CONFIDENTIAL OFFERING MEMORANDUM

DENALI INVESTORS ACCREDITED FUND, LP

General Partner
Denali Investors GP, LLC
1120 Avenue of the Americas, Fourth Floor
New York, New York 10036
(646) 484-9896

DENALI INVESTORS ACCREDITED FUND, LP is a private investment limited partnership which seeks to achieve an above average rate of return, while monitoring risk, by investing and trading in securities utilizing in-depth fundamental and valuation analyses. This Confidential Offering Memorandum relates to the offering of limited partnership interests. Prospective Limited Partners should carefully read and retain this Confidential Offering Memorandum.

THE LIMITED PARTNERSHIP INTERESTS OF DENALI INVESTORS ACCREDITED FUND, LP ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. THESE SECURITIES HAVE NOT BEEN FILED WITH OR APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER STATE OR FEDERAL GOVERNMENTAL AGENCY OR ANY NATIONAL SECURITIES EXCHANGE, NOR HAS ANY SUCH AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR THE MERITS OF AN INVESTMENT IN THE INTERESTS OFFERED HEREBY. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER ANY SECURITIES LAWS AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER APPLICABLE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

The date of this Offering Memorandum is October 1, 2007.

SECURITIES RISK DISCLOSURE

PROSPECTIVE INVESTORS SHOULD NOTE THAT THE INVESTMENT STRATEGY EMPLOYED ON BEHALF OF THE PARTNERSHIP INVOLVES SIGNIFICANT RISKS AS DESCRIBED UNDER "CERTAIN RISK FACTORS" IN THIS OFFERING MEMORANDUM.

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DENALI INVESTORS ACCREDITED FUND, LP
1120 Avenue of the Americas, Fourth Floor
New York, New York 10036
(646) 484-9896

Denali Investors Accredited Fund, LP, (the "Partnership") is organized as a Delaware limited partnership and operates as a private investment partnership. The Partnership's investment objective is to achieve an above average rate of return, while monitoring risk, by investing and trading in securities utilizing in-depth fundamental and valuation analyses.

PARTNERSHIP INTERESTS (THE "INTERESTS") ARE SUITABLE ONLY FOR SOPHISTICATED INVESTORS FOR WHOM AN INVESTMENT IN THE PARTNERSHIP DOES NOT CONSTITUTE A COMPLETE INVESTMENT PROGRAM AND WHO FULLY UNDERSTAND AND ARE WILLING TO ASSUME THE RISKS INVOLVED IN THE PARTNERSHIP'S SPECIALIZED INVESTMENT PROGRAM. (SEE "CERTAIN RISK FACTORS" AND "LIMITATIONS ON TRANSFERABILITY; SUITABILITY REQUIREMENTS".) THE PARTNERSHIP'S INVESTMENT PRACTICES BY THEIR NATURE MAY BE CONSIDERED TO INVOLVE A SUBSTANTIAL DEGREE OF RISK. (SEE "INVESTMENT PROGRAM".)

The Partnership is offering its interests on a "best efforts" basis. The minimum capital contribution of a Limited Partner is $1,000,000 (subject to the discretion of the General Partner to accept lesser amounts). There will be no sales charges upon subscriptions for the Interests.

The Interests are offered on a continuous basis. Interests will be sold only to "accredited investors," as that term is defined in Regulation §230.501 promulgated under the Securities Act of 1933, as amended. Additional capital contributions shall be accepted as of the first business day of each month. Capital Contributions received will be held in escrow pending the admission of investors to the Partnership.

A Limited Partner may, at the end of any calendar quarter commencing two years after the making of an initial capital contribution or additional capital contribution (the "Lock-Up Period"), withdraw all or any portion of his or its capital account allocable to such initial or additional capital contribution or withdraw from the Partnership after the Lock-Up Period upon 45 days' prior written notice, inclusive of the last day of such calendar quarter. (See "OUTLINE OF PARTNERSHIP AGREEMENT - Limited Partner Withdrawals of Capital".) There will be no redemption charges upon withdrawal. The General Partner may, in its sole discretion, require any partner to terminate its entire interest in the Partnership. (See "OUTLINE OF PARTNERSHIP AGREEMENT - Required Withdrawals".)

PROSPECTIVE LIMITED PARTNERS SHOULD CAREFULLY READ THIS MEMORANDUM. HOWEVER, THE CONTENTS OF THIS MEMORANDUM SHOULD NOT BE CONSIDERED TO BE LEGAL OR TAX ADVICE, AND EACH PROSPECTIVE LIMITED PARTNER SHOULD CONSULT WITH ITS OWN COUNSEL AND ADVISERS AS TO ALL MATTERS CONCERNING AN INVESTMENT IN THE PARTNERSHIP. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY UPON THEIR OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISK INVOLVED. THE INTERESTS OFFERED HEREBY HAVE NOT BEEN FILED WITH, OR APPROVED OR DISAPPROVED BY, ANY REGULATORY AUTHORITY OF ANY COUNTRY OR JURISDICTION, NOR HAS ANY SUCH REGULATORY AUTHORITY PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THERE WILL BE NO PUBLIC OFFERING OF THE INTERESTS. NO OFFER TO SELL (OR SOLICITATION OF AN OFFER TO BUY) IS BEING MADE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL. THERE WILL BE NO ACTIVE SECONDARY MARKET FOR THE INTERESTS, AND NONE IS EXPECTED TO DEVELOP.

THESE INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER APPLICABLE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM, AND IN COMPLIANCE WITH THE TERMS OF THE ORGANIZATIONAL DOCUMENTS OF THE PARTNERSHIP. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE INFORMATION OF THE PERSON TO WHICH IT HAS BEEN DELIVERED ON BEHALF OF THE PARTNERSHIP AND MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, EACH INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF SUCH INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF (I) THE PARTNERSHIP AND (II) ANY OF ITS TRANSACTIONS, AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. EACH PERSON ACCEPTING THIS MEMORANDUM AGREES TO RETURN IT TO THE PARTNERSHIP PROMPTLY UPON REQUEST.

THIS MEMORANDUM IS ACCURATE AS OF ITS DATE, AND NO REPRESENTATION OR WARRANTY IS MADE AS TO ITS CONTINUED ACCURACY AFTER SUCH DATE. IN THE EVENT OF ANY CHANGES TO THE TERMS OF THE LIMITED PARTNERSHIP AGREEMENT OF THE PARTNERSHIP, OR OTHERWISE TO THE OPERATION OF THE PARTNERSHIP WHICH, IN THE JUDGMENT OF THE GENERAL PARTNER, ARE MATERIAL, A SUPPLEMENT HERETO, OR AN AMENDED MEMORANDUM, WILL BE PREPARED AND FURNISHED TO PROSPECTIVE LIMITED PARTNERS IN THE PARTNERSHIP.

EACH PROSPECTIVE LIMITED PARTNER IS INVITED TO CONSULT WITH AUTHORIZED REPRESENTATIVES OF THE PARTNERSHIP TO DISCUSS WITH THEM, AND TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM THEM, CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING OF THE INTERESTS, AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE PARTNERSHIP POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO VERIFY THE INFORMATION CONTAINED HEREIN.

NO OFFERING LITERATURE OR ADVERTISING IN WHATEVER FORM SHALL BE EMPLOYED IN THE OFFERING OF THE INTERESTS EXCEPT FOR THIS MEMORANDUM, STATEMENTS CONTAINED HEREIN AND ANY APPROVED MARKETING MATERIALS. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATION, OR GIVE ANY INFORMATION, WITH RESPECT TO THE INTERESTS, EXCEPT THE INFORMATION CONTAINED HEREIN OR IN SUCH APPROVED MARKETING MATERIALS.

FOR INVESTORS IN ALL STATES:

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

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

FOR FLORIDA INVESTORS:

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

UPON THE ACCEPTANCE OF FIVE (5) OR MORE FLORIDA INVESTORS, AND IF THE FLORIDA INVESTOR IS NOT A BANK, A TRUST COMPANY, A SAVINGS INSTITUTION, AN INSURANCE COMPANY, A DEALER, AN INVESTMENT COMPANY AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, A PENSION OR PROFIT-SHARING TRUST, OR A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), THE FLORIDA INVESTOR ACKNOWLEDGES THAT ANY SALE OF AN INTEREST TO THE FLORIDA INVESTOR IS VOIDABLE BY THE FLORIDA INVESTOR EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE FLORIDA INVESTOR TO THE ISSUER, OR AN AGENT OF THE ISSUER, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE FLORIDA INVESTOR, WHICHEVER OCCURS LATER.

DENALI INVESTORS ACCREDITED FUND, LP
TABLE OF CONTENTS

DIRECTORY

THE PARTNERSHIP	Denali Investors Accredited Fund, L.P. 1120 Avenue of the Americas, Fourth Floor New York, New York 10036
GENERAL PARTNER	Denali Investors GP, LLC 1120 Avenue of the Americas, Fourth Floor New York, New York 10036 Contact: H. Kevin Byun E-mail: kbyun@denaliinvestors.com Telephone: (646) 484-9896 Facsimile: (646) 478-9667
INVESTMENT MANAGER	Denali Investors, LLC 1120 Avenue of the Americas, Fourth Floor New York, New York 10036
ADMINISTRATOR; REGISTRAR AND TRANSFER AGENT	NAV Consulting, Inc. 2625 Butterfield Road, Suite 208W Oak Brook, IL 60523 Contact: Rajat Jain E-mail: rajat.jain@navconsulting.net Telephone: 630 954 1919 Facsimile: 630 954 1945
PRIME BROKER	UBS Private Wealth Management One North Wacker Drive, Suite 3700 Chicago, IL 60606 Contact: Ajay Desai E-mail: ajay.desai@ubs.com Telephone: (312) 525-7277 Facsimile: (855) 574-5057
COUNSEL	DLA Piper US LLP 1251 Avenue of the Americas New York, New York 10020 Contact: Andrew Goldstein E-mail: andrew.goldstein@dlapiper.com Telephone: (212) 335-4766 Facsimile: (212) 884-8666
AUDITORS	Opis Fund Services Park 80 East, 3rd Floor Saddle Brook, New Jersey 07663 Contact: Judd Vollbrecht E-mail: judd.vollbrecht@opisfundservices.com Telephone: (201) 843-0500 Facsimile: (201) 843-6958

SUMMARY

The following summary is qualified in its entirety by the more detailed information set forth herein and by the terms and conditions of the Limited Partnership Agreement, each of which should be read carefully by any prospective investor.

THE PARTNERSHIP

Denali Investors Accredited Fund, L.P. (the "Partnership") is a Delaware limited partnership which was organized on June 21, 2007. The office of the Partnership is located at 1120 Avenue of the Americas, Fourth Floor, New York, New York 10036. Its telephone number is (646) 484-9896; fax: (646) 478-9667.

INVESTMENT OBJECTIVE

The Partnership's investment objective is to achieve above-average annual returns and long-term capital appreciation of its assets by investing principally in publicly traded, marketable securities of U.S. and non-U.S. companies. The Partnership will generally invest in a relatively limited number of positions. The Partnership may effect transaction in options, both as a hedging device and as a substitute for an investment in the underlying security and engage in short selling. (See "INVESTMENT PROGRAM" and "CERTAIN RISK FACTORS".)

THE MASTER FUND

The Partnership will invest a substantial portion of its assets in, and conduct its investment activities through, Denali Investors Master Fund, L.P. (the "Master Fund"), a British Virgin Islands (the "BVI") limited partnership organized in August 2007. The Master Fund's general partner is Denali Investors GP LLC, the Partnership's general partner. Denali Investors LLC directs the Master Fund's investing and trading activities. It is also the investment manager of the Partnership. Denali Investors Offshore Limited ("Denali BVI"), a BVI business company, and an affiliate of the Partnership, whose investment program is similar to the Partnership's and whose investment activities are directed by Denali Investors LLC, is also an investor in the Master Fund. The Partnership and Denali BVI will function as "feeder" funds that invest in the Master Fund "master fund", although a portion of the investing may be conducted directly at the feeder fund level, where Denali Investors LLC determines that, as a result of tax, regulatory or other considerations, it is likely that investment returns will be enhanced. Denali Investors LLC may choose other special purpose entities to be formed through which investments will be made by the Partnership. (As used herein, the term "Partnership" will refer to both the Partnership and the Master Fund, as well as any special purpose entities, unless otherwise specified or is otherwise indicated by the context.)

GENERAL PARTNER

Denali Investors GP, LLC, a limited liability company organized under the laws of Delaware on August 2, 2007, is the general partner of the Partnership (the "General Partner"). It is also the general partner of the Master Fund. The principal of the General Partner is Hana Kevin Byun. The General Partner has delegated responsibility for the Partnership's investment and trading activities to its affiliate, Denali Investors, LLC. p

INVESTMENT MANAGER

Denali Investors, LLC (the "Investment Manager"), a Delaware limited liability company organized on June 22, 2007, provides investment management services and certain administrative services to

	the Partnership. Hana Kevin Byun, the principal of the Investment Manager, is responsible for the investing, trading and portfolio management decisions on behalf of the Partnership, which will be conducted principally at the Master Fund level.
TERM	Through December 31, 2027. However, the General Partner may terminate the Partnership at any time and for any reason.
INITIAL CAPITAL CONTRIBUTIONS	$1,000,000 minimum, subject to the discretion of the General Partner to accept lesser amounts.
SALES CHARGES	There are no underwriting arrangements with respect to the offering of the Partnership's interests (the "Interests"). All solicitations of subscriptions will be made directly by the Partnership or through the assistance of unaffiliated placement agents and money managers. Such unaffiliated placement agents and money managers may charge their clients a placement fee and/or share in the fees and/or allocations earned by Denali Investors GP, LLC as the General Partner and/or Denali Investors LLC as the Investment Manager. The unaffiliated placement agents and money managers may rebate all or a portion of such fees to their clients.
ADMISSION OF NEW PARTNERS; ADDITIONAL CAPITAL CONTRIBUTIONS	The Partnership will offer its interests on a continuous basis. Subscriptions or additional capital contributions by Partners received during any monthly period no later than three business days prior to the end of such month will ordinarily be accepted as of the first day of the following month, i.e., subscriptions or additional capital contributions received between January 1 and January 28 (assuming January 28 is a business day) will be accepted as of February 1. Subscriptions received after January 28 would be accepted as of March 1. The General Partner may, in its discretion, accept any subscription or additional capital contributions prior to such first day of the month. Additional capital contributions may be made in increments of $100,000. The maximum amount of capital contributions which may be accepted by the Partnership is $500,000,000, subject to the General Partner increasing this amount.
FISCAL YEAR	December 31 of each year.
WITHDRAWALS	At the end of each calendar quarter commencing two years after the making of an initial capital contribution or an additional capital contribution (the "Lock-Up Period"), a Limited Partner may withdraw any or all of its capital account or withdraw from the Partnership after the Lock-Up Period upon 45 days' (including the last day of the calendar quarter) prior written notice. A Limited Partner who has submitted a withdrawal request may only withdraw such request with the consent of the General Partner. The General Partner may withdraw any or all of its capital account or withdraw from the Partnership at the end of any calendar month upon 30 days' prior written notice. The General Partner has the right to require any Limited Partner to withdraw from the Partnership at any time and for any reason. In the event that the aggregate withdrawal requests received in any given fiscal quarter exceed 25% of the Partnership's net assets (the "Gate"), the General Partner may, in its discretion, (i) satisfy all

withdrawal requests, or (ii) reduce such withdrawal requests pro rata in accordance with the withdrawing Limited Partners' Capital Accounts, so that an amount equal to the Gate (or more in the sole discretion of the General Partner) is withdrawn.

Any withdrawal request that remains unsatisfied in a given fiscal quarter as a result of the Gate will be satisfied as of the last day of the next fiscal quarter as long as it is not limited by the Gate (and if not fully satisfied as of the next fiscal quarter because of the Gate, then it will be fully satisfied as of the next fiscal quarter and, if necessary, successive fiscal quarters, each time subject to the Gate), and any unsatisfied portion of any such withdrawal will continue to be at risk in the Partnership business. Notwithstanding the foregoing, any withdrawal request that remains unsatisfied for three successive fiscal quarters as a result of the Gate will be satisfied on the last day of the next fiscal quarter regardless of whether satisfying such request results in a withdrawal of more than 25% of the net assets of the Partnership.

OPERATING EXPENSES

The Partnership will bear, for each month, all expenses incurred in the operation of the Partnership, if any, including legal (including all expenses incurred in connection with the continuation of the Partnership's offering), accounting (including third-party accounting services), auditing and other professional expenses, administration fees and expenses, and its pro rata share of the organization and ongoing operational expenses (including administration fees) of the Master Fund. Transactional costs (i.e., brokerage commissions, custodial fees, bank service fees, interest on margin accounts and other indebtedness; borrowing charges on securities sold short and other expenses related to the purchase, sale or transmittal of Partnership assets) and research expenses (including research-related travel which includes travel, hotel, dining and conference costs)will be paid by the Master Fund and will thus be indirectly borne by the Partnership. A portion of brokerage- and research-related expenses may be paid for using "soft dollars" to the extent such payments are permitted under U.S. Securities and Exchange Commission (the "SEC") interpretation of applicable law (see "Brokerage", below). The Partners (including the General Partner) will bear such expenses pro rata in accordance with their Capital Accounts. The Partnership's organizational and offering expenses, to the extent the General Partner deems appropriate, may be, for accounting purposes, amortized by the Partnership for up to a 60-month period. Amortization of such expenses over a period that is up to 60 months is a divergence from GAAP, which may, in certain circumstances, result in a qualification of the Partnership's annual audited financial statements. In such instances, the Partnership may decide to (i) avoid the qualification by recognizing the unamortized expenses or (ii) make GAAP conforming changes for financial reporting purposes, but amortize expenses for purposes of calculating the Partnership's net asset value. There will be a divergence in the Partnership's fiscal year-end net asset value and in the net asset value reported in the Partnership's financial statements in any year where, pursuant to clause (ii), GAAP conforming changes are made only to the Partnership's financial statements for financial reporting purposes. If the Partnership is terminated within 60 months of its commencement, any unamortized expenses will be recognized. If a Limited Partner withdraws prior to the end of the 60-month period

during which the Partnership is amortizing expenses, the Partnership may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the amount being withdrawn and reduce withdrawal proceeds by the amount of such accelerated expenses. Organizational expenses are not expected to exceed $25,000 for the Partnership.

MANAGEMENT FEE

For each calendar quarter, the Investment Manager will receive a management fee in an amount equal to three-eighths of one percent (0.375%) of the Partnership's Beginning Value, as defined in Section 3.01 of the Partnership's Limited Partnership Agreement (1.5% on an annual basis), allocable to the Capital Accounts of the Limited Partners as consideration for management and administration services (the "Management Fee"). The Investment Manager will also be responsible for and will pay all overhead expenses of an ordinary and recurring nature such as rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures, employee insurance, payroll taxes and compensation of employees, as well as its own legal, accounting, insurance and auditing expenses. The Management Fee will be paid promptly after the beginning of each calendar quarter. Limited Partners admitted to the Partnership after the beginning of a calendar quarter will pay a prorated Management Fee. The General Partner will not pay a Management Fee and may waive the imposition of all or any portion of the Management Fee as to any Limited Partner.

INCENTIVE ALLOCATION

At the end of each fiscal year, 25% of the Partnership's net realized and net unrealized capital appreciation allocable to the capital accounts of the Limited Partners during such fiscal year in excess of an annual noncumulative rate of return in an amount equal to 6% of the amount of each Limited Partner's capital account as of the beginning of such fiscal year (the "Hurdle Rate"), will be allocated to the General Partner, as provided by the Partnership Agreement (the "Incentive Allocation"). The remaining net realized and net unrealized capital appreciation of the Partnership for such calendar quarter and 100% of the Partnership's net realized and net unrealized capital depreciation will be allocated to all of the Partners (including the General Partner) in proportion to their respective capital accounts. The General Partner may waive the imposition of all or any portion of the Incentive Allocation as to any Limited Partner.

The Incentive Allocation will be allocated so that it is made only on "new appreciation" in a Limited Partner's Capital Account. If there is no new net capital appreciation in a given fiscal year above the amount of the Hurdle Rate, there will be no Incentive Allocation allocated to the General Partner. If the Partnership sustains net capital depreciation in any fiscal year so that losses are allocated to a Limited Partner's capital account, no Incentive Allocation will be allocated until the loss is recouped; i.e., any losses allocated to a Limited Partner's Capital Account would have to be reduced to zero before it could be assessed any portion of the Incentive Allocation. If a Limited Partner first becomes a limited partner during a fiscal year or makes additional capital contributions or withdraws capital during a fiscal year, the above allocations and the amount of the Hurdle Rate shall be adjusted to take into account such interim period event.

Allocations for income tax purposes generally will be made among the Partners so as to reflect equitably amounts credited or debited to each Partner's capital account for the current and prior fiscal years. (See "TAX ASPECTS".)

RISK FACTORS

The specialized investment program of the Partnership involves significant risks. In addition, the Partnership Agreement contains limitations on withdrawals. (See "CERTAIN RISK FACTORS".)

BROKERAGE

Portfolio transactions for the Partnership will be allocated to brokers and dealers on the basis of best execution and in consideration of relevant factors, including, but not limited to: price quotes; the size of the transaction; the nature of the market for the financial instrument; the timing of the transaction; difficulty of execution; the broker-dealer's expertise in the specific financial instrument or sector in which the Partnership seeks to trade; the extent to which the broker-dealer makes a market in the financial instrument involved or has access to such markets; the broker-dealer's skill in positioning the financial instruments involved; the broker-dealer's promptness of execution; the broker-dealer's financial stability; reputation for diligence, fairness and integrity; quality of service rendered by the broker-dealer in other transactions for the Investment manager confidentiality considerations; the quality and usefulness of research services and investment ideas presented by the broker-dealer; the broker-dealer's willingness to correct errors; the broker-dealer's ability to accommodate any special execution or order handling requirements that may surround the particular transaction; and other factors deemed appropriate by the Investment Manager. The Investment Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

Accordingly, if the Investment Manager concludes that the commissions charged by a broker or the spreads applied by a dealer are reasonable in relation to the quality of services rendered by such broker or dealer (including, without limitation, the value of the brokerage and research products or services provided by such broker or dealer), the Partnership may pay commissions to or be subject to spreads applied by such broker-dealer in an amount greater than the amount another broker-dealer might charge or apply.

In the event the Investment Manager receives any "soft dollar" compensation fro the brokers utilized by the Partnership, it will be in compliance with Section 28(e) of the Securities and Exchange Act of 1934, as amended.

The Partnership will retain UBS Financial Services as prime broker. The services to be provided by the Prime Broker may include the provision to the Partnership of custody, margin financing, clearing, settlement, stock borrowing and non-U.S. exchange facilities. The Prime Broker may also provide the General Partner with capital introduction services aimed to assist the General Partner and its affiliates in raising capital. The Partnership, in its sole discretion, may, at any time, select other or additional brokers to act as prime

broker(s) or custodian(s) for the Partnership. (See "Brokerage and Custody.")

ADMINISTRATOR

NAV Consulting, Inc. (the "Administrator") acts as administrator, registrar and transfer agent for the Partnership. The Administrator maintains offices at 2625 Butterfield Road, Suite 208W, Oak Brook, IL 60523; telephone: (630) 954 1919; facsimile: (630) 954 1945 ; e-mail: rajat.jain@navconsulting.net.

CONFLICTS OF INTEREST

The General Partner may form other investment funds and the Investment Manager may manage other investment funds and separately managed accounts with similar investment objectives and policies as the Partnership. Certain inherent conflicts of interest will arise from the fact that the General Partner, Investment Manager and their respective principals will carry on substantial investment activities through other investment funds of which they are principals and/or their own accounts in which the Partnership has no interest. (See "CERTAIN RISK FACTORS".)

REGULATORY MATTERS

The Partnership is not presently, and does not intend in the future to become, registered as an investment company under the Investment Company Act of 1940, as amended (the "Company Act'), and, therefore, will not be required to adhere to certain investment policies under that act.. The Investment Manager is not registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), although it may do so in the future.

SUITABILITY

Investors in the Partnership must be "accredited investors" as defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended. The General Partner, in its sole discretion, may decline to admit any investor. (See "LIMITATIONS ON TRANSFERABILITY; SUITABILITY REQUIREMENTS".)

LIMITED PARTNER REPORTS

The Partnership's certified public accountants will prepare, and the Partnership will mail to each Partner, following the end of each fiscal year commencing in 2008, a financial report setting forth a balance sheet of the Partnership, a profit and loss statement showing the results of operations of the Partnership and its net capital appreciation or net capital depreciation. At the end of each fiscal year, each Partner will be furnished with the required tax information for preparation of their respective tax returns. Within 30 days following the end of each calendar quarter, each Limited Partner shall receive unaudited financial information setting forth, inter alia, a statement of its net capital appreciation or net capital depreciation.

USE OF PROCEEDS

The entire net proceeds from the sale of the Limited Partnership interests (the "Interests") will be available to Denali Master Fund L.P. (see "THE MASTER FUND" below) and will be principally used for investment in accordance with the program described in "INVESTMENT PROGRAM". The General Partner does not intend to pay any commissions or fees to broker-dealers in connection with the offering. However, in the event any fees or commissions are paid, they will be paid by the General Partner rather than the Partnership.

THE MASTER FUND

The Partnership will invest a substantial portion of its assets in, and conduct its investment activities through, Denali Master Fund, L.P. (the "Master Fund"), a British Virgin Islands (the "BVI") limited partnership organized in August 2007. The Master Fund's general partner is Denali Investors GP LLC, which is also the Partnership's general partner. Denali Investors, LLC is the Master Fund's investment manager and directs the Master Fund's investing and trading activities. It is also the investment manager of the Partnership. Denali Investors Offshore Limited ("Denali BVI"), a BVI business company, and an affiliate of the Partnership, whose investment program is similar to the Partnership's and whose investment activities are directed by Denali Investors, LLC, is also an investor in the Master Fund. The Partnership and Denali BVI will function as "feeder" funds that invest in the Master Fund "master fund", although a portion of the investing may be conducted directly at the feeder fund level, where Denali Investors LLC determines that, as a result of tax, regulatory or other considerations, it is likely that investment returns will be enhanced. Denali Investors, LLC may choose other special purpose entities to be formed through which investments will be made by the Partnership. (As used herein, the term "Partnership" will refer to both the Partnership and the Master Fund, as well as any special purpose entities, unless otherwise specified or is otherwise indicated by the context.)

INVESTMENT PROGRAM

Overview

The Partnership seeks to generate above average annual returns and long-term appreciation by investing principally in publicly traded, marketable securities of U.S. and non-U.S. companies. The Partnership will generally invest in a relatively limited number of positions, primarily in common equity securities, and options (which will be utilized as a substitute for the underlying security and also to hedge aspects of the Partnership's portfolio). The Partnership will engage in short selling. Investments will be selected through the use of in-depth fundamental and valuation analyses.

Investment Philosophy

The Partnership's investment philosophy is grounded in the belief of its General Partner that superior investment results over multi-year holding periods can be produced by investing in a limited number of concentrated, high-conviction investments and that "risk" should be measured by the permanent loss of capital rather than short term measures of variation relative to a particular market index. It is anticipated that the Partnership will typically hold between five to 15 long positions and no more than approximately 10 short positions at any time. When not fully invested, the Partnership may maintain its assets in cash or other liquid instruments having shorter-term maturities. The Partnership expects to invest principally in common equity securities and options of U.S. issuers, although it may invest in foreign securities on occasion as well as corporate debt, convertible debt and preferred securities.

The Investment Manager emphasizes valuation in its decision making, which typically leads to several general investment types. In general, these potential investments are considered cheap relative to other investments by fundamentals or in comparison to estimated intrinsic value. The investments that tend to populate the cheaper investments include:

1) unwanted (missed estimates, sector out of favor, regulatory concerns, declining fundamentals, cyclical characteristics, legal issues);

2) ignored (thousands of stocks have no analyst coverage or have small market caps or low

trading volume); and

3) special situations (spin-offs, restructurings, turnarounds, bankruptcies, liquidations, recapitalizations, etc).

In the first two cases, the Investment Manager is not necessarily looking for immediate catalysts in value creation, believing instead that with time the value of the underlying franchise will be more appropriately recognized in the market. The third case offers specific catalysts, such as new management or changes in strategic direction, asset values and cash flows, which will hopefully operate to the benefit of common shareholders. Using analysis, judgment, and proper allocation to cherry pick from the cheaper group provides a strong tailwind for favorable returns.

The Partnership's short investment strategy will be focused more on absolute returns rather than as a hedge against the long portfolio and will be more catalyst-oriented. The Partnership may use leverage on the long side. In addition, the Partnership may hold cash rather than make investments that do not meet the Investment Manager's risk and return criteria.

Investment Process

Long investment ideas will be generated in-part from research of companies that are considered statistically cheap. This would include the following characteristics: high free cash flow yields, single-digit multiples of enterprise value to pretax cash flow, low price to earnings multiples, double-digit historical returns on equity, and moderate levels of debt relative to book equity and pretax cash flow. Investments may also be made in companies whose valuation would meet these criteria on "normalized" margins; i.e., the margins or profits that would be earned if the business was being run in a more effective manner.

Once investment candidates are identified, the Investment Manager will investigate the underlying business model with a particular emphasis on the residual free cash flow available to management to create shareholder value. This is typically defined as operating cash flow less fixed capital investments. An in-depth review of the financial history of the company (income statement, balance sheet, and cash flow statement) across economic cycles is undertaken to see what the patterns have been for free cash flow generation and to gauge what they are likely to be in the future. Management's track record regarding return on capital trends, dividends, and share repurchases is also examined. The Investment Manager seeks to identify management teams who remain disciplined in devoting capital to the best return opportunities, whether they are capital investments, acquisitions, share buybacks, or dividends. Alternatively, the Investment Manager looks for restructuring candidates where the new management catalyst or new strategic direction is likely to lead to significant improvements in capital returns and free cash flow generation. In these cases the analysis will focus more on prospective potential rather than historical patterns, with profit and cash flow margin levels for similar well-run industry competitors as potential guideposts. The Investment Manager will also evaluate the specific restructuring actions by management and their implications for future profitability.

Short investment ideas are expected to be fundamental in nature, with the analysis described above focusing on the identification of material competitive deficiencies, accounting irregularities, or very poor capital allocation decisions. To the extent the Partnership invests in "new issues", the companies must meet the above criteria.

The Partnership will not purchase or short any security unless it satisfies three criteria: 1) attractive upside to downside potential from the entry point; 2) an expectation of above average annualized returns for the investment, under reasonably conservative assumptions; and 3) an expectation that the investment will not result in a permanent loss of capital over a two year holding period should the fundamentals deteriorate relative to base case assumptions.

Portfolio Risk Control

As noted above, the Partnership's definition of risk is the permanent loss of capital rather than some measure of short-term volatility. Within a concentrated portfolio, risk management is derived from maintaining the discipline to make only those investments that satisfy the Partnership's investment criteria. The Investment Manager will evaluate the potential downside for any security by analyzing various possible outcomes over the potential holding period of the security. If the Investment Manager determines that there is any material probability that a course of events over the ensuing three years would lead to material deterioration in certain key fundamentals such as free cash flow, book value, and dividend paying ability, the investment will not be made.

THE PARTNERSHIP'S INVESTMENT PROGRAM IS SPECULATIVE AND ENTAILS SUBSTANTIAL RISKS. THERE CAN BE NO ASSURANCE THAT THE INVESTMENT OBJECTIVES OF THE PARTNERSHIP WILL BE ACHIEVED. IN FACT, THE PRACTICES OF SHORT SELLING, LEVERAGE AND LIMITED DIVERSIFICATION CAN, IN CERTAIN CIRCUMSTANCES, MAXIMIZE THE ADVERSE IMPACT TO WHICH THE PARTNERSHIP'S INVESTMENT PORTFOLIO MAY BE SUBJECT.

GENERAL PARTNER AND INVESTMENT MANAGER

Denali Investors GP, LLC (the "General Partner") is the general partner of the Partnership. It is also the general partner of the Master Fund. The General Partner is a Delaware limited liability company organized on August 2, 2007. Denali Investors, LLC (the "Investment Manager"), a Delaware limited liability company organized on June 22, 2007, provides the Partnership with investment management services and certain administrative services It is also the investment manager of the Master Fund. The General Partner and Investment Manager maintain offices at 1120 Avenue of the Americas, Fourth Floor, New York, New York 10036; telephone: (646) 484-9896 and fax: (646) 478-9667. The Investment Manager is not registered with the U.S. Securities and Exchange Commission as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended, although it may so register in the future. Hana Kevin Byun is the principal of the General Partner and the Investment Manager and will oversee the investment and trading activities of the Partnership, which principally takes place at the Master Fund level. Mr. Byun's background is forth below:

Hana Kevin Byun, born 1975, founded the Investment Manager in 2007. Mr. Byun was employed by UBS Investment Bank ("UBS") from 2000 to 2003 as a Senior Analyst in the Global Technology Group of UBS' Investment Banking Division. Thereafter, from 2003 to 2005, he operated a small investment advisory concern as a sole proprietor. He ceased operations to attend Columbia Business School, where he received an M.B.A. in Finance in 2007. Mr. Byun received a B.A. from Rice University in 1999 in Mathematics, Finance and Spanish.

ALLOCATION PARTNERSHIP GAINS AND LOSSES

"Net Capital Appreciation" means the increase in the value of the Partnership's net assets from the beginning of each fiscal quarter to the end of such fiscal quarter. "Net Capital Depreciation" means the decrease in the value of the Partnership's net assets from the beginning of each fiscal quarter to the end of such fiscal quarter, properly adjusted for contributions and withdrawals during such fiscal quarter.

At the end of the calendar quarter of the Partnership, any Net Capital Appreciation earned by the Partnership from its investment activities or any Net Capital Depreciation from such investment activities will be tentatively allocated to each of its partners, (including the General Partner) in proportion to each of their opening capital accounts (the "Capital Account") for such quarter. Thereafter at the end of each fiscal year, 25% of any Net Capital Appreciation tentatively allocated to the Capital Accounts of the Limited Partners for the quarterly periods during such fiscal year in excess of a annual noncumulative rate of return in an amount equal to 6% of the amount of each Limited Partner's capital account as of the

beginning of such fiscal year (the “Hurdle Rate”), will be allocated to the Capital Account of the General Partner (the "Incentive Allocation").*

If a Limited Partner first becomes a limited partner during a fiscal year or makes additional capital contributions or withdraws capital during a fiscal year, the amount of the Hurdle Rate shall be pro rated to take into account such interim event. Limited Partners withdrawing capital during a fiscal year will be charged the Incentive Allocation for the period of the fiscal year that such capital was invested in the Partnership.

For purposes of determining the Incentive Allocation for each quarterly period, the Net Capital Appreciation allocable to a Limited Partner will be reduced by the unrecovered balance, if any, in its loss recovery account (the "Loss Recovery Account"). The Loss Recovery Account is a memorandum account, established for each Limited Partner, the opening balance of which will be zero. At the end of each quarter, the balance in each Limited Partner’s Loss Recovery Account will be charged with any Net Capital Depreciation or credited with any Net Capital Appreciation from the activities of the Partnership. In the event that a Limited Partner with an unrecovered balance in its Loss Recovery Account withdraws all or a portion of its capital in the Partnership, the unrecovered balance in such Loss Recovery Account will be proportionately reduced. Additional capital contributions will not affect a Loss Recovery Account. If a Limited Partner first becomes a limited partner during a fiscal quarter or makes additional capital contributions or withdraws capital during a calendar quarter, the above allocations shall be adjusted to take into account such interim quarter event.

The General Partner will have no obligation to pay to or otherwise compensate a Limited Partner for the amount of the unrecovered balance (if any) in its Loss Recovery Account, but shall receive no additional Incentive Allocation until the unrecovered balance in such Limited Partner's Loss Recovery Account is recovered. Since the Incentive Allocation is calculated on a basis which includes unrealized appreciation of the Partnership’s assets, such allocation may be greater than if it was based solely on realized gains. The General Partner may waive the imposition of all or any portion of the Incentive Allocation as to any Limited Partner including Limited Partners who are members of the General Partner and their family members and entities affiliated with the General Partner. (See "EXPENSES".)

CERTAIN RISK FACTORS

Among the substantial risks involved in a purchase of Interests in the Partnership are the following:

1. **Investment and Trading Risks. A Limited Partner should be aware that it may lose all or part of its investment in the Partnership.** Substantial risks are involved in the trading of equity securities and options. Market movements can be volatile and are difficult to predict. U.S. government activities, particularly those of the Federal Reserve Board, can have a profound effect on interest rates which, in turn, substantially affect securities and options prices as well as the liquidity of such markets. Politics, recession, inflation, employment levels, trade policies, international events, war and other unforeseen events can also have a significant impact upon the prices of securities. A variety of possible actions by various government agencies also can inhibit the profitability of the Partnership's business or can result in losses. Such events, which can result in large market movements and volatile market conditions, create the risk of severe losses for the Partnership.

* The Partnership's allocations to the General Partner may result in substantially higher payments than alternative compensatory arrangements with other managers. As the Securities and Exchange Commission (the "SEC") noted in its Institutional Investor Study Report (1971), "... In most instances the compensation arrangements provided by unregistered hedge funds are far more favorable to the investment manager per dollar of assets managed than the compensation provided for similar services by registered investment companies or other classes of accounts."

Various techniques are employed to attempt to reduce a portion of the risks inherent in the trading strategies utilized on behalf of the Partnership. The ability to achieve the desired effect through a particular technique is dependent upon many factors, including the liquidity of the market at the desired time of execution. Thus, substantial risk remains that the techniques employed on behalf of the Partnership cannot always be implemented or effective in reducing losses. The activities undertaken on behalf of the Partnership may involve a degree of leverage. Accordingly, a relatively small price movement may result in substantial and immediate losses. At various times, the markets for securities may be "thin" or illiquid, making purchases or sales of securities at desired prices or in desired quantities difficult or impossible. The volume and volatility of trading in the market depend in part on general public interest and public opinion concerning economic conditions as well as the liquidity provided by market-makers and specialists. The liquidity of the market may also be affected by a halt in trading on a particular securities exchange or exchanges. Illiquid markets may make it difficult to get an order executed at a desired price.

2. **Speculative Nature of Investing in Securities.** The Partnership will indirectly engage, through its investment in the Master Fund, in investing, reinvesting, purchasing, holding, selling, exchanging, receiving, acquiring, disposing of, or otherwise trading in, securities. Trading in securities involves substantial risks. Trading is speculative, prices are volatile and market movements are difficult to predict. Government activities, especially those of the Federal Reserve Board, have a profound effect on interest rates, which, in turn, affect securities prices. Politics, inflation, war and other unforeseen events including, for example, the events of September 11, 2001, can have significant effects. Unforeseen actions by various governmental agencies could have a substantial effect on the profitability, if any, of the Partnership.

3. **Trading Strategies May Not be Successful.** There can be no assurance that the trading method employed on behalf of the Partnership will produce profitable results, and the past performance of models utilized by the Investment Manager in developing its proprietary methodology are not necessarily indicative of the future profitability of the Partnership.

4. **Dependence Upon Principal of the General Partner and the Investment Manager**. The services of Hana Kevin Byun are essential to the continued operations of the General Partner and the Investment Manager. If Mr. Byun's services were no longer available, his absence would have an adverse impact upon an investment in the Partnership. In that regard, while Mr. Byun has had extensive experience in the securities industry, he has not previously operated a private investment fund.

5. **Conflicts of Interest.** The General Partner and its principal may in the future form and manage other investment entities (including, without limitation, investment partnerships, investment companies and mutual funds) and/or conduct a transactional advisory business with substantially the same or different objectives as those of the Partnership. They may also make investments in securities for their own accounts. Such activities could detract from the time that they allocate to the affairs of the Partnership. See "POTENTIAL CONFLICTS OF INTEREST."

6. **Competition.** The securities industry is highly competitive in the United States. Competition from other persons or entities involved in activities similar to those of the Partnership can restrict the ability of the Partnership to acquire positions at the prices deemed most beneficial to its overall trading strategies. Many such competing persons or entities are better capitalized and have more experience in trading than the Partnership. Moreover, the widespread use of computer-assisted trading systems for trading strategies can alter trading patterns or affect execution of trades to the detriment of the Partnership.

7. **Regulated Industries.** The securities industry is highly regulated. The Partnership will not be directly subject to regulation by the SEC, national securities exchanges, or the Federal Reserve Board of the Commodity Futures Trading Commission. The SEC regularly reviews the practices and procedures of the securities industry and the marketplace in general, and from time to time revises rules and regulations

pertaining thereto. The exchanges engage in similar reviews and at times revise their rules. There can be no assurance whatsoever that any rules and regulations promulgated by the SEC, the Federal Reserve Board, the CFTC or the various securities exchanges or statutory amendments to the Securities Exchange Act of 1934 or the Commodity Exchange Act will not adversely impact the Partnership.

8. **Economic Conditions.** Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of the Partnership. None of these conditions will be within the control of the General Partner.

9. **Short Sales.** Short selling, or the sale of securities not owned by the Partnership, necessarily involves certain additional risks. Such transactions expose the Partnership to the risk of loss in an amount greater than the initial investment and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Partnership in connection with the short sale would need to be returned to the securities lender on short notice. If such request for the return of securities occurs at a time when the other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Partnership might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases in the open market, possibly at prices significantly in excess of the proceeds received earlier.

10. **The Partnership is Subject to Substantial Fees and Expenses.** The Partnership is subject to substantial performance type allocation in the Incentive Allocation, as well as brokerage commissions and related transaction costs and other expenses. Accordingly, the Partnership will have to earn substantial trading profits to avoid depletion of its assets due to such expenses and in order for Limited Partners to receive a return of their initial investment in the Partnership. In addition, while the Incentive Allocation is calculated on an annual basis, a Limited Partner's Capital Account could be subject to reduction on account of a substantial Incentive Allocation during a subsequent fiscal year in which the Partnership was not profitable. (Once earned, the Incentive Allocation is not repayable, regardless of later performance.) In addition, because the Incentive Allocation is calculated on the basis of unrealized as well as realized gains, such fees could be earned due to the appreciation in an open position that, when eventually liquidated, was closed out at a realized loss.

11. **No Operating History.** The Partnership is only recently formed and has no operating history on which investors can evaluate the potential performance of the Partnership.

12. **Partnership Not Registered Under the Investment Company Act of 1940.** The Partnership is not, nor is it intended to be, registered under the Investment Company Act of 1940 (the "1940 Act") and thus is (i) different in many ways from open-end investment companies ("mutual funds") so registered and (ii) not subject to the provisions of the 1940 Act designed for investor protection.

Mutual funds generally are required to redeem their shares as of any business day; however, Limited Partners only have the right of withdrawal by providing written notice to the Partnership forty-five (45) days prior to the end of a calendar quarter and then only after the capital sought to be withdrawn has been invested in the Partnership for two years. Therefore, there may be a substantial adverse change in the value of a Limited Partner's Capital Account between the time a Limited Member wishes to terminate his investment and when he actually is able to do so.

The 1940 Act contains certain provisions, among others, relating to boards of directors of mutual funds, which govern the election of directors by mutual fund shareholders, set forth standards for disqualification of certain individuals from serving as directors, and list requirements for disinterested directors. None of these provisions apply to the Partnership, which is within the control of the General Partner.

The 1940 Act also contains provisions, among others, relating to conflicts of interest, and requires investor and disinterested director approval of investment advisory agreements, while the terms of any such agreements (or similar agreements) entered into by the Partnership are within the discretion of the General Partner. None of the prohibitions on transactions with affiliates or certain other conflicts of interest provisions contained in the l940 Act apply to the Partnership.

While the Partnership expects to keep appropriate records, it is not subject to the record-keeping or custodianship requirements of the l940 Act. Although the Securities and Exchange Commission ("Commission") does not oversee the activities of mutual funds, it does require reports and make inspections, neither of which are the case with respect to the Partnership.

13. **Options Trading.** Many of the risks applicable to trading the underlying securities are also applicable to trading options on securities. There are also a number of other risks associated with the trading of options. For, example, the purchaser of an option runs the risk of the loss of his entire investment (the premium he pays). Similarly, the "uncovered writer" of an option who does not own the underlying security is subject to the risk of loss due to an adverse price movement in the underlying position. In addition, in the event the Partnership were to write uncovered options as one part of a spread position and such options were exercised by the purchasing party, the Partnership would be required to purchase and deliver the underlying security in accordance with he terms of the option. Finally, an options trader runs the risk of market illiquidity for offsetting positions for any particular option. Options markets are typically less liquid than the markets in the instruments underlying the options.

14. **Equity Securities Generally.** A principal business of the Partnership is to invest in equity securities. All equity securities investments involve certain risks as the value of such securities fluctuate depending on a myriad of factors, including among others, the performance of the subject company, the industry or industries in which the subject company participates, overall market performance and activity and/or the general domestic and/or international economic climate. The success of the Partnership will depend largely on the ability of the Investment Manager to analyze subject companies and to predict general market fluctuations, as to which no assurance can be given. (See "INVESTMENT PROGRAM").

15. **Small and Medium-Sized Capitalization Companies.** The Partnership may invest a portion of its assets in the securities of companies with small to medium-sized market capitalizations. While the General Partner believes such securities often provide significant potential for appreciation, the securities of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

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

Investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. The Partnership may try to hedge these risks by investing in non-U.S. currencies and/or non-U.S. forward currency exchange contracts, but there can be no assurance that such strategies will be implemented, or if implemented, will be effective.

17. **Investments in Undervalued Securities.** The Partnership anticipates that it will invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Partnership's investments may not adequately compensate for the business and financial risks assumed. The Partnership may make certain speculative investments in securities which the Investment Manager believes to be undervalued; however, there can be no assurances that the securities purchased will in fact be undervalued. In addition. the Partnership anticipates that it will be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Partnership's funds would be committed to the securities purchased, thus possibly preventing the Partnership from investing in other opportunities.

18. **Restrictions on Transfers and Withdrawals.** An investment in the Partnership provides limited liquidity since the Interests are not freely transferable and Limited Partners have limited rights of withdrawal. A Limited Partner may, at the end of any calendar quarter commencing two years after the making of an initial or additional capital contribution (the "Lock-Up Period"), withdraw some or all of its Capital Account allocable to such capital contribution or withdraw from the Partnership after the Lock-Up Period, upon forty-five (45) days' prior written notice to the General Partner. Further, distributions of proceeds upon withdrawal may be limited in a fiscal quarter where withdrawals exceed an amount equal to 25% of the Partnership's net assets. In light of these restrictions, an investment in the Partnership is suitable only for sophisticated investors who have no need for more immediate liquidity in this investment. (See "LIMITATIONS ON TRANSFERABILITY; SUITABILITY REQUIREMENTS.")

The right of any Partner to withdraw monies from the Partnership is subject to a) the provision by the General Partner for (i) Partnership liabilities in accordance with generally accepted accounting principles and (ii) reserves for contingencies. See "OUTLINE OF PARTNERSHIP AGREEMENT-Withdrawal, Death, etc. of a Limited Partner".

19. **Effect of Withdrawals**. A significant withdrawal of capital from the Partnership may cause a temporary imbalance in the Partnership's portfolio which may adversely affect the remaining Limited Partners.

20. **Partnership's Market Positions May Lack Diversity.** Because of the Investment Manager's trading methods and strategies, the Partnership may have an unusually high concentration in certain types of positions and industry sectors or a limited number of positions. Such lack of diversification could result in greater loses than otherwise might be anticipated.

21. **Side Letters.** Although the Partnership currently has no intention to do so, the Partnership has the authority to enter into letter agreements or other similar agreements (collectively, "Side Letters") with one or more Limited Partners which provide such Limited Partners with additional and/or different rights (including, without limitation, with respect to access to information, incentive allocations, minimum investment amounts, and liquidity terms) than other Limited Partners. In general, the Partnership will not be required to notify any or all of the other Limited Partners of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will the Partnership be required to offer such additional and/or different rights and/or terms to any or all of the other Limited Partners.

22. **Volatility.** Movements in the value of the Partnership's assets may be volatile from month to month. The positions taken by the Investment Manager may well be based upon their expectation of price movements as the relevant investments approach and reach maturity several months following initiation

of the trades. In the meantime, the market value of positions may not increase, and may in fact decrease, and this will be reflected in the value of the Partnership's assets.

23. **Additional Liquidity Risks.** The Partnership's trading activities may create additional liquidity risks. In certain market conditions, the Partnership's open positions in securities may cause considerable amounts of cash or other forms of collateral to be delivered by the Partnership to its counterparties to support and/or serve as margin or collateral for open positions. Generally, the outflows of cash and collateral are matched by similar inflows that are generated by a hedge of such positions. However, the timing of the inflows and the outflows may not match precisely. As a result, the Partnership's positions may have to be prematurely liquidated or modified at inappropriate times or on unfavorable terms that may result in realized losses. Further, the Partnership may become illiquid and ultimately insolvent as a result of having insufficient cash to meet its obligations.

24. **No Separate Counsel.** DLA Piper US LLP acts as counsel to the General Partner, the Investment Manager and the Partnership. No separate counsel has been retained on behalf of the Limited Partners.

25. **Risk of Asset Growth of the Partnership.** As the assets of the Partnership increase, the Investment Manager may encounter difficulty in identifying additional investments opportunities, which may affect the Partnership's rate of return.

26 **Limited Partners Will Be Taxed On Income and Profits Whether or Not Distributed.** If the Partnership has taxable income for a fiscal year, such income will be taxable to the Limited Partners in accordance with their distributive shares of the Partnership's income, whether or not such income is actually distributed to the Limited Partners. In that regard, the General Partner does not intend to make distributions to Limited Partners of the Partnership, but intends instead to reinvest substantially all Partnership income and gain, if any. Cash that might otherwise be available for distribution will also be reduced by payment of Partnership obligations, payment of Partnership expenses (including fees payable and expense reimbursements) and establishment of appropriate reserves. As a result, if the Partnership is profitable, Limited Partners in all likelihood will be credited with Partnership net income, and will incur the consequent income tax liability (to the extent that they are subject to income tax), even though Limited Partners receive little or no Partnership distributions.

27. **Limitation on Liability of the General Partner.** Pursuant to the Partnership's Agreement of Limited Partnership, the General Partner and its principals are not responsible for losses arising out of an error of judgment or simple negligence, but are only responsible for losses resulting from willful misfeasance, bad faith, gross negligence or a reckless disregard of their duties and obligations. Accordingly, Partnership loses will not be recoverable from the General Partner and its principals if they resulted from an erroneous decision made in good faith or simple negligence. In order for a Limited Partner to obtain a recovery from the General Partner and its principals, the Limited Partner will have to demonstrate a high degree of misconduct or a breach of fiduciary obligation on their parts.

28. **Terrorist Action.** There is a risk of terrorist attacks on the United States and elsewhere causing significant loss of life and property damage and disruptions in the global market. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity.

29. **Purchasing Securities of Initial Public Offerings.** The Partnership may purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies and, thus, for the Partnership's interests. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Partnership to buy or sell significant amounts of shares without an unfavorable impact on prevailing

market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

30. **Leverage.** The Partnership may use leverage in connection with its investment program. The use of leverage, which exposes the borrower to changes in price at a ratio higher than 1:1 in reference to the amount invested, magnifies both the favorable and the unfavorable effects of price movements in the investments made by the Partnership. The use of leverage increases the volatility of the Partnership's performance and makes it possible for the Partnership to suffer losses in any open position in excess of the assets allocated to such position as margin.

31. **Unsecured Creditor.** The Partnership will rank as one of its prime broker's unsecured creditors and, in the event of the insolvency of the prime broker, the Partnership might not be able to recover such equivalent assets in full.

32. **Distributions in Kind.** A withdrawing Limited Partner may, in the sole discretion of the General Partner, receive financial instruments owned by the Partnership in lieu of, or in combination with, cash. The value of financial instruments distributed may increase or decrease before such financial instruments can be sold, and the Limited Partner will incur transaction costs in connection with the sale of such financial instruments. Additionally, financial instruments distributed with respect to a withdrawal by a Limited Partner may not be readily marketable. The risk of loss and delay in liquidating such financial instruments will be borne by the Limited Partner, with the result that such Limited Partner may receive less cash than it would have received on the date of withdrawal. (See "OUTLINE OF PARTNERSHIP AGREEMENT").

33. **Master Feeder Structure.** The Partnership invests substantially all of its assets through a "master-feeder" fund structure in the Master Fund. The "master-feeder" fund structure and in particular the existence of multiple investment vehicles investing in the same portfolio presents certain unique risks to investors, including the increased costs associated specifically with investing through a Master Fund (which are borne on a pro-rata basis by the various entities investing in the Master Fund).

34. **Unrelated Business Taxable Income for Certain Tax-Exempt Investors.** Pension and profit-sharing plans, individual retirement accounts and other tax-exempt investors may realize "unrelated business taxable income" as a result of an investment in the Partnership since it is anticipated that the Partnership may employ leverage. See Section 14, "Taxation." Any tax-exempt investor should consult its own tax adviser with respect to the effect of an investment in the Partnership on its own tax situation.

35. **Delayed Schedule K-1s.** Because the affairs of the Partnership are complex and preparing financial statements and tax returns depends upon information from third parties, the Partnership may not deliver to the Limited Partners financial statements and Schedule K-1s to the Partnership's Federal income tax return before the original time that Limited Partners are required to file their Federal, state and local income tax returns without extensions. Therefore, Limited Partners may need to obtain one or more extensions of time to file their tax returns.

36. **Business and Regulatory Risks of Hedge Funds.** Legal, tax and regulatory changes could occur during the term of the Partnership that may adversely affect the Partnership. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Partnership and the ability of the Partnership to obtain the leverage it might otherwise obtain or to pursue its trading strategies. In addition, the securities markets are subject to comprehensive statutes and