# NORTHPOST PARTNERS, LP

A California Limited Partnership

**CONFIDENTIAL OFFERING MEMORANDUM**

February 2018

Minimum Investment: $25,000

PRIVATE OFFERING OF LIMITED PARTNERSHIP INTERESTS

NorthPost Partners, LLC offers limited partnership interests in NorthPost Partners, LP (the "Partnership"). The Partnership is a long-short equity hedge fund which seeks to achieve absolute market returns in all market conditions and distribute profits to limited partners on a quarterly basis.

Interests are being offered solely to those investors who meet the requirements set forth in the applicable securities laws for "accredited investors," and "qualified clients." These terms are defined in Regulation D promulgated under the Securities Act of 1933 (the "Securities Act") and the Advisers Act of 1940, each as amended, respectively. They are also defined herein and in the Subscription Application.

An investment in the Partnership is speculative and involves substantial risks, several of which are described in this Offering Memorandum (See "Certain Risk Factors"). Prospective investors should satisfy themselves that an investment in the Partnership is suitable for them and should carefully examine this Offering Memorandum and the Limited Partnership Agreement attached hereto as Exhibit A.

Offering Memorandum No. _____

Recipient's Name _____

This Confidential Offering Memorandum is being given to the recipient solely for the purpose of his or her evaluation of an investment in the limited partnership interests described herein. It may not be reproduced or distributed to anyone else (other than the identified recipient's professional advisers). The recipient, by accepting delivery of this Offering Memorandum, agrees to return it and all related documents to the General Partner if the recipient does not subscribe for a limited partnership interest.

GENERAL PARTNER

NORTHOST PARTNERS, LLC
76 Oak Grove Drive
Novato, CA 94949
(310) 773-6431

**THESE SECURITIES ARE SUBJECT TO A HIGH DEGREE OF RISK.**
**SEE "CERTAIN RISK FACTORS."**

## NOTICE TO ALL INVESTORS

THE DISTRIBUTION OF THIS OFFERING MEMORANDUM AND THE OFFER AND SALE OF THE INTERESTS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR WILL THERE BE ANY SALE OF INTERESTS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

THE OFFERING OF LIMITED PARTNERSHIP INTERESTS ("INTERESTS") MADE HEREBY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), THE SECURITIES LAWS OF ANY STATE OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, NOR IS SUCH REGISTRATION CONTEMPLATED. **ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

THE INTERESTS WILL BE OFFERED AND SOLD UNDER THE EXEMPTION PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT AND REGULATION D PROMULGATED THEREUNDER AND SIMILAR EXEMPTIONS IN THE LAWS OF THE STATES AND JURISDICTIONS WHERE THE OFFERING OF THE INTERESTS WILL BE MADE. THEREFORE, EACH SUBSCRIBER WILL BE REQUIRED TO AGREE THAT THE SUBSCRIBER, AND ANY ACCOUNT FOR WHICH THE SUBSCRIBER IS ACQUIRING THE INTERESTS, (I) IS ACQUIRING THE INTERESTS FOR THE SUBSCRIBER'S OWN ACCOUNT, FOR INVESTMENT AND NOT FOR SALE IN CONNECTION WITH ANY DISTRIBUTION THEREOF; (II) WAS NOT FORMED SOLELY FOR THE PURPOSE OF INVESTING IN THE INTERESTS; (III) SHALL NOT HOLD THE INTERESTS FOR THE BENEFIT OF ANY OTHER PERSON; AND (IV) SHALL NOT SELL PARTICIPATION INTERESTS IN THE INTERESTS OR ENTER INTO ANY OTHER ARRANGEMENT PURSUANT TO WHICH ANY OTHER PERSON SHALL BE ENTITLED TO A BENEFICIAL INTEREST IN THE DISTRIBUTIONS ON THE INTERESTS (IF ANY). THE INTERESTS MAY BE OFFERED OR SOLD ONLY TO PERSONS WHO ARE "ACCREDITED INVESTORS" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT AND "QUALIFIED CLIENTS" AS DEFINED IN RULE 205-3 UNDER THE INVESTMENT ADVISERS ACT OF 1940, AS AMENDED ("ADVISERS ACT").

THE PARTNERSHIP WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THEREFORE, EACH SUBSCRIBER WILL BE REQUIRED TO REPRESENT THAT, (I) EXCEPT WHERE SPECIFICALLY APPROVED BY THE GENERAL PARTNER, IT IS ONE BENEFICIAL OWNER FOR PURPOSES OF SECTION 3(c)(1) OF THE INVESTMENT COMPANY ACT AND (II) IS NOT AN INVESTMENT COMPANY, AS DEFINED IN THE INVESTMENT COMPANY ACT, OR AN ENTITY THAT WOULD BE AN INVESTMENT COMPANY BUT FOR THE EXEMPTION FROM REGISTRATION AS AN INVESTMENT COMPANY PROVIDED FOR IN SECTION 3(c)(1) OR SECTION 3(c)(7) OF SUCH ACT.

THE INTERESTS ARE SUBJECT TO SUBSTANTIAL RESTRICTIONS ON TRANSFERABILITY AND RESALE CONTAINED IN THE AGREEMENT, INCLUDING THE FOLLOWING: INTERESTS MAY NOT BE SOLD, ASSIGNED, PARTICIPATED, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT THE PRIOR WRITTEN CONSENT OF THE PARTNERSHIP, WHICH MAY BE GIVEN OR WITHHELD IN ITS SOLE DISCRETION.

THERE IS NO MARKET FOR THE INTERESTS, AND NONE IS EXPECTED TO DEVELOP. EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED HEREIN, INTERESTS ARE NOT REDEEMABLE AT THE OPTION OF THE HOLDER, AND SUBSCRIBERS WILL NOT HAVE THE RIGHT TO WITHDRAW THEIR CAPITAL.

**SUBSCRIBERS SHOULD PAY PARTICULAR ATTENTION TO THE INFORMATION UNDER THE CAPTION "CERTAIN RISK FACTORS" IN THIS OFFERING MEMORANDUM. INVESTMENT IN THE INTERESTS IS SUITABLE ONLY FOR SOPHISTICATED INVESTORS AND REQUIRES THE**

**FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE HIGH RISKS AND LACK OF LIQUIDITY INHERENT IN AN INVESTMENT IN A PRIVATE COMPANY. SUBSCRIBERS MUST BE PREPARED TO BEAR SUCH RISKS FOR AN EXTENDED PERIOD OF TIME AND TO LOSE THEIR ENTIRE INVESTMENT. NO ASSURANCE CAN BE GIVEN THAT THE PARTNERSHIP'S INVESTMENT OBJECTIVES WILL BE ACHIEVED OR THAT SUBSCRIBERS WILL RECEIVE A RETURN OF THEIR CAPITAL. INVESTMENT RESULTS MAY VARY SUBSTANTIALLY ON A DAILY, WEEKLY, QUARTERLY OR ANNUAL BASIS.**

IN MAKING AN INVESTMENT DECISION, SUBSCRIBERS MUST RELY ON THEIR OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. SUBSCRIBERS SHOULD NOT CONSTRUE THE CONTENTS OF THIS OFFERING MEMORANDUM AS LEGAL, TAX, INVESTMENT OR OTHER ADVICE. EACH SUBSCRIBER SHOULD MAKE HIS OWN INQUIRIES AND CONSULT HIS OWN ADVISORS AS TO THE PARTNERSHIP AND THIS OFFERING AND AS TO LEGAL, TAX AND OTHER MATTERS CONCERNING AN INVESTMENT IN THE PARTNERSHIP.

THIS OFFERING MEMORANDUM CONTAINS A SUMMARY OF THE AGREEMENT OF LIMITED PARTNERSHIP AND OF OTHER DOCUMENTS REFERRED TO HEREIN. THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM DOES NOT PURPORT TO BE COMPLETE, AND IT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PARTNERSHIP AGREEMENT AND THE OTHER DOCUMENTS, COPIES OF WHICH WILL BE MADE AVAILABLE UPON REQUEST AND WHICH SHOULD BE REVIEWED PRIOR TO SUBSCRIBING FOR INTERESTS.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN AS CONTAINED IN THIS OFFERING MEMORANDUM, AND ANY REPRESENTATION OR INFORMATION NOT CONTAINED IN THIS OFFERING MEMORANDUM MUST NOT BE RELIED UPON. STATEMENTS IN THIS OFFERING MEMORANDUM ARE MADE AS OF ITS DATE, UNLESS STATED OTHERWISE, AND NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM AT ANY TIME, NOR ANY SALE HEREUNDER, SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO SUCH DATE. THE GENERAL PARTNER RESERVES THE RIGHT TO MODIFY ANY OF THE TERMS OF THE OFFERING AND THE INTERESTS DESCRIBED HEREIN.

Subscribers having inquiries with respect to the Partnership or the Interests may direct such inquiries to the General Partner at the address or telephone number set forth on the cover page.

**NOTICE TO RESIDENTS OF ALL STATES**

THE INTERESTS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATES AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE INTERESTS ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE INTERESTS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

## TABLE OF CONTENTS

## SUMMARY OF THE OFFERING

The following is only a summary of the information contained in this Confidential Offering Memorandum ("Offering Memorandum") and is qualified in its entirety by the remainder of this Offering Memorandum, including the Agreement of Limited Partnership (the "Partnership Agreement") and the other exhibits to this Offering Memorandum. Capitalized terms not defined herein have the meanings given to them in the Partnership Agreement. Prospective subscribers should consult their own advisers in order to understand fully the consequences of an investment in the Partnership.

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| **The General Partner**<br>See "Management" | The general partner of NorthPost Partners, LP, a California limited partnership (the "Partnership") is NorthPost Partners, LLC (the "General Partner"), a California limited liability company controlled by Rustin Chao. The General Partner is responsible for all management decisions on behalf of the Partnership and has discretionary trading authority over the Partnership's assets.<br><br>The General Partner is registered as an exempt reporting adviser in the State of California. |
| **Investment Objectives**<br>See "Investment Objective and Policies" | The Partnership is a long-short equity hedge fund which seeks to achieve absolute market returns in all market conditions. It employs a classic momentum trading strategy to buy and sell the S&P 500 and NASDAQ. The trading approach is based on early recognition of S&P 500 and NASDAQ trends that are determined by the use of Elliott Wave Theory, moving averages and other momentum/relative strength indicators. In uptrends, we stay long the S&P 500 and NASDAQ to capture upside. In downtrends, we sell out-of-the-money put options to collect premium in the S&P 500, NASDAQ as well as individual names when they are at extreme oversold levels.<br><br>The General Partner places a high degree of importance on risk management. Its **Stop Loss Rule** and **Profit Taking Rule** (both described under the heading "investment Objectives and Policies") govern how it seeks to limit risk and preserve capital.<br><br>**There can be no assurance that the investment objectives of the Partnership will be achieved.** |

**The Offering**
See "Who May Invest: Suitability."

The General Partner is offering limited partnership interests in the Partnership ("Interests") to qualified subscribers. The minimum initial investment is $25,000. The General Partner may, in its discretion, waive or change the investment minimum. There is no minimum or maximum amount of Interests to be sold. Limited Partners are admitted on the first day of each month in the General Partner's discretion.

Subscribers (or their representatives) must be sophisticated in financial and business matters generally and in investing in securities. In addition, each subscriber is required to represent in the Subscription Application that it is acquiring the Interest for investment purposes only and it is not being acquired with a view to resale or distribution, as well as other customary representations in respect of private placements of securities and anti-money laundering regulations.

**Liquidity**
See "Withdrawals, Transferability and Distributions" and "Certain Risk Factors"

No market for the Interests is expected to develop. A Limited Partner may, however, subject to certain conditions and on at least thirty (30) calendar days' written notice to the General Partner, withdraw all or part of its capital account as of the last day of any calendar quarter. The General Partner may waive the withdrawal restrictions for any Limited Partner. The General Partner also may suspend the Limited Partners' withdrawal rights under certain circumstances. For example, withdrawals might be suspended when market conditions are such that any withdrawal cannot, in the General Partner's sole judgment, be funded without adverse consequences to the Partnership or when one withdrawal, in combination with others, may be reasonably expected to have the same effect.

**Fees, Expenses and Overhead**
See "Compensation, Expenses and the Performance Allocation"

The Fund offers two alternative fee structures to accommodate "accredited investors" and "qualified clients." Accredited investors may ***only*** invest in Standard Interests. Qualified clients may elect to invest in <u>either</u> Founders' or Standard Interests.

**"FOUNDERS' INTERESTS" – "Qualified Clients" Only**

***To invest in Founders' Interests, you must be a "qualified client" as this term is defined in Section 205-3 of the Investment Advisers Act. Among other things, to be a "qualified client," you must have a net worth (exclusive of your primary residence) of $2.1 million.*** *The full financial criterion that apply to qualified clients are set forth herein under the heading "WHO MAY INVEST—SUITABILITY" and in the Subscription Application (Annex I hereto).*

Limited Partners who qualify as a "qualified client" have two fee options. Qualified clients may elect to invest in Standard Interests (management fee only) ***or*** Founders' Interests (performance fee only), each as more fully described below.

Founders' Interestholders pay just a Performance Fee as follows:

The Performance Fee is calculated and paid at the end of each calendar quarter. The General Partner receives a "Performance Fee" (in the form of a Performance Allocation) as to each Founders' Interestholder of as follows:

1). If total realized profits for the quarter is *more* than Five (5) percent (a 20% annual return), the Performance Fee is 20% of such quarter's profits;

2). If total realized profits for the quarter is *less* than Five (5) percent (a 20% annual return), the Performance Fee is 15% of such quarter's profits

If a Founders' Interestholder is permitted to withdraw capital on a date other than the last day of a fiscal quarter, the Performance Allocation is made with respect to that Limited Partner for the portion of the period ending on the withdrawal date with respect to the amount withdrawn.

**"STANDARD' INTERESTS" – Quarterly Management Fee**

***To invest in Standard' Interests, you must be an "accredited investor" as this term is defined under Regulation D of the Securities Act of 1933. Among other things, to be an "accredited investor," you must have a net worth (exclusive of your primary residence) of $1.0 million or an annual income of $200,000.*** *The full financial criterion that apply to accredited investors are set forth herein under the heading "WHO MAY INVEST—SUITABILITY" and in the Subscription Application (Annex I hereto).*

All subscribers who do not satisfy the net worth requirements to be a "qualified client" (and other subscribers who elect to pay just an

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| **Distributions** | The Partnership generally does not make distributions; it reinvests substantially all income and gain. Distributions, including withdrawals, generally are made in cash.<br><br>Limited Partner may elect to receive distributions of all net realized trading profits on a quarterly basis. In these cases, within fifteen days after the end of each calendar quarter, the General Partner will distribute to Limited Partners who have elected to receive such distributions all net realized trading profits from the disposition of portfolio securities. |
| **Indemnification and Exculpation**<br>See "Management" | Subject to laws governing rights of indemnification under the federal securities laws and otherwise, the Partnership Agreement provides for exculpation and indemnification of the General Partner in connection with any claim, damage or loss incurred by the General Partner by virtue of its actions and inactions in connection with the Partnership's activities provided that the General Partner's conduct satisfies certain criteria set forth in the Partnership Agreement. |
| **Risk Factors**<br>See "Certain Risk Factors" and "Certain Tax Considerations" | **An investment in the Partnership involves substantial risks and complex tax issues.** |
| **Reports** | Each Partner will receive audited financial statements annually and unaudited quarterly summaries of the Partnership's performance plus copies of its Schedule K-1 to the Partnership's tax return.<br><br>*The General Partner will use commercially reasonable efforts to ensure that each of the Limited Partners receive their tax reporting information in a timely manner. However, due to the nature of the Partnership's business, delays may occur and subscribers should be prepared for the possibility of filing for extensions with respect to their income tax returns.* |
| **Prime Broker** | Interactive Brokers |
| **Administrator** | NAV Consulting, Inc. |
| **Auditor** | Spicer Jeffries LLP |
| **Legal** | The Securities Law Group |

## INVESTMENT OBJECTIVE AND POLICIES

**Overview**

NorthPost Partners, LP is a long-short equity hedge fund. Through active trading on both the long and short sides of the market, the General Partner seeks to preserve Partnership capital, achieve absolute market returns in all market conditions and distribute profits to our limited partners on a quarterly basis.

**Investment Strategy**

The Partnership will trade the S&P 500 via the ticker "SPY" and the NASDAQ via the ticker "QQQ." The General Partner also sells -out-of-the money puts in the SPY, QQQ and other individual names when they are at extreme oversold levels.

In selecting entry points for long SPY and QQQ, the General Partner employs a classic momentum trading strategy. The trading approach is based on early recognition of trends that are determined by the use of Elliot Wave Theory, moving averages, momentum/relative strength indicators and unusual option activity.

In selecting entry points for short puts, the General Partner uses both momentum/relative strength indicators and fibonacci retracement levels to determine when the SPY, QQQ and/or other individual names have reached extreme oversold levels.

The Partnership's trading activity will be focused on swing trades, usually held from one week to several months, depending on the size and velocity of the anticipated move. Swing trades are initiated with the objective of capturing short-term, high volume moves in the stock's price. These short-term moves may be the result of a sector trend or an event.

The General Partner is keenly aware of the importance of risk management. Its Stop Loss Rule, described below, governs how it seeks to limit risk and preserve capital.

**Stop Loss Rule:** All trades are accompanied by a hard 15% stop loss from entry. If the 15% stop is hit before first profit taking target, the position is immediately terminated for a max 2% portfolio loss.

**Other Matters**.

The investment objective described herein is the General Partner's current intention. Notwithstanding these investment objectives, strategies and approaches, except as set forth herein the Partnership Agreement imposes no limits in the types of securities or other instruments in which the Partnership may take positions, the type of positions it may take or the concentration of its investments, including the extent of the Partnership's short positions. The General Partner has broad discretion to employ any securities trading or investment techniques, whether or not comprehended by the investment strategies criteria described herein. Many of the investment techniques and activities described herein are high-risk strategies that could result in substantial losses under certain circumstances.

**INVESTMENTS IN THE INTERESTS DESCRIBED HEREIN INVOLVE SUBSTANTIAL RISKS. THERE CAN BE NO ASSURANCE THAT THE INVESTMENT STRATEGIES OF THE PARTNERSHIP WILL BE ACHIEVED.**

## MANAGEMENT

**The General Partner and the Partnership**

The Partnership, NorthPost Partners, LP, is a newly-formed California limited partnership. Its general partner is NorthPost Partners, LLC, a California limited liability company. The General Partner is registered as an exempt reporting adviser in the State of California. Its main business address and telephone number are 76 Oak Drive, Novato, CA 94949; telephone (310) 733-6431.

The General Partner administers the Partnership's day-to-day affairs and is solely responsible for the Partnership's investing and trading activities. As sole manager of the General Partner, Rustin Chao controls the management and operations of the Partnership. The Partnership's performance depends, to a great extent, on the ability and experience of Mr. Chao and his partner, Dr. Arnout ter Schure, in making investment and trading decisions.

No Limited Partners, individually or collectively, may take part in the management of the business of the Partnership except in the very limited circumstances set forth in the Partnership Agreement. Accordingly, no Limited Partner shall be subject to assessment or, except as set forth in the Partnership Agreement, be personally liable for any of the debts or liabilities of the Partnership or any of the losses thereof in excess of such Limited Partner's capital contributions.

**Other Activities**

Neither the General Partner nor Mr. Chao is required to manage the Partnership as its or his sole and exclusive function. The General Partner may engage in other business activities. The General Partner may serve as the adviser to other funds or separate accounts in the future, some of which may have investment objectives that are the same or similar to the Partnership's.

**Fiduciary Duties of the General Partner; Indemnification and Exculpation**

A general partner is accountable to a limited partnership as a fiduciary and consequently must exercise good faith and integrity in handling partnership affairs, in addition to any obligations the general partner may assume under its partnership agreement. The General Partner (including its affiliates and any person acting on their behalf) is not liable to the Partnership or to any of its Limited Partners for any loss or damage occasioned by any acts or omissions in the performance of its services under the Partnership Agreement, unless such loss or damage is due to willful misconduct or gross negligence, a material violation of applicable U.S. federal securities laws or any willful and material breach of the Partnership Agreement, in each case by the indemnified person.

