For the Exclusive Use of:

Memorandum Number:

Provided on:

Confidential Private Placement Memorandum

Date of Memorandum: December 2021

NORTHPOST PARTNERS CRYPTO, LP

A Private Offering of Limited Partnership Interests

General Partner

NORTHPOST PARTNERS, LLC

76 Oak Grove Drive

Novato, CA 94949

An Investment in the Partnership Involves
A Substantial Risk of Loss

Please Review Risk Factors

NOTICE TO ALL POTENTIAL INVESTORS

This Confidential Private Placement Memorandum (this "*Memorandum*") is provided to potential investors ("*you*") solely for the purpose of your evaluation of an investment in NorthPost Partners Crypto, LP (the "*Partnership*"), a California limited partnership. You may not reproduce or distribute this Memorandum to anyone else (other than the professional advisors that you have identified in your Subscription Booklet). By accepting this Memorandum, you agree to return it and all related documents to NorthPost Partners, LLC (the "General Partner") if you do not invest in the Partnership.

The information in this Memorandum is given as of the date on the cover page, unless another time is specified, and you should not infer from either the subsequent delivery of this Memorandum or the acceptance of your investment that there have not been any changes in the facts described since that date.

You and your authorized representatives may ask questions of the General Partner about the terms and conditions of this offering, and may obtain additional information, to the extent the General Partner possesses such additional information or can obtain it without unreasonable effort or expense.

No person has been authorized in connection with this offering to give any information or make any representations other than those contained in this Memorandum.

<u>THIS IS AN OFFERING OF UNREGISTERED SECURITIES</u>: The interests offered by this Memorandum have not been registered or qualified for sale under the Securities Act of 1933, as amended (the *"Securities Act"*), or any state's securities laws. Such interests are offered pursuant to exemptions from such registration or qualification. This Memorandum has not been filed with or reviewed by the Securities and Exchange Commission and neither that Commission nor any state securities administrator has passed upon or endorsed the merits of an investment in the Partnership or the accuracy or the adequacy of the information contained in this Memorandum. Any representation to the contrary is a criminal offense. This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy interests in the Partnership in any state or jurisdiction in which such an offer or solicitation is unlawful.

<u>TRANSFERS AND WITHDRAWALS ARE SUBJECT TO SIGNIFICANT RESTRICTIONS</u>: The interests offered by this Memorandum may not be transferred except with the consent of the General Partner and except as permitted under the Securities Act and applicable state laws. Such consent and such compliance are unlikely. Further, withdrawals of investments in the Partnership are subject to significant restrictions. As a result, you must be in a position to bear the economic risk of an investment in the Partnership for a significant period.

<u>YOU SHOULD CONSULT WITH YOUR OWN ADVISORS BEFORE INVESTING</u>: You should not view the contents of this Memorandum as legal, tax or investment advice. You should consult your own counsel, accountant or financial advisor as to legal, tax and related matters concerning an investment in the Partnership.

SUMMARY OF THE OFFERING

The following is a summary of the information that appears in this Confidential Private Placement Memorandum (the *"Memorandum"*) and the attached Agreement of Limited Partnership of NorthPost Partners Crypto, LP (the *"Partnership Agreement")*. This summary is qualified in its entirety by the information contained elsewhere herein. Prospective investors should consult their own advisors as to the consequences of an investment in the Partnership.

The Partnership	NorthPost Partners Crypto, LP is a California limited partnership (the "Partnership"). The Partnership's principal place of business is at 76 Oak Grove Drive, Novato, California.
The General Partner and the General Partner *See Section IV – Management of the Partnership*	The General Partner of the Partnership is NorthPost Partners, LLC, a California limited liability company (the "*General Partner*"). The Partnership Agreement grants the General Partner exclusive power and authority with respect to the management of the Partnership and discretionary authority over the Partnership's assets.
Investment Objective & Strategy *See Section III – Investment Objective and Strategies*	The Partnership is a long-short cryptocurrency-only hedge fund that will trade the top four cryptocurrency coins (as measured by market cap). The General Partner seeks to achieve absolute market returns in all market conditions and distribute profits to limited partners on the first day of each month.
Risks *See Section VI – Certain Risk Factors*	An investment in the Partnership is subject to risk. The Partnership's assets will be subject to swings in value. The General Partner will follow an investment strategy that, if unsuccessful, could involve losses for investor. The General Partner makes no guarantee, either oral or written, that the Partnership's investment objective will be achieved.
Who May Invest *See Section II – Who May Invest*	The Partnership is offering limited partnership interests ("*Interests*") to "Accredited Investors" and "Qualified Clients." In general, to qualify for an investment herein, an individual investor must have a net worth of at least $2.2 million (*excluding* the equity in the investor's principal residence).
The Offering	Limited partnership interests ("*Interests*") are offered by the General Partner to qualified investors as part of a continuous securities offering as of the last business day of each quarter, and such additional dates as the General Partner may determine. There is no maximum size of the Partnership that will cause it to close it to new investments (but, for regulatory reasons the Partnership is limited to 100 beneficial owners).
Minimum Investment *See Section II – Who May Invest*	The minimum investment in the Partnership is $100,000. The General Partner may, in its sole discretion, waive or otherwise change the investment minimum in the future. The full amount of the investor's subscription must be delivered to the Partnership in accordance with the instructions contained in the Subscription Booklet at the time of admittance to the Partnership.

Multiple Classes of Interests

See Section V – Compensation and Expenses

The Partnership utilizes a dual fee structure to accommodate both "Accredited Investors" and "Qualified Clients." Accredited Investors may purchase only "Standard Class" Interests. In brief, to be an "accredited investor," an individual must have a net worth (excluding the equity in his/her principal residence) of $1 million or gross income of $200,000 annually.

Due to rules applicable to the use of performance fees, only subscribers who are "Qualified Clients" will be permitted to purchase "Professional Class" Interests. In brief, to be a "Qualified Client," an individual must have a net worth (excluding the equity in his/her principal residence) of $2.2 million.

The complete financial standards necessary to meet the "Accredited Investor" and "Qualified Client" standards are summarized herein and described in full in the Subscription Application attached hereto as Annex I.

STANDARD CLASS INTERESTS - Available to **ALL** Investors.

<u>Asset-based Management Fee</u>

Each "Standard Class" Limited Partner pays an asset-based fee ("Management Fee") to the General Partner of 4.0% per annum of the balance in the Limited Partner's capital account. The Management Fee is calculated and payable as to each Standard Class Limited Partner in advance as of the beginning of each quarter (at the rate of 1.00% per quarter). If a Limited Partner is allowed to contribute capital or withdraw capital on a date other than the end of a calendar quarter the Management Fee for such quarter is prorated and any unearned portion thereof is refunded to the Limited Partner.

"Standard Class" Interestholders pay no performance-based compensation.

PROFESSIONAL CLASS INTERESTS - Available to "Qualified Clients" ***only***.

<u>Asset-based Management Fee</u>

"Professional Class" Interestholders pay no management fee.

<u>Quarterly Performance Allocation</u>

Professional Class Interestholders pay only a quarterly performance fee ("*Performance Allocation*"). The Performance Allocation is Five (5%) of net new profits (if any) in excess of a 5% "hurdle rate;" provided, however, that if the 5% hurdle rate is not reached in a given quarter, the Performance Allocation for such quarter will be reduced to 4% of net new profits allocated to each Limited Partner's Capital Account (including net realized and unrealized gains). The Performance Allocation generally is made at the close of each calendar quarter.

The Partnership maintains a contingent loss account for each Professional Class Limited Partner (a *"Contingent Loss Account"*). Each Contingent Loss Account is debited with any net loss allocated to that Limited partner's Capital Account. The General Partner is not allocated any Performance Allocation with respect to a Professional Class Limited Partner's Capital Account until such Limited Partner has recovered all amounts allocated to its Contingent Loss Account (as adjusted for any withdrawals of capital). Any Performance Allocation allocated to the General Partner with respect

Partnership Expenses

See Section V – Compensation and Expenses

The Partnership bears or reimburses the General Partner for all administrative and operating costs and expenses incurred by the General Partner for or on behalf of the Partnership or for the Partnership's benefit. Such costs and expenses include, but are not limited to, (i) the costs of all legal, tax preparation, accounting, bookkeeping, administration, auditing and other professional fees and expenses; (ii) the Partnership's investment-related expenses (including, without limitation, custodial costs, brokerage commissions, markups and markdowns, transfer, capital and other taxes and duties and costs); (iii) indemnification obligations arising under the Partnership Agreement (or any other agreement to which the Partnership becomes a party); (iv) the costs of any litigation and other extraordinary expenses; (v) costs associated with dissolution, winding up, liquidation or termination of the Partnership and (vi) all similar or otherwise appropriate expenses of the Partnership.

<u>Organizational Costs and Expenses</u>

The costs and expenses of the Partnership's organization and the offering and sale of Interests will be paid by the General Partner and reimbursed by the Partnership. 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, in the discretion of the General Partner, amortize its organization expenses over a period of time (generally 60 months) and, if it does, the audit opinion on the financial statements may be qualified in this regard.

<u>Overhead Costs and Expenses</u>

The General Partner provides the Partnership with office space, utilities, information services, and certain clerical and administrative services. While the Partnership does not reimburse the General Partner directly for the costs of these services, to the extent permitted under applicable law, the General Partner may cause some or all of its overhead expenses (including office rent and equipment, and employee and consultant-related compensation), and some or all of the Partnership's expenses to be paid using "soft dollars" – *i.e.*, paid by securities brokerage firms in recognition of commissions or other compensation paid on securities transactions the Partnership executes through them. See *Section VII: "Conflicts of Interest"* and *Section VIII: "Brokerage Practices."*

Placement Agents

The General Partner may sell Interests through broker-dealers, placement agents and other persons and agree to pay a marketing fee or commission in connection with such activities, including ongoing payments.

Withdrawals

See Section IX – Withdrawals

Limited Partners may make withdrawals from the Partnership at designated times permitted by the General Partner, in its discretion**.** Limited Partners generally will be permitted to withdraw capital at the end of any calendar month on thirty (30) days advance written notice to the General Partner. Withdrawals generally will be paid in full within thirty (30) days of a withdrawal date; provided however, that (i) the withdrawal proceeds may be reduced to fund reserves for contingencies or otherwise in the General Partner's sole discretion and (ii) in the case of full redemptions, the General Partner may withhold amounts it deems appropriate, without interest, until the Partnership's annual audit has been completed. Withdrawals may be suspended by the General Partner in some circumstances which are set forth in the Partnership Agreement.

The General Partner may require any Limited Partner to withdraw from the Partnership, or to reduce his, her or its Interest, at any time, for any or no reason.

Allocations and Distributions

Net profit or net loss (which includes net changes in unrealized appreciation or depreciation of investments and realized investment gains or losses and income and expenses) is allocated at the end of each month (or at other times when a valuation is performed in accordance with the terms of the Partnership Agreement) among the Partners' Capital Accounts in proportion to the relative balances in such Capital Accounts. The Partnership generally does not make distributions (except for payment of capital withdrawal proceeds); it reinvests substantially all income and gain.

"Side Letter" Agreements

The General Partner may, in its sole discretion, enter into arrangements with certain Limited Partners under which the Performance Allocation is reduced, waived, or calculated differently with respect to such Limited Partners, including, without limitation, Limited Partners that are members, affiliates or employees of the General Partner or General Partner, members of the immediate families of such persons and trusts or other entities for their benefit, or Limited Partners that make a substantial investment or otherwise are determined by the General Partner in its sole discretion to represent a strategic relationship. The General Partner may also offer increased or different information rights, withdrawal rights, or other rights through one or more letter agreements, the terms of which will not generally be disclosed to the Limited Partners.

ERISA and Other Tax-Exempt Entities

An employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*") and other employee benefit plans, such as certain governmental plans, may purchase Interests only with the approval of the General Partner. **For regulatory reasons, the Partnership will limit the aggregate investments by "plan" investors to less than 25% of the total capital of the Partnership.**

Tax Status

See Section XI – Income Tax Considerations

Each prospective investor should consult his, her or its own tax advisor with respect to the federal, state and local income tax consequences of an investment in the Partnership.

Indemnification	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 and the General Partner (and certain other covered persons) in connection with any claim, damage or loss incurred by the General Partner or General Partner by virtue of its actions and inactions in connection with the Partnership's activities provided that its conduct satisfies certain criteria set forth in the Partnership Agreement.
Reports	Each Limited Partner receives audited annual financial statements and unaudited quarterly summaries of the Partnership's performance together with Schedule K-1 to the Partnership's income tax return.
Term	The General Partner may terminate the Partnership at any time.
Administration	NAV Fund Administration Group NAV Consulting | NAV Cayman | NAV Backoffice 1 Trans Am Plaza Drive, Suite 400 Oakbrook Terrace, IL 60181 P: 1.630.954.1919, P: 1.345.946.5006 F: 1.630.596.8555 F: 1.345.946.5007 F: 1.630.954.2881 Transfer.agency@navconsulting.net
Audit	Spicer Jeffries, LLP
Brokerage	SFOX, Inc.
Legal Counsel	The Securities Law Group

I. INSTRUCTIONS

STEP ONE: **READ THIS ENTIRE MEMORANDUM BEFORE INVESTING**

A prospective investor (*"you"*) should carefully read this entire Confidential Private Placement Memorandum (the *"Memorandum"*), which contains as *Appendix A* attached hereto a complete copy of the Agreement of Limited Partnership (the *"Partnership Agreement"*) of NorthPost Partners Cypto, LP (the "*Partnership")*. The contents of this Memorandum should not be considered to be legal, tax or investment advice.

An Investment in the Partnership Involves Substantial Risk of Loss

Please Review "Certain Risk Factors" Carefully

STEP TWO: **COMPLETE THE INVESTOR QUESTIONNAIRE**

The Confidential Investor Questionnaire (the *"Questionnaire"*) is attached to the Subscription Booklet, a copy of which is attached hereto as *Appendix B*. Because the General Partner will rely on the information provided in the Questionnaire, it is essential that you provide accurate, candid and complete information on the Questionnaire. The General Partner assumes no obligation to independently verify any information provided in your Questionnaire.

STEP THREE: **READ AND SIGN THE SUBSCRIPTION AGREEMENT AND RELATED DOCUMENTS**

You will be required to make a number of important representations and warranties in the Subscription Agreement attached to the Subscription Booklet upon which the General Partner will rely. Sign it only after reading it carefully.

STEP FOUR: **RETURN THE SUBSCRIPTION BOOKLET**

Once you have completed these instructions, return the entire Subscription Booklet and any additional agreements and documents required by the Subscription Booklet to the General Partner. DO NOT SEND MONEY. Instructions for funding your subscription are contained in the Subscription Booklet. If you have any questions regarding completion of subscription documents, you should contact the General Partner.

If you invest, you should retain this Memorandum for your records.

II. WHO MAY INVEST

A. INTRODUCTION

The Interests are intended to be exempt from registration under the Securities Act of 1933, as amended (the "*Securities Act*"), pursuant to Regulation D thereunder. The Partnership intends to be excluded from registration under the Investment Company Act of 1940, as amended (the "*Investment Company Act*"), pursuant to Section 3(c)(1) thereunder.

Subscriptions that could jeopardize the foregoing exemptions or exclusions may be rejected by the General Partner. Prospective investors generally will be required to satisfy the admission standards described in *Section B* below and to represent that such investor:

- is investing in the Partnership for his, her or its own account, for investment purposes only, and not with a view to distributing the Interests;
- is a sophisticated investor (or has an independent purchaser representative) capable of evaluating the risks and merits of an investment in the Partnership;
- has had access to sufficient information needed to make an investment decision about the Partnership;
- can tolerate the illiquidity which is characteristic of Interests in general and this investment in particular; and

B. MINIMUM INVESTMENT

The minimum investment in the Partnership is $100,000. The General Partner may, in its sole discretion, waive or otherwise change the investment minimum in the future.

Capital contributions will be required in cash at the time of admittance to the Partnership for the full amount of the investment.

C. NET WORTH REQUIREMENTS

Accredited Investor

In brief, for an individual to be treated as an "Accredited Investor," the individual must have a net worth (excluding the equity in his/her principal residence) of $1.0 million or gross income of $200,000 annually. Other tests apply to entities and trusts which are described in the Subscription Booklet.

Qualified Client

Under rules promulgated by the SEC and various states, each subscriber for Professional Class Interests **MUST BE** a "Qualified Client." as defined under Section 205-3 of the Investment Advisers Act of 1940, as amended. Under Rule 205-3, an individual is a "Qualified Client" if the individual has at least $1.1 million under management with NorthPost Partners, LLC, immediately after entering into the advisory contract (the "assets under management test") or the General Partner reasonably believes the person has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than $2.2 million at the time the contract is entered into (the "net worth test"). Other suitability standards are described in the Subscription Booklet.

D. SUITABILITY

Satisfaction of the above net worth tests does not necessarily mean that Interests are a suitable investment for a prospective investor. The General Partner reserves the right to reject the Subscription Agreement of any prospective investor for whom it appears that the Interests may not be a suitable investment. ***You should not rely on the General Partner to determine the suitability of an investment in the Partnership for you.***

Each investor must have sufficient knowledge and experience in financial and business matters generally and in securities investing in particular to allow him or her to evaluate the merits and risks of investing in the Partnership. In addition, each investor should have sufficient assets, beyond those he, she or it intends to invest in the Partnership, to meet personal needs and contingencies.

E. TAX EXEMPT INVESTORS

The purchase of Interests may be suitable for Qualified Plans, subject to their circumstances and investment objectives, and subject to the provisions of their plan documents. A fiduciary considering investing a portion of the assets of a Qualified Plan in the Partnership should consider, in consultation with tax and legal advisors, the particular facts and circumstances of such plan, and should also consider among other things (i) whether the relevant plan instruments permit investing in a limited partnership, (ii) whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of the Employee Retirement Income Security Act of 1974, as amended (*"ERISA"*), (iii) whether under Section 404(a)(1)(B) of ERISA, the investment is prudent, considering the nature of the investment in the Partnership, its compensation structure, and its relative illiquidity and (iv) whether the Partnership or the General Partner or any of their affiliates is a fiduciary or a party in interest in the Qualified Plan.

III. INVESTMENT OBJECTIVE AND STRATEGIES

Investment Objective and Overview

The Partnership is a long-short cryptocurrency-only hedge fund that seeks to achieve absolute market returns in all market conditions and distribute profits, if any, to limited partners on a quarterly basis. At any given time, the General Partner will trade the top four physical cryptocurrency coins by market cap (currently Bitcoin, Ethereum, Cardano and Solano). The actual coins traded may change as the coins' market caps change.

In selecting entry points and exit points, 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 and momentum/relative strength indicators. The General Partner intends to build longer term positions at extreme Elliot Wave lows and, in conjunction, to trade shorter term trends both long and short to maximize profit potential. Stop loss rules generally will be implemented to limit downside risks and preserve capital.

* * *

IMPORTANT. **The investment objective described herein is the General Partner's current intention. Notwithstanding these investment objectives and general policies, the Partnership Agreement imposes no limits on the types of securities in which the Fund may take positions, the types of positions it may take, the concentration of its investments, or the amount of leverage the Fund may employ, including the extent of the Fund's margin trading and short positions**.

The General Partner's investment approach is a process laden with assumptions and will be only as strong and successful as the validity of the assumptions. The General Partner cannot assure investors that the Fund will achieve its investment objectives. Further, some of the investment techniques and activities described above are high risk activities that could result in substantial losses under certain circumstances.

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

IV. MANAGEMENT OF THE PARTNERSHIP

NorthPost Partners Crypto, LP (the *"Partnership"*) is a California limited partnership. Its General Partner is NorthPost Partners, LLC. The Partnership's principal place of business is 76 Oak Grove Drive, Novato, California.

A. GENERAL PARTNER

The General Partner is registered as an exempt reporting adviser in the State of California. The Partnership's performance depends, to a great extent, on the ability and experience of the General Partner in making investment 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.

B. 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 the partnership agreement. The General Partner (including its affiliates and any person acting on its behalf) will not be 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, 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 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, 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 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.

C. 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.

D. BROKERAGE

The General Partner has retained SFOX, Inc. 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 principal 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 may 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.

E. ADMINSTRATION

NAV Consulting, Inc. (the "Administrator" or "NAV") has been engaged as the administrator of the Partnership pursuant to a Service Agreement entered into with the Partnership (the "NAV Agreement"). The Administrator is responsible for, among other things, calculating the Partnership's net asset value, performing certain other accounting, back-office and data processing services, 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 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, including, investments in or via related or affiliated entities. 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, including, without limitation, with its valuation policy or the Partnership's stated investment strategy, and with laws and regulations applicable to its activities. The Partnership's management's responsibility for the management of the Partnership, including without limitation, the valuation of the Partnership's assets and liabilities, including, defining and maintaining the valuation policy and for fair valuing the Partnership's assets, 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. The NAV Agreement provides that 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 of any valuation information received from the Partnership or 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 pays NAV's 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 180 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.

SECTION V. COMPENSATION AND EXPENSES

Fund utilizes a dual fee structure to accommodate both "Accredited Investors" and "Qualified Clients." Accredited Investors may only purchase "Standard Class" Interests. In brief, to be an "Accredited Investor," an individual must have a net worth (excluding the equity in his/her principal residence) of $1.0 million or gross income of $200,000 annually.

Due to rules applicable to the use of performance fees, only subscribers who are "Qualified Clients" will be permitted to purchase "Professional Class" Interests. In brief, to be a "Qualified Client," an individual must have a net worth (excluding the equity in his/her principal residence) of $2.2 million.

The full financial standards necessary to meet the "Accredited Investor" and "Qualified Client" standards are more fully summarized herein and described in full in the Subscription Application attached hereto as Annex I.

PROFESSIONAL CLASS INTERESTS – (Available to "*Qualified Clients*" ***only***)

<u>Management Fee</u>

"Professional Class" Interestholders pay no management fee.

<u>Quarterly Performance Allocation</u>

Professional Class Interestholders pay only a quarterly performance fee or carried interest ("*Performance Allocation*"). The Performance Allocation is Five (5%) of net new profits (if any) in excess of a 5% "hurdle rate;" provided, however, that if the 5% hurdle rate is not reached in a given quarter, the Performance Allocation for such quarter will be reduced to 4% of net new profits allocated to each Limited Partner's Capital Account (including net realized and unrealized gains and net investment income. The Performance Allocation generally is made at the close of each calendar quarter.

The Partnership maintains a contingent loss account for each Professional Class Limited Partner (a *"Contingent Loss Account*"). Each Contingent Loss Account is debited with any net loss allocated to that Limited partner's Capital Account. The General Partner is not allocated any Performance Allocation with respect to a Professional Class Limited Partner's Capital Account until such Limited Partner has recovered all amounts allocated to its Contingent Loss Account (as adjusted for any withdrawals of capital). Any Performance Allocation allocated to the General Partner with respect to a particular calendar quarter is not subject to reduction, refund, or "clawback" based on subsequent changes in a Partner's Contingent Loss Account. The General Partner, in its discretion, may waive all or a portion of the Performance Allocation as to any Partner, or may agree with to other changes in the Performance Allocation respecting such Partner. If a Limited Partner withdraws or is distributed capital from the Partnership, that Limited Partner's Contingent Loss Account is adjusted proportionately based on the amount withdrawn or distributed.

STANDARD CLASS INTERESTS – Available to "Accredited Investors" (and a limited number of non-accredited investors)

<u>Management Fee</u>

Each "Standard Class" Limited Partner pays an asset-based fee ("Management Fee") to the General Partner of 4.0% per annum of the balance in the Limited Partner's capital account. The Management Fee is calculated and payable as to each Standard Class Limited Partner in advance as of the beginning of each quarter (at the rate of 1.00% per quarter).

<u>Performance Allocation</u>.

"Standard Class" Interestholders pay *NO* performance-based compensation.

<u>PARTNERSHIP EXPENSES</u>

The Partnership bears or reimburses the General Partner for all administrative and operating costs and expenses incurred by the General Partner for or on behalf of the Partnership or for the

Partnership's benefit. Such costs and expenses include, but are not limited to, (i) the costs of all legal, tax preparation, accounting, bookkeeping, administration, auditing and other professional fees and expenses; (ii) the Partnership's investment-related expenses (including, without limitation, custodial costs, brokerage commissions, markups and markdowns, transfer, capital and other taxes and duties and costs); (iii) indemnification obligations arising under the Partnership Agreement (or any other agreement to which the Partnership becomes a party); (iv) the costs of any litigation and other extraordinary expenses; (v) costs associated with dissolution, winding up, liquidation or termination of the Partnership and (vi) all similar or otherwise appropriate expenses of the Partnership.

Organizational Expenses

The costs and expenses of the Partnership's organization and the offering and sale of Interests will be paid by the General Partner and reimbursed by the Partnership. 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 (generally 60 months) and, if it does, the audit opinion on the financial statements may be qualified in this regard.

General Partner's Overhead

The General Partner provides the Partnership with office space, utilities, service contracts for quotation equipment, news wires and other information services, and certain clerical and administrative services. While the Partnership will not reimburse the General Partner directly for the costs of providing those services, to the extent permitted by applicable law, the General Partner may cause some or all of its overhead expenses (including office rent and equipment, and employee and consultant-related compensation), and some or all of the Partnership's expenses to be paid using "soft dollars" – *i.e.*, paid by securities brokerage firms in recognition of commissions or other compensation paid on securities transactions the Partnership executes through them. See "Conflicts of Interest" at Section VII and "Brokerage Practices" at Section VIII.

Commissions; Placement Agents' Fees

The General Partner may sell Interests through broker-dealers, placement agents and other persons and agree to pay a marketing fee or commission in connection with such activities, including ongoing payments, at the General Partner's own expense. Alternatively, and in addition, the General Partner may deduct from the amount invested by a Limited Partner an amount equal to the third-party placement agent fees paid with respect to such Limited Partner's investment, on a fully disclosed basis, to the placement agent, broker-dealer or other person based upon the commitment of the Limited Partner introduced to the Partnership by such placement agent, broker-dealer or other person (i.e., rather than or in addition to paying such person at its own expense).

SECTION VI. WITHDRAWALS

No Limited Partner has an absolute withdrawal right; rather, the ability of a Limited Partner to withdraw funds from the Partnership is limited. A Limited Partner generally may make withdrawals from their capital account on the last business day of each calendar month (or at such other times as permitted by the General Partner, in its sole and absolute discretion) by giving thirty (30) days' prior written notice to the General Partner. Withdrawals generally will be paid in full within thirty (30) days of a withdrawal date, provided however, that (i) the withdrawal proceeds may be reduced to fund reserves for contingencies or otherwise in the General Partner's sole discretion and (ii) in the case of full redemptions, the General Partner may withhold amounts it deems appropriate, without interest, until the Partnership's annual audit has been completed. Withdrawals may be suspended by the General Partner in some circumstances which are set forth in the Partnership Agreement. No interest or other investment return will be paid on that delayed payment. Payments may be in cash or in securities, at the discretion of the General Partner. In addition, as to some or all of a withdrawal, the General Partner may establish a segregated portfolio of some of the Partnership's securities and liquidate those securities for the withdrawing Limited Partner's account. In such a case, the Limited Partner would bear the risk of a decline in the value of the securities in the segregated portfolio between the effective time of withdrawal and the time of payment.

The General Partner may suspend the right of any Limited Partner to withdraw capital or to receive a distribution from the Partnership if, in the General Partner's judgment, such a suspension would be in the best interests of the Partnership. Situations in which such a suspension might occur include: when a withdrawal would result in a violation of securities or other laws by the Partnership or the General Partner; when disruptions in securities markets or other conditions make pricing and/or liquidation of some or all the Partnership's 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" or if other events make accurate determination of the Partnership's net asset value impractical. The General Partner will give notice to Limited Partners who make withdrawal requests that are affected by any such suspension. Unless a Limited Partner rescinds his, her or its suspended withdrawal request, the withdrawal will generally become effective on the last day of the calendar quarter in which the suspension is lifted, on the basis of the Limited Partner's Capital Account balance at that time.

MANDATORY WITHDRAWALS AND EXPULSIONS

The General Partner may, in its sole and absolute discretion at any time, require a Limited Partner to withdraw all or a portion of his, her or its capital account balance. Specifically, the General Partner may terminate the interest of any Limited Partner (i) upon written notice to such Partner if the General Partner determines that the continued participation of the such Partner in the Partnership would be detrimental to the Partnership such as by jeopardizing the treatment of the Partnership as a partnership for tax or causing the Partnership to be required to register under the Investment Company Act. Notwithstanding the foregoing, the General Partner may terminate the interest of a Limited Partner, with or without cause, upon prior notice.

V. CERTAIN RISK FACTORS

THIS INVESTMENT INVOLVES RISK:
All securities investments present a risk of loss of capital. The General Partner will follow an investment policy that, if unsuccessful, could involve losses. The General Partner seeks to moderate this risk of loss through a careful selection of investments. However, no guarantee or representation is made that the Partnership's investment strategy will be successful, or that the Partnership will achieve its investment objective.

An investment in the Partnership involves significant risks not associated with other investment vehicles. The Partnership's portfolio may be subject to swings in value. Although the General Partner has the flexibility to react to changing market conditions, changes in market conditions or a company's situation could involve losses. Under the Partnership Agreement, to the fullest extent permitted by applicable law, the General Partner is indemnified against, and exculpated for, any error in judgment and/or for any investment losses the Partnership may experience, in the absence of fraud or willful misconduct. Nothing in the Partnership Agreement is meant to constitute a waiver or limitation of any rights the Partnership or the Limited Partners might have under applicable state or federal securities laws.

Investors should consider the Partnership as a supplement to an overall investment program and should only invest in the Partnership if they are willing to undertake the risks involved. In addition, Limited Partners who are subject to income tax should be aware that investment in the Partnership may create taxable income or tax liabilities in excess of cash distributions to pay such liabilities.

Prospective investors should carefully consider, among other factors, the risks described below. These risk factors are not meant to be an exhaustive listing of all potential risks associated with an investment in the Partnership.

GENERAL RISKS

- ***Market Risk***. As with any investment, there is a risk that the price of a security held by the Partnership will rise or fall. There could be many reasons for a decline or increase in the price of a security. These include changing economic, political or market conditions and changes in interest rates.

- ***Risks of Investing in Securities***. Prices of securities react to the business and financial condition of the company that issued them and to economic conditions in general. Prices of a security also may rise and fall based on in management, the potential for takeovers and acquisitions and changes in business and economic conditions generally.

- ***Competition***. The securities industry, and the varied strategies and techniques to be engaged in by the General Partner, are extremely competitive. The Partnership will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

- ***Liquidity Risks***. Though the Partnership intends that most of its securities positions will be publicly traded, even publicly-traded securities may be difficult to liquidate at any given time. The Partnership may own securities that are relatively liquid when acquired but that become illiquid after the Partnership invests. If markets are particularly volatile or disrupted for any reason, the Partnership could have difficulty selling any investment at a desirable price.

Further, the Partnership may not be able to liquidate illiquid securities positions at all if the need were to arise; rapid sales of such securities could depress the market value of those securities, reducing the Partnership's profits, or increasing its losses, in the positions. The value assigned to illiquid securities (including thinly traded securities) and large blocks of securities for purposes of determining ownership percentages and determining profit and loss may differ from the value the Partnership is ultimately able to realize on those securities.

- ***Risk of Default or Bankruptcy of Third Parties***. The Partnership could suffer losses if there were a default or bankruptcy by certain third parties, including one or more of the brokerage firms that hold the Partnership's assets which are invested in securities, or a securities exchange or its affiliated clearing house.

- ***Institutional Risk.*** The General Partner may enter into contractual arrangements with various brokerage firms, banks and other institutions. There is a possibility that the institutions, including brokerage firms and banks, with which the Partnership does business, or to which securities have been entrusted for custodial purposes, will encounter financial difficulties that may substantially impair the operational capabilities or the capital position of the Partnership.

RISKS ASSOCIATED WITH THE INVESTMENT PROGRAM: CRYPTO CURRENCY DISCLOSURES

SUBSCRIBERS SHOULD BE AWARE THAT GIVEN CERTAIN MATERIAL CHARACTERISTICS OF CRYPTO CURRENCIES AND VIRTUAL CURRENCIES, INCLUDING LACK OF A CENTRALIZED PRICING SOURCE AND THE OPAQUE NATURE OF THE VIRTUAL CURRENCY MARKET, THERE CURRENTLY IS NO SOUND OR ACCEPTABLE PRACTICE FOR REGULATORS TO ADEQUATELY VERIFY THE OWNERSHIP AND CONTROL OF A VIRTUAL CURRENCY OR THE VALUATION ATTRIBUTED TO A VIRTUAL CURRENCY.

The following disclosures set forth some of the more significant risks associated with the Partnership's contemplated investment activities.

- ***Specialized Investment Program***. The Partnership is designed to serve as part of an overall investment program for sophisticated investors willing and able to assume the capital risks inherent in investment grade securities investing and trading.

- ***Broad Discretionary Power to Choose Investments and Strategies***. The Partnership Agreement gives the General Partner broad discretionary power to decide what investments the Partnership will make and what strategies it will use. While the General Partner currently intends to use the strategies described under the caption "Investment Objective and Policies," it is not obligated to do so, and it may choose other investments and strategies that it believes are advisable.

- ***Volatility***. The Company's investments in cryptocurrencies will be subject to the risks of market volatility caused by, among other things, unpredictable domestic and international economic and political events that, in turn, may cause sudden reductions in the value of the Interests.

- ***Risks associated with Blockchain Protocols***. Digital assets are based on blockchain protocols, so any malfunction, breakdown or abandonment of the protocol or other technological difficulties may have a material adverse effect on or prevent access to or use of crypto currencies/tokens/coins. These include, but are not limited, to the non-exhaustive list set out below:

  (a) ineffectiveness of the informal groups of developers contributing to the protocols;

(b) ineffectiveness of the network validators ("miners" or "block producers") and/or of the consensus mechanisms to secure a blockchain network against confirmation of invalid transactions;

(c) disputes among the developers or validators;

(d) changes in the consensus or validation schemes that underlie a blockchain network, including but not limited to shifts between so-called "proof of work" and "proof of stake" schemes which negatively affects the blockchain network;

(e) the failure of cybersecurity controls or security breaches of a blockchain network;

(f) undiscovered technical flaws in a blockchain network;

(g) the development of new or existing hardware or software tools or mechanisms that could negatively impact the functionality of the systems;

(h) decrease in value of digital assets associated with a blockchain network; and

(i) infringement of intellectual property rights by a blockchain network's participants.

Further, advances in cryptography or technical advances such as the development of quantum computing, could present risks to the tokens/cryptocurrencies and blockchain networks.

- ***Immutable Digital Asset Transactions***. Blockchain is a chronologically ordered, ledger of all validated transactions across certain crypto networks. It is shared among users for each applicable crypto network. Each "block" in the "chain" contains a confirmed transaction. Just as the blockchain creates a public record of certain crypto network transactions, it also creates an immutable one. Transactions that have been verified, and thus recorded as a block on the blockchain, generally cannot be undone. Even if the transaction turns out to have been in error, or due to theft of a user's crypto currencies, the transaction is not reversible. The blockchain may be susceptible to hacking or other attacks that seek to manipulate the ledger. Blockchains that are less established or not as widely used are typically more susceptible to these types of attacks. In the event of one of these attacks the holding of the Company may lose assets which they may not be able to restore through corrective action and such losses would negatively affect the Company.

- ***Third-Party Wallet Providers***. The Company may use third-party wallet providers to hold crypto currencies. The Company may have a high concentration of its crypto currencies in one location or with one third-party wallet provider, which may be prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware, or cyber-attacks. The Company may, however, employ other systems to safeguard cryptocurrencies holdings, such as "cold storage" or "deep storage," which will increase the time required to access certain crypto currency, and may, therefore, delay liquidation of the Company's crypto currencies or payment of withdrawal proceeds, which could have a material, adverse effect on the net asset value of the Company. The systems in place to secure the crypto currencies may not prevent the improper access to, or damage or theft of the Company's crypto currencies.

- ***Adoption of Blockchain Technology***. The growth of blockchain and of the digital assets industry is subject to a high degree of uncertainty. If any of the events set out below occur, it may hinder the further development of the industry, the blockchain networks underlying the crypto currencies/tokens/coins and decrease their popularity or level of acceptance, which would adversely affect the crypto currencies/tokens/coins and indirectly any investments in such assets:

(a) if the growth in the adoption and use of blockchain technologies worldwide slows down or stops;

(b) if there is government and quasi-government imposes regulation on native blockchain assets and other blockchain assets and their use, or imposes restrictions on or regulation of access to and operation of blockchain networks or similar systems;

(c) if there is decreased maintenance and development of the open-source software protocol of the blockchain network;

(d) changes in consumer demographics, public tastes and preferences which may result in a decrease in the popularity of the blockchain networks and associated crypto currencies/ tokens/coins; and

(e) the availability and popularity of other forms or methods of buying and selling goods and services, or trading assets including new means of using fiat currencies or existing networks may reduce the effectiveness of blockchain networks.

- ***Failure of Blockchain Projects***. Blockchain technologies, crypto currencies, tokens and token sales are rapidly evolving areas from a regulatory, technology and utility perspective. Due to the technically complex nature of the blockchain networks and platforms created by new projects and companies, they may from time to time face unforeseeable and/or unresolvable difficulties. Accordingly, the development of the blockchain networks/ platforms could fail, terminate or be delayed at any time for any reason (including, but not limited to, the lack of funds). Such development failure or termination may render the cryptocurrencies/tokens untransferable, or reduced or with no utility and/or obsolete.

- ***Risks Related to Open-Source Networks***. Open-source blockchain networks use a cryptographic protocol to govern the peer-to-peer interactions between computers. The code that sets forth the protocol is typically informally managed by a development team known as the core developers. Some of the inherent risks include:

(a) the core developers may propose amendments to a network's source code through software upgrades that alter the protocols and software of the network and the properties of the underlying cryptocurrency or token. To the extent that a significant majority of the users on a network install such software upgrade, the network would be subject to new protocols and software that may adversely affect its value;

(b) the open-source structure of a network protocol means that the core developers and other contributors are generally not directly compensated for their contributions in maintaining and developing the network protocol. A failure to properly monitor and upgrade the network protocol could damage a network. A network operates based on an open-source protocol maintained by the core developers and other contributors. As the network protocol is not sold and its use does not generate revenues for its development team, the core developers are generally not compensated for maintaining and updating the network protocol. Consequently, there is a lack of financial incentive for developers to maintain or develop the blockchain network and the core developers may lack the resources to adequately address emerging issues with the network protocol. Although the network is currently supported by the core developers, there can be no guarantee that such support will continue or be sufficient in the future. To the extent that material issues arise with the network protocol and the core developers and open-source contributors are unable to address the issues adequately or in a timely manner, this may adversely affect the value of the network and therefore the crypto currencies or tokens issued; and

(c) the source codes may contain bugs, defects, inconsistencies, flaws or errors which may disable some functionality, create vulnerabilities or cause instability in the network. Such flaws may adversely affect the predictability, usability, stability and/or security of cryptocurrencies/tokens.

- ***Risks Associated with Markets for Cryptocurrencies/Tokens/Coins***. If trading of crypto currencies/tokens is facilitated by third party exchanges, such cryptocurrency exchanges may be relatively new and subject to little or no regulatory oversight, making them susceptible to fraud or manipulation. Cryptocurrencies/tokens/coins are not legal tender and are not backed by any government, and to the extent that third parties do ascribe to a cryptocurrency exchange to value crypto currencies/tokens/coins (for example, as denominated in a fiat or other crypto currency), such value may be extremely volatile and may diminish to zero. "Cryptocurrency exchange" means an electronic marketplace where exchange participants may trade, buy and sell cryptocurrencies, based on bid-ask trading. Cryptocurrency Exchanges (e.g., Coinbase, Kraken, Gemini, Bitfinex, Bittrex, Binance, Bitstamp, Huobi, OKex and FTX) are online and generally trade on a twenty-four (24) hour basis, publishing transaction price and volume data.

- ***Market Risk***. The Company's performance may be volatile. A principal risk in investing in crypto currencies is the rapid fluctuation of its market price. High price volatility undermines the crypto currencies roles as a medium of commercial exchange as retailers are much less likely to accept it as a form of payment. The value of the Company relates directly to the value of the crypto currencies held by the Company, and fluctuations in the price of crypto currencies could adversely affect the Company's net asset value.

- ***Development of Forks***. The acceptance of network software patches or upgrades by a significant, percentage of the users and miners in the network could result in a "fork" in the blockchain, resulting in the operation of two separate networks. Any individual can download a network software and make any desired modifications, which are proposed to users and miners on the network through software downloads and upgrade. A substantial majority of users must consent to such software modifications by downloading the altered software or upgrade; otherwise, the modifications do not become a part of the network. If, however, a proposed modification is not accepted by a vast majority of miners and users, but is nonetheless accepted by a substantial population of participants in the network, a "fork" could develop, resulting in two separate networks. If a permanent fork were to occur, there is a possibility that the cryptocurrency would evolve into two slightly different versions. For example, in 2016 Ethereum experienced a permanent fork in its blockchain that resulted in two slightly different versions of the digital currency. Community led efforts to merge were not successful and this led to the development of two versions of Ethereum: Ethereum and Ethereum Classic. A permanent fork may materially and adversely affect investors.

- ***Intellectual Property Rights Claims***. Intellectual property rights claims may adversely affect the operation of a network. Third parties may assert intellectual property rights claims relating to the operation of digital assets and their source code relating to the holding and transfer of such assets. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in the network's long-term viability or the ability of end-users to hold and transfer the crypto currency may adversely affect an investment in the Interests.

- ***Price Manipulation***. The number of cryptocurrencies/tokens/coins traded for a given network and the number of venues available for trading may be very low, making the market price of the crypto currencies/tokens/coins more easily manipulated. While the risk of market manipulation exists in connection with the trading of any security, the risk may be greater for crypto currencies/tokens/coins because in some cases so few crypto currencies/tokens/coins are available for trading. Likewise, the venues available for trading crypto currencies/tokens/coins i.e., cryptocurrency exchanges, may be limited and become unavailable due to legal, technological or business requirements.

- ***Liquidity Risk***. Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the Company from selling out of these illiquid investments at an advantageous price.

- ***Fluctuation in Prices***. The price of cryptocurrency has fluctuated widely over the past few years and is likely continue to experience significant price fluctuations. Cryptocurrency markets have historically experienced extended periods of flat or declining prices, in addition to sharp fluctuations. The global market for cryptocurrencies is characterized by supply and demand constraints that generally are not present in the markets for commodities or other assets such as gold and silver. There is no assurance that cryptocurrencies will maintain their long-term value in terms of future purchasing power or that the acceptance of cryptocurrency payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of a cryptocurrency declines, this may adversely affect the Company's investments and consequently an investment in the Interests. The price of cryptocurrency on public cryptocurrency exchanges may also be impacted by policies on or interruptions in the deposit or withdrawal of fiat currency into or out of larger crypto currency exchanges. On large crypto currency exchanges, users may buy or sell crypto currency for fiat currency or transfer crypto currency to other wallets. Operational limits (including regulatory, exchange policy or technical or operational limits) on the size or settlement speed of (i) fiat currency deposits by users into crypto currency exchanges may reduce demand on such crypto currency exchanges, resulting in a reduction in the crypto currency price on such crypto currency exchange and (ii) fiat currency withdrawals by users into crypto currency exchanges may reduce supply on such crypto currency exchanges, resulting in an increase in the crypto currency price on such cryptocurrency exchange. To the extent that fees for the transfer of crypto currencies either directly or indirectly occur between cryptocurrency exchanges, the impact on crypto currency prices of operation limits on fiat currency deposits and withdrawals may be reduced by "exchange shopping" among cryptocurrency exchange users. For example, a delay in USD withdrawals on one site may temporarily increase the price on such site by reducing supply (i.e., sellers transferring crypto currency to another cryptocurrency exchange without operational limits in order to settle sales more rapidly), but the resulting increase in price will also reduce demand because bidders on crypto currency will follow increased supply on other crypto currency exchanges not experiencing operational limits. To the extent that users are able or willing to utilize or arbitrage prices between more than one cryptocurrency exchange, exchange shopping may mitigate the short-term impact on and volatility of bitcoin prices due to operational limits on the deposit or withdrawal of fiat currency into or out of larger crypto currency exchanges.

- ***Lack of Transparency***. Due to the largely unregulated nature and lack of transparency surrounding the operations of cryptocurrency exchanges, the marketplace may lose confidence in cryptocurrency exchanges. The cryptocurrency exchanges on which the cryptocurrencies trade are relatively new and, in most cases, largely unregulated. Furthermore, while many prominent cryptocurrency exchanges provide the public with significant information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many cryptocurrency exchanges do not provide this information.

- ***Cybersecurity***. Over the past few years, many cryptocurrency exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers were not compensated or made whole for the partial or complete losses of their account balances in such cryptocurrency exchanges. While smaller cryptocurrency exchanges are less likely to have the infrastructure and capitalization that make larger cryptocurrency exchanges more stable, larger cryptocurrency exchanges are more likely to be appealing targets for hackers and malware and may be more likely to be the target of regulatory enforcement action. Due to the recent nature of these regulatory changes, the long-term impact on the marketplace is uncertain this time. The closure or temporary shutdown of cryptocurrency exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in the industry and result in greater volatility. These potential consequences of a cryptocurrency exchange's failure could adversely affect the Company's investments and consequently an investment in Interests.

- ***Loss of Private Keys***. A private key, or a combination of private keys, is necessary to control and dispose of crypto currencies/tokens/coins stored in digital wallets or vaults. Accordingly, loss of requisite private key(s) associated with these digital wallets or vaults will result in loss of such crypto currencies/tokens/coins and the private key will not be capable of being restored by the network. Any loss of private keys relating to digital wallets used to store the Company's cryptocurrencies and tokens could adversely affect the Company's investments and consequently an investment in the Interests. Further, any third party that gains access to such private key(s) i.e., a custodian, including by gaining access to login credentials of a hosted wallet services, may be able to misappropriate cryptocurrencies/tokens/coins.

- ***Custody***. Members should be aware that while the Company and the Manager will use their best efforts to reduce the risks of theft, loss, damage, destruction, malware, hackers or cyber-attacks, a lack of stability in the cryptocurrency exchange market and the closure or temporary shutdown of a cryptocurrency exchange due to fraud, business failure, hackers or malware, or government-mandated regulation could significantly hinder these efforts by the Company and the Manager and may reduce confidence in the cryptocurrency market and result in greater volatility. These potential consequences will adversely affect the Company's investments and consequently an investment in Interests by investors.

- ***Malicious Actor or Botnets***. If a malicious actor or botnet obtains control of more than fifty percent (50%) of the processing power on a network, such actor or botnet could manipulate the network. If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on a network, it may be able to alter the blockchain on which the network and most transactions rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions. The malicious actor could "double-spend" its own crypto currency and prevent the confirmation of other users' transactions. To the extent that such malicious actor or botnet did not yield its control of the processing power on the network or the community did not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible.

- ***Cryptographic Protection***. Cryptography is evolving and there can be no guarantee of security at all times. Advancement in cryptography technologies and techniques, including but not limited to code cracking, hacking, the development of artificial intelligence and/or quantum computers, could be identified as risks to all cryptography-based systems including cryptocurrencies/tokens. When such technologies and/or techniques are applied, adverse outcomes such as theft, loss, disappearance, destruction, devaluation or other compromises of cryptocurrencies/tokens may result. Hackers or other malicious groups or organizations may attempt to interfere with the cryptocurrencies/tokens in a variety of ways, including but not limited to, malware attacks, denial of service attacks, consensus-based attacks, Sybil attacks, smurfing and spoofing. Further, many networks rely on open-source software and un-permissioned distributed ledgers. Accordingly, anyone may intentionally or unintentionally compromise the core infrastructural elements of a network and its underlying technologies. Consequently, this may result in the loss of cryptocurrencies/tokens. Therefore, the security of cryptocurrencies/tokens cannot be guaranteed due to the unpredictability of cryptography or security innovations or interference by hackers or other malicious groups or organizations.

Security threats could result in the halting of the Company's operations and a loss of assets. It is not uncommon for businesses in the cryptocurrency/ token space to experience large losses due to fraud and breaches of their security systems. Security breaches, computer malware and computer hacking attacks have been a prevalent concern in the industry. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment and the inadvertent transmission of computer viruses, could harm the Company's operations or result in loss of the assets.

Transactions are irrevocable and stolen or incorrectly transferred crypto currency/ tokens may be irretrievable. As a result, any incorrectly executed bitcoin transactions could adversely affect an investment in the Interests. To the extent that the Company is unable to seek a corrective transaction with such third party or is incapable of identifying the third party which has received the Company's assets through error or theft, the Company will be unable to revert or otherwise recover incorrectly transferred cryptocurrencies/tokens/coins. The Company also will be unable to convert or recover cryptocurrencies/tokens/coins transferred to uncontrolled accounts. To the extent that the Company is unable to seek redress for such error or theft, such loss could adversely affect the Company's investments and consequently an investment in the Interests.

- ***Irrevocable Digital Asset Transactions***. Just as the blockchain (or similar technologies) creates a permanent, public record of crypto currency transactions, it also creates an irrevocable one. Transactions that have been verified, and thus recorded as a block on the blockchain (or similar technologies), generally cannot be undone. Even if the transaction turns out to have been in error, or due to theft of a user's assets, the transaction is not reversible. Further, at this time, there is no U.S. or foreign governmental, regulatory, investigative, or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen crypto currencies. Consequently, the Company may be unable to replace missing assets or seek reimbursement for any erroneous transfer or theft of assets. To the extent that the Company is unable to seek redress for such action, error or theft, such loss could adversely affect an investment in the Company.

- ***Public Perception of Digital Assets***. As a relatively new technology, digital assets are not yet widely adopted as a means of payment for goods and services. Banks and other established financial institutions may refuse to process funds for digital asset transactions, process wire transfers to or from cryptocurrency exchanges, related companies or service providers, or maintain accounts for persons or entities transacting in digital assets. Market capitalization for digital assets as a medium of exchange and payment method may always be low. Further, a digital asset's use as an international currency may be hindered by the fact that it may not be considered as a legitimate means of payment or legal tender in some jurisdictions. To date, speculators and investors seeking to profit from either short- or long-term holding of digital sssets drive much of the demand for it, and competitive products may develop which compete for market share. Further, certain virtual currencies or payment systems may be the subject of a U.S. or foreign patent application (i.e., JP Morgan Chase Bank's patent application for "Alt-Coin" with the United States Patent & Trademark Office), successfully patented, or, alternatively, mathematical network source codes and protocols may be patented or owned or controlled by a public or private entity.

The Company could be adversely impacted if digital assets fail to expand into retail and commercial markets.

- ***Uninsured Losses***. Unlike bank accounts or accounts at some other financial institutions, cryptocurrencies/tokens are uninsured. If the Company's crypto currencies/ tokens/coins are lost, stolen or destroyed under circumstances rendering a party liable to the Company, the responsible party may not have the financial resources sufficient to satisfy the claim by the Company. Therefore, in the event of loss or loss of utility value, no recourse is offered.

- ***Uncertainty of Taxation***. The tax characterization of crypto currencies and tokens/coins is uncertain. New tax rulings may result in adverse tax consequences, including but not limited to, withholding taxes, income taxes and tax reporting requirements.

- ***Unanticipated Risks***. Cryptocurrencies/tokens/coins are a new and untested technology. In addition, there are other risks associated with and/or related to crypto currencies/tokens including, but not limited to, any type of technology risks and those that we are unable to anticipate.

- ***Regulatory Status of Cryptocurrencies and other Digital Assets***. The Company invests primarily in digital assets which are not currently regulated by U.S. federal and state governments, or self-regulatory organizations. As digital currencies have grown in popularity, certain U.S. regulatory agencies, such as the Financial Crimes Enforcement Network ("FinCEN") and the CFTC, have begun to examine digital currencies and the operations of their networks. Currently, neither the CFTC nor the SEC has formally asserted regulatory authority over digital currencies, although the CFTC has stated that it considers cryptocurrencies to be commodities and the SEC has stated that certain digital assets are securities. On July 25, 2017, the SEC issued a reporting finding that a 2016 token offering (an initial coin offering or "ICO" capital raise) involved the offering of a "security" under U.S. federal law which should have been registered (the "SEC Release"). The agency stated that similar token offerings fall within the jurisdiction of federal securities laws, while declining to state categorically that all such ICOs are securities offerings. Furthermore, the SEC indicated it intends to treat assets valued in virtual currencies, such as tokens, which otherwise possess the characteristics of a security, in the same way as conventional securities valued in U.S. Dollars or other fiat currency. To the extent that digital currencies are ultimately determined to be a security, commodity future or other regulated asset, or to the extent that a U.S. or foreign government or quasi-governmental agency exerts regulatory authority over the digital currencies, the Company may be adversely affected.

  Digital currencies currently face an uncertain regulatory landscape in not only the United States but also in many foreign jurisdictions. While many jurisdictions have either taken no formal position with respect to crypto currencies or have stated that crypto currencies are legal tender in their jurisdiction, others have banned the use of crypto currencies in their jurisdictions. In addition, very few jurisdictions have enacted cryptocurrency-specific regulations that govern the creation, transmittal or use of crypto currencies. One or more jurisdictions may, in the future, adopt laws, regulations or directives that affect digital currency networks and their users, particularly cryptocurrency exchanges and service providers that fall within such jurisdictions' regulatory scope. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of digital currencies by users, merchants and service providers outside of the United States and may therefore impede the growth of the digital currency economy. The effect of any future regulatory change on the Company is impossible to predict, but such change could be substantial and adverse.

Further, the crypto currency “Tether” is currently under investigation by the CFTC, U.S. Department of Justice, and the Attorney General of the State of New York for issuing billions of dollars’ worth of new USDT coins that may not have been fully backed by the U.S. Dollar as claimed. If Tether were to be shut down or suffer other major regulatory punishment, it could negatively affect (the magnitude of the effect being unknown) the value of all cryptocurrencies, including Bitcoin, given how interconnected the liquidity is across cryptocurrency markets.

- ***Foreign Government Regulations on Cryptocurrencies***. Various foreign jurisdictions are considering or have considered how to manage the use and exchange of digital assets. It is possible that any jurisdiction may, in the near or distant future, adopt laws, regulations, or policies directly or indirectly affecting digital assets generally, or restricting the right to acquire, own, hold, sell, convert, trade, or use digital assets, or to exchange digital assets for either fiat currency or other virtual currency. It is also possible that government authorities may claim ownership over various digital assets, including their source codes and protocols. Law enforcement agencies may take direct or indirect investigative or prosecutorial action related to, among other things, the use, ownership or transfer of digital assets.

- ***Banking Services to the Company***. Several investment funds and other companies dealing in digital assets have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such entities have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to digital asset related companies for multiple reasons, such as perceived compliance risks or costs. Such actions by banks may harm public perception of digital assets, and therefore impact the price of the assets, adversely affecting the fund performance.

- ***Diversification and Concentration***. The Company’s investments may become significantly concentrated in a single (or limited number of) digital assets. Such limited diversification may result in the concentration of risk, which, in turn, could expose the Company to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements with respect to such digital assets.

RISKS RELATING TO THE GENERAL PARTNER

- ***Dependence on the General Partner***. The Partnership’s success depends on the skill and expertise of the General Partner. The General Partner cannot assure investors that: (a) the Partnership will realize its investment objectives; (b) the Partnership’s investment strategy will prove successful; or (c) Partners will not lose all or a portion of their investment in the Partnership.

  The Partnership Agreement provides that the General Partner has absolute discretion and authority in managing and controlling the investments and affairs of the Partnership, subject to specific and express limitations in the Partnership Agreement or provided by applicable law 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.

- ***Liability Standard; Indemnification***. Pursuant to the Partnership Agreement and the Investment Management Agreement, the Partnership is required to indemnify the General Partner and any of its members, partners, managers, officers and employees, from any action, claim or liability arising from any act or omission made in good faith and in performance of its duties under the Partnership Agreement. Any investigation, litigation or other proceeding undertaken by state or federal regulatory agencies or private parties could require reserving and/or spending material amounts of Partnership funds for legal and other costs and could have other materially adverse consequences for the Partnership. The Partnership does not intend to carry any insurance to cover its indemnification obligations and, if it should carry one or more insurance policies against such obligations in the future, the coverage of such policies may be not be adequate to cover all claims arising thereunder. The availability of indemnification may reduce the amount of funds the Partnership has available to invest on behalf of Limited Partners and/or reduce any distributions that it might otherwise make to Limited Partners.

- ***General Partner's Right to Dissolve the Partnership and Expel Limited Partners***. The General Partner may at any time dissolve the Partnership on notice to the Limited Partners. Accordingly, there is a risk that if the Partnership's assets become depleted, the General Partner may elect to dissolve the Partnership at a time when dissolution may be disadvantageous to the Limited Partners. In addition, the General Partner may expel a Limited Partner from the Partnership at any time, in which event the expelled Limited Partner will be deemed to have withdrawn entirely from the Partnership. Such expulsion could result in adverse tax and economic consequences to the Limited Partner.

- ***Lack of Regulatory Oversight.*** Although the General Partner is registered as an exempt reporting adviser in the State of California, the Partnership's activities generally will not be subject to the same degree of regulatory oversight to which some other investment vehicles are subject. The Partnership may be considered similar to an investment company, but it is not registered as such under the Investment Company Act in reliance upon exclusions available to privately offered investment companies. Accordingly, the provisions of the Investment Company Act (which, among other things, require investment companies to have disinterested directors and to maintain their assets and securities in the custody of a qualified custodian, and which regulate the relationship between the adviser and the investment company) are not applicable to the Partnership.

ADDITIONAL RISK FACTORS

- ***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.

- ***Restrictions on Transfer of Partnership Interests***. There is no public market for the Interests. Under the terms of the Partnership Agreement, Limited Partners are prohibited from selling their Interest unless the General Partner consents. The Interests have not been registered under the Securities Act or any state securities laws, and, for that reason, additional transfer restrictions are imposed by law.

- ***Withdrawal from the Partnership***. An investment in the Partnership offers limited liquidity since the Interests are not freely transferable. A Limited Partner generally has the right to withdraw all or a portion of its capital account at the times specified in this Memorandum, subject to advance written notice and other restrictions. The General Partner, in its sole discretion, may permit withdrawals at other times and may waive the notice required from a Limited Partner prior to withdrawal. An investment in the Partnership is suitable only for sophisticated investors who have no need for liquidity in this investment. Distributions of proceeds upon a Limited Partner's withdrawal may be limited and may be in-kind where, in the view of the General Partner, the disposal of all or a part of the Partnership's assets to meet withdrawal requests would be prejudicial to the non-withdrawing Limited Partners. In addition, the General Partner, by written notice to any Limited Partner, may suspend the payment of withdrawal proceeds payable to such Limited Partner if the General Partner reasonably deems it necessary to do so to comply with anti-money laundering regulations applicable to the Partnership, the General Partner, and their affiliates, subsidiaries or associates or any of the Partnership's other service providers and in certain other limited circumstances.

Although the General Partner believes the withdrawal notice provisions in the Partnership Agreement allow the Partnership sufficient time to liquidate its investments in the amounts necessary to satisfy Limited Partner withdrawals, the Partnership may not be able to do so in a timely manner. Substantial withdrawals by Limited Partners in a short period could require the General Partner to liquidate Partnership investments more rapidly than is desirable, possibly reducing the value of the Partnership's assets or disrupting the General Partner's investment strategy. Further, reduction in the size of the Partnership's portfolio could make it more difficult to generate a positive return or to recoup losses.

- ***Tax Liability Without Distributions***. Limited Partners will be liable to pay taxes on their allocable shares of the Partnership's taxable income. However, the General Partner does not intend to make significant distributions to the Limited Partners corresponding to profits, but instead intends to re-invest substantially all of the Partnership's income and gains for the foreseeable future. Taxable income can be expected to differ from net profit, primarily because generally only realized gains and losses are considered for income tax purposes but net profit and net loss will include unrealized gains and losses. It is possible that sales of appreciated securities in a particular period could cause some Partners to have taxable gain for that period at the same time that unrealized losses result in an overall net loss. It generally will be necessary for Limited Partners to pay such tax liabilities out of separate funds and not from distributions from the Partnership.

- ***Contingent Liabilities***. Under certain circumstances, the General Partner may find it necessary when a Limited Partner withdraws capital (or upon dissolution) to set up a reserve for contingent and future liabilities and withhold a portion of such Limited Partner's withdrawal proceeds. Reserves may be established and withholding may occur, for example, if the Partnership becomes involved in material litigation, to fund undetermined contingent liabilities or in the event it is audited by the Internal Revenue Service ("IRS"). In addition to the foregoing, reserves also may be set aside by the Partnership to satisfy its obligations under the indemnification provisions set forth in the Partnership Agreement or in other agreements to which it becomes a party.

- ***Tax Risk***. Prospective investors should read the section entitled "Income Tax Considerations" for a discussion of some of the tax risks of investing in Interests, and talk to his or her own tax advisor about how an investment in the Partnership would affect his or her personal tax situation.

- ***Tax-Exempt Entities***. Subscribers that may be considering investing in the Partnership on behalf of a tax-exempt entity should consider the possible adverse tax consequences that could arise out of unrelated business taxable income ("UBTI"). Such subscribers should read the section entitled "ERISA Considerations" and discuss the suitability of an investment in the Interests with their own tax advisors.

- ***Liability of a Limited Partner for the Return of Capital Distributions***. If a Limited Partner receives a distribution from the Partnership which the Partnership is prohibited from making, the Limited Partner may be liable to return all or part of the distribution, plus interest.

- ***Considerations for Non-U.S. Investors***. The Partnership will be required to withhold U.S. federal income tax on certain income allocable to a Non-U.S. Limited Partner. Also, the IRS takes the position that a Non-U.S. Limited Partner will be subject to U.S. federal income tax on gain from the sale or other taxable disposition of its Interest to the extent that the gain is attributable to the Non-U.S. Limited Partner's allocable share of Partnership assets giving rise to certain types of income. Accordingly, Interests may not be a suitable investment for an investor that is not a United States person.

REGULATORY CONSIDERATIONS

- ***General Regulatory Considerations***. Securities and investment businesses generally are comprehensively and intensively regulated under state and federal laws and regulations. Any investigation, litigation or other proceeding undertaken by state or federal regulatory agencies or private parties could necessitate the expenditure of material amounts of the Partnership's resources for legal and other costs and could have other materially adverse consequences for the Partnership. Furthermore, the human and capital resources of the Partnership and the General Partner could be adversely affected by the need to defend actions under these laws, even if the Partnership is ultimately successful in its defense.

- ***Private Offering Exemption***. This offering has not been, and will not be, registered under the Securities Act, in reliance on the exemptive provisions of Section 4(2) of the Securities Act and Regulation D promulgated thereunder. No assurance can be given that the offering currently qualifies or will continue to qualify under the exemptive provisions of Regulation D because of, among other things, the adequacy of disclosure and the manner of distribution, the timeliness of filings, the existence of similar offerings in the past or in the future, or the retroactive change of any securities law or regulation. If the Regulation D exemption is unavailable, claims or suits for rescission may be brought against the Partnership for failure to register these offerings or for acts or omissions constituting offenses under the Exchange Act or applicable state securities laws.

- ***Exemption from Investment Company Regulation***. The General Partner believes that, by virtue of Section 3(c)(1) of the Investment Company Act, the Partnership should not be deemed to be an "investment company" and, accordingly, should not be required to register as such under the Investment Company Act.

- ***Broker-Dealer Registration***. The Partnership is not and does not intend to be registered as a broker or dealer under the Exchange Act or any state securities law. The General Partner believes that the Partnership is not required to be registered as a broker or dealer, but if the SEC or another regulatory agency were to assert that such registration was required, the Partnership would bear the resulting increased expenses and its activities would be restricted, which could materially and adversely affect the Partnership's business.

VI.

POTENTIAL CONFLICTS OF INTEREST

The General Partner is accountable to the Partnership as a fiduciary and, consequently, must exercise good faith and integrity in handling the business of the Partnership. Nevertheless, in the conduct of that business, conflicts may arise among the interests of the General and those of Limited Partners. Prospective investors should be aware of these conflicts of interest before investing. To mitigate any such conflicts, the General Partner will take appropriate measures to assure that it will not unfairly profit from any transaction between it and the Partnership. The General Partner will seek to apportion or allocate business opportunities among persons or entities to or with which it or its affiliates have fiduciary duties and other relationships on a basis that is fair and equitable to the maximum possible extent to each of such persons or entities, including the Partnership.

- ***Other Businesses and Activities***. The General Partner and its members, partners, managers, officers and employees (collectively the "*Affiliated Persons*") will only devote so much time to the affairs of the Partnership as is reasonably required in their judgment. The Affiliated Persons are not precluded from engaging directly or indirectly in any other business or other activity, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities and other investments for their own accounts, or for the accounts of family members or the accounts of other and for the accounts of individual and institutional clients (collectively, "*Other Accounts*"). Such Other Accounts may have investment objectives or may implement investment strategies similar to those of the Partnership. The Affiliated Persons may also have investments in certain of the Other Accounts. Each of the Affiliated Persons may give advice and take action in the performance of their duties to their Other Accounts that could differ from the timing and nature of action taken with respect to the Partnership. The Affiliated Persons will have no obligation to purchase or sell for the Partnership any investment that the Affiliated Persons purchase or sell, or recommend for purchase or sale, for their own accounts or for any of the Other Accounts. If a determination is made that the Partnership and one or more Other Accounts should purchase or sell the same investments at the same time, the Affiliated Persons will allocate these purchases and sales as is considered equitable to each. No Limited Partner will, by reason of being a Limited Partner of the Partnership, have any right to participate in any manner in any profits or income earned or derived by or accruing to the Affiliated Persons from the conduct of any business or from any transaction in investments effected by the Affiliated Persons for any account other than that of the Partnership.

- ***Soft-Dollars***. Although the General Partner does not anticipate participating in "soft dollar" arrangement with brokers or dealers, it may be offered non-monetary benefits or "soft dollars" by brokers to induce the General Partner to engage those brokers to execute securities transactions on behalf of the Partnership. The Affiliated Persons and Other Accounts may derive direct or indirect benefits from the use of "soft" or commission dollars to pay for expenses that the General Partner would otherwise be required to pay itself. Accordingly, there may be a conflict of interest created between the General Partner's duties to the Partnership and its desire to maximize its effective compensation. Any relationships with brokerage firms that provide "soft dollar" services may influence the General Partner's judgment in allocating brokerage business and create a conflict of interest in using the services of those brokers or dealers to execute the Partnership's brokerage transactions.

- ***Valuations and Calculations of Fees***. Given the nature of some of the Partnership's investments, the General Partner may have to exercise discretion in assigning values to the positions. This practice may create a conflict of interest because the value assigned to a position will affect the Performance Allocation owing to the General Partner. The General Partner is expected to value the Partnership's positions in good faith based upon available information. However, there can be no assurance that the value assigned to an investment at a certain time will equal the value that the Partnership is ultimately able to realize. Even if there is a difference, the General Partner will not be obligated to return past Performance Allocations.

- ***"New Issues."*** The Partnership may participate in new issues of equity securities in accordance with FINRA Rules 5130 and 5131 (the "Rule"), as it may be amended or supplanted from time to time. As required by the Rule, all securities purchased in an initial public offering of equity securities ("IPO") as defined in the Rule ("New Issues") will be allocated to one or more "New Issue Accounts" maintained by the Partnership. All profits and losses from New Issues will be specially allocated to the applicable New Issue Account and only persons who are not "restricted persons" under the Rule may receive allocations therefrom. The Partnership may modify the way in which it handles the participation in New Issues to conform to the Rule as it may be amended in the future.

- ***Waiver of Performance Allocation**.* The General Partner has the ability to waive all or part of the Performance Allocation as to any transaction or any Limited Partner. If the General Partner waives the Performance Allocation, it may effectuate such waiver by directly rebating amounts to certain Limited Partners, by appropriate accounting adjustments, or by other methods as it deems reasonable and fair.

- ***Performance Allocation**.* The structure and payment of the Performance Allocation may involve a conflict of interest because it may create an incentive for the General Partner to cause the Partnership to make more speculative investments than it would otherwise.

- ***Legal Advice.*** No counsel has been retained to represent the Partnership or the Limited Partners. Without legal or other professional representation, investors may not receive legal and other advice regarding certain matters that might be in their interests but contrary to the interests of the Affiliated Persons.

VII. BROKERAGE PRACTICES

A. SELECTION OF BROKERS

In choosing brokers and dealers, the General Partner will not be required to consider any particular criteria. The General Partner will seek the best combination of brokerage cost and execution quality on an overall basis but, as discussed below, the General Partner is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. In evaluating "execution quality," historical net prices (after markups, markdowns or other transactionrelated compensation) on other transactions will be a principal factor, but other factors will also be relevant, including: the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker's or dealer's willingness to commit capital; reliability and financial stability; the size of the transaction; availability of securities to borrow for short sales; and the market for the security. See "Conflicts of Interest – Conflicts Associated with Broker-Dealer" at Section VII.

VIII. ERISA CONSIDERATIONS FOR QUALIFIED PLANS

The appropriate fiduciary of an employee benefit plan proposing to invest in the Partnership should consider whether that investment would be consistent with the terms of the plan's governing instrument and, if applicable, ERISA's fiduciary responsibility requirements. A fiduciary of a plan subject to ERISA should give appropriate consideration to, among other things, the role that an investment in the Partnership would play in the plan's portfolio, taking into consideration whether the investment is designed reasonably to further the plan's purposes, the risk and return factors associated with the investment, the composition of the plan's total investment portfolio with regard to diversification, the liquidity and current return of the plan's portfolio relative to its anticipated cash flow needs, the projected return of the plan's portfolio relative to its objectives, and limitations on the right of Limited Partners to withdraw all or any part of their Capital Accounts or to transfer their Interests.

In addition, ERISA prohibits a fiduciary from causing the plan to engage in a transaction if the fiduciary knows or should know that such transaction constitutes, among other things, a direct or indirect sale or exchange of property between the plan and a party in interest or a transfer of plan assets to, or use of plan assets by or for the benefit of, a party in interest. Section 4975 of the Code imposes an excise tax on disqualified persons of plans subject to that Section (as described above) who participate in prohibited transactions substantially similar to those prohibited by ERISA. The General Partner believes that the Partnership itself should not be considered a party in interest (or disqualified person) with respect to investing plans. The General Partner (and certain entities affiliated with the General Partner), however, may be deemed a party in interest (or disqualified person) of a plan with respect to which it provides investment management, investment advisory, or other services. Since the application of ERISA and Section 4975 of the Code depends upon the particular facts and circumstances of each plan, the appropriate fiduciary should consult its own advisors to determine whether investment in the Partnership would be prohibited by ERISA or Section 4975 of the Code. An authorized fiduciary of each plan subject to the prohibited transaction restrictions of ERISA or Section 4975 of the Code will be required to represent, and by making an investment in the Partnership thereby does represent, that such investment will not violate such prohibited transaction restrictions.

The assets of the Partnership will be invested in accordance with the investment policies and objectives described in this Memorandum. The appropriate fiduciary of each plan is responsible for ensuring that an investment in the Partnership by such plan meets all applicable requirements of ERISA and Section 4975 of the Code in the specific context of the particular plan. An authorized fiduciary of each employee benefit plan proposing to invest in the Partnership will be required to represent, and by making an investment in the Partnership thereby does represent, that it has been informed of and understands the Partnership's investment objectives, policies, and strategies and that the decision to invest plan assets in the Partnership is consistent with the provisions of applicable law, including ERISA and Section 4975 of the Code. Plans should consult their own advisors regarding these matters before investing in the Partnership.

The U.S. Department of Labor (the "*Department*") has published a regulation (the "*Regulation*") describing when the underlying assets of an entity, such as the Partnership, in which certain employee benefit plan investors ("*Benefit Plan Investors*") invest constitute "plan assets" for purposes of ERISA and Section 4975 of the Code. Benefit Plan Investors include employee benefit plans as defined in ERISA (whether or not such plans actually are subject to ERISA), IRAs, Keogh plans, government plans, church plans, foreign plans, and entities (such as private investment limited partnerships), the underlying assets of which include plan assets by reason of significant participation therein by Benefit Plan Investors.

The Regulation provides that, as a general rule, when a plan invests assets in another entity, the plan's assets include its investment, but do not, solely by reason of such investment, include any of the underlying assets of the entity. However, when a plan acquires an "equity interest" in an entity that is neither (i) a "publicly offered security," nor (ii) a security issued by an investment company registered under the Investment Company Act of 1940, then the plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established that the entity is an "operating company" or the equity participation in the entity by Benefit Plan Investors is not "significant." Equity participation in an entity by Benefit Plan Investors is considered "significant" if twenty-five percent (25%) or more of the value of any class of equity interests in the entity is held by such Benefit Plan Investors.

If the assets of the Partnership were regarded as "plan assets," the General Partner would be a "fiduciary" (as defined in ERISA) with respect to any Limited Partner that is a plan subject to ERISA and would be subject to the obligations and liabilities imposed on fiduciaries by ERISA. The General Partner, however, intends to monitor investments in the Partnership to ensure that aggregate investments in the Partnership by Benefit Plan Investors does not equal or exceed twenty-five percent (25%) of the aggregate value of the Interests in the Partnership. Consequently, equity participation by Benefit Plan Investors will not be considered "significant" under the Regulation and, as a result, the underlying assets of the Partnership will not be deemed "plan assets" for purposes of ERISA or Section 4975 of the Code. The Partnership reserves the right, however, to waive the twenty-five percent (25%) limitation and thereafter comply with ERISA and Section 4975 of the Code.

IX.

INCOME TAX CONSIDERATIONS

The following discussion summarizes certain of the aspects of the federal income taxation of the Partnership and its Interests that a potential investor should consider. The discussion is based on the Code, Treasury regulations promulgated under the Code (the "*Regulations*"), and court decisions and published rulings of the IRS, all as in effect on the date of this Memorandum. It does not take into account the possible effect of future legislation, regulatory or administrative changes or court decisions. The Partnership will not seek any rulings from the IRS 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 legal counsel has no continuing obligation to advise the General Partner, the Partnership, or any investor of any changes in the law that may affect the Partnership or the investors 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 an investor, nor is it intended to be applicable to all investors, some of which, such as financial institutions, insurance companies, and foreign persons or entities, may be subject to special rules.

BECAUSE THE INCOME TAX LAWS APPLICABLE TO INVESTORS IN THE PARTNERSHIP AND SECURITIES TRANSACTIONS ARE EXTREMELY COMPLEX, 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 ADVISORS TO UNDERSTAND FULLY THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF SUCH AN INVESTMENT IN LIGHT OF THEIR OWN PARTICULAR SITUATION.

A. CHARACTERIZATION OF THE PARTNERSHIP

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

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

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

B. TAXATION OF THE PARTNERSHIP AND ITS INVESTORS

1. PARTNERSHIP ALLOCATIONS

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

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

2. CHARACTER OF GAINS AND LOSSES GENERALLY

The Partnership expects that its recognized gains and losses from securities transactions will generally be characterized as capital gain or loss. Generally, gain or loss will be "longterm" and eligible for preferential longterm capital gain rates if assets are held for more than 12 months. The following rules may affect the Partnership's holding period for a security or may otherwise affect the characterization of certain gains and losses and the timing of realization.

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

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

3. CONTRIBUTIONS

Generally, a contribution of cash to the Partnership will not be a taxable event to the contributing investor or to the Partnership. Although it may accept securities or any other property as a contribution to the Partnership, the General Partner generally does not expect to do so. An investor that contributes securities to the Partnership could be subject to tax on any appreciation in those securities at the time of contribution; however, no loss would be allowed at the time of contribution if the securities had declined in value.

4. Basis

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

5. Distributions

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

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

- Non-Liquidating Distributions. Where a Partner remains an investor after a withdrawal or other distribution, a distribution generally will cause him, her or it to realize taxable income only if and to the extent the cash distributed exceeds the Investor's adjusted basis in his, her or its Interest. For these purposes, any decrease in a Partner's share of the Partnership's debt will be treated as a distribution of cash to the Investor. Distributions to continuing Investors will not cause tax losses to be realized. Cash distributions will reduce the receiving Investor's basis in his, her or its Interest. Taxable gain upon a distribution would generally be taxable as shortterm or longterm capital gain, depending on the Partner's holding period for the Interest. However, the Partnership may, upon a withdrawal, specially allocate income, gain and losses to the withdrawing Partner in a manner that could convert what would otherwise be capital gains to ordinary income or longterm capital gains into shortterm capital gains. (See the discussion under the heading "Partnership Allocations" above.

A distribution of property other than cash (*i.e.*, securities) to a continuing Partner should not result in taxable income or loss to the Partnership or to the receiving Partner (again, except to the extent Section 751 applies).[1]

The distributee Partner's basis in the distributed property will be the lesser of (i) the adjusted basis of the property in the hands of the Partnership and (ii) the adjusted basis of the Partner's Interest (after reduction for any cash he, she or it received as part of the distribution). The basis of a Partner's Interest will be reduced by the basis of the property distributed to that Partner.

---

[1] Generally, for investors other than "investment companies," distributions of marketable securities are treated like distributions of cash and can result in taxable income. However, the Partnership expects to qualify as an "investment company" and Investors to be "eligible members" within the meaning of certain rules. This discussion is based on those expectations.

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

6. SECTION 754 ELECTION

Section 754 of the Code allows a Tax 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 bases 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 bases of the distributed property in the hands of the Partnership and the adjusted bases 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, she or it had directly acquired a share of each of the Partnership's assets, with a basis for each of those assets equal in the aggregate to the bases of his, her or its 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 Section 754 elections. 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 IRS, 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 of the Code, 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 specifically allocate items of income and gain to the withdrawing Partner.

7. LIMITATIONS ON DEDUCTIONS

The ability of certain Partners to deduct or otherwise utilize the Partnership's 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 Partner may not deduct losses in excess of the adjusted basis of his, her or its Interest at the end of the year in which the loss is incurred. Losses in excess of a Partner's adjusted basis may be carried over to succeeding taxable years when the same limitation will apply. (See "Basis" above).

- Amounts at Risk. The amount of loss an individual or a closely held "C" corporation may deduct is limited to the amount that Partner is "at risk" as to the Partnership. Where such a 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, her or its adjusted basis in his, her or its Interest. In addition, in the unlikely event the Partnership borrowed on a nonrecourse basis, certain of those borrowings could increase a Partner's basis without increasing his, her or its amount at risk.

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

8. <u>TAXATION OF FOREIGN INVESTORS</u>

Foreign Investors should consider carefully the potential tax implications of an investment in the Partnership and discuss them with their own tax advisors. For purposes of determining the tax treatment of foreign Investors, a foreign Investor should not be deemed to be engaged in a U.S. trade or business solely by reason that it invests or trades in securities for its own account (unless it is a "dealer," which the General Partner does not expect the Partnership to be). As a result, a foreign Investor's allocable share of Partnership income (assuming it is not "effectively connected" with a U.S. trade or business in which the foreign Investor is otherwise engaged) should be subject to U.S. federal income tax only if it is fixed or determinable annual or periodical gains, profits and income (including dividends and certain interest income). Such income will be taxed at a rate of thirty percent (30%) and generally will be collected through withholding from distributions made by the Partnership. The tax and withholding rate may be reduced or eliminated by an applicable tax treaty; however, it should be noted that the Code may deny otherwise applicable treaty benefits to a foreign Investor if (i) an income item derived from the Partnership is not treated as an income item of the foreign Investor by the tax laws of the foreign country of residence of such foreign Investor, (ii) such foreign country does not impose tax on a distribution of such income item by the Partnership to the foreign Investor; and (iii) the treaty does not contain a provision addressing the applicability of the treaty in the case of an item of income derived through a partnership. Except as described below as to "United States real property interests," a foreign Investor's share of the Partnership's capital gains generally will not be subject to U.S. income tax (assuming it is not effectively connected with a U.S. trade or business in which the foreign Investor is otherwise engaged), unless the foreign Investor is an individual who has been present in the U.S. for an aggregate of 183 days or more during the taxable year.

- U.S. Estate Tax. An individual foreign Investor's Interest in the Partnership may be included in his, her or its gross estate for U.S. federal estate tax purposes, thereby subjecting his, her or its estate to U.S. estate tax.

9. <u>UNRELATED BUSINESS TAXABLE INCOME</u>

Generally, an exempt organization is exempt from federal income tax on certain categories of income, such as dividends, interest, capital gains and similar income realized from securities investment or trading activity, whether realized by the organization directly or indirectly through a partnership in which it is a partner. This type of income is exempt even if it is realized from securities trading activity which constitutes a trade or business.

This general exemption from tax does not apply to the "unrelated business taxable income" (*"UBTI"*) of an exempt organization. Generally, except as noted above with respect to certain categories of exempt trading activity, UBTI includes income or gain derived (either directly or through partnerships) from a trade or business, the conduct of which is substantially unrelated to the exercise or performance of the organization's exempt purpose or function. UBTI also includes "unrelated debt-financed income," which generally consists of (i) income derived by an exempt organization (directly or through a partnership) from income-producing property with respect to which there is "acquisition indebtedness" at any time during the taxable year, and (ii) gains derived by an exempt organization (directly or through a partnership) from the disposition of property with respect to which there is "acquisition indebtedness" at any time during the twelve-month period ending with the date of such disposition. With respect to its investments in partnerships engaged in a trade or business, or in the funding of a plan of reorganization, the Partnership's income (or loss) from these investments may constitute UBTI.

The Partnership may incur "acquisition indebtedness" with respect to certain of its transactions, such as the purchase of securities on margin. Based upon published rulings issued by the IRS which generally hold that income and gain with respect to short sales of publicly traded stock do not constitute income from debt financed property for purposes of computing UBTI, the Partnership will treat its short sales of publicly traded stock as not involving "acquisition indebtedness" and therefore not resulting in UBTI. To the extent the Partnership recognizes income (*i.e.*, dividends and interest) from securities with respect to which there is "acquisition indebtedness" during a taxable year, the percentage of such income which will be treated as UBTI generally will be based on the percentage which the "average acquisition indebtedness" incurred with respect to such securities is of the "average amount of the adjusted basis" of such securities during the taxable year.

A prospective investor should consult its tax advisor with respect to the tax consequences of receiving UBTI from the Partnership, including whether receipt if UBTI is permitted under the specific rules applicable to the prospective investor.

10. Administrative Matters: Tax Audits

Each Partner must either report all Partnership items consistently with the treatment by the Partnership or disclose specifically in his, her or its tax return any differences between the manner in which the Partnership item is treated on his, her or its return and on the Partnership's return. Such disclosure may be necessary to avoid the penalty for understatement. Since the General Partner does not expect to notify Limited Partners as to the basis for items reported on the Partnership's return or the Schedules K1, Limited Partners, or their tax advisors, may wish to ask the General Partner about significant reported items if they wish to make a systematic evaluation of their exposure to this penalty. If it is finally determined that a taxpayer has underpaid tax for any taxable year, the taxpayer must pay the amount of underpayment plus interest on the underpayment from the date the tax was originally due.

In general, the tax treatment of all Partnership items will be determined in a unified tax audit for the Partnership rather than in an audit of the individual Partners. Tax audits will generally be handled by the "Partnership Representative" (the *"Representative*"). The General Partner will be the Representative for the Partnership. If a deficiency is proposed by the IRS, a notice of final partnership administrative adjustment will be issued. The Representative can contest that determination on behalf of the Partnership in the Tax Court or other court of its choice. The legal and accounting costs incurred in connection with any audit of the Partnership's tax return will be borne by the Partnership. The cost of any audit of a Partner's tax return will be borne solely by the Partner.

The statute of limitations applicable to Partnership items differs from the statute applicable to each Partner's individual return. The Representative has the authority to extend the statute of limitations on behalf of the Partnership. Any extension will be binding on the Partners (as defined in the Partnership Agreement).

11. State and Local Taxes

State and Local Taxes. Prospective investors should consult their own tax advisors 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.

12. Foreign Taxes

The Partnership may invest in securities of entities that do business in foreign countries. Many foreign sovereigns impose a withholding tax on payments of interest, dividends and capital gains to investors residing in other countries and not otherwise subject to tax by that sovereign. Some potential withholding taxes may be reduced or eliminated under applicable 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.

X. SUMMARY OF THE PARTNERSHIP AGREEMENT

The rights and obligations of Investors will be governed by the Partnership Agreement, the full text of which is attached as *Appendix A* hereto. The following briefly summarizes certain provisions of the Partnership Agreement that are not described elsewhere in this Memorandum. Prospective investors are urged to read the Partnership Agreement in its entirety before subscribing.

A. GENERAL

The Partnership is organized as a limited partnership under California law. The Partnership Agreement provides that the General Partner will have complete control of the business of the Partnership and that the Limited Partners will have no power to take part in the management of the Partnership. Pursuant to its powers to delegate it responsibilities, the General Partner has delegated substantially all of its management powers to an affiliate, the General Partner. Upon admission to the Partnership, each Limited Partner will acquire a percentage interest in the Partnership equal to its Capital Account as of the date of admission divided by the sum of the Capital Account of all Limited Partners (including such Limited Partner) as of that day. A Limited Partner's percentage interest will be adjusted to take account of each additional capital contribution or withdrawal using the same technique. Each Limited Partner's percentage interest should be expected to increase or decrease proportionally as additional capital contributions or withdrawals of capital are made.

B. ALLOCATION OF NET PROFIT AND NET LOSS

A separate Capital Account is maintained for each Limited Partner in the Partnership. The initial balance of each Limited Partner's Capital Account is such Limited Partner's initial contribution of capital to the Partnership. Capital Accounts are adjusted by allocations of net profit or net loss as of the close of business on the last business day of each month or interim period. A new interim period will commence on each date of any capital contribution to the Partnership or on each date next following the date of any withdrawal or retirement from the Partnership, and the prior interim period shall terminate on the date immediately preceding such date of commencement of a new interim period. The Capital Account of any investor making a contribution to the capital of the Partnership is credited on the date such contribution is effective to reflect the net amount of such contribution.

Subject to the restrictions on allocations of "New Issues," net profits or net losses during any month shall be allocated as of the end of such month (or as of the end of an interim period in the case of a withdrawal from the Partnership on any date other than the end of a month) to the Capital Accounts of all the Limited Partners in the proportions which each Limited Partner's Capital Account as of the beginning of such month bore to the sum of the Capital Accounts of all the Limited Partners as of the beginning of such month (subject to the Performance Allocation discussed below).

C. PERFORMANCE ALLOCATIONS

The General Partner is entitled at the close of each calendar quarter or on the withdrawal of a Limited Partner, to be credited with an aggregate Performance Allocation out of the profit allocated to each Limited Partner's Capital Account during such period, net of losses allocated to each Limited Partner's Capital Account during such period.

The aggregate Performance Allocation to be credited to the General Partner will reflect any net unrealized appreciation or depreciation, as well as net realized gains or losses and net investment income or expense, allocable to each Limited Partner for the applicable period.

The Performance Allocation is calculated on the amount by which each Limited Partner's pro rata share of net profits for each measurement period exceeds (1) any unrecouped net losses which have been carried forward from prior measurement periods for such Limited Partner in a memorandum loss recovery account (the *"Contingent Loss Account"*) and (2) the "hurdle" rate. The Contingent Loss Account is a memorandum account, established for each Limited Partner upon admission to the Partnership, the opening balance of which is zero. At each date that a Performance Allocation is to be determined, the balance in each Limited Partner's Contingent Loss Account will be increased by the amount of any net loss and decreased by the amount of any net profits since the last date of which a calculation of the Performance Allocation was made (or in the case of the first such calculation for a Limited Partner, since the admission of such Partner).

If a Limited Partner with an unrecovered balance in its Contingent Loss Account withdraws all or a portion of its capital in the Partnership, the unrecovered balance in such Limited Partner's Contingent Loss Account will be proportionately reduced as of the date such withdrawal is made. A transfer of an interest will be treated as a withdrawal for such purposes. Additional capital contributions will not affect any Limited Partner's Contingent Loss Account. Any Performance Allocation earned or allocated to the General Partner with respect to a particular calendar year is not subject to reduction, refund, or "clawback" based on subsequent changes in a Limited Partner's Contingent Loss Account.

If a Limited Partner is permitted or compelled to withdraw entirely from the Partnership or to transfer such Limited Partner's entire interest in the Partnership as of a date other than as of the close of a calendar quarter, a Performance Allocation will be determined as of such withdrawal date by calculating an amount equal to the Performance Allocation of the withdrawing Limited Partner's pro rata share of net profits, if any, from the end of the last period for which a Performance Allocation was made through the withdrawal date.

The General Partner may, in its sole and absolute discretion, elect to waive the Performance Allocation, in whole or in part, with respect to any Limited Partner.

D. "NEW ISSUE" AND INCOME TAX ALLOCATIONS

If the General Partner determines that, based upon tax or regulatory reasons, or any other reasons as to which the General Partner and any Limited Partner agree, such Limited Partner should not participate in the net capital appreciation or net capital depreciation, if any, attributable to trading in any security or type of security or to any other transaction, the General Partner may allocate such net capital appreciation or net capital depreciation only to the capital accounts of Limited Partners to whom such reasons do not apply, and if appropriate, may establish a separate memorandum account in which only the Limited Partners having an interest in such security, type of security or transaction shall have an interest and net capital appreciation and net capital depreciation for such separate memorandum account shall be separately calculated. For example, pursuant to this policy, the Partnership will not allocate gains or losses attributable to "New Issues", as such term is defined under applicable rules of the FINRA, to Limited Partners who, in the General Partner's sole and absolute discretion, are restricted from participating in such gains or losses under such rules. Prospective investors will be asked to complete a questionnaire, which will determine their eligibility to participate in "New Issues." In addition, as a matter of fairness to Limited Partners who do not participate in such investment, a use of funds charge may be debited from the capital accounts of all Limited Partners having an interest in the memorandum account for a particular security and credited to the capital accounts of all Limited Partners pro rata in accordance with their opening capital accounts for the applicable accounting period. The debited amount would be equal to interest on the funds used to purchase the securities attributable to the memorandum account at the annual rate being paid by the Partnership for borrowed funds during the applicable accounting period. If funds have not been borrowed during that period, the annual rate would be the rate the General Partner, in the General Partner's sole and absolute discretion, determines would have been paid if funds had been borrowed by the Partnership during that period.

E. DISTRIBUTIONS

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

F. NET ASSET VALUATION

For purposes of determining the value of the Partnership's investments, in the General Partner's sole and absolute discretion, the General Partner will value securities based on its good faith determination of fair market value.

- Any security that is listed on a recognized securities exchange or the Nasdaq National Market portion of the Nasdaq Stock Market will be valued at its last sale price, or, if no sale was reported, at the average of the highest closing "bid" price (for securities held "long") and the lowest closing "asked" price (for "short" positions);

- Any security that is not listed on a recognized securities exchange or on the Nasdaq National Market but is otherwise quoted in the Nasdaq Stock Market will be valued at the last sale price or, if no sale is reported by Nasdaq, the average of the highest closing "bid" price (for securities held "long") and the lowest closing "asked" price (for "short" positions);

- Any security that is not subject to valuation under the preceding items but for which "bid" and "asked" prices are reported by a recognized price quotation service other than Nasdaq will be valued at the highest closing "bid" price (for "long" positions) and the lowest closing "asked" price (for "short" positions), as reported in such other price quotation service for the over-the-counter market as the General Partner, in its sole discretion, determines fairly reflects the market for such Security;

- If any securities constitute a block that, in the judgment of the General Partner, could not be liquidated in a reasonable time without depressing the market unreasonably (or, in the case of a short position, could not be purchased without driving the market price up unreasonably), or are otherwise subject to significant restrictions on sale, such securities may be valued in the General Partner's discretion, at a unit value not in excess of the quoted market price for other securities of the same class, as determined above;

- All other securities and all other assets will be assigned a value determined in good faith by the General Partner.

G. LIABILITY OF LIMITED PARTNERS

The Partnership Agreement provides that no Limited Partner will be personally liable for any of the debts of the Partnership.

H. LIABILITY OF THE GENERAL PARTNER

To the fullest extent permitted by applicable law, the General Partner will not be liable to the Partnership or to any Limited Partner for any loss arising out of any act or omission performed or omitted by them, other than as a result of its fraud or willful misconduct. The Partnership will indemnify the General Partner (and its members, managers, partners, officers and employees) for any loss or liability incurred by them on behalf of the Partnership or in furtherance of the Partnership's business. In addition, the Partnership may pay the expenses incurred by such persons in defending a civil or criminal action.

I. AMENDMENTS TO THE PARTNERSHIP AGREEMENT

The Partnership Agreement may be amended by the General Partner in any manner that does not adversely affect the rights of the Limited Partners, and otherwise by action taken by both the General Partner and the affected Limited Partners owning a specified majority in interest of the aggregate Capital Accounts. The General Partner also may change provisions in the Partnership Agreement relating to the Performance Allocation so that such provisions conform to the applicable requirements of the SEC and other regulatory authorities, so long as such amendment does not increase the Performance Allocation to more than twenty percent (20%) of aggregate net capital appreciation for any fiscal year. Additionally, the General Partner may also change provisions in the Partnership Agreement to modify the way in which the Partnership handles the participation in New Issues to conform to amendments in the applicable rule, regulations and interpretations without Limited Partner consent.

J. LIMITATIONS ON TRANSFERABILITY

Limited Partners may not transfer their Interests except as permitted in the Partnership Agreement. All transfers require the prior consent of the General Partner, which may be withheld in the General Partner's sole and absolute discretion.

K. REPORTS

Limited Partners will receive audited annual financial statements as soon as reasonably practicable following the close of each calendar year and unaudited quarterly summaries of the Partnership's performance. Tax information, including Schedule K-1, will be provided to Limited Partners as soon as reasonably practicable following each calendar year.

L. ARBITRATION

Any dispute or controversy between the parties to the Partnership Agreement involving the interpretation, construction or application of any terms, covenants or conditions of the Partnership Agreement or subscription documents, or any transactions under or claim arising out of or relating thereto, shall be submitted to arbitration in the county and state in which the General Partner maintains its principal office at the time such request is made and conducted pursuant to the Federal Arbitration Act. The Partners agree that such arbitration shall be the exclusive remedy hereunder, and each expressly waives any right he or it may have to seek redress in any other forum. Each party to such arbitration shall bear his, her or its own expenses of arbitration and the expenses of the arbitrators and of a transcript of any arbitration proceeding shall be divided equally among the parties. Any decision and award of the arbitrators shall be binding upon the parties, and judgment thereon may be entered in any court having jurisdiction.

ADDITIONAL INFORMATION

The General Partner is available to answer prospective investor's questions and will make available any additional information to the extent such information can be obtained without unreasonable effort or expense. Prospective investors and/or their advisors are invited to communicate with the General Partner by contacting the General Partner at the Partnership's office, by telephone or via email.

APPENDIX A

PARTNERSHIP AGREEMENT
FOR
NORTHPOST PARTNERS CRYPTO, LP

(a California Limited Partnership)

APPENDIX B

SUBSCRIPTION BOOKLET