satisfy itself as to, among other things, the legal and tax consequences of an investment in the Partnership, under the laws of the state(s) of its domicile and its residence, by obtaining advice from its own tax counselor other advisor, and to file all appropriate tax returns that may be required.

The foregoing is a summary of certain U.S. federal income tax considerations affecting certain Limited Partners, the Partnership, and the Partnership's proposed operations and does not purport to be a complete analysis of all relevant lax rules and considerations and is not intended to be tax advice, nor does it purport to be a complete listing of all potential tax risks inherent in purchasing or holding an Interest. The foregoing does not address tax considerations affecting investors that are not U.S. persons and it does not discuss any aspects of stale, local, foreign or non-income tax laws which may be applicable to a Limited Partner. Each prospective investor

in the Partnership is urged to consult its own tax advisor in order to understand fully the federal, state, local and any foreign lax consequences of such an investment in its particular situation.

APPENDIX C

ERISA CONSIDERATIONS

General

Fiduciaries and other persons who are proposing to invest in limited partner interests on behalf of retirement plans, IRAs and other employee benefit plans ("Plans") covered by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the Internal Revenue Code of 1986, as amended (the "Code"), should give appropriate consideration to, among other things, the role that an investment in the Partnership plays in the Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the Plan's purposes, the investment's risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the Plan, the projected return of the total portfolio relative to the Plan's objectives and the limited right of Limited Partners to withdraw all or any part of their capital or to transfer their limited partner interests in the Partnership and whether investment in the Partnership constitutes a direct or indirect transaction with a party in interest (under ERISA) or a disqualified person (under the Code).

Plan Asset Regulation and Benefit Plan Investors

The United States Department of Labor ("DOL") has adopted regulations that treat the assets of certain pooled investment vehicles, such as the Partnership, as "*plan assets*" for purposes of Title I of ERISA and Section 4975 of the Code ("Plan Assets"). Section 3(42) of ERISA defines the term "Plan Assets" to mean plan assets as defined by such regulations as the DOL may prescribe, except that under such regulations the assets of an entity shall not be treated as Plan Assets if, immediately after the most recent acquisition of an equity interest in the entity, less than 25% of the total value of each class of equity interest in the entity is held by "*benefit plan investors*" (the "*significant participation test*"). For purposes of this determination, the value of any equity interest held by a person (other than such a "*benefit plan investor*") who has discretionary authority or control with respect to the assets of the entity or any person who provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person, shall be disregarded. An entity shall be considered to hold Plan Assets only to the extent of the percentage of the equity interest held by "*benefit plan investors*." The term "Benefit Plan Investors" means any employee benefit plan subject to part 4 of Title I of ERISA (i.e., plans subject to the fiduciary provisions of ERISA), any plan to which the prohibited transaction provisions of Section 4975 of the Code apply (e.g., IRAs), and any entity whose underlying assets include Plan Assets by reason of a plan's investment in such entity (a "Plan Asset Entity").

In order to prevent the assets of the Partnership from being considered Plan Assets under ERISA, it is the intention of the Partnership to monitor the investments in the Partnership and prohibit the acquisition, redemption or transfer of any class of equity interests in the Partnership by any investor, including a Benefit Plan Investor, unless, after giving effect to such an acquisition, redemption or transfer, the total proportion of any equity interests of any class owned by Benefit Plan Investors would be less than 25% of the aggregate value of any class of equity interests (determined, as described above, by excluding certain interests held by the General Partner, other fiduciaries and affiliates) (the "25% Limit").

Without limiting the generality of the foregoing, in order to limit equity participation in any class equity interests in the Partnership by Benefit Plan Investors so that it does not exceed the 25% Limit the Partnership may require the compulsory redemption of equity interests of any class. Each Limited Partner that is an insurance company acting on behalf of its general account or a Plan Asset Entity will be required to represent and warrant that as of the date it acquires a limited partner interest in the Partnership the maximum percentage of such general account or Plan Asset Entity (as reasonably determined by such insurance company or Plan Asset Entity) that will constitute Plan Assets (the "Maximum Percentage") so such percentage can be calculated in determining the percentage of Plan Assets invested in the Partnership. Further, each such insurance company and Plan Asset Entity will be required to covenant that if, after its initial acquisition of a limited partner interest in the Partnership, the Maximum Percentage is exceeded at any time during any calendar month, then such insurance company or Plan Asset Entity shall immediately notify the General Partner of that occurrence and shall, in a manner consistent with the restrictions on transfer set forth herein, redeem or dispose of all of its limited partner interests held in the Partnership in its general account or Plan Asset Entity by the end of the next following calendar month (or such earlier period directed by the General Partner). The Plan Asset status of insurance company separate accounts is unaffected by new Section 401(c) of ERISA, and separate account assets continue to be treated as the Plan Assets of any Plan invested in a separate account.

If the Partnership's assets were considered Plan Assets, then, under ERISA and the Code, the General Partner could become a fiduciary, and certain members, officers and employees of the General Partner and other entities providing services to the Partnership as well as certain affiliates may be "*parties in interest*" and "*disqualified persons*" with respect to the investing Plans. This might result in the rendering of services to certain related parties or the lending of money or other extensions of credit, or the sale, exchange or leasing of property by the Partnership or certain related parties, or the payment of certain fees, as well as certain other transactions, being deemed to constitute prohibited transactions. Additionally, individual investment in equity interests in the Partnership by persons who are fiduciaries, and/or parties-in-interest and disqualified persons, to a Plan might be deemed to constitute prohibited transactions under such circumstances.

If at any point the aggregate investment in the Partnership by Benefit Plan Investors equals or exceeds the 25% Limit with respect to the Partnership, the General Partner will provide written notice to Limited Partners. In the event that the Partnership determines to require the compulsory withdrawal of any class of equity interest in the Partnership in order to ensure that the aggregate investment in the Partnership by Benefit Plan Investors does not equal or exceed the 25% Limit, the Partnership will endeavor to effectuate such compulsory withdrawal on a *pro*

rata basis among all Benefit Plan Investors, except to the extent that an error or misrepresentation on the part of a particular Limited Partner caused the Partnership to have exceeded the 25% Limit.

Representation by Plans

The fiduciaries of each Plan proposing to invest in the Partnership are required to represent that they have been informed of and understand the Partnership's investment objectives, policies and strategies and that the decision to invest Plan Assets in the Partnership is consistent with the provisions of ERISA and/or the Code that require diversification of Plan Assets and impose other fiduciary responsibilities. By its purchase, each investor will be deemed to have represented that either (a) it is not a Plan that is subject to the prohibited transaction rules of ERISA or the Code, (b) it is not an entity whose assets include Plan Assets or (c) its investment in the Partnership will not constitute a non-exempt probibited transaction under ERISA or the Code.

Holding of Indicia of Ownership.

Assets of Plans subject to ERISA must at all times comply with the "*indicia of ownership*" rules set forth in Section 404(b) of ERISA, which require the fiduciaries of such Plans to maintain the indicia or evidence of ownership of any assets of a Plan subject to ERISA within the jurisdiction of the district courts of the United States. Fiduciaries of Plans subject to ERISA who are considering an investment of Plan assets in limited partner interests should consult their own legal advisers regarding compliance with these rules.

Reporting Requirements.

Plans are required to determine the fair market value of their assets as of the close of each Plan's fiscal year. Plans are also required to file annual reports (Form 5500 series) with the DOL. To facilitate fair market value determinations, and to enable fiduciaries of Plans to satisfy their annual reporting requirements as they relate to an investment in the Partnership, Limited Partners will be furnished annually with audited financial statements as described in this Memorandum. There can be no assurance (i) that any value established on the basis of such statements could or will actually be realized by investors upon the Partnership's liquidation, (ii) that Limited Partners could realize such value if they were able to, and were to sell their limited partner interests, or (iii) that such value will in all circumstances satisfy the applicable ERISA or Code reporting requirements. In addition, the fiduciaries of Plans investing in the Partnership are notified that the information in this Memorandum in relation to: (w) the compensation received by the General Partner hereunder; (x) the services provided by the General Partner for the compensation and the purpose for the payment of the compensation; (y) a description of the formula used to calculate the compensation; and (z) the identity of the parties paying and receiving the compensation, is intended to satisfy the alternative reporting option with respect to compensation that is reportable on Schedule C of the Form 5500 filed on behalf of the Plans.

Unrelated Business Taxable Income

Fiduciaries of Plans should be aware that the Partnership's operations may give rise to unrelated business taxable income. See Appendix B.

Whether or not the underlying assets of the Partnership are deemed Plan Assets, an investment in the Partnership by a Plan is subject to ERISA and the Code. Accordingly, Plan fiduciaries should consult their own counsel as to the consequences under ERISA and the Code of an investment in the Partnership. Note that similar laws governing the investment and management of the assets of governmental or non-U.S. plans may contain fiduciary and prohibited transaction requirements similar to those under EIRSA and Code. Accordingly, fiduciaries of such governmental or non-U.S. plans, in consultation with their counsel, should consider the impact of their respective laws and regulations on an investment in the Partnership.