The Partnership Agreement also provides for the General Partner to be indemnified by the Partnership from and against any loss or damage occasioned by any acts or omissions in the performance of its services under the Partnership Agreement, unless such loss or damage is due to willful misconduct or gross negligence, a material violation of applicable U.S. federal securities laws or any willful and material breach of the Partnership Agreement. The indemnification described herein is available only as and to the extent that it is not prohibited by applicable law governing rights of indemnification. Recoveries under these provisions may be had only out of the assets of the Partnership and not from the Limited Partners.

The Partnership may be obligated to advance funds for legal expenses and other costs as incurred by the General Partner and such persons in connection with any claim or lawsuit.

Limited Partners may have a more limited right of action than they would ordinarily have as a result of these limitations in the Partnership Agreement. To the extent that such exculpatory provisions purport to include indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), it is the opinion of the SEC that this indemnification is contrary to public policy and therefore unenforceable.

The foregoing only briefly summarizes existing statutes, rules and decisions. Limited Partners who believe that a breach of fiduciary duty by the General Partner has occurred should consult their own counsel.

**Brokerage**

The General Partner has retained Interactive Brokers, LLC to serve as the Partnership's broker ("Broker"). The General Partner expects to direct a significant portion of the Partnership's securities trades to the Broker but is not required to direct a particular number or percentage of trades to it or to continue to use the Broker as the Partnership's principle broker. However, it has an incentive to do so based on their prior and continued services.

The Partnership's obligations to the Broker and its affiliates will be secured by way of a first priority perfected security interest over all of the Partnership's assets held in custody. The Broker and its affiliates may transfer to themselves all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for their own purposes.

**Administration**

NAV Consulting, Inc. (the "Administrator" or "NAV") has been engaged as the Partnership's administrator pursuant to a Service Agreement entered into with the Partnership (the "NAV Agreement"). The Administrator is responsible for, among other things, calculating the Fund's net asset value, performing certain other accounting, back-office, data processing, processing subscriptions, redemptions and transfer activities of Investors in the Partnership, certain anti-money laundering functions and related administrative services.

The NAV Agreement provides that the Administrator shall not be liable to the Partnership, any Investor or any other person in absence of finding of willful misconduct, gross negligence, or fraud on the part of NAV. Furthermore, the Partnership shall indemnify and hold harmless the Administrator, its affiliates, and their respective officers, directors, shareholders, employees, agents and representatives (collectively, the "NAV Parties") from and against any liability, damages, claims, loss, cost or expense, including, without limitation, reasonable legal fees and expenses (individually, "Loss" and collectively, "Losses") arising from, related to, or in connection with the services provided to the Partnership pursuant to the NAV Agreement, unless any such Losses are the direct result of the willful misconduct, gross negligence or fraud of NAV. In no event shall NAV have any liability to the Partnership, any Investor or any other person or entity which seeks to recover alleged damages or losses in excess of the fees paid to NAV by the Partnership in the one year preceding the occurrence of any loss, nor shall NAV be liable for any indirect, incidental, consequential, collateral, exemplary or punitive damages, including lost profits, revenue or data, regardless of the form of the action or the theory of recovery, even if NAV has been advised of the possibility of such damages or such damages were foreseeable. Any claim brought against NAV in connection with the NAV Agreement will be barred unless it is initiated within one year of the earlier of the disclosure of the event which is the subject of such claim or the date that the party advancing such claim knew or could with due inquiry have known of such event.

NAV shall not be liable to the Partnership, any Investor or any other person for the actions or omissions of any agent, contractor, consultant or other third party performing any portion of the services under the NAV Agreement absent a finding of gross negligence or fraud on the part of NAV in appointing such agent, contractor, consultant or other third party.

NAV shall not be liable to the Partnership, any Investor or any other person for actions or omissions made in reliance on instructions from the Partnership or advice of legal counsel.

The services provided by NAV are purely administrative in nature. NAV has no responsibilities or obligations other than the services specifically listed in the NAV Agreement. No assumed or implied legal or fiduciary duties or services are accepted by or shall be asserted against NAV. NAV does not provide tax, legal or investment advice. NAV has no duty to communicate with Investors other than as set forth in Exhibit A of the NAV Agreement. NAV does not have custody of Partnership's assets, it does not verify the existence of, nor does it perform any due diligence on the Partnership's underlying investments. In connection with the payment processing functions, NAV shall not be responsible for performance of the due diligence on payment recipients other than in connection with payments for Investors' withdrawals from the Partnership, which are subject to anti-money laundering review functions of the services.

The NAV Agreement also provides that it is the obligation of the Partnership's management, and not of NAV, to review, monitor or otherwise ensure compliance by the Partnership with the investment policies, restrictions or guidelines applicable to it or any other term or condition of the Partnership's offering documents and with laws and regulations applicable to its activities. Moreover, the Partnership's management's responsibility for the management of the Partnership, including without limitation, the valuation of the Partnership's assets and liabilities, the oversight of the services provided by NAV and the review of work product delivered by NAV shall not be affected by or limited by any of the services provided by NAV.

NAV is entitled to rely on any information, including valuation information, received by NAV from the Partnership, the Partnership's management or other parties, including without limitation, broker-dealers and data vendors, without independent verification, audit, review, inquiry, or performing other due diligence and NAV shall not be liable to the Partnership, any Investor or any other persons for losses suffered as a result of NAV relying on incorrect information. NAV has no responsibility to review, independently value, verify, compare to other pricing sources or otherwise perform due diligence on the valuation information. NAV may accept such information as accurate and complete without independent verification. Furthermore, NAV shall not be liable to the Partnership, any Investor or any other person for any loss incurred as a result of an error or inaccuracy from any pricing or valuation service or data service provider or delay, interruption in service or failure to perform of any pricing or valuation service or data service provider used by NAV.

The information on investor statements and other reports produced by NAV shall not be considered an offer to sell or a solicitation of an offer to purchase any interest in the Partnership, nor may it be used to induce or recommend the purchase or holding of any interest in the Partnership.

The NAV Agreement bars non-parties from asserting third party beneficiary claims against NAV.

The Partnership pays NAV fees out of the Partnership's assets, generally based upon the size of the Partnership, in accordance with NAV's standard schedule for providing similar services, subject to a monthly minimum.

Either party may terminate the NAV Agreement on 60 days' prior written notice as well as on the occurrence of certain events.

Investors may review the NAV Agreements by contacting the Partnership; provided, that NAV reserves the right not to disclose the fees payable thereunder.

NAV is not responsible for the preparation of this Confidential Memorandum or the activities of the Partnership and therefore accepts no responsibility for any information contained in any other section of this Confidential Memorandum.

## COMPENSATION AND EXPENSES

The Partnership offers two alternative fee structures to accommodate "accredited investors" and "qualified clients." Accredited investors may invest ***only*** in Standard Interests. Qualified clients may elect to invest in ***either*** Standard or Founders' Interests. The financial criterion that apply to accredited investors and qualified clients are set forth herein under the heading "WHO MAY INVEST —SUITABILITY" and in the Subscription Application (Annex I hereto).

### "FOUNDERS' INTERESTS" – Performance Fee Only

Under applicable law, ***only*** subscribers who meet certain financial suitability requirements have the option of entering into a performance-based compensation arrangement with an investment adviser. Specifically, Limited Partners who qualify as a "qualified client" (i.e., subscribers with a net worth (excluding principal residence) of at least $2.1 million) have two options. Qualified clients may elect to invest in Standard Interests (management fee only) ***or*** Founders' Interests (performance fee only), each as more fully described below.

Founders' Interestholders pay just a Performance Fee. The Performance Fee is calculated and paid at the end of each calendar quarter. Founders' Interestholders pay just a Performance Fee as follows:

The Performance Fee is calculated and paid at the end of each calendar quarter. The General Partner receives a "Performance Fee" (in the form of a Performance Allocation) as to each Founders' Interestholder of as follows:

1). If total realized profits for the quarter is *more* than Five (5) percent (a 20% annual return), the Performance Fee is 20% of such quarter's profits;

2). If total realized profits for the quarter is *less* than Five (5) percent (a 20% annual return), the Performance Fee is 15% of such quarter's profits

If a Founders' Interestholder is permitted to withdraw capital on a date other than the last day of a fiscal quarter, the Performance Allocation is made with respect to that Limited Partner for the portion of the period ending on the withdrawal date with respect to the amount withdrawn

**"STANDARD INTERESTS" – Management Fee Only**

All subscribers who do not satisfy the net worth requirements to be a "qualified client" (and other subscribers who elect to pay just an asset-based fee) will be designated "Standard" Interestholders. Standard Interestholders will pay no Performance Fee. Rather, they pay an asset-based fee ("Management Fee") of 1.0% per quarter (4% per *annum)*.

The Management Fee is based on the balance in each Standard Class Limited Partner's capital account. It is calculated and payable by each Standard Class Limited Partner in arrears as of the end of each quarter based on the Limited Partner's capital account at the close of business for that quarter (prior to the distribution of quarterly profits, if any and the deduction of the management fee).

**Expenses**

The Partnership will pay or reimburse the General Partner for certain organizational, operating, investment-related and extraordinary costs and expenses incurred by or on behalf of the Partnership, or for the Partnership's benefit. The Partnership's operating expenses may include, without limitation, the Partnership's ongoing accounting, auditing, bookkeeping, tax preparation, administration, legal, consulting and other professional fees and expenses and all costs of communications with Limited Partners. In addition to the foregoing operating expenses, the Partnership may incur some or all of the following investment-related expenses: commissions, bid-ask spreads, mark-ups, interest on stock borrowing, costs relating to short sales, transfer taxes, custodian fees, etc. The Partnership also may incur extraordinary expenses, including without limitation, costs of protecting or preserving any investment held by the Partnership; certain losses, damages, charges, costs or expenses arising from the Partnership's indemnification obligations under the Partnership Agreement and other contracts to which the Partnership may become a party, and all costs associated with dissolution, winding up, liquidation or termination of the Partnership. Investment-related expenses and extraordinary expenses are not subject to any limitation or annual cap.

*Organizational and Offering Expenses*. Organizational expenses include, but are not limited to, legal, accounting and government filing fees. Offering expenses include, without limitation, marketing expenses, printing of this Offering Memorandum and exhibits thereto and the admission of Limited Partners.

The financial statements of the Partnership will be prepared in accordance with generally accepted accounting principles ("GAAP"). GAAP does not permit the amortization of organization costs. Notwithstanding this, the Partnership may, at the discretion of the General Partner, amortize its organization expenses over a period of time and, if it does, the audit opinion on the financial statements may be qualified in this regard.

**Overhead**

The General Partner will pay, and shall not be reimbursed by the Partnership for, its own overhead expenses. These include, without limitation, rent, employee salaries and benefits and insurance. All or a portion of the costs and expenses of the Partnership and the General Partner may be paid for by securities brokerage firms that execute trades for the Partnership or related accounts.

**Commissions; Finders' Fees**

The Partnership neither receives nor pays any commissions on sale of Interests. However, the General Partner may pay finders' fees at its own expense to such persons. In addition, solicitors may charge a commission or finders' fee on a fully disclosed basis.

## PLAN OF DISTRIBUTION

**Use of Proceeds**

The proceeds of the offering of Interests are invested in securities and otherwise applied to the activities and expenses of the Partnership, including the Partnership's organization and offering costs.

**The Offering**

*Minimum Subscription*. The minimum subscription that may be accepted from a Limited Partner is $25,000. The General Partner, in its sole discretion, may waive or change the minimum subscription requirement for any investor and raise it in the future.

*No Minimum or Maximum Amount of Interests to Be Sold*. No minimum amount of Interests must be sold before subscribers will be admitted to the Partnership as Limited Partners and no maximum amount of Interests has been fixed. The General Partner may continue to offer Interests until such time, if at all, as it decides to terminate the offering.

*Admission of Limited Partners*. Subscriptions for Interests generally are accepted by the General Partner as of the beginning of each month, and otherwise as the General Partner permits. The General Partner may reject the Subscription Agreement of any subscriber for whom it appears that Interests may not be a suitable investment or for any other reason regardless of whether a subscriber otherwise meets the suitability standards set forth below. A subscriber should not rely on the General Partner to determine the suitability of an investment in Interests for himself or itself.

*Payment*. Each Subscription Agreement must be accompanied by full payment in cash (or, with the consent of the General Partner, securities) for all Interests subscribed.

*No Interest*. In the event the General Partner does not accept a subscriber's subscription, any funds received will be returned without interest.

*Additional Capital Contributions*. A Limited Partner may make additional Capital Contributions with the consent of the General Partner.

**Subscription Instructions**

The Subscription Application contains detailed subscription instructions. In brief, a subscriber must complete, date, and sign the Subscription Application approved by the General Partner (attached as Annex I to this Offering Memorandum) and, in accordance with the subscription instructions, deliver the signed subscription documents and make payment (by check or wire transfer). Receipt of payment does not constitute acceptance of a subscription.

**General Partner's Capital Contributions and Withdrawals**

The General Partner is not required to maintain any minimum investment in the Partnership. The General Partner may contribute to and withdraw from the Partnership cash or assets in such amounts from time to time as it deems appropriate. Any such withdrawals are not subject to the notice, withdrawal fee, partial withdrawal or payment schedule provisions in the Partnership Agreement to which the Limited Partners are subject.

**Anti-Money Laundering**

The General Partner is responsible for compliance with anti-money laundering laws and regulations in effect in the United States and other jurisdictions. Compliance with such laws and regulations requires, at a minimum, a detailed verification of a Limited Partner's identity, including the identity of any beneficial owner with an interest in the subscriber and the source of the funds being invested. The Partnership, by written notice to any Limited Partner, may suspend the redemption rights of a Limited Partner if the General Partner reasonably deems it necessary to do so to comply with anti-money laundering regulations. Under certain circumstances, the General Partner may be obligated to report suspicious activities to governmental and banking authorities.

## WHO MAY INVEST: SUITABILITY

The Interests are suitable investments only for investors for which an investment in the Partnership does not constitute a complete investment program and who fully understand, are willing to assume, and who have the financial resources necessary to withstand the risks involved in the Partnership's investment program and to bear the potential loss of their entire investment in the Interests.

Prospective investors should satisfy themselves that an investment in Interests is suitable for them, should examine this Offering Memorandum, which includes the full text of the Partnership Agreement, and should request such additional information about the offering, the Partnership and the General Partner and their activities as they consider necessary to make an informed investment decision.

In addition to the net worth and income standards described below, each investor must have funds adequate to meet personal needs and contingencies, must not need prompt liquidity from the investment, and must purchase Interests for investment only and not with a view to their sale or distribution.

Each investor also must have, alone or with a purchaser's representative, sufficient knowledge and experience in financial and business matters generally and in securities investments in particular to be capable of evaluating the merits and risks of investing in the Partnership. Investors who are subject to income tax should be aware that investment in the Partnership is

expected to create taxable income or tax liabilities in excess of cash distributions available to pay such liabilities. Accordingly, Interests may not be a suitable investment for prospective investors who are subject to and do not desire such consequences.

**A purchase of Interests would not be suitable for an investor who, alone or together with its purchaser's representative, does not meet the suitability standards discussed below.**

*Plan Investors and Tax-Exempt Entities*. Interests may be a suitable investment for plan investors, subject to their circumstances and investment objectives, and subject to the provisions of the plan's documents. As used in this Offering Memorandum, "Plan Investor" means any employee benefit plan (defined below), any plan that covers only owners of the plan sponsor, any individual retirement account as described in Code section 408(a) (an "IRA"), and any bank commingled trust fund for any or all of the foregoing. In addition, depending on their circumstances and investment objectives and assuming the provisions of their governing instruments and the nature of their tax exemptions permit such an investment, tax-exempt entities may find Interests to be a suitable investment. Fiduciaries of employee benefit plans (as defined under Title I of ERISA, whether or not tax-exempt), in consultation with their tax and legal advisers, should consider carefully (a) whether an investment in Interests is consistent with their fiduciary responsibilities, particularly the responsibilities outlined in Part 4 of Title I of ERISA, (b) the effect of the possible treatment of assets of the Partnership as "plan assets" under DOL regulations, (c) the effects of possible unrelated business taxable income, and (d) other risks discussed briefly under "ERISA Considerations for Fiduciaries of Employee Benefit Plans." Plan Investors are urged to consult with their legal, financial and tax advisers before investing in Interests.

*Accredited Investor*. Accredited investors can *only* acquire Standard Interests (not eligible to acquire Founders' Interests unless they are also qualified clients, as defined below). To qualify as an accredited investor, an investor must satisfy the definition of accredited investor under Rule 501(a) of the Securities Act of 1933. Generally, to be treated as an accredited investor a purchaser must satisfy one of the following tests:

(a) *Individuals*.

Net Worth Test: If the subscriber is an individual, the subscriber must represent on the Subscription Application that he or she has a net worth (**excluding** the equity in the subscriber's principal residence) in excess of $1,000,000.

**OR:** Individual Income Test: He or she must have had an individual income of more than $200,000 in each of the preceding two calendar years, and have a reasonable expectation of reaching the same income level in the current year;

**OR:** Joint Income Test. He and she must have had joint income with his or her spouse in excess of $300,000 in each of the preceding two calendar years, and have a reasonable expectation of reaching the same income level in the current year.

(b) *Trusts*. A revocable trust (including an IRA) generally is treated as an accredited investor if each grantor is an accredited investor and the grantor(s) may amend or revoke the trust at any time. An irrevocable trust generally is treated as an accredited investor if (1) it has total assets in excess of $5,000,000, (2) was not formed for the specific purpose of acquiring Interests, and (3) its investment in Interests is directed by a person experienced in financial and business matters who is capable of evaluating the merits and risks of such investment, or the trustee of the trust is a bank, and the bank makes the decision to invest in Interests on behalf of the trust.

(c) *Certain Plan Investors*. A Plan is treated as an accredited investor if (1) it is an employee benefit plan, all of whose participants are accredited investors, (2) it is an employee benefit plan and the investment decision is made by a plan fiduciary that is either a bank, insurance company or registered investment adviser, (3) it has total assets in excess of $5,000,000, or (4) it is a self-directed employee benefit plan with investment decisions made solely by persons who are accredited investors.

(d) *Other Tax-Exempt Entities; Corporations; Partnerships; Limited Liability Companies; Other Entities*. Any organization described in Code section 501(c), any corporation, partnership, limited liability company and most other business entities not formed for the specific purpose of acquiring Interests with total assets in excess of $5,000,000 is considered an accredited investor.

(e) *Other Purchasers*. Other suitability standards are described in the Investor Questionnaire included as an Appendix to the Subscription Agreement.

*"Qualified Client."* Under rules recently promulgated by the SEC and various states, each subscriber who invests in Founders' Interests and is charged a performance fee must be a "qualified client." The Partnership charges a performance-based fee as set forth herein (the "Performance Allocation"). Thus, the Partnership will only sell Founders' Interests to "qualified clients." To qualify as a "qualified client" a subscriber must be an individual or company having a net worth of at least $2.1 million (excluding the equity in the subscriber's principal residence).

*Stricter State Standards*. Residents of certain states may be subject to stricter suitability standards than those stated above. The General Partner may reject the Subscription Agreements of prospective investors not meeting such standards.

*Reliance on Subscriber Information*. The Subscription Application contains certain representations and requests for information designed to determine whether a subscriber satisfies the Partnership's suitability standards. Subscribers will be required to provide any additional evidence the General Partner deems necessary to substantiate information or representations contained in their Subscription Application. The standards set forth above are only minimum standards. The General Partner imposes comparable suitability standards in connection with any transfer of Interests. The General Partner may waive minimum suitability standards not imposed by law.

*Investment Company Act*. Any Limited Partner that is a corporation, partnership, limited liability company, trust or other entity and that is defined as an "investment company" under the Investment Company Act or that relies on the exclusion from the definition of an investment company provided by Section 3(c)(1) or 3(c)(7) thereunder and that has an ownership percentage of 10% or more of the ownership percentages of all Limited Partners must inform the General Partner of the number of beneficial owners of its outstanding securities. Thereafter, that Limited Partner must inform the General Partner immediately if that number changes. The General Partner may determine at any time that the participation by that Limited Partner in the Partnership may cause the Partnership not to be excluded from the definition of "investment company" under section 3(c)(1) of the Investment Company Act. On such a determination, that Limited Partner is deemed to have given notice of withdrawal, effective as of any date determined by the General Partner of such portion or all of the capital account of that Limited Partner as the General Partner may determine is necessary or advisable. The date selected by the General Partner may be before or after the time that the General Partner makes such determination.

*Subscription Procedures.* Subscribers must return to the General Partner an executed copy of the Subscription Application which is attached hereto as Annex I, in accordance with the instructions therein.

Each Subscription Application must be accompanied by full payment in cash or, with the consent of the General Partner, securities for all Interests subscribed. All payments for subscriptions are deposited directly in the Partnership's account held with the Broker. The General Partner may deem capital contributions to have been made on dates earlier than the date that the Partnership receives such capital contributions to facilitate administration of the Partnership and to minimize accounting costs in circumstances where funds are received as capital contributions a short period after the first day of an applicable accounting period. The General Partner will do this, however, only if the performance of the Partnership during that period is such that the existing Limited Partners will not be materially disadvantaged by the General Partner deeming such payment to have been received on the applicable subscription date.

*Interest.* No interest will accrue or be paid to any of the Partners in respect of any capital contribution or rejected subscription.

## WITHDRAWALS, TRANSFERABILITY AND DISTRIBUTIONS

*Withdrawals*. No Limited Partner has an absolute right to a return of its capital contribution or to withdraw any capital except as set forth in the Partnership Agreement. However, subject to certain limitations Limited Partners may, upon thirty (30) days' advance written notice to the General Partner, withdraw all or part of its capital account as of the last day of any calendar quarter. The General Partner, in its sole discretion, may waive the foregoing restrictions and allow the withdrawal of all or any part of the capital account of any Limited Partner at any time.

Withdrawn amounts generally are paid within 30 calendar days of the effective date of the withdrawal, although for complete withdrawals the General Partner may delay payment of a portion of the withdrawal (generally 5%) pending final reconciliation of valuations. The General Partner also may elect to further retain such payment pending completion of the Partnership's audit for the fiscal year in which the withdrawal occurs). Any retained withdrawal proceeds will not be considered to be invested in the Partnership. Upon withdrawal of all of its capital account, a Limited Partner shall be deemed to have withdrawn from the Partnership, and upon notice of such withdrawal, a Limited Partner shall not be entitled to exercise any voting rights afforded to Limited Partners under the Partnership Agreement. Withdrawal proceeds are reduced by the Monthly Base Fee and the Performance Allocation due to the General Partner, if any, in respect of the funds being withdrawn, and may be further reduced to pay accrued, future and contingent expenses (including the Partnership's indemnification obligations under which it may be required to reserve capital to advance legal costs as incurred by the General Partner or other indemnified persons) and other reserves as deemed necessary in the General Partner's sole discretion.

The General Partner may suspend the right of any Limited Partner to withdraw capital from the Partnership if, in the General Partner's judgment, a suspension would be in the best interests of the Partnership. Examples of some situations in which a suspension might occur are: when a withdrawal would result in a violation of securities or other laws by the Partnership or the General Partner; when disruptions in securities markets make pricing and/or liquidation of some or all Partnership assets difficult or would result in losses to the Partnership if the Partnership attempted such liquidations; when the General Partner determines, in consultation with tax advisors that the withdrawal could result in the Partnership being treated as a "publicly-traded partnership" and thus taxable as a corporation; or if other events make accurate determination of the Partnership's net asset value or an orderly distribution of its capital impractical.

*Transferability*. Only a limited number of persons will invest in the Partnership. Transferability of Interests is very restricted. No market for Interests exists or can be expected to develop. Interests cannot be resold unless either they are subsequently registered under the Securities Act of 1933, as amended (the "Securities Act") and registered or qualified under any

applicable state securities laws or exemptions from such registration and qualification are available. The General Partner will not recognize or permit any disposition of Interests that does not comply in all respects with the Subscription Agreement, the Securities Act, the Investment Company Act and any other applicable securities laws. Accordingly, a purchaser of Interests must bear the economic risk of the investment indefinitely, subject to the Limited Partners' withdrawal rights as set forth above and provided in the Partnership Agreement.

*Distributions*. The General Partner determines the amount and timing of all distributions by the Partnership and whether such distributions are made in cash or in kind or partly in cash and partly in kind. The General Partner intends to distribute trading profits to the Limited Partners at the end of each calendar quarter. Any distribution (other than on voluntary or compulsory withdrawal as provided in the Partnership Agreement) is made to the Partners in proportion to their respective capital accounts as of the end of the month preceding the date of distribution.

*Valuation of Assets*.

The fair market value of the Partnership's assets is determined in the manner set forth below.

Securities listed or admitted to trading on most securities exchanges (domestic and foreign) are valued at the last sale price on the last business day preceding the valuation date on which a sale occurred. In the case of securities traded on more than one securities exchange, they are valued at the last price reported on the security's principal exchange and, if that is not available, as reported by any other exchange on which the security is listed or regularly traded.

Securities traded in the over-the-counter market are valued at the highest "bid" price at the close of business on the valuation date as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or, if no such "bid" price is reported in NASDAQ as of the end of the valuation date, at the highest "bid" price at the close of business on the valuation date as reported by the National Quotation Bureau, Inc. or, if neither "bid" price is reported, at such price as the General Partner determines in its sole discretion to be the security's fair market value. See "Certain Risk Factors" and "Potential Conflicts of Interest."

The fair market value of securities sold short by the Partnership is calculated in the manner provided above, except that, in the case of securities traded in the over-the-counter market, the lowest closing "asked" price is used in lieu of the highest closing "bid" price for purposes of applying the valuation method set forth herein. The value or amount of any assets or liabilities of the Partnership shall be as determined in good faith by the General Partner in its sole discretion.

## ALLOCATIONS OF PROFITS AND LOSSES; INCOME TAX ALLOCATIONS

Except as described below, for each fiscal quarter during which there is a net profit or net loss, the net profit or net loss is allocated and charged to the Partners (including the General Partner) in proportion to their respective capital accounts as of the beginning of the fiscal quarter (or other fiscal period).

*Income Tax Allocations*. For federal income tax purposes, the General Partner may cause taxable income to be allocated in any fiscal year first to each Partner who has withdrawn or been distributed all or part of the balance of such Partner's capital account to the extent that such withdrawal or distribution exceeds such Partner's adjusted tax basis in such Partner's Interest immediately prior to such withdrawal or distribution. Taxable loss may be allocated first to each Partner who has withdrawn or been distributed all of such Partner's capital account in that fiscal year to the extent that such Partner's adjusted tax basis in such Partner's Interest exceeds that

Partner's capital account immediately prior to such withdrawal or distribution. Thereafter, or if the General Partner elects not to allocate taxable income and loss as described in the preceding two sentences, taxable income and loss will be allocated in another manner that is consistent with the manner in which the economic benefits and burdens of the Partnership are shared. Tax allocations of gain or loss are not made, however, until gain or loss is realized for tax purposes, such as when an asset is sold or a short position is covered or an option position is closed.

These optional tax allocation provisions are designed to prevent remaining Partners from receiving excess taxable income or loss that results when a Partner withdraws and is paid such Partner's share of unrealized gain or loss. If the General Partner elects to implement these special allocations, they will tend to cause withdrawing Partners to be allocated taxable income and loss to the extent of their shares of unrealized as well as realized gain or loss. Without this allocation, unrealized gain would be effectively taxed to the withdrawing Partner on withdrawal as capital gain in the form of a cash distribution in excess of basis. Therefore, the special allocation will not increase the taxable income of the Partner withdrawing capital, but it might cause part or all of the income that might otherwise have been characterized as long-term capital gain if the Partner had held its interest in the Partnership for more than a year to be characterized as short-term capital gain or ordinary income. If the IRS does not respect these special allocations, if made, the IRS will require that allocations be made in another manner that is consistent with the manner in which the economic benefits and burdens of the Partnership are shared as if no special allocation provisions were to exist.

## CERTAIN RISK FACTORS

The purchase of Interests involves certain risks and is suitable only for persons of adequate financial means who have no need for liquidity in this investment. Subscribers should therefore bear in mind the following risk factors and conflicts of interest before purchasing an Interest. Many of those risks are discussed more fully elsewhere in this Offering Memorandum. Subscribers should consult their own legal, tax, and financial advisers as to these risks and an investment in the Partnership generally.

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

### Risks Relating to the General Partner

*Dependence on Management*. The Partnership's success depends on the skill and expertise of Rustin Chao, the manager of the General Partner and the Partnership's portfolio manager and his partner, Dr. Arnout ter Schure. Mr. Chao and the General Partner presently devote all of their time to the activities of the Partnership, but either of them may devote time to other investment activities, including managing other accounts in the future. If Mr. Chao should cease to serve the Partnership, the General Partner's ability to select attractive investments and manage the Partnership's portfolio could be impaired. The Partnership has no significant operating history on which prospective investors may evaluate its likely performance. The Partnership is the first investment partnership or fund to be organized and operated by Mr. Chao. Neither the General Partner nor Mr. Chao can assure investors that: (a) the Partnership will realize its investment objectives; (b) the Partnership's investment strategy will prove successful; or (c) investors will not lose all or a portion of their investment in the Partnership. See "Investment Objective and Policies" and "Management."

The Partnership Agreement provides that the General Partner has exclusive and absolute discretion and authority in managing and controlling the investments and affairs of the Partnership, subject only to specific and express limitations in the Partnership Agreement or provided by the Act notwithstanding the Partnership Agreement. Subject to its fiduciary duties to the Limited Partners, the General Partner may exercise this discretion and authority conditionally or unconditionally, arbitrarily, or inconsistently in varying or similar circumstances, without accountability to the Partnership or any Limited Partner. For example, the General Partner may provide certain Limited Partners reports, special fee and allocation arrangements and special withdrawal rights that it does not provide to other Limited Partners.

*Start-Up Period*. There will be a start-up period for the Partnership during which it may incur certain risks relating to the initial investment of its assets. The Partnership may start trading operations at an unpropitious time, such as after sustained moves in the securities markets, a period of poor liquidity or minimal trading opportunities.

*Operating Deficits*. The expenses of operating the Partnership (including Management Fees payable to the General Partner) could exceed its income, requiring that the difference be paid out of the Partnership's capital, reducing the Partnership's investments and potential for profitability. *See* "Fees, Expenses and Overhead."

**Investment Risks**

*General Investment Risk*. The Partnership invests substantially all of its available capital in publicly traded and over the counter stocks, engages in short sales and may trade in options and other instruments. While these instruments generally are traded in public markets, markets for such instruments fluctuate and the market value of any particular investment may vary substantially. The General Partner cannot assure investors that its investment portfolio will generate any income or will appreciate in value.

*Investment Selection*. The Partnership engages primarily in long purchases and short sales of securities. From time to time, the Partnership also engages in hedging, option trading, leverage (including, but not limited to, margin trading) and other strategies. The Partnership may invest in securities with relatively low prices, which may be subject to greater percentage price fluctuations than higher priced securities.

Hedging strategies usually are intended to limit or reduce investment risk, but also can limit or reduce the potential for profit and may increase the Partnership's transaction costs, interest expense and other costs and expenses. Short sales, hedging, margin trading and other techniques and strategies may result in material losses for the Partnership.

The Limited Partners have no opportunity to select or evaluate any Partnership investments or strategies. All Partnership investments and strategies are selected by the General Partner. The likelihood that Limited Partners will realize income or gain depends on the skill and expertise of the General Partner and its manager, Rustin Chao and his partner, Dr. Arnout ter Schure.

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

*Concentration of Investments*. The Partnership Agreement does not limit the amount of the Partnership's capital that may be committed to any single investment, industry or sector. However, the General Partner generally does not commit more than 13.35% of the Partnership's assets to a single position. The General Partner will attempt to spread the Partnership's capital among a number of positions. From time to time, however, particularly when the General Partner expects significant changes in the Partnership's capital, the Partnership may hold a relatively small number of securities positions, each representing a relatively large portion of the Partnership's capital. Losses incurred in such positions could have a materially adverse effect on the Partnership's overall financial condition.

*Use of Leverage*. The Partnership may, in the General Partner's sole discretion, leverage its investment positions by borrowing funds from securities broker-dealers, banks, or others. The use of leverage increases both the possibilities for profit and the risk of loss. Borrowings will usually be from securities brokers and dealers and will typically be secured by the Partnership's securities and other assets. Under certain circumstances and applicable federal laws that limit the amount of borrowings that may be secured by securities, a broker-dealer may seek or be forced to demand an increase in the collateral that secures the Partnership's obligations. If the Partnership is unable to deposit additional collateral, the broker-dealer may elect, or be forced to, liquidate assets held in the account to satisfy the Partnership's obligation to the broker-dealer and applicable margin regulations. Liquidation in either manner could have adverse consequences. In addition, the amount of the Partnership's borrowings and the interest rates on those borrowings, which will fluctuate, may have a significant effect on the Partnership's profitability.

*Short Selling*. The Partnership engages in short selling. Short selling involves selling securities which may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Securities may be sold short by the Partnership in a long/short strategy to hedge a long position, or to enable the Partnership to express a view as to the relative value between the long and short positions. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the short position will not increase in value, causing the Partnership losses on both components of the transaction. In addition, when the Partnership effects a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

*Use of Options: Generally*. The Partnership may buy and sell (write) put and call options. The Partnership's options transactions may be entered into for speculative, hedging and other purposes. For example, it may use options to benefit from price movements in a large number of securities with a small commitment of capital, in limited circumstances to take advantage of the potential for "premium decay," in combinations as part of a more complex strategy as to particular stocks, combinations of stocks, industries, or market movements and as part of a hedging tactic (*i.e.*, offsetting the risk involved in another securities position).

*Call Options.* The Partnership may engage in sales and purchases of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the

underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option.

The buyer of a call option assumes the risk of losing his entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

*Put Options.* The Partnership may engage in sales and purchases of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

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

**Partnership Risks**

*Limited Liquidity of Interests*. An investment in the Partnership is relatively illiquid and is not suitable for an investor who needs liquidity. There is no public market for Interests and the Partnership Agreement imposes significant limitations on Limited Partners' abilities to transfer Interests. In addition, rights to withdraw funds from the Partnership are subject to several limitations. These facts, taken together, will significantly affect the liquidity of a Limited Partner's investment in the Partnership.

*Risks Associated with Performance Fee*. The Performance Fee could encourage the General Partner to make investments on behalf of the Partnership that are riskier or more speculative than it would if it were receiving only a flat fee.

*Effect of Substantial Withdrawals*. Substantial withdrawals by 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 General Partner's investment strategy. Reduction in the size of the Partnership could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Partnership's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

*No Minimum Size of Partnership*. The Partnership may begin operations without attaining any particular level of capitalization. At low asset levels, the Partnership may be unable to diversify its investments as fully as would otherwise be desirable or to take advantage of potential economies of scale, including the ability to obtain the most timely and valuable research and trading information from securities brokers. It is possible that even if the Partnership operates for a period with substantial capital, Limited Partners' withdrawals could diminish the Partnership's assets to a level that does not permit the most efficient and effective implementation of the Partnership's investment program.

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

*Potential Conflicts of Interest*. The Partnership is subject to various conflicts of interest. See "Potential Conflicts of Interest."

*Liability Standard; Indemnification*. Under the terms of certain agreements with the Partnership, the General Partner and persons affiliated with it may be entitled to indemnification from the assets of the Partnership against losses, damages and expenses in connection with litigation against them or the Partnership. The Partnership may not carry any insurance to cover its indemnification obligations and, if it should carry one or more insurance policies against such obligations, the coverage of such policies may be not be adequate to cover all claims arising thereunder.

**THE FOREGOING LIST DOES NOT PURPORT TO BE COMPLETE AND IT MAY NOT DESCRIBE ALL OF THE RISKS AND CONFLICTS OF INTERESTS RELATING TO AN INVESTMENT IN THE PARTNERSHIP. SUBSCRIBERS SHOULD READ THIS ENTIRE OFFERING MEMORANDUM AND CONSULT WITH YOUR OWN LEGAL AND FINANCIAL ADVISORS BEFORE INVESTING IN THE PARTNERSHIP.**

**Retirement Plan Risks**

There are special considerations that apply to pension plans and IRAs investing in Interests. If a Limited Partner is investing the assets of a pension, profit sharing, 401(k), Keogh or other qualified retirement plan or the assets of an IRA in the Partnership, the Limited Partner could incur liability or subject the plan to taxation if:

- An investment is not consistent with the Limited Partner's fiduciary duty under ERISA and the Internal Revenue Code ("Code");
- An investment is not made in accordance with the documents and instruments governing a plan or IRA, including the plan's investment policy
- An investment does not satisfy the prudence and diversification requirements of ERISA
- An investment impairs the liquidity of the plan
- And investment produces "unrelated business taxable income" for the plan or IRA
- An investor will not be able to assess the assets of the plan annually in accordance with ERISA requirements
- An investment constitutes a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

**Regulatory Considerations**

*Regulatory Risks of Hedge Funds*. The regulatory environment for hedge funds is evolving and changes therein may adversely affect the Partnership's ability to pursue its investment strategies. In addition, the regulatory or tax environment for derivative securities and related

instruments is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by the Partnership. The effect of any future regulatory or tax change on the Partnership is impossible to predict.

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

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

*Investment Adviser Regulation*. The General Partner is registered as an Exempt Reporting Adviser in the State of California. As a general rule, an exempt adviser in California, going forward, can only accept "accredited investors" in a typical investment partnership or hedge fund. The only exception is in the case of persons professionally associated with the adviser. In adopting this rule California reiterated the SEC rule that a person cannot be charged a performance fee unless they are "qualified clients." This is a requirement for all registered investment advisers and a practice for most investment advisers—even those that are unregistered—but now it has been codified in the California exemption requirements. Exempt Reporting Advisers may not be subject to as much oversight and scrutiny by federal and state regulators as other advisers who are registered as an investment adviser with either the Securities and Exchange Commission or a similar state licensing authority.

*Other*. Securities and investment businesses generally are comprehensively and intensively regulated under state and federal securities and similar laws and regulations that could limit some aspects of the Partnership's operations or subject the Partnership or the General Partner to the risk of sanctions for noncompliance. Subscribers that are employee benefit plans should also consider certain factors discussed under "ERISA Considerations." Any investigation, litigation or other proceeding undertaken by state or federal regulatory agencies or private parties could require spending material amounts of Partnership funds for legal and other costs and could have other materially adverse consequences for the Partnership. This offering will not be registered under the Securities Act and the Partnership is not registered as an investment company under the Exchange

Act. Hence, the Shareholders are not afforded certain regulatory protection afforded to investors in offerings or entities that are registered under the U.S. securities laws.

## POTENTIAL CONFLICTS OF INTEREST

The Partnership will be subject to actual and potential conflicts of interest involving the General Partner and his affiliates. However, the General Partner and his affiliates have substantial incentives to see the assets of the Partnership appreciate in value, and an actual or potential conflict of interest does not mean that it will be acted upon to the detriment of the Partnership. Prospective investors should be aware of the potential for such conflicts of interest and their possible ramifications.

*Brokerage Practices; "Soft Dollars"*. The General Partner may be offered nonmonetary benefits from brokers and dealers who effect transactions for the Partnership and their other clients. These may take the form of investment research and certain brokerage services used in the management of all the General Partner's clients (not just the Partnership), referrals of investors, payment of certain expenses, and other services. Although the General Partner believes the Partnership benefits from the receipt of these services, the Partnership may not be the sole beneficiary. If brokers were not providing these services, the General Partner might have to acquire them with its own funds. The practice of allowing brokers to pay for them creates an incentive for the General Partner to select brokers or dealers to execute trades for the Partnership on the basis of the benefits provided to it, rather than solely on the quality of the transactional services and the price charged the Partnership.

*Fees*. The structure of the General Partner's compensation (i.e., the Performance Fee) may create an incentive for the General Partner to cause the Partnership to make riskier or more speculative investments than it otherwise would in the absence of performance-based compensation to the General Partner. In some cases, fees charged by the General Partner may be greater than fees charged by other investment advisers for similar services; in other cases, the General Partner's fees may be lower.

*Business Relationships with Affiliated Persons*. The General Partner, Mr. Chao and his partner, Dr. Arnout ter Schure will devote so much of their time and resources to the activities of the Partnership as is necessary and appropriate. However, the General Partner and/or Mssrs. Chao or ter Schure may sponsor, manage or participate in other investment activities and programs unrelated to the Partnership's activities (some of which may compete with the Partnership's investment activities). These other activities may include, among other things, investing for their own accounts and providing investment advisory services to various other funds and accounts.

*Investment and Transaction Opportunities.* Potential conflicts of interest may arise in connection with securities transactions for the accounts of the Partnership, other businesses in which the General Partner is involved, any other advisory clients the General Partner may have now or in the future, and the General Partner or its members themselves. These transactions could differ in substance, timing, and amount, due to, among other things, differences in investment objectives or other factors affecting the appropriateness or suitability of particular investment activities to the Partnership or other clients, or to limitations on the availability of particular investment or transactional opportunities. The General Partner will allocate transactions and opportunities among its various clients in a manner it believes to be as equitable as possible, considering each client's objectives, programs, limitations, and capital available for investment, but all clients may not necessarily invest in the same securities. The General Partner is under no obligation to provide the Partnership or any other client with any particular investment opportunity.

*No Separate Legal Representation*. Legal counsel for the General Partner does not and will not represent the interests of the Limited Partners or the Partnership in connection with the activities of the Partnership or any offering of Interests, and such counsel disclaims any fiduciary or attorney-client relationship with the Limited Partners. Neither the potential investors in the Partnership as a group nor the Limited Partners as a group has been represented by separate counsel. The attorneys and certain other experts who perform services for the General Partner on behalf of the Partnership all perform services for it and do not represent or perform services for the Limited Partners. Prospective Limited Partners should obtain the advice of their own counsel regarding legal matters.

## BROKERAGE AND TRANSACTIONAL PRACTICES

In the course of its investment activities the Partnership will incur substantial transactional expenses, including brokerage commissions. The General Partner, in its capacity as an agent of the Partnership, has complete discretion in deciding what brokers and dealers the Partnership uses and in negotiating rates of brokerage compensation. In addition to using brokers as agents and paying commissions, the Partnership buys and sells securities directly from or to dealers acting as principal at prices that include markups or markdowns.

*Best Execution.* The General Partner is not required to consider any particular criteria in choosing brokers and dealers to utilize for Partnership trades. However, it seeks the "best execution" on an overall basis, taking into account price, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, special execution capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, on-line access to computerized data regarding clients' accounts, the availability of stocks to borrow for short trades, the competitiveness of commission rates in comparison to other brokers satisfying the General Partner's other selection criteria and other matters involved in the receipt of brokerage services generally.

*Soft Dollars*. Under Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Safe Harbor") the General Partner's use of soft dollars generated by the Partnership's commissions to acquire certain goods or services is presumed not to breach the General Partner's fiduciary duty to the Partnership—even if the brokerage commissions paid are higher than the lowest available—as long as (among other requirements) the commissions being paid by the Partnership are reasonable in relation to the value of the goods and services obtained and they provide the General Partner with lawful assistance in its investment decision-making.

## CERTAIN TAX CONSIDERATIONS

The following discussion summarizes certain of the aspects of U.S. federal income taxation of the Partnership and Limited Partners that a potential investor should consider. The discussion is based on the Internal Revenue Code of 1986 (the "Code"), Treasury regulations promulgated under the Code ("Regulations") and court decisions and published rulings of the Internal Revenue Service (the "IRS"), all as in effect on the date of this Offering Memorandum. It does not take into account the possible effect of future legislation, regulatory or administrative changes or court decisions. The Partnership will not seek any rulings from the Service as to any particular tax consequences. If any particular matter were contested, a court might reach a conclusion contrary to those expressed below. Future legislation, administrative action, or court decisions may change this discussion significantly, and any such changes or decisions may have a retroactive effect as to the transactions contemplated herein. The General Partner's counsel has no continuing obligation to advise the General Partner, the Partnership, or any Partner of any changes in the law that may affect the Partnership or the Limited Partners or that may otherwise cause any part of the following summary to be inaccurate. This summary does not purport to address all aspects of income taxation that may

be relevant to a prospective investor, nor is it intended to be applicable to all Limited Partners, some of which, such as financial institutions, insurance companies, and foreign persons or entities, may be subject to special rules.

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

IRS REGULATIONS REQURE US TO INFORM YOU THAT THE FOLLOWING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES (A) IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSES OF AVOIDING CERTAIN TAX-RELATED PENALTIES AND (B) IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE PARTNERSHIP ADDRESSED IN THIS MEMORANDUM. YOU SHOUD SEEK TAX ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

**Characterization of the Partnership**

Under the provisions of the Code, the Partnership will be classified for U.S. federal income tax purposes as a partnership and not as an association taxable as a corporation, provided that the Partnership has not elected otherwise. The General Partner will not elect or authorize any person to elect to change the Partnership's status from that of a partnership for U.S. federal income tax purposes. Based on the foregoing, the Partnership will not be subject to U.S. federal income taxation on income and gain realized from its investments unless it is treated as a publicly traded partnership.

Partnerships that are considered "publicly-traded" will be treated as corporations for federal income tax purposes. Being so characterized would substantially adversely affect Partners' after-tax income. Applicable Regulations create certain safe harbors in which partnerships may rest assured that they are not "publicly-traded," and the Partnership expects to satisfy at least one of the safe harbors at all times. Under the Partnership Agreement, the General Partner may suspend Partners' withdrawal rights if the General Partner determines that such withdrawals could cause the Partnership to be considered "publicly-traded."

Additionally, it is expected that the Partnership will qualify for an exemption from publicly traded status due to the type of its expected income and gains. A publicly-traded partnership generally will not be taxable as a corporation if 90% or more of its gross income is "qualifying income," including interest, dividends and gains from the sale of capital assets held for the production of such income.

If the Partnership should at any time be classified as an association or a publicly-traded partnership taxable as a corporation, the Partners would not be treated as partners for tax purposes; income or loss of the Partnership would not be passed through to the Partners and the Partnership would be subject to tax on its net income and gains at the rates applicable to corporations. In addition, all or a portion of distributions made by the Partnership to the Partners would be taxable to them as dividends (to the extent of current or accumulated earnings and profits) or capital gains, while none of those distributions would be deductible by the Partnership in computing its taxable income. Any such recharacterization would reduce the after-tax return to a Partner from its investment in the Partnership.

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

**Taxation of the Partnership and Its Partners**

*General*. The Partnership itself will not be subject to U.S. federal income tax. Instead, Partners will be required to report on their own income tax returns their shares of the Partnership's net long-term capital gain or loss, net short-term capital gain or loss, net ordinary income or deduction, and various other categories of income, gain, loss, deduction and credit (collectively, "tax items"). A Partner's share of any tax item will be governed by the Partnership Agreement unless (i) the Partnership Agreement is silent as to the Partner's share of that item or (ii) the allocation provided by the Partnership Agreement is not considered to have "substantial economic effect" for tax purposes or is otherwise not in accordance with the Partners' interests in the Partnership (as described below). The General Partner believes that, if examined, these allocations will be respected, there is no assurance that applicable Treasury Regulations could not be interpreted by the Service in a manner materially adverse to the Partnership. If the allocations provided by the Partnership Agreement are not respected by the Service or otherwise require amendment for U.S. federal income tax purposes, the amount of taxable income allocated to any Partner for U.S. federal income tax purposes may be increased, without any corresponding increase in distributions to pay the additional tax liability. The Partnership has adopted the calendar year as its taxable year and will file an annual partnership information return reporting the results of operations.

Each Partner will be taxable on his distributive share of the Partnership's taxable income or gain regardless of whether he has received or will receive any distribution of cash from the Partnership.

Cash distributions, to the extent they do not exceed a Partner's basis in his Interest in the Partnership, will not result in taxable income to that Partner, but will reduce his adjusted tax basis in his Interest by the amount distributed. Cash distributed to a Limited Partner in excess of the adjusted tax basis of his Interest is generally taxable either as capital gain or ordinary income, depending on the circumstances. A distribution of property other than cash generally will not result in taxable income or loss to the Partner to whom it is distributed.

All securities held by the Partnership will be marked to market at the end of each fiscal period for financial statement presentation and capital account maintenance purposes. This treatment is inconsistent with the general tax rule applicable to many securities transactions that a transaction does not result in a gain or loss until it is closed by an actual sale or other disposition. The divergence between such accounting and tax treatment frequently will result in substantial variation between financial statement income (or loss) and taxable income (or loss) reported by the Partnership.

The Partnership may utilize a variety of investment and trading strategies which produce both short-term and long-term capital gain (or loss), as well as ordinary income (or loss), although most of the capital gain is expected to be short-term.

*Character of Gains and Losses*. The Partnership expects that its recognized gains and losses from securities transactions will generally be characterized as capital gain or loss.

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

*Constructive Sale Rules*. The Code treats some common hedging transactions as constructive sales for tax purposes. In particular, if the Partnership holds a security that has appreciated in value and sells securities of the same class short or engages in similar hedging transactions, it will be treated as if it had sold the appreciated securities.

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

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

*Distributions*. A Limited Partner may be taxed on its "distributive" share of the Partnership's taxable income or gain regardless of whether it has received any distribution from the Partnership. Because no regular distributions are contemplated, a Partner may incur tax liabilities arising from the allocation of its share of Partnership taxable income. Notwithstanding the Partnership's withdrawal provisions, the only source for payment of such tax liabilities may be from the Partner's own funds from and sources other than the Partnership.

Cash distributions (e.g., upon a withdrawal of capital) generally will not cause a Partner to realize taxable income, unless they exceed the Partner's adjusted basis in his or her Interest, but they will reduce that basis. If a distribution were to exceed a Partner's basis, it would generally be taxable as short-term or long-term capital gain, depending on the Partner's holding period for the Interest. However, when a Partner withdraws capital, the Partnership may specially allocate income, gain and losses to that Partner in a manner that could convert what would otherwise be capital gains to ordinary income or long-term capital gains into short-term capital gains.

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

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

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

Under rules adopted in late 2004, if a Partner recognizes more than a $250,000 tax loss upon a redemption of its interest in the Partnership, the Partnership will be required to reduce its basis in the Partnership's assets by the amount of the loss recognized by the redeeming Partner (previously, the Partnership was only required to make such adjustments if a "Section 754 election" was in effect.

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

*Adjusted Basis of an Interest*. A Limited Partner may not deduct losses in excess of the adjusted basis of his or her Interest at the end of the year in which the loss is incurred. Losses in excess of a Partner's adjusted basis may be carried over to succeeding taxable years when the same limitation will apply. See "Basis," above.

*Amounts at Risk*. The amount of loss an individual taxpayer may deduct generally is limited to the amount that Limited Partner is "at risk" as to the Partnership. Where a Limited Partner has financed an investment in the Partnership with certain types of nonrecourse borrowing, that Partner's amount "at risk" could be less than his or her adjusted basis in his or her Interest.

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

*Passive Losses and Income*. Income or loss of the Partnership should be characterized as "portfolio" income or loss and therefore as not arising from a "passive activity." Thus, while a Limited Partner can use losses allocated to him by the Partnership against his other income, passive activity losses cannot offset income from the Partnership.

*Interest Expenses*. If and to the extent the Partnership is not considered to be engaged in the conduct of a trade or business, interest expense incurred by the Partnership with respect to its activities or by a noncorporate Partner to acquire or carry its Interests may be classified as investment interest. Investment interest is deductible only to the extent of such taxpayer's net investment income for the taxable year.

"Net investment income" means the excess of investment income over investment expenses. Long term capital gain from the disposition of investment property is not considered net investment income unless the taxpayer elects to include the amount of such net capital gain as ordinary income. Excess investment interest expense may be carried forward to and deducted in subsequent taxable years to the extent it would be deductible if incurred in that year. This limitation, if applicable, will be computed separately by each noncorporate Partner and not by the Partnership.

*Investment Expenses*. Individual taxpayers are subject to significant limitations on deductions for investment advisory expenses, margin or other interest expenses incurred by the Partnership to carry on its business, and other expenses of producing income. Whether your share of the management fees and interest paid by the Partnership will be subject to these limitations will generally depend on whether the Partnership is engaged in a trade or business activity for federal income tax purposes or in an investor activity. The Partnership may take the position it is engaged in a trade or business but this position could be challenged by the Service. If such a challenge were successful, your ability to deduct the Partnership's management fees and interest would be limited. The Service also could assert that the Performance Allocation is an investment advisory expense rather than a profit "allocation" and, thus, subject it to these limitations.

*Syndication Expenses*. Syndication expenses relating to the promotion and sale of Interests (including sales commissions paid by or on behalf of Partners in connection with the purchase of Interests) must be capitalized and may not be deducted by the Partnership or any Partner. There can be no assurance that the Service will not contend that amounts treated as deductible by the Partnership should not be currently deducted, or that amounts claimed as organization costs should instead be treated as syndication costs.

*Wash Sales*. Section 1091 of the Code disallows any deduction for losses arising from the sale or other disposition of "shares of stock or securities" where, within a period beginning 30 days before such sale or disposition and ending 30 days afterwards, the taxpayer acquires by purchase or by an exchange on which the entire amount of gain or loss is recognized "substantially identical" stock or securities. The disallowance also applies where, within the 61-day period, the taxpayer enters into a contract or option to acquire substantially identical stock or securities. In instances where this rule applies, appropriate adjustments are made to the basis of the stock, securities or options the acquisition of which resulted in application of the rule. Hence, if the Partnership were to effect a "wash sale' the Partnership would not be able to recognize any loss realized in connection with the sale.

*Taxation of Foreign Investors*. An investment in the Partnership could have significant U.S. federal income tax implications for foreign investors. Foreign investors should consider the potential U.S. and local tax implications carefully and discuss them with their own tax adviser.

**Taxation of Benefit Plans and Other Tax-Exempt Entities**

Generally, "qualified" pension or profit sharing plans, IRAs and other tax-exempt entities (collectively "Tax-Exempt Entities") are exempt from Federal income tax on their passive investment income, such as dividends, interest and capital gains, whether realized by the Tax-Exempt Entity directly or indirectly through a partnership in which it is a partner. However, in some cases, Tax-Exempt Entities may be subject to tax on a part of their share of income from an investment partnership. Tax-Exempt Entities considering investing in the Partnership are urged to consult their own tax advisers.

The general exemption from tax for Tax-Exempt Entities does not apply to "unrelated business taxable income" ("UBTI"). UBTI includes "unrelated debt-financed income," which generally consists of (i) income derived by a Tax-Exempt Entity (directly or through a partnership) from income-producing property as to which there is "acquisition indebtedness" at any time during the taxable year, and (ii) gains derived by a Tax-Exempt Entity (directly or through a partnership) from the disposition of property as to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of such disposition. The Partnership may incur "acquisition indebtedness" through, among other transactions, purchases of securities on margin. Since the calculation of the Partnership's "unrelated debt-financed income" is complex and will depend in large part on the amount of leverage used by the Partnership from time to time, it is

impossible to predict what percentage of the Partnership's income and gains will be treated as UBTI.

To the extent the Partnership generates UBTI, a Tax-Exempt Limited Partner would be subject to tax at the regular corporate tax rate. A Tax-Exempt Entity may be required to support, to the satisfaction of the Service, the method used to calculate its UBTI. Each year the Partnership will be required to report to a Partner that is a Tax-Exempt Entity the portion of its income and gains from the Partnership that will be treated as UBTI. The calculation of that amount will be highly complex and there is no assurance that the Partnership's calculation of UBTI will be accepted by the Service.

*Charitable Remainder Trusts*. An investment in the Partnership may be inappropriate for a charitable remainder trust. Pursuant to Code section 664(c), a charitable remainder trust that has any UBTI in a taxable year is assessed an excise tax equal to the amount of such UBTI. The General Partner anticipates that the Partnership may invest on margin and purchase other assets under circumstances that may be deemed to involve acquisition indebtedness, and thus may generate UBTI. See the discussion of UBTI above. A charitable remainder trust should consult with its own tax advisors before determining to invest in the Partnership.

**Administrative Matters**

*Partnership Tax Election, Returns, Audits*. The Partnership may make various elections for federal income tax purposes that could result in certain items of income, gain, loss and deduction being treated differently for tax and accounting purposes. Elections permitted under the Code that may effect the determination of the Partnership's income, the deductibility of expenses, accounting methods and the like must be made by the Partnership and not by the Partners, and these elections will be binding in most cases on all Partners. Although the Partnership may elect to make optional adjustments to the basis of its property upon distributions of Partnership property to a Partner and transfers of Interests, including transfers by reason of death (Section 751 election), the General Partner does not currently anticipate making that election.

The Partnership will file an annual partnership information return with the Service reporting the results of its operations. After the end of each calendar year it will disseminate federal income tax information reasonable necessary to enable each Partner to report its distributive share of the Partnership's Partnership items. Each Partner must treat Partnership items reported on the Partnership's returns consistently on the Partner's own returns, unless the Partner files a statement with the Service disclosing the inconsistency.

The Code contains special procedures for the audit of partnerships by the Service. All such audits will be at the Partnership level, and no deficiency resulting from such an audit will be assessed against a Partner until the correctness of any challenge by the Service to any of the Partnership's federal returns is determined at the administrative or judicial level. The Partnership Agreement designates the General Partner as the Partnership's "tax matters partner," who has considerable authority to make decisions affecting the tax treatment and procedural rights of all Partners. An audit of the Partnership's federal returns may result in its income, and therefore items of income, gain, loss and deduction allocated to each Partner, being adjusted. Any such adjustment will require each Partner to file an amended federal income tax return for each year involved and may also result in an audit of the federal income tax returns of one or more Partners.

*State and Local Taxes*. In addition to the federal income tax consequences described above, the Partnership and the Limited Partners may be subject to various state and local taxes. Limited Partners should consult their own tax advisers as to the application of income and other taxes imposed in their states of residence, and in states where they are engaged in business, with respect to their investment in the Partnership.

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

## ERISA CONSIDERATIONS FOR FIDUCIARIES OF EMPLOYEE BENEFIT PLANS

In considering an investment in the Partnership, employee benefit plan fiduciaries should consider whether the investment is in accordance with the documents and instruments governing such employee benefit plan, whether the investment satisfies the diversification and other requirements of Title I of ERISA, if applicable, whether the investment will result in unrelated business taxable income to the employee benefit plan (see "Certain Tax Considerations—Taxation of Benefit Plans and Other Tax-Exempt Entities"), and whether the investment provides sufficient liquidity and is otherwise prudent in view of the employee benefit plan's needs. Generally, all employee benefit plans, other than governmental plans, plans of churches and similar organizations and foreign plans, are subject to Title I of ERISA.

DOL regulations define what constitutes the assets of an employee benefit plan. These regulations provide that, when an employee benefit plan invests in an equity interest in an entity, the employee benefit plan's assets will include both the equity interest and the undivided interest in each of the underlying assets of the entity, unless the "less than 25%" exception (or another exception) is applicable. The "less than 25%" exception applies on any date if, immediately after the most recent acquisition or disposition of any equity interest in the entity, less than 25% of the value of each class of equity interest in the entity is held by Plan Investors and "funds of funds" whose assets are treated as plan assets by virtue of DOL regulations. Although governmental plans and plans of churches and similar organizations are generally not subject to Title I of ERISA, they are generally included in the calculation. Also, other Plan Investors, such as IRAs and plans covering only the owners of the plan sponsors, are generally included. Interests held by the General Partner and its affiliates are not included in the calculation unless those Interests are held by Plan Investors maintained by the General Partner or any of its affiliates. None of the other exceptions is likely to be applicable to investments in the Partnership.

If, by virtue of DOL regulations, investment in the Partnership by an employee benefit plan that is subject to Title I of ERISA is deemed to be an investment by such employee benefit plan in the underlying assets of the Partnership, the General Partner will be a fiduciary of such employee benefit plan, with the following consequences: (a) the prudence standards, bonding requirements and other provisions of Part 4 of Title I of ERISA applicable to investments by such an employee benefit plan and its fiduciaries may extend to investments made by the Partnership, (b) co-fiduciary responsibility would arise as between the fiduciaries of such an employee benefit plan and the General Partner, because the General Partner would be deemed to be a fiduciary of the employee benefit plan, (c) financial information concerning the Partnership would be required to be reported annually to the DOL, and (d) certain transactions that the Partnership has entered into or might seek to enter into might constitute "prohibited transactions" under ERISA and the Code, subject to a requirement that such transactions be rescinded and resulting in potential penalties or excise tax liability and other fiduciary liability of the General Partner. The potential excise tax liability described in clause (d) of the preceding sentence may also apply with respect to some Plan Investors that are not employee benefit plans subject to Title I of ERISA, such as IRAs and plans covering only the owners of the plan sponsors. See "Certain Tax Considerations—Taxation of Benefit Plans and Other Tax-Exempt Entities."

## SUMMARY OF THE PARTNERSHIP AGREEMENT

The following discussion briefly summarizes certain provisions of the Partnership Agreement. As with all other references to or descriptions of the Partnership Agreement in this Offering Circular, the following discussion is only a summary and is qualified in its entirety by reference to the Partnership Agreement, the form of which is included as Exhibit A to this Offering Memorandum.

**Rights of the General Partner.** The General Partner has full, exclusive and complete authority in managing and controlling the Partnership for the purposes stated in the Partnership Agreement and makes all decisions affecting the Partnership.

**Accounts.** An individual Capital Account is maintained by the Partnership for each Partner, to which is credited or debited such Partner's Capital Contributions and shares of Partnership profits, losses and distributions. As of the end of each fiscal period and each fiscal year, the profits and losses of the Partnership are determined by the General Partner and allocated to the Partners.

**Additional Capital Contributions.** Any Limited Partner may contribute additional cash or, if permitted by the General Partner, securities to the capital of the Partnership when the General Partner deems it appropriate.

**Withdrawal of Capital.** A Limited Partner may withdraw all or part of the Capital Account balance of that Limited Partner as of the last day of any calendar quarter on at least thirty (30) days' advance written notice.

If a Limited Partner makes a withdrawal, the Partnership pays the withdrawing Limited Partner, within 30 days after the effective date of the withdrawal, an amount equal to the lesser of the amount to be withdrawn and 95% of the General Partner's estimate of the balance of that Limited Partner's Capital Account as of the effective date of withdrawal. As soon as the General Partner determines that it is reasonably practicable after the Partnership receives the Partnership's financial statements for the fiscal year in which the withdrawal occurs, the Partnership pays the balance, if any, of the amount withdrawn (such balance does not bear interest and is not considered to be invested in the Partnership).

The General Partner may permit exceptions to the foregoing withdrawal restrictions and procedures. The Partnership Agreement authorizes the General Partner, in unusual circumstances, to suspend the Limited Partners' withdrawal rights or to postpone payment of amounts withdrawn. Withdrawals are subject to income tax withholding if and to the extent required by law.

**Expelling a Limited Partner.** The General Partner may expel all or any portion of a Limited Partner's Capital Account balance from the Partnership at any time, with or without cause, on notice to that Limited Partner. The expelled Limited Partner will be deemed to have withdrawn the amount of such Limited Partner's Capital Account balance so expelled as described above at the time fixed by the General Partner. The General Partner may also expel certain entities to comply with the ICA or ERISA.

**Assignments.** A General Partner may transfer its interest without the consent of any other Partner, except that the General Partner may not assign its interest without the prior consent of a majority in interest of the Limited Partners, if, at the time of the assignment, the General Partner serves as the investment adviser to the Partnership and such consent is required under applicable law.

A Limited Partner may assign an interest in the Partnership, subject to compliance at such Limited Partner's expense with federal and state securities laws, the Partnership Agreement, the Limited Partner's Subscription Agreement, and certain prohibitions against assignments to entities subject to ERISA. Such compliance includes (unless waived by the General Partner) providing the Partnership with a written opinion of counsel, in form satisfactory to the General Partner, that the proposed transfer (a) complies with applicable provisions of the 1933 Act and any applicable state securities laws, (b) will not result in the Partnership having to register as an investment company under the ICA, (c) will not render the Performance Fee unlawful under any applicable law, (d) will not result in the termination of the Partnership for federal income tax purposes, and (e) will not cause the Partnership to be deemed to hold "plan assets" under ERISA.

An assignee of any Interests may become a substituted Limited Partner only with the consent of the General Partner and after the General Partner receives such appropriate documentation of the assignment and substitution as it may reasonably require. Nevertheless, no assignee may become a substituted Limited Partner unless the assignee consents in writing, in form satisfactory to the General Partner, to be bound by the terms of the Partnership Agreement in the place and stead of the assigning Limited Partner.

**Rights of Limited Partners.** The Limited Partners have the following rights:

(a) No Limited Partner is subject to mandatory assessment, nor is any Limited Partner personally liable for any of the debts or liabilities of the Partnership or any of its losses (except as may be required under the Act), but a Limited Partner is at risk to the extent of the Limited Partner's agreed capital contributions and any undistributed income attributable to such Limited Partner.

(b) No Limited Partner, as such, may take part in managing the Partnership, or transact any business for the Partnership, nor does a Limited Partner, as such, have the power to sign for or bind the Partnership to any agreement or other document. A majority in interest of the Limited Partners may, however, with the concurrence of the General Partner, consent to amend the Partnership Agreement. In addition, a majority in interest of the Limited Partners may admit a general partner or elect to continue the Partnership's business after a General Partner ceases to be a general partner of the Partnership where there is no remaining or surviving general partner. The Limited Partners have no other voting rights and, accordingly, the Limited Partners do not have the power to remove a General Partner.

All votes required or permitted to be taken by the Limited Partners are taken by written consent. The Agreement does not provide for meetings of the Partners. A Partner may, with the consent of the General Partner, waive all or any portion of that Partner's voting rights that are conferred on it by the Partnership Agreement or the Act with respect to that Partner's ownership percentage. If a Limited Partner and the General Partner agree to any such waiver, then, for voting purposes only, the portion of such Limited Partner's ownership percentage with respect to which voting rights are waived are deemed held by the Limited Partners who have not waived any of their voting rights, pro rata in proportion to their respective ownership percentages.

**Records and Books.** The General Partner maintains and preserves during the term of the Partnership true and full information regarding the status of the activities and financial condition of the Partnership, including (a) a current list of the names and addresses of each Partner, (b) a copy of the Partnership Agreement and the Certificate of Limited Partnership of the Partnership, and all amendments thereto, together with executed copies of any powers of attorney pursuant to which the Partnership Agreement or any certificate or any amendment thereto shall have been executed, (c) copies of the Partnership's income tax or information returns and reports, if any, for each year, and (d) true and full information regarding the amount of cash and description and statement of value of any other property or services contributed by each Partner and that each Partner has

agreed to contribute in the future, and the date on which each became a Partner. Each Limited Partner has the right, subject to the following sentence and such reasonable standards as may be established from time to time on reasonable written demand, for any purpose reasonably related to the Limited Partner's interest as a Limited Partner, to obtain the information described in clauses (a) through (d) above, true and full information regarding the status of the business and financial condition of the Partnership, and any other information regarding the affairs of the Partnership as is just and reasonable. The General Partner, however, has the right to keep confidential from Limited Partners for such periods of time as it deems reasonable any trade secrets or other information (such as, for example, the identity of the Partnership's portfolio positions) the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the Partnership or its business, or that the Partnership is required by law or agreement with a third party to keep confidential (including non-public information about its Limited Partners or former Limited Partners).

**Confidentiality.** Each Limited Partner is obligated to use financial statements and other information regarding the Partnership delivered by the General Partner only to further his, her or its interests as a Limited Partner and, except for disclosures required by applicable law, must maintain the confidentiality of those financial statements and that other information.

**Costs of Special Services.** Any costs incurred in connection with special services requested by a Limited Partner must be paid by that Limited Partner. Such services would include, for example, those that would benefit the Limited Partner but would not benefit the Partnership, such as a special asset evaluation or financial accounting for the purposes of estate valuation and legal fees relating to the assignment or transfer of an Interest.

**Claims Against Partnership.** In furtherance of the intent of the Partners that each Limited Partner is liable to creditors only for such Limited Partner's Capital Contributions and undistributed Partnership profits:

(a) The General Partner will arrange to prosecute, defend, settle or compromise actions at law or in equity at the expense of the Partnership as the General Partner may consider necessary to enforce or protect the interests of the Partnership; and

(b) The General Partner will satisfy any judgment, decree, decision or settlement under the terms of which the Partnership (or the General Partner, or any Affiliate of the General Partner, on behalf of the Partnership) is obligated to pay any amount, first, out of available proceeds of any insurance of which the Partnership is the beneficiary, next, out of Partnership assets and income and, finally, out of the assets and income of the General Partner. Nevertheless, if any such payment is made out of the assets or income of the General Partner, it is entitled to reimbursement, with interest, for such payment out of assets and income of the Partnership thereafter received.

**Successor General Partners.** The General Partner has the right to appoint additional or successor general partner or partners, without the consent of the Limited Partners. A person will cease to be a General Partner if that person withdraws, dies, is adjudicated a bankrupt or incompetent, or is dissolved or becomes unable to perform his or her duties as a General Partner because of a physical, mental or legal disability. If a General Partner ceases to be general partner of the Partnership where there is no remaining or surviving general partner, a successor general partner or partners may be appointed with the consent of a majority in interest of the Limited Partners. Any person so appointed will become a general partner or partners of the Partnership on accepting such appointment and agreeing to act as a general partner or partners of the Partnership, to become a party or parties to the Partnership Agreement and to assume all the obligations and responsibilities of a General Partner thereunder. The Limited Partners do not have any right to remove any General Partner.

**Duration of Partnership; Dissolution and Termination.** The Partnership will continue until terminated and dissolved (a) upon the dissassociation of Mr. Chao, (b) at the election of the General Partner, or (c) after the sole general partner of the Partnership ceases to be a general partner of the Partnership, if a successor general partner has not then been appointed as and become the general partner of the Partnership as of the date there ceases to be a general partner of the Partnership, as described above.

The Partnership will not be dissolved or terminated by the expulsion, retirement, withdrawal, death, insanity, adjudication of bankruptcy, insolvency or dissolution of any Limited Partner, or of any General Partner or successor general partner if there is a remaining or successor general partner of the Partnership, by any assignment of Interests or by the admission of new Partners.

In the event of dissolution and termination of the Partnership, the General Partner, or a "Liquidating Person" previously appointed by the General Partner or in certain circumstances appointed by a majority in interest of the Limited Partners, will wind up the affairs of the Partnership, liquidate at least so much of the Partnership assets as may be required to pay all liabilities, including all costs of dissolution and any payment the General Partner has agreed to make to the Liquidating Person for his or her services in connection with the dissolution and loans to the Partnership by any Partners (but excluding any distributions or withdrawals payable to any Partner), pay all such liabilities, establish a reserve for contingencies and distribute the Partnership's remaining assets (in cash or in kind or partly in cash and partly in kind, as the General Partner or the Liquidating Person may determine) in proportion to and to the extent of the Partners' respective Capital Accounts. After a reasonable period of time has passed, any balance remaining in any such reserve will be distributed to the Partners as described in this paragraph. Each Partner may look solely to the assets of the Partnership for the return of such Partner's Capital Contributions, and if the Partnership property remaining after the payment or discharge of the debts and liabilities of the Partnership is insufficient to return the Capital Contributions of each Partner, such Partner will have no recourse against any other Partner. The winding up of the affairs of the Partnership and the distribution of its assets will be conducted exclusively by the General Partner, or the Liquidating Person, who is authorized to do anything authorized by law for these purposes.

**Amendments.** The General Partner may propose amendments to the Partnership Agreement, in which case it will submit to the Limited Partners a verbatim statement of any amendment so proposed. The amendment will become effective only on the consent of the General Partner and a majority in interest of the Limited Partners. For purposes of obtaining a consent on the proposed amendment, the General Partner may require a response within a specified reasonable time (which may not be less than 15 days) and failure to respond will constitute a consent in accordance with the General Partner's recommendation with respect to the proposed amendment.

Notwithstanding the above, the General Partner may, without the consent, approval, authorization or other action of any Limited Partner, amend the Partnership Agreement (a) if, in the opinion of the General Partner, the amendment does not have a material adverse effect generally on the Limited Partners, or (b) whether or not any or all of the Limited Partners are adversely affected thereby, if the General Partner first notifies the Limited Partners of the amendment and the amendment does not become effective until the Limited Partners have had the opportunity to withdraw from the Partnership in accordance with the terms of the Partnership Agreement. In no event may any amendment change the Partnership to a general partnership or change the liability of the General Partner as such or the limited liability of the Limited Partners as such without the consent of all Partners.

**Choice of Venue**. The Agreement provides that the Partners consent to the personal jurisdiction and exclusive venue of any court of the State of California in the city and county of the Partnership's principal place of business and any United States District Court encompassing the city and county of the Partnership's principal place of business, with respect to any suit, action or other proceeding between or among any of the Partnership and the Partners or any of their respective Affiliates arising out of, relating to or in connection with the Partnership Agreement or the Partnership or its formation, organization, capitalization, activities or management.

**Attorney's Fees and Costs**. If any dispute between or among any of the Partnership and the Partners or any of their respective Affiliates results in litigation, the prevailing party or parties in such dispute will be entitled to recover from the other party or parties all reasonable fees, costs and expenses, including, without limitation, reasonable attorneys' fees and expenses, incurred by the prevailing party or parties in connection therewith, all of which will be deemed to have accrued on the commencement of such action and will be paid whether or not such action is prosecuted to judgment. Any award, judgment or order entered in such action will contain a specific provision providing for the recovery of attorneys' fees and costs incurred in enforcing such award or judgment and an award of prejudgment interest from the date of the breach at the maximum rate allowed by law. For these purposes, (a) attorneys' fees include, without limitation, fees incurred in postaward or postjudgment motions, contempt proceedings, garnishment, levy, and debtor and third party examinations, discovery, and bankruptcy litigation, and (b) prevailing party means the party that is determined in the proceeding to have prevailed or who prevails by dismissal, demurrer, default or otherwise.

**Power of Attorney.** Each Limited Partner, by executing the Subscription Application, is agreeing to be bound by and become a party to the Partnership Agreement and irrevocably appoint the General Partner as such Limited Partner's attorney-in-fact to perform appropriate acts as specified in the Partnership Agreement.

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[The next page is the Glossary]

## GLOSSARY

The capitalized terms used in this Prospectus have the meanings set forth in this glossary.

**"Accredited Investor"** -- means an "accredited investor" as defined in Regulation D under the Securities Act.

**"Act"** -- means the California Revised Uniform Limited Partnership Act (as in effect on the date hereof and as amended from time to time).

**"Benefit Plan Investor"** -- means any of the following: (i) an employee benefit plan (as defined in Section 3(3) of ERISA), whether or not it is subject to Title I of ERISA, including, but not limited to (A) a plan which is maintained by a U.S. or non-U.S. corporation, governmental entity or church, (B) a Keogh plan, and (C) an individual retirement account; (ii) a plan described in Section 4975(e)(1) of the Code; or (iii) a non-U.S. entity or U.S. entity that is not an operating company and that is not publicly traded or registered as an investment company under the Company Act, and in which 25% or more of the value of any class of equity interests is held by a Benefit Plan Investor described in clause (i) or (ii) above.

**"Broker"** --means TD Ameritrade, LLC.

**"Code"** -- means the U.S. Internal Revenue Code of 1986 as amended.

**"Employee Benefit Plan"** -- means a benefit plan investor within the meaning of U.S. Department of Labor Regulation §2510.3-101(f)(2)).

**"ERISA"** -- means the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

**"General Partner"** -- means NorthPost Partners, LLC, any successor thereto, and any persons hereafter admitted as additional general partners, in its or their capacity as general partner of the Partnership.

**"Interest"** -- means the entire ownership interest of a Partner in the Partnership at the relevant time, including the right of such Partner to any and all benefits to which a Partner may be entitled as provided herein and in the Partnership Agreement, together with the obligations of such Partner to comply with all the terms and provisions of the Partnership Agreement..

**"Investment Company Act"** -- means the Investment Company Act of 1940, as amended.

**"Limited Partner"** -- means a person having a limited partnership interest in the Partnership.

**"NAV"** -- means the Partnership's net asset value.

**"Offering Memorandum"** -- means this Confidential Private Placement Memorandum.

**"Partners"** -- means all Partners of the Partnership.

**"Partnership"** – means this partnership, NorthPost Partners, LP.

**"Plan Assets"** -- means the assets of an Employee Benefit Plan.

**"Plan Investor"** -- means any Employee Benefit Plan, any plan that covers only owners of the plan sponsor, any individual retirement account as described in Code section 408(a) (an "IRA"), and any bank commingled trust fund for any or all of the foregoing.

**"Regulations"** -- means the regulations promulgated under the Code.

**"SEC"** -- means the Securities and Exchange Commission.

**"Securities Act"** -- means the Securities Act of 1933, as amended.

**"Subscription Application" --** means the subscription application and related documents approved by the General Partner for subscriptions for Interests annexed hereto as Annex I.

**"UBTI"** -- means unrelated business taxable income.

**EXHIBIT A**

**AGREEMENT OF LIMITED PARTNERSHIP**

***of***

# NORTHPOST PARTNERS, LP

**(A California Limited Partnership)**

# NORTHPOST PARTNERS LP

A California Limited partnership

AGREEMENT OF LIMITED PARTNERSHIP

**Neither the Fund nor the limited partnership interests therein have been or will be registered under the Securities Act of 1933, as amended (the "Securities Act"), the Investment Company Act of 1940, as amended, or the securities laws of any of the States of the United States. The offering of such limited partnership interests is being 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.**

**These securities are subject to restrictions on transferability and resale, may not be transferred or resold except (i) as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom, and (ii) in accordance with the requirements and conditions set forth in this Limited Partnership Agreement.**

**AGREEMENT OF LIMITED PARTNERSHIP**
**TABLE OF CONTENTS**

**Section**

**AGREEMENT OF LIMITED PARTNERSHIP**

**OF**

# NORTHPOST PARTNERS LP

This Limited Partnership Agreement of NorthPost Partners LP, a California limited partnership, is entered into as of the _____ day of _____, 2018 (this "Agreement") by and between NorthPost Partners, LLC, a California limited liability company (the "General Partner"), with an address at 76 Oak Grove Drive, Novato, California and certain persons and entities as limited partners (the "Limited Partners" which together with the General Partner shall collectively be referred to as the "Partners").

Fund.

1. Formation. The Partners have agreed to form, and hereby form, a limited partnership (the "Fund") under the provisions of the California Revised Limited Partnership Act, as amended (the "Act"). The Partners agree that the General Partner shall promptly file or record a Certificate of Limited Partnership of the Partnership in each jurisdiction where such filing or recordation may be required and shall so file or record any additional, supplemental or amended certificates of limited partnership and like documents as the General Partner may deem necessary or advisable in accordance herewith. The Partners agree further that they shall comply with the requirements and provisions of the Act which shall govern the rights and liabilities of the Partners, except as otherwise provided in this Agreement.

2. Name. The name of the Partnership shall be, and its business shall be conducted under the name NORTHPOST PARTNERS, LP or such other name as the General Partner may hereafter adopt upon causing an amendment to the Certificate of Limited Partnership to be filed with the Secretary of State of the State of California. The Partnership shall have the exclusive ownership and right to use the Partnership name so long as the Partnership continues, despite the withdrawal, expulsion, resignation or removal of any Limited Partner, but upon the Partnership's termination or such time as there ceases to be a General Partner, the Partnership shall assign the name and goodwill attached thereto to the General Partner without payment by the assignee(s) of any consideration therefor.

3. Term. Term shall continue indefinitely unless earlier terminated as hereinafter provided.

4. Addresses.

4.1 Partnership and General Partner. The principal place of business and principal executive office of the Partnership shall be the office of the General Partner at 76m Oak Grove Drive, Novato, CA 94949, or such other place or places as the General Partner may from time to time designate by notice to the Limited Partners. The

Partnership may also maintain such other offices at such other places as the General Partner may deem advisable.

4.2 Limited Partners. A current list of the full name and address of each Limited Partner shall be kept with the records of the Partnership. A Limited Partner may change its address by notice to the General Partner, which notice shall become effective on receipt or such later time as the notice may specify.

4.3 Agent for Service of Process. The agent for service of process on the Partnership in the State of California shall be as designated on the Certificate of Limited Partnership.

5. Certain Definitions. As used in this Agreement, the following terms shall have the meanings indicated:

5.1 "Act" means the California Revised Limited Partnership Act, as in effect on the date hereof and as amended from time to time.

5.2 "Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in the Capital Account of such Partner as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(a) Credit to such Capital Account any amounts that such Partner is obligated to restore or is deemed to be obligated to restore pursuant to the penultimate sentence of Regulations section 1.704-1(b)(4)(iv)(f); and

(b) Debit to such Capital Account the items described in Regulations sections 1.704-1(b)(2)(ii)(d) (4), (5) and (6).

The definition of Adjusted Capital Account Deficit, as set forth in this section 5.2, is intended to comply with Regulations section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

5.3 "Affiliate" means, when used with reference to a specified person, any person directly or indirectly controlling, controlled by or under common control with the specified person, a person owning or controlling ten percent or more of the outstanding voting securities of the specified person, a person ten percent or more of whose outstanding voting securities are owned or controlled by the specified person, any officer, director, general partner or trustee of the specified person, and if the specified person is an officer, director, general partner or trustee, any corporation, partnership or trust for which the specified person acts in any such capacity.

5.4 "Capital Account" means:

(a) Each individual Capital Account that shall be established and maintained for each Partner in accordance with the following provisions:

(i) To the Capital Account of each Partner there shall be credited such Partner's Capital Contribution(s), such Partner's share of net profit with respect thereto, any items in the nature of income or gain that are specifically allocated thereto pursuant hereto and the amount of any Partnership liabilities that are personally assumed by such Partner or that are secured by any Partnership property distributed to such Partner with respect thereto;

(ii) From the Capital Account of each Partner, there shall be debited the amount of cash and the gross asset value of any Partnership property distributed to such Partner pursuant to any provision of this Agreement with respect thereto, such Partner's share of net loss with respect thereto, any items in the nature of expenses or net loss that are specifically allocated thereto pursuant hereto and the amount of any liabilities of such Partner that are assumed by the Partnership or that are secured by any property contributed by such Partner to the Partnership with respect thereto; and

(iii) In determining the amount of any liability, there shall be taken into account Code section 752(c) and any other applicable provisions of the Code and Regulations.

(b) If any interest in the Partnership is transferred in accordance with this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent that they relate to the transferred interest.

(c) If the gross asset value of Partnership assets is adjusted pursuant hereto, the respective Capital Account of all Partners shall be adjusted simultaneously to reflect the aggregate net adjustment as if the Partnership were to have recognized gain or loss equal to the amount of such aggregate net adjustment.

(d) The foregoing provisions and other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations section 1.704-1(b), and shall be interpreted and applied in a manner consistent therewith. If the General Partner determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed, the General Partner may make such modification if it is not likely to have a material adverse effect on amounts distributable to any Partner pursuant hereto upon the dissolution of the Partnership. The General Partner shall adjust the amounts debited or credited to Capital Accounts with respect to any property contributed to the Partnership or distributed to a Partner and any liabilities secured by such contributed or distributed property or assumed by the Partnership or Partner in connection with such contribution or distribution if the General Partner determines that such adjustments are necessary or appropriate under Regulations section 1.704-1(b)(2)(iv). The General Partner shall also make any appropriate modifications if unanticipated events might cause this Agreement not to comply with Regulations section 1.704-1(b), and the General Partner shall make all elections provided for under such Regulations.

5.5 "Capital Contribution" means a cash investment by a Partner in the Partnership, whether initially contributed or subsequently contributed as permitted herein, but excluding loans designated as such.

5.6 "Code" means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

5.7 "Fiscal Period" means the period that begins on the first day of each Fiscal Year, and thereafter on the day immediately following the last day of the preceding Fiscal Period, and that ends on the earliest of the last day of any calendar month, or any date as of which any withdrawal or distribution of capital is made by or to any Partner, or the date that immediately precedes the acceptance by the Partnership of any additional Capital Contribution or the admission of any Partner.

5.8 "Fiscal Quarter" means each period of three calendar months ending on any March 31, June 30, September 30 or December 31.

5.9 "Fiscal Year" means the period from the date that the Partnership commences through the succeeding December 31, or from any subsequent twelve month period ending on the succeeding December 31.

5.10 "ICA" means the U.S. Investment Company Act of 1940, as amended.

5.11 "Interest" means a unit of interest as a Limited Partner in the Partnership representing a Capital Contribution by such Limited Partner of an amount determined as provided in section 9.1.

5.12 "Limited Partner" means a limited partner of the Partnership.

5.13 "Majority in interest" of the Partners (or a class of Partners) means Partners (or Partners of that class) whose Ownership Percentages aggregate more than fifty percent of the Ownership Percentages of all Partners (or all Partners of that class).

5.14 "Net profit" and "net loss" mean for each Fiscal Year, Fiscal Quarter or Fiscal Period, an amount equal to the Partnership's income or loss for such Fiscal Year, Fiscal Quarter or Fiscal Period, determined in accordance with Code section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code section 703(a)(1) shall be included in taxable income or loss).

5.15 "Ownership Percentage" of a Partner at any date means the percentage computed by dividing the sum of that Partner's Capital Account balance at that date by the aggregate of all Partners' Capital Account balances at that date.

5.16 "Partner" means a Limited Partner or a General Partner.

5.17 "Performance Allocation" has the meaning ascribed to it in Section 10.5.

5.18 "Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

6. Business of the Partnership. The Partnership is organized to serve as a fund through which the assets of its Partners may be utilized in investing and trading in a wide variety of securities and financial instruments, domestic and foreign, whether publicly traded or privately placed, including but not limited to interests in common and preferred stocks, bonds and other debt securities, convertible securities, limited partnership interests, mutual fund shares, options, warrants, commodities, futures contracts, currencies (including forward contracts thereon), derivative products (including interest rate and currency derivatives and structured/indexed securities), monetary instruments and cash and cash equivalents. In furtherance of the foregoing, the Partnership may engage in any lawful act or activity for which limited partnerships may be formed under the Act, and any and all activities necessary or incidental thereto.

7. Other Activities. Any Partner and such Partner's Affiliates may engage in any activities, whether or not related to the business of the Partnership, the Partners specifically recognizing that some or all of them and their Affiliates are engaged in various aspects of the securities business, both for their own accounts and for others, and such Partners may continue or initiate further, such activities.

8. No Conflict. The fact that any Partner, or any Affiliate of any Partner, or a member of his or her family, is employed by, or is directly or indirectly interested in or connected with, any person, firm or corporation employed or engaged by the Partnership to render or perform a service, or from whom the Partnership may make any purchase, or to whom the Partnership may make any sale, or from or to whom the Partnership may obtain or make any loan or enter into any lease or other arrangement, shall not prohibit the Partnership from engaging in any transaction with such person, firm or corporation, or create any additional duty of legal justification by such Partner or such person, firm or corporation beyond that of an unrelated party, and neither the Partnership nor any other Partner shall have any right in or to any revenues or profits derived from such transaction by such Partner, Affiliate, person, firm or corporation.

9. Capital.

9.1 Limited Partners' Contributions. Each Limited Partner has contributed or shall contribute to the capital of the Partnership the amount in cash, or in kind or partly in cash and partly in kind, of its Capital Contribution subscribed by such Limited Partner and approved by the General Partner, in its exclusive discretion. The General Partner may, in its sole discretion, accept initial Capital Contributions from persons wishing to become limited partners at any time. Any Partner may, subject to the approval of the General Partner, make additional Capital Contributions on the first day of each month (or such other time as the General

Partner may approve, in its exclusive discretion); provided that no benefit plan investor shall make additional Capital Contributions if the effect of such contributions would be to cause any of the Partnership's assets to be deemed assets of a benefit plan investor.

9.2 General Partner's Capital Contributions. The General Partner may contribute such amount or amounts to the capital of the Partnership as it may from time to time, in its exclusive discretion, elect to contribute.

9.3 No Interest. No Partner shall be entitled to receive from the Partnership payment of any interest on any Capital Contribution.

10. Profits and Losses.

10.1 Books. The General Partner shall maintain complete and accurate accounts in proper books of all transactions of or on behalf of the Partnership and shall enter or cause to be entered therein a full and accurate account of all transactions, things and matters relating to the Partnership's business as are required by the Commodity Exchange Act, the Investment Advisers Act and applicable state law. The Partnership's books and accounting records shall be kept in accordance with generally accepted accounting principles consistently applied throughout each accounting period.

10.2 Accountings. As soon as is reasonably practicable after the close of each Fiscal Year, the General Partner shall cause to be made by an independent certified public accountant selected by the General Partner a full and accurate accounting of the affairs of the Partnership as of the close of that Fiscal Year, including a balance sheet as of the end of such Fiscal Year, a profit and loss statement for that Fiscal Year and a statement of Partners' equity showing the respective Capital Accounts of the Partners as of the close of such Fiscal Year and the distributions, if any, to Partners during such Fiscal Year, and any other statements and information necessary for a complete and fair presentation of the financial condition of the Partnership, all of which the General Partner shall furnish to each Partner. The General Partner shall furnish to each Partner information necessary for such Partner to complete such Partner's Federal and state income tax returns. In addition, the Partnership shall prepare or cause to be prepared and furnished to Partners such reports as are required to be given by the rules and regulations promulgated by the U.S. Securities and Exchange Commission and any other reports required by any other governmental authority which has jurisdiction over the activities of the Partnership.

10.3 Capital Accounts. A separate Capital Account shall be maintained for each Partner. Each Partner's share of the net profit or net loss attributable to the Capital Account of such Partner shall be credited or debited, and any distributions to or withdrawals by such Partner from such Capital Account shall be debited, to such Capital Account, as provided in section 5.4, this section 10 and section 13.3.

10.4 RESERVED.

10.5 Allocations. All net loss and all net profit for each Fiscal Period, except for management fee expense which shall be allocated to each Limited Partner in accordance with section 11.1, shall be allocated as of the last day of each calendar quarter to the Partners in proportion to their respective Capital Account balances; provided that, as of the end of each calendar quarter and as of any date on which a Limited Partner receives a withdrawal or distribution from a Capital Account (a "**Calculation Date**"), the Partnership ordinarily debits from each Capital Account, and credits to the Capital Account of the General Partner, an annual allocation of profits (the "**Performance Allocation**"). Profits are allocated as follows: The net profit or net loss of the Partnership (including realized and unrealized gains and losses) shall be allocated to each Limited Partner and the General Partner in accordance with the ratio of their respective capital account balances. At the end of each fiscal quarter there will be reallocated to the capital account of the General Partner from the capital account of each Limited Partner holding Founders' Interests a performance allocation (the "Performance Allocation") computed as follows:

1). If total realized profits for the quarter is *more* than Five (5) percent, the Performance Fee is 20% of such quarter's profits;

2). If total realized profits for the quarter is *less* than Five (5) percent, the Performance Fee is 15% of such quarter's profits

The General Partner, in its exclusive discretion, may waive all or any portion of the Performance Allocation with respect to the Capital Account of any Limited Partner. The Performance Allocation is not subject to recapture or reduction by reason of any Limited Partner incurring Losses in any subsequent period. In the case of a Limited Partner who withdraws from the Partnership other than on the last day of a Fiscal Year, the Performance Allocation with respect to such Limited Partner shall be calculated as though the withdrawal date were the last day of that Fiscal Year. Anything herein to the contrary notwithstanding, any recapture under applicable tax laws shall be allocated to the Partners in the same proportions as the item generating the recapture shall have been allocated. The taxable income and loss of the Partnership shall be allocated to the Partners, for purposes of Federal and state income tax reporting, in the same manner as net profit and net loss are allocated pursuant to this section 10.5, as adjusted pursuant to section 10.5.1.

10.5.1 Special Capital Account Allocations. Notwithstanding the allocation provisions of section 10.5, the following special allocations shall be made in allocating net profit and net loss in the following order:

10.5.1.1 Minimum Gain Chargeback. Notwithstanding any other provision of this section 10.5.1, if there is a net decrease in Partnership Minimum Gain during any Fiscal Year, each Partner shall be specially allocated items of Partnership income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) in an amount equal to the portion of such Partner's share of the net decrease in Partnership Minimum Gain, determined in accordance with Regulations section 1.704-1T(b)(4)(iv)(f),

that is allocable to the disposition of Partnership property subject to Nonrecourse Liabilities, determined in accordance with Regulations section 1.704-1T(b)(4)(iv)(e). Allocations pursuant to the preceding sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations section 1.704-1T(b)(4)(iv)(e). This section 10.5.1.1 is intended to comply with the minimum gain chargeback requirement in such Regulations section and shall be interpreted consistently therewith.

10.5.1.2 Partner Minimum Gain Chargeback. Notwithstanding any other provision of section 10.5 except section 10.5.1.1, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Fiscal Year, each Partner who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations section 1.704-1T(b)(4)(iv)(h)(5), shall be specially allocated items of Partnership income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) in an amount equal to the portion of such Partner's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations section 1.704-1T(b)(4)(iv)(h)(5), that is allocable to the disposition of Partnership property subject to such Partner Nonrecourse Debt, determined in accordance with Regulations section 1.704-1T(b)(4)(iv)(h)(4). Allocations pursuant to the preceding sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations section 1.704-1T(b)(4)(iv)(h)(4). This section 10.5.1.2 is intended to comply with the minimum gain chargeback requirement in such Regulations section and shall be interpreted consistently therewith.

10.5.1.3 .Qualified Income Offset. If a Partner (who is not a General Partner) unexpectedly receives any adjustments, allocations or distributions described in Regulations section 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Partner as quickly as possible; provided that an allocation pursuant to this section 10.5.1.3 shall be made if and only to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this section 10.5.1 have been tentatively made as if this section 10.5.1.3 were not in this Agreement.

10.5.1.4 Gross Income Allocation. If any Partner has a deficit Capital Account at the end of any Fiscal Year that is in excess of the sum of

the amount such Partner is obligated to restore pursuant to this Agreement, the amount the Partner is deemed to be obligated to restore pursuant to the penultimate sentence of Regulations sections 1.704-1T(b)(4)(iv)(f) and 1.704-1T(b)(4)(iv)(h)(5), and the amount such Partner would be deemed obligated to restore if Partner Nonrecourse Deductions were treated as Nonrecourse Deductions, such Partner shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible; provided that an allocation pursuant to this section 10.5.1.4 shall be made if and only to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided for in this section 10.5 have been tentatively made as if section 10.5.1.3 and this section 10.5.1.4 were not in this Agreement.

10.5.1.5 Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year or other period shall be specially allocated to the Partners in proportion to their Ownership Percentages.

10.5.1.6 Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions for any Fiscal Year or other period shall be allocated to the Partner who bears the risk of loss with respect to the loan to which such Partner Nonrecourse Deductions are attributable in accordance with Regulations section 1.704-1T(b)(4)(iv)(g) (or Regulations section 1.704-1T(b)(4)(iv)(h), if it becomes applicable to the Partnership). To the extent permitted by Regulations sections 1.704-1T(b)(4)(iv)(g) and 1.704-1T(b)(4)(iv)(h)(7), the General Partner shall endeavor to treat distributions as having been made from the proceeds of a Nonrecourse Liability or a Partner Nonrecourse Debt only to the extent that such distributions would cause or increase an Adjusted Capital Account Deficit for any Partner.

10.5.1.7 Section 754 Adjustment. If an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code section 734(b) or 743(b) is required, pursuant to Regulations section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Regulations section.

10.5.1.8 Imputed Interest. If the Partnership has taxable interest income with respect to any promissory note pursuant to Code section 483 or Code sections 1271 through 1288, (a) such interest income shall be specially allocated to the Partner to whom such promissory note relates, and (b) the amount of such interest income shall be excluded from

the Capital Contribution credited to such Partner's Capital Account in connection with payments of principal on such promissory note.

10.5.1.9 Basis Increases. If the adjusted tax basis of any Code section 38 property that has been placed in service by the Partnership is increased pursuant to Code section 48(q), such increase shall be specially allocated among the Partners (as an item in the nature of income or gain) in the same proportions as the investment tax credit that is recaptured with respect to such property is shared among the Partners.

10.5.1.10 Basis Reductions. Any reduction in the adjusted tax basis (or cost) of Partnership Code section 38 property pursuant to Code section 48(q) shall be allocated among the Partners (as an item in the nature of expenses or net loss) in the same proportions as the basis (or cost) of such property is allocated pursuant to Regulations section 1.46-3(f)(2)(i).

10.5.1.11 Curative Allocations.

(a) The "Regulatory Allocations" consist of the "Basic Regulatory Allocations," the "Nonrecourse Regulatory Allocations," and the "Partner Nonrecourse Regulatory Allocations," all as defined in this section 10.5.1.11.

(b) The "Basic Regulatory Allocations" consist of allocations pursuant to sections 10.5.1.3, 10.5.1.4 and 10.5.1.7. Notwithstanding any other provision of this Agreement, other than the Regulatory Allocations, the Basic Regulatory Allocations shall be taken into account in allocating items of income, gain, loss and deduction among the Partners so that, to the extent possible, the net amount of such allocations of other items and the Basic Regulatory Allocations to each Partner shall be equal to the net amount that would have been allocated to such Partner if the Basic Regulatory Allocations had not occurred. For purposes of applying the preceding sentence, allocations pursuant to this section 10.5.1.12 shall only be made with respect to allocations pursuant to section 10.5.1.9 to the extent that the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the parties to this Agreement.

(c) The "Nonrecourse Regulatory Allocations" consist of all allocations pursuant to sections 10.5.1.1 and 10.5.1.5. Notwithstanding any other provision of this Agreement, other than the Regulatory Allocations, the Nonrecourse Regulatory Allocations shall be taken into account in allocating items of income, gain, loss and deduction among the Partners so that, to the extent possible, the net amount of such allocations of other items and the Nonrecourse Regulatory Allocations to each Partner shall be equal to the net amount that would have been allocated to such Partner if the Nonrecourse Regulatory Allocations had not occurred. For purposes of applying the

preceding sentence, (i) no allocations pursuant to this section 10.5.1.11 shall be made prior to the Fiscal Year during which there is a net decrease in Partnership Minimum Gain, and then only to the extent necessary to avoid any potential economic distortions caused by such net decrease in Partnership Minimum Gain, and (ii) allocations pursuant to this section 10.5.1.11(c) shall be deferred with respect to allocations pursuant to section 10.5.1.5 to the extent that the General Partner reasonably determines that such allocations are likely to be offset by subsequent allocations pursuant to section 10.5.1.1.

(d) The "Partner Nonrecourse Regulatory Allocations" consist of all allocations pursuant to sections 10.5.1.2 and 10.5.1.6. Notwithstanding any other provision of this Agreement, other than the Regulatory Allocations, the Partner Nonrecourse Regulatory Allocations shall be taken into account in allocating items of income, gain, loss and deduction among the Partners so that, to the extent possible, the net amount of such allocations of other items and the Partner Nonrecourse Regulatory Allocations to each Partner shall be equal to the net amount that would have been allocated to such Partner if the Partner Nonrecourse Regulatory Allocations had not occurred. For purposes of applying the preceding sentence, (i) no allocations pursuant to this section 10.5.1.11(d) shall be made with respect to allocations pursuant to section 10.5.1.6 relating to a particular Partner Nonrecourse Debt prior to the Fiscal Year during which there is a net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, and then only to the extent necessary to avoid any potential economic distortions caused by such net decrease in Partner Minimum Gain, and (ii) allocations pursuant to this section 10.5.1.11(d) shall be deferred with respect to allocations pursuant to section 10.5.1.6 relating to a particular Partner Nonrecourse Debt to the extent that the General Partner reasonably determines that such allocations are likely to be offset by subsequent allocations pursuant to section 10.5.1.2.

(e) The General Partner shall have reasonable discretion, with respect to each Fiscal Year, to (i) apply the provisions of sections 10.5.1.11(b), (c) and (d) in whatever order is likely to minimize the economic distortions that might otherwise result from the Regulatory Allocations and (ii) divide all allocations pursuant to sections 10.5.1.11(b), (c) and (d) among the Partners in a manner that is likely to minimize such economic distortions.

10.5.1.12 Tax Allocations: Code Section 704(c).

(a) In accordance with Code section 704(c) and the Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners to take account of any variation between the adjusted basis of such property to the Partnership for Federal

income tax purposes and its initial gross asset value.

(b) Notwithstanding any of the foregoing provisions to the contrary, if a Partner withdraws capital during a Fiscal Year, the General Partner may elect to have allocations of taxable income or loss made as follows:

(i) First, to each Partner who has withdrawn all of such Partner's Capital Account during that Fiscal Year, to the extent of the positive or negative difference, if any, derived by subtracting such Partner's adjusted tax basis in such Partner's interest in the Partnership with respect to such Capital Account from the balance in such Capital Account immediately prior to such withdrawal;

(ii) Second, to each Partner who has withdrawn part of such Partner's Capital Account during that Fiscal Year and such withdrawal has exceeded or is exceeded by such Partner's adjusted tax basis in such Partner's Partnership interest with respect to such Capital Account as of the last day of that Fiscal Year, an amount equal to (x) such excess plus (y) an amount equal to the taxable income or loss otherwise allocable hereunder, less the amount allocated under clause (x) above (but not below zero); and

(iii) Thereafter, to all Capital Accounts in the same proportion as net profit and net loss are allocated among them for that Fiscal Year.

The General Partner, in its exclusive discretion, may cause the Partnership to make the election to adjust the basis of Partnership property under Code Section 754. In any year in which the Code section 754 election is in effect and thereafter, this section 10.5.1.12(b) shall be null and void.

(c) Any elections or other decisions relating to such allocations shall be made by the General Partner in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this section 10.5.1.13 are solely for purposes of Federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Capital Account or share of net profit, net loss or other items of any Partner, or distributions to any Partner, pursuant to any provision of this Agreement.

10.5.1.13 Other Allocation Rules.

(a) Generally, all net profit and net loss shall be allocated among the Partners as provided in section 10.5. If Partners are admitted to the Partnership on different dates during any Fiscal Year, the net profit or net

loss allocated among the Partners for each such Fiscal Year shall be allocated in proportion to their respective Capital Accounts from time to time during such Fiscal Year in accordance with Code section 706, using any convention permitted by law and selected by the General Partner.

(b) For purposes of determining the net profit, net loss or any other items allocable to any period, net profit, net loss and any such other items shall be determined on a daily, monthly or other basis, as determined by the General Partner using any permissible method under Code section 706 and the Regulations thereunder.

(c) The Partners are aware of the income tax consequences of the allocations made by this section 10.5 and hereby agree to be bound by this section 10.5 in reporting their shares of net profit and net loss for income tax purposes.

(d) Notwithstanding any of the foregoing provisions to the contrary, if taxable gain to be allocated includes income resulting from the sale or disposition of Partnership property or property of a limited partnership or joint venture in which the Partnership owns an interest that is treated as ordinary income, such gain so treated as ordinary income shall be allocated to and reported by each Partner in proportion to allocations to that Partner of the items that gave rise to such ordinary income, and the Partnership shall keep records of such allocations. In the event of the subsequent admission of any new Partner, any item that would constitute "unrealized receivables" under Code section 751 and the Regulations thereunder shall not be shared by the newly admitted Partners, but rather shall remain allocated to existing Partners.

10.5.1.14 Provisional Allocation. If any amount claimed by the Partnership to constitute a deductible expense in any Fiscal Year is treated by any Federal, state or local taxing authority as a payment made to a Partner in such Partner's capacity as a member of the Partnership for income tax purposes, with regard to such authority, items of income and gain of the Partnership for such Fiscal Year shall first be allocated to such Partner to the extent of such payment.

10.6 Distributions. The General Partner, in its exclusive discretion, shall determine the amount and timing of all distributions by the Partnership. Except as otherwise provided in this Agreement, distributions shall be made in proportion to the Partners' respective Ownership Percentages as of the end of the month preceding the date of the distribution. Whether or not any distributions are made to the Limited Partners, the General Partner shall have the right to withdraw from time to time in cash net profit allocated to it under section 10.5 to the extent that such net profit consists of realized gains, and any such net profit not so withdrawn shall be credited to the General Partner's Capital Account; provided that the General Partner

may also withdraw any or all of its Capital Account balances at any time or times and otherwise in the manner provided in section 13.3.

10.7 Valuation.

10.7.1 Net Asset Value Defined. Net Asset Value of the Partnership is its total assets including (i) all cash and cash equivalents, including bank deposits and interest bearing obligations (valued at cost plus accrued interest and discount) and (ii) the net asset value of the Partnership's securities (valued by the administrator in accordance with this Agreement of Limited Partnership) including any accrued Performance Allocation applicable at the time of calculation and any accrued fees and expenses relating to the Partnership's partnership interests, less total liabilities of the Partnership (utilizing generally accepted accounting principles as a guideline, consistently applied under the accrual method of accounting), except to the extent set forth below:

(i) In the case of extraordinary circumstances which warrant a different valuation of any securities, such as an inability to liquidate existing positions, such securities will be valued at such prices as the General Partner shall determine in good faith in its sole discretion; and

(ii) The amount of any distribution made shall be a liability of the Partnership from the day when the distribution is declared until paid.

10.7.2 Adjustments. The Partnership may make adjustments to the initial estimates of the net asset value of its portfolio.

10.7.3 Bank and Other Accounts. All funds of the Partnership shall be deposited and maintained in one or more accounts in the name of the Partnership at such bank or banks or other financial institutions (including, without limitation, money market mutual funds and securities brokerage firms) as may from time to time be selected by the General Partner. All withdrawals from any such account or accounts shall be made only by written instrument signed by or on behalf of the General Partner.

11. General Partner's Compensation and Expenses.

11.1 Compensation. On the first day of each quarter, the Partnership shall charge each Limited Partner's capital account (except those Limited Partners holding Founders' Interests, and other Limited Partners holding Standard Interests as to whom the General Partner has used its discretion to waive or change the Management Fee) and pay to the General Partner in arrears, as compensation for its services in managing the business and affairs of the Partnership for the prior quarter, a Management Fee of 1.0% (a 4% percent *annual* rate) of the Capital Account of each Limited Partner as of the end of the prior quarter (but prior to any deduction for the Management Fee). Limited Partners who are permitted by the General Partner to contribute capital on a date other than the first day of a fiscal

Quarter shall be charged a prorated Management Fee for that fiscal Quarter with respect to such contribution on the date such contribution is made. The General Partner, in its exclusive discretion, may waive its right to receive all or any part of the Management Fee with respect to any one or more Limited Partners for any one or more months.

11.2 Expenses.

11.2.1 Organizational and Offering Expenses. The costs and expenses of the Fund's organization (which shall be amortized over five years) and the initial offering and sale of Interests will be paid by the General Partner and reimbursed by the Partnership.

11.2.2 Operating Expenses. The Fund's operating costs and expenses generally will be paid by the Fund. In some instances, such costs and expenses may be paid by the General Partner and reimbursed by the Fund. Specifically, the General Partner may seek reimbursement from the Fund for the following operating costs and expenses incurred by or on behalf of the Fund or for the Fund's benefit. Operating expenses include, without limitation,: (i) the Fund's organizational and initial offering expenses; (ii) Management Fees; (iii) the costs and expenses incurred in connection with the offer and sale of Interests; (iv) costs and expenses incurred in connection with the investment and reinvestment of the Fund's assets, including brokerage commissions, dealer mark-ups, mark-downs and spreads, and related clearing and settlement charges; (v) all custodial, administrative, legal, accounting, auditing, record-keeping, tax form preparation, compliance and consulting costs and expenses; and (vi) costs of regulatory filings; (vii) legal costs and expenses incurred in connection with any threatened, pending or anticipated litigation, examination or proceeding; (viii) costs and expenses, including printing and mailing costs, associated with preparing investor communications; (ix) indemnification obligations as set forth in the Partnership Agreement and (x) extraordinary expenses (if any).

11.2.3 Overhead Expenses. The General Partner will pay, and shall not be reimbursed by the Partnership for, its own other overhead expenses. These include, without limitation, the cost of providing relevant support and administrative services (e.g., employee compensation and benefits, rent, office equipment, utilities, telephone, secretarial and in-house bookkeeping services, etc.). The General Partner may use "soft dollar" commissions or a rebate by brokerage firms of commissions generated by Partnership securities transactions executed through those firms, to pay some or all of such operating, administrative and overhead expenses that the General Partner might otherwise have to bear or that otherwise provide benefits to the General Partner and their affiliates.

12. The General Partner. The General Partner of the Partnership is Northpost Partners, LLC, a California limited liability company.

12.1 Management. Subject only to the rights of the Limited Partners to vote or consent on specific matters as herein provided, the General Partner shall have the full, exclusive and complete authority granted herein and in the Act to manage and control the business of the Partnership for the purposes herein stated and shall make all decisions affecting the Partnership. The General Partner shall exercise the authority granted herein to carry out the business of the Partnership. The powers of the General Partner include, but are not limited to, the right, power and authority to from time to time do the following:

12.1.1 Expend the capital and revenues of the Partnership in furtherance of the Partnership's business;

12.1.2 Enter into, execute and deliver stock, bond, debenture, note and other securities subscription, purchase and sale agreements, participation agreements, assignments, brokerage agreements, custodian agreements and any and all other agreements, documents or instruments deemed by the General Partner to be necessary or appropriate to the effective and proper performance of the General Partner's duties or exercise of the General Partner's powers under this Agreement;

12.1.3 Enter into, execute and deliver brokerage agreements with securities brokerage firms, to execute or effect trades for the Partnership's accounts and to make arrangements with those firms whereby the General Partner agrees to direct trades for the Partnership's accounts to those firms in exchange for certain non-monetary benefits offered by those firms, which may include, among other things, referral of prospective investors in the Partnership, research services, special execution capabilities, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution and quotation services;

12.1.4 Engage in such investment activities involving securities through a "master-feeder" structure or otherwise as the General Partner may determine, including, without limitation, to purchase, sell, exchange, receive, invest, reinvest, and otherwise deal in and with the same;

12.1.5 Sell (long or short), borrow, dispose of, trade or exchange the Partnership's assets for such consideration and on such other terms and conditions and evidenced by such documents or instruments as the General Partner deems appropriate;

12.1.6 Open and maintain accounts with securities brokers and custodial accounts with banks or securities brokers;

12.1.7 Designate one or more securities brokers to maintain securities for the Partnership in the names of nominees of such brokers;

12.1.8 Borrow money and securities from banks, securities brokers and other lending institutions for any Partnership purpose and, in connection therewith, mortgage, pledge or hypothecate any assets of the Partnership, to secure repayment of the borrowed sums, and no bank, securities broker, other lending institution or other person to which application for a loan is made by the General Partner shall be required to inquire as to the purposes for which such loan is sought, and as between the Partnership and such bank, securities broker, other lending institution or person, it shall be conclusively presumed that the proceeds of such loan are to be and will be used for purposes authorized hereunder;

12.1.9 Engage and compensate such employees, agents, lawyers, accountants, brokers and other professionals, consultants, experts and contractors, as the General Partner may consider advisable in conducting the Partnership's business;

12.1.10 Maintain adequate office facilities, records and accounts of all operations and expenditures and furnish the Limited Partners with all reports and statements of account required to be furnished to them pursuant hereto or which the General Partner deems advisable;

12.1.11 Purchase and maintain such policies of insurance as the General Partner may consider appropriate, insuring the Partnership and the General Partner against liabilities that may arise in connection with the business or management of the Partnership;

12.1.12 To waive or reduce, in whole or in part, any notice period, minimum amount requirement, or other limitation or restriction imposed on Capital Contributions, withdrawals of capital, any fee, any special allocation to the General Partner, and/or any requirement imposed on a Limited Partner by this Agreement, regardless of whether such notice period, minimum amount, limitation, restriction, fee, or special allocation, or the waiver or reduction thereof, operates for the benefit of the Partnership, the General Partner or fewer than all the Limited Partners, and

12.1.13 Do any act, engage in any activity or execute any agreement of any nature, necessary or incidental to the accomplishment of the purposes of the Partnership in accordance with the provisions of this Agreement and all applicable Federal, state and local laws and regulations.

12.2 Exceptions. Notwithstanding anything to the contrary in section 12.1, (a) the General Partner shall not take direct possession or custody of securities held for the account of the Partnership, (b) no act in contravention of this Agreement may be legally done without the vote or consent of the General Partner and a majority in interest of the Limited Partners, and (c) nothing herein shall authorize or empower the General Partner to, and the General Partner shall not, cause the Partnership to (i) issue or transfer any interest in the Partnership except as herein provided, (ii)

extend Partnership credit to any person who a Partner has notified the Partnership is not trustworthy, (iii) become bail, surety or endorser for any other person, or (iv) knowingly permit or cause to be done anything whereby Partnership property may be seized, attached or taken in execution or its ownership or possession otherwise endangered.

12.3 Expulsion of Limited Partners.

12.3.1 The General Partner may at any time, in its exclusive discretion, expel from the Partnership with or without cause any Limited Partner with or without notice to such Limited Partner specifying the effective date of such expulsion. In the event of such expulsion, the expelled Limited Partner shall be deemed to have withdrawn from the Partnership, effective as of the date fixed therefore by the General Partner.

12.3.2 Anything herein to the contrary notwithstanding, without the consent of the General Partner, no Limited Partner that is a corporation, partnership, trust or other entity may at any time have an Ownership Percentage of ten percent (10%) or more of the aggregate Ownership Percentages of the Limited Partners, unless such Limited Partner does not have more than ten percent (10%) of its assets invested in one or more companies (including the Partnership) that rely on the exclusions from the definition of "investment company" under the ICA, provided by sections 3(c)(1) and 3(c)(7) of the ICA, and each such Limited Partner covenants and agrees to inform the General Partner from time to time of its investment of ten percent (10%) or more of its assets in such companies. If, at any time, the Partnership is informed that any Limited Partner having an Ownership Percentage of ten percent (10%) or more is in violation of the preceding sentence, such Limited Partner shall be deemed to have given notice of withdrawal pursuant to section 13.3, effective as of the last day of the Fiscal Quarter preceding such violation, of such portion (or all) of the Capital Account of such Limited Partner as the General Partner may determine is necessary or advisable to cure such violation, and such withdrawal shall be consummated as provided in section 13.3 to the maximum feasible extent.

12.4 Indemnity and Limitation of Liability.

12.4.1 The General Partner (including its managers, members, officers, affiliates and employees) shall not be liable to the Partnership or the Limited Partners for any action taken or omitted to be taken in connection with the business or affairs of the Partnership so long it or such entity acted in good faith and is not adjudged by a final, non-appealable court of competent jurisdiction to have breached its fiduciary duties to the Partnership or its Partners or willfully violated this Agreement or applicable securities laws and such violation was the proximate cause of the instant claim or legal proceeding. For purposes of this Section 12.4, it shall be conclusively presumed and established that such entity acted in good faith if

any action is taken, or not taken, by it on the advice of legal counsel or other independent outside consultants.

12.4.2 The Partnership agrees to indemnify and hold harmless the General Partner and its managers, members, officers, affiliates and employees (each and "Indemnitee") from and against any and all claims, actions, demands, losses, costs, expenses (including attorney's fees and other expenses of litigation), damages, penalties or interest, as a result of any claim or legal proceeding related to any action taken or omitted to be taken in connection with the business and affairs of the Partnership (including the settlement of any such claim or legal proceeding); provided that the Indemnitee against whom the claim is made or legal proceeding is directed has not been adjudged by a final, non-appealable court of competent jurisdiction to have breached its fiduciary duty to the Partnership or its Partners or willfully violated this Agreement or applicable securities laws and such violation was the proximate cause of the instant claim, action or other adversarial legal proceeding of whatever nature and kind ("Proceeding"). Any indemnity under this Section 12.4 shall be paid from and to the extent of Partnership assets only, and only to the extent that such indemnity does not violate applicable Federal and state laws.

The right of indemnification conferred pursuant to this Section 12.4 is a contract right which shall not be affected adversely as to any Indemnitee by any amendment of this Agreement with respect to any action or inaction occurring prior to such amendment; and subject to any requirements imposed by law, includes the right to have paid by the Partnership (as incurred) the expenses incurred in investigating, defending or settling any such Proceeding in advance of its final disposition, which expenses shall be paid promptly upon request of the Indemnitee.

12.4.4 If, to the extent, and at such times as any assets of the Partnership are deemed to be "plan assets" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), of any Limited Partner that is an employee benefit plan governed by ERISA, the General Partner will be, and hereby acknowledges that it will be considered to be, a fiduciary within the meaning of Section 3(21) of ERISA as to that Limited Partner. In such an event, or if any partner, employee, agent or affiliate of the General Partner, is ever held to be a fiduciary of any Limited Partner, then, in accordance with Sections 405(b)(1), 405(c)(2) and 405(d) of ERISA, the fiduciary responsibilities of that person shall be limited to the person's duties in administering the business of the Partnership, and the person shall not be responsible for any other duties to such Limited Partner, specifically including evaluating the initial or continued appropriateness of this investment in the Partnership under Section 404(a)(1) of ERISA.

12.5 Tax Matters Partner. The "Tax Matters Partner" of the Partnership shall be the General Partner. The Tax Matters Partner shall employ experienced tax counsel to represent the Partnership in connection with any audit or investigation of the Partnership by the IRS, and in connection with all subsequent administrative and judicial proceedings arising out of such audit. The fees and expenses of such counsel and all other expenses incurred by the Tax Matters Partner shall be a Partnership expense and shall be paid by the Partnership. Such counsel shall be responsible for representing the Partnership; it shall be the responsibility of the General Partner and of the Limited Partners, at their own expense, to employ tax counsel to represent their respective separate interests.

13. Liability, Rights and Duties of Limited Partners.

13.1 Limited Liability. No Limited Partner shall be subject to assessment. Except as may be required under the Act notwithstanding this Agreement, no Limited Partner shall be personally liable for any of the debts or liabilities of the Partnership or any of the losses thereof in excess of such Limited Partner's Capital Contributions.

13.2 Management. No Limited Partner, as such, with the exception of persons that fall under the knowledgeable employee exemption, shall take part in the management of the business of, or transact any business for, the Partnership or have any right, power or authority to sign for or bind the Partnership to any agreement, oral or written, or any instrument or other document. Notwithstanding anything herein to the contrary, with and only with the vote or consent of a majority in interest of the Limited Partners, the Partnership shall:

(a) Change the nature of its business;

(b) Elect to continue the Partnership's business other than under the circumstances described in clause (c) or (d) of this section 13.2;

(c) With the additional vote or consent of such number of Limited Partners as is necessary to constitute at least 75% of the Ownership Percentages of all Limited Partners, admit a general partner to the Partnership as provided in section 14; and

(d) With the additional vote or consent of all Limited Partners, elect to continue the Partnership's business after the General Partner ceases to be the general partner of the Partnership where there is no remaining or surviving general partner of the Partnership.

Notwithstanding the foregoing provisions of this section 13.2, the General Partner's vote or consent for any of the actions contemplated by any of the preceding clauses shall also be required prior to the taking of such action. The Limited Partners shall not have any voting rights other than as expressly provided herein.

13.3 Withdrawals by Limited Partners. Subject to the restrictions set forth in this Section 13.3, a Limited Partner may withdraw all or any part of its Capital Account attributable to a particular Capital Contribution as of the last business day of any month on thirty (30) calendar days' advance written notice; provided, however, that (a) withdrawals must be in increments of $10,000 and (b) withdrawals may not reduce the Limited Partner's capital account to less than $25,000 (unless waived by the General Partner). Subject to the establishment of reasonable reserves under the circumstances set forth herein, at least ninety-five percent (95%) of the withdrawal amount will be made available within thirty (30) days after the withdrawal date, with the remainder being paid as soon as practicable after final reconciliation of valuations for the withdrawal date *provided that* that General Partner may elect to retain the remainder until completion of the Partnership's audit for the fiscal year in which the withdrawal occurs. No interest or other investment return will be paid on any delayed payment. As to some or all of a withdrawal, the General Partner may establish a segregated portfolio of some of the Partnership's securities and liquidate those securities for the withdrawing Limited Partner's Capital Account. The General Partner, in its sole and absolute discretion, may waive or modify the conditions of withdrawal for a Limited Partner. Limited Partners shall not have the right to the return of their capital in the Partnership, except upon dissolution thereof or as specified in this Section 13.

13.4 Adjustments to Withdrawal Proceeds. The General Partner, in the reasonable exercise of its discretion, may reduce the proceeds of any withdrawal by a Limited Partner by the Performance Allocation due to the General Partner, if any, in respect of the funds being withdrawn, and for the purpose of creating and/or funding reserves to pay accrued, future and contingent expenses (including the Partnership's indemnification obligations under which it may be required to reserve capital to advance legal costs as incurred by the General Partner or other indemnified persons).

13.5 Withdrawals by the General Partner. The General Partner may voluntarily withdraw all or any portion of its Capital Account in the Partnership at any time without giving notice to the Limited Partners.

13.6 Distributions. The General Partner, in its sole and absolute discretion, shall determine the amount and timing of all distributions, if any, by the Partnership, and whether such distributions shall be in cash or in kind or partly in cash and partly in kind. Except as otherwise provided herein, all distributions shall be made in proportion to the Partners' respective balances in their Capital Accounts.

13.7 Tax Withholding on Withdrawals, Distributions and Allocations. Each Limited Partner acknowledges and agrees that the Partnership may be required to deduct and withhold tax or to fulfill other obligations of such Limited Partner on any withdrawal or distribution or allocation. All amounts withheld with respect to any withdrawal, distribution or allocation to a Limited Partner shall be treated as

amounts withdrawn or distributed to such Limited Partner for all purposes under this Agreement as of the effective date of the related withdrawal, distribution or allocation.

13.8 Restrictions on Withdrawals and Distributions. Any of the foregoing provisions of this Section 13 notwithstanding, no withdrawal or distribution shall be made (i) during any period during which any stock exchange on which a substantial part of securities owned by the Partnership are traded is closed, other than for ordinary holidays, or dealings thereon are restricted or suspended; (ii) when a withdrawal would result in a violation of securities or other laws by the Partnership or the General Partner; (iii) during any period in which there exists any state of affairs as a result of which (a) disposal of investments of the Partnership would not be reasonably practicable or cannot be completed in a timely fashion to meet withdrawal requests and might seriously prejudice the Partners or (b) it is not reasonably practicable for the Partnership fairly to determine the value of its net assets; (iv) when the General Partner determines, in consultation with tax advisors, that the withdrawal could result in the Partnership being treated as a "publicly traded partnership" and thus taxable as a corporation; (v) during any period in which there is a breakdown in the means of communication normally employed in determining the prices of a substantial part of the investments of the Partnership; (vi) during any period in which investments of the Partnership cannot be liquidated in a timely fashion to meet withdrawal requests without having a significant adverse effect on the Partnership (but only to the extent the Partnership has not received funds in respect of the liquidation of investments); (vii) if events make accurate determination of the Partnership's net asset value impractical; (viii) if events make the fair and orderly distribution of the Partnership's capital impractical or (vix) if, in the General Partner's sole and absolute discretion, such a suspension of withdrawals or distributions would be in the best interests of the Partnership. The General Partner shall give prompt notice to Limited Partners who make withdrawal requests that are affected by any such suspension. Unless a Limited Partner rescinds his or her suspended withdrawal request, the withdrawal will generally become effective on the last Business Day of the calendar month in which the suspension is lifted, on the basis of the Limited Partner's Capital Account balance at that time.

13.9 Withdrawal or Dissolution of General Partner. The General Partner may partially withdraw at the end of any Fiscal Quarter without notice and withdraw completely upon at least ninety (90) days written notice to all of the Limited Partners. The General Partner's withdrawal or dissolution shall terminate the Partnership unless the General Partner appoints, with the prior written consent of Limited Partners whose Ownership Percentages constitute not less than 75% of the aggregate Ownership Percentages of all Limited Partners, one or more substitute general partner(s) to serve as and to perform the duties of the General Partner hereunder effective upon such retirement, withdrawal or dissolution. Any substitute general partner(s) shall have the same rights, duties and obligations as the General Partner has with respect to the Partnership.

14. Dissolution and Termination.

14.1 Events of Dissolution. The Partnership shall be dissolved upon the earliest to occur of: (a) an election to dissolve the Partnership made by the General Partner, in its discretion, upon thirty (30) days prior written notice to the Limited Partners; (b) any termination, constructive or otherwise, of Weihao Xu's relationship with the Partnership or his authority over its investments, including, but not limited to, his death, incapacity, resignation or removal as a member of the General Partner; or (c) the happening of any other event, including the entry of a decree of judicial dissolution under the Act, that under the law of the State of California, mandatorily requires the dissolution of the Partnership.

14.2 Dissolution.

14.2.1 Procedures. The remaining General Partner shall wind up the affairs of the Partnership, provided that if there is no remaining General Partner, the affairs of the Partnership shall be wound up by the person or persons designated by the consent of a majority in interest of the Limited Partners. Such Partners or persons, as the case may be, are hereinafter called the "Liquidating Persons." The Liquidating Persons shall manage the assets of the Partnership and shall liquidate at least so much of the Partnership's assets as may be required to and shall pay all liabilities of the Partnership, costs of dissolution and winding up, any payment the General Partner has agreed to make to the Liquidating Persons for their services in connection with the dissolution and any loans to the Partnership by any Partner, but excluding any distributions or withdrawals payable to any Partners under section 13.3), establish a reserve for contingencies (including without limitation all obligations under the indemnification provisions herein) and distribute the Partnership's remaining assets (in cash or in kind or partly in cash and partly in kind, as the Liquidating Persons may determine in their exclusive discretion). On any distribution of assets to the Partners pursuant to this section 14.2, any such assets shall be distributed in proportion to and to the extent of the Partners' respective Capital Account balances. After a reasonable period of time has passed, any balance remaining in any reserve established shall be distributed to the Partners as provided in this section 14.2. If the Partnership's assets are insufficient to satisfy its liabilities, each Partner shall, to the extent required by the Act, within thirty days after receiving notice thereof from the Liquidating Persons, return in cash such part or all of the distributions made to such Partner pursuant to this section 14.2 or applicable law as may be required to make up the shortage, with each Partner making returns in proportion to such Partner's share in any such distributions.

14.2.2 Legal Authority. The winding up of the affairs of the Partnership and the distribution of its assets shall be conducted exclusively by the Liquidating Persons, who are authorized, subject to sections 12 and

this 14.2, to do any and all acts and things authorized by law for those purposes.

14.2.3. No Recourse Against Partners. Each Partner shall look solely to the assets of the Partnership for the return of such Partner's Capital Contributions, and, if the Partnership property remaining after the payment or discharge of the debts and liabilities of the Partnership is insufficient to return the Capital Contributions of each Partner, such Partner shall have no recourse against any other Partner.

15. Assignments.

15.1 General Partner. Except as otherwise expressly provided in this Agreement, there shall be no assignment (as that term is defined in Section 202(a)(1) of the Advisers Act of 1940, as amended) by the General Partner of all or any part of its interest as a General Partner or in this Agreement without the prior written consent of Limited Partners having Ownership Percentages of not less than 75% of the Ownership Percentages owned by all of the Limited Partners.

15.2 Limited Partners. The Interest of a Limited Partner may be transferred, assigned, sold or conveyed (collectively "assigned") in whole or in part only with the prior written consent of the General Partner (which may be withheld in its absolute discretion) and otherwise in accordance with this Section 15.2. All reasonable administrative costs associated with any approved assignment shall be born by the Limited Partner, and not by the Partnership.

15.2.1 Compliance. Notwithstanding anything to the contrary set forth in this Agreement, no assignment of an Interest of a Limited Partner shall be valid or effective if, in the opinion of counsel for the Partnership, such assignment would be likely to:

(a) require registration of the Interests under the Securities Act of 1933, as amended (the "1933 Act");

(b) subject the Partnership to registration or regulation under, or election as a "business development company" under, the Investment Company Act of 1940, as amended;

(c) to the best of such counsel's knowledge, violate the laws or regulations of any state or government agency applicable to such assignment;

(d) cause the Partnership to be treated as an association taxable as a corporation for federal income tax purposes; or

(e) cause all or any portion of the Partnership's assets to constitute "plan assets," i.e., assets of any Benefit Plan investor, under ERISA.

Prior to any assignment, the Limited Partner or his representative proposing the assignment must provide sufficient information to permit counsel to the Partnership to make the determination that the assignment complies with this section 15.2.

15.2.2 Substitution. Any assignee of a Limited Partner's Interest hereunder shall be bound by the provisions of this Agreement. Prior to recognizing any assignment of a Limited Partner's Interest in accordance with this section, the General Partner may require the assigning Limited Partner to execute and acknowledge a written instrument of assignment in form and substance satisfactory to the General Partner and may require the assignee to execute an amendment to the Certificate of Limited Partnership and to assume all obligations of the assigning Limited Partner. Any assignee who is not a Partner at the time of the assignment shall be entitled to the allocations and distributions attributable to the Interest assigned to him and to assign such Interest in accordance with and subject to the terms of this Agreement; however, such assignee shall not be entitled to any other rights of a Limited Partner until he becomes a substituted Limited Partner. Notwithstanding the above, the Partnership and the General Partner shall incur no liability for allocations and distributions made in good faith to an assigning Limited Partner until the written instrument of assignment has been received by the Partnership and recorded on its books and the effective date of the assignment has passed.

15.2.3 Admission of an Assignee as a Limited Partner. Except as otherwise provided in section 15.2.6, no assignee of a Limited Partner's Interest shall be admitted to the Partnership as a substituted Limited Partner until:

(a) the General Partner shall have given its prior written consent, which consent may be withheld in its absolute discretion; and

(b) the assignee shall have accepted, adopted and approved in writing all of the terms and provisions of this Agreement as the same may have been amended, and the assigning Limited Partner and the assignee shall have executed and acknowledged such other instrument or instruments as the General Partner may deem necessary or desirable to effect such admission. An amendment to the Partnership's Certificate of Limited Partnership shall be executed and recorded to recognize the admission of a substituted Limited Partner under this paragraph or under Section 6.8, if required under the Limited Partnership Act.

15.2.4 Assignee's Capital Account. Upon an assignment of all or a part of an Interest permitted hereunder, the assignor's Capital Account attributable to the assigned part of such Interest shall be carried over to the assignee Partner, and the allocations provided for herein shall be divided between the assignor and the assignee based upon the number of months

each held the assigned Interest in the Fiscal Year in which such assignment occurred.

15.2.5 Encumbrance of Interest. Except where expressly provided otherwise by the Act, a Limited Partner shall not mortgage, pledge or otherwise encumber all or any part of its Interest or enter into any agreement that would cause any person to become directly interested in the Partnership, except with the prior written consent of the General Partner, which may be withheld in the General Partner's absolute discretion, and in accordance with the requirements of this section 15.2.

15.2.6 Death, Insanity, Incompetency, Permanent Incapacity or Bankruptcy of a Limited Partner. The Partnership shall not be dissolved upon the death, insanity, incompetency, permanent incapacity or bankruptcy of a Limited Partner. The legal representative of such Limited Partner shall become a substituted Limited Partner, subject to all them terms and conditions of this Agreement and possessing all the rights and obligations of a Limited Partner hereunder, upon complying with the requirements of section 15.2.3(b) (as if such legal representative were an assignee of an Interest).

16. Amendments.

16.1 With Limited Partner Approval. Amendments to this Agreement may be proposed by a General Partner or by Limited Partners whose Ownership Percentages aggregate ten percent (10%) or more of the Ownership Percentages of all Limited Partners. The General Partner shall submit to the Limited Partners a verbatim statement of any amendment so proposed. The General Partner shall include in any such submission its recommendation as to the proposed amendment. The amendment shall become effective only on the vote or consent of the General Partner and a majority in interest of the Limited Partners; provided that, for purposes of obtaining a written consent on a proposed amendment, the General Partner may require a response within a specified reasonable time (which shall not be less than fifteen days) and failure to respond shall constitute a vote and consent in accordance with the General Partner's recommendation as to the proposed amendment.

16.2 Without Limited Partner Approval. Notwithstanding anything in this section 16.1 to the contrary, the General Partner may amend this Agreement without any vote, consent, approval, authorization or other action of any Limited Partner and without notice to any Limited Partner to (a) add to the representations, duties or obligations of the General Partner or surrender any right or power granted to the General Partner in this Agreement for the benefit of the Limited Partners; (b) cure any ambiguity, correct or supplement any provision in this Agreement which may be inconsistent with any other provision in this Agreement, or make any other provisions with respect to matters or questions arising under this Agreement which will not be inconsistent with the intent of this Agreement; (c) delete or add any

provision of this Agreement required to be so deleted or added by the staff of the SEC or by a state securities law administrator or similar official, which addition or deletion is deemed by such official to be for the benefit or protection of the Limited Partners; (d) reflect the withdrawal, expulsion, addition or substitution of Partners; (e) reflect the proposal, promulgation or amendment of Regulations under Code section 704, or otherwise, to preserve the uniformity of interests in the Partnership issued or sold from time to time, if, in the opinion of the General Partner, the amendment does not have a material adverse effect on the Limited Partners generally; (f) elect for the Partnership to be bound by any successor statute to the Act, if, in the opinion of the General Partner, the amendment does not have a material adverse effect on the Limited Partners generally; (g) conform this Agreement to changes in the Act or interpretations thereof which, in the exclusive discretion of the General Partner, it believes appropriate, necessary or desirable, if, in the General Partner's reasonable opinion, such amendment does not have a materially adverse effect on the Limited Partners generally or the Partnership; (h) change the name of the Partnership; (i) make any change which, in the exclusive discretion of the General Partner, is advisable to qualify or to continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or that is necessary or advisable, in the exclusive discretion of the General Partner, so that the Partnership will not be treated as an association taxable as a corporation for Federal income tax purposes; and (j) make any change which, in the exclusive discretion of the General Partner, it believes appropriate, necessary or desirable, if, in the General Partner's reasonable opinion, such change does not have a materially adverse effect on the Limited Partners generally or the Partnership.

16.3 Amendments Requiring Unanimous Consent. Anything in section 16.1 or 16.2 to the contrary notwithstanding, without the vote or consent of all of the Partners, no amendment shall (a) change the Partnership to a general partnership, (b) increase the term of the Partnership, (c) change the liability of the General Partner as such or the limited liability of the Limited Partners as such, or (d) change clause (d) of section 13.2 or section 12.4, 13.4, 14.1 or 15.1.

17. Tax Elections. The General Partner shall make or cause the Partnership to make such elections as the General Partner may consider advisable and in the interests of the Partnership under any applicable tax law, including, without limitation, any elections under Code section 754.

18. Power of Attorney. Each Limited Partner irrevocably constitutes and appoints the General Partner with full power of substitution and resubstitution, such Limited Partner’s true and lawful attorney, for such Limited Partner and in such Limited Partner’s name, place and stead, and for such Limited Partner’s use and benefit, to sign, execute, deliver, certify, acknowledge, swear to, file, record and publish (a) the Partnership’s Certificate of Limited Partnership and any amendment thereto or to this Agreement as provided herein, (b) any other certificates, instruments, agreements and documents necessary to qualify or continue the Partnership as a limited partnership or a partnership

wherein limited partners have limited liability in the states or other jurisdictions where the General Partner deems necessary or desirable, (c) all conveyances, assignments, documents of transfer or other instruments and documents necessary to effect the assignment of an interest in the Partnership, the substitution of a Limited Partner or the dissolution and termination of the Partnership in accordance with this Agreement and (d) all filings and submissions pursuant to any applicable law, regulation, rule, order, decree or judgment which, in the opinion of the General Partner, may be necessary or advisable in connection with the business of the Partnership. The power of attorney granted herein is coupled with an interest, shall be irrevocable, shall survive the death, disability or incapacity of any Limited Partner, shall be deemed given by each and every assignee and successor of each Limited Partner and may be exercised by the General Partner by listing any or all of the names of the Limited Partners and executing such amendments, certificates, instruments and other documents with the signature of any one or more members of NorthPost Partners, LLC acting on behalf of NorthPost Partners, LLC, as attorney(s)-in-fact for all of the persons whose names are so listed.

19. Notices. Except as otherwise expressly provided herein, any notice, consent, authorization or other communication to be given hereunder shall be in writing and shall be deemed duly given and received when delivered personally, when transmitted electronically with receipt acknowledged by the addressee, by facsimile transmission with receipt acknowledged by the addressee, or if sent by mail, three days after being mailed by first class mail, charges and postage prepaid, properly addressed to the party to receive such notice at the last address furnished for such purpose by the party to whom the notice is directed.

20. Severability. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held to be invalid or unenforceable, shall not be affected thereby.

21. Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California and, in particular, the provisions of the Act, as same may be amended from time to time, without giving effect to the principles governing conflicts of laws.

22. Binding Effect. This Agreement shall bind and inure to the benefit of the parties and their respective successors, assigns, heirs, devisees, legatees, legal representatives, executors and administrators.

23. Partition. Each of the parties irrevocably waives during the term of the Partnership any right that he, she or it may have to maintain any action for partition with respect to the property of the Partnership.

24. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

25. Entire Agreement. This Agreement contains the entire agreement of the parties and supersedes all prior negotiations, correspondence, understandings and agreements between or among the parties, regarding the subject matter hereof, other than any and all subscription agreements of the Limited Partners subscribing for interests in the Partnership and any and all amendments and supplements thereto, all of which subscription agreements, amendments and supplements shall continue in full force and effect.

26. Further Assurances. Each party shall execute such other and further certificates, instruments and other documents as may be necessary and proper to implement, complete and perfect the transactions contemplated by this Agreement.

27. Headings; Gender; Number; References. The headings at the beginning of the sections hereof are solely for convenience of reference and are not part of this Agreement. As used herein, each gender includes each other gender, and the singular includes the plural and vice versa, as the context may require. All references to sections are intended to refer to sections of this Agreement, except as otherwise indicated.

[Signature page follows]

**IN WITNESS WHEREOF**, this Agreement of Limited partnership has been duly executed by or on behalf of the parties hereto as of _____ _____, 2018.

**GENERAL PARTNER:**

NORTHPOST PARTNERS, LLC

_____

By: Rustin Chao

Its: Managing Member

[SIGNATURES OF LIMITED PARTNERS ARE SET FORTH ON SEPARATE SIGNATURE PAGES CONTAINED IN THE SUBSCRIPTION DOCUMENTS]

**ANNEX I**

**SUBSCRIPTION APPLICATION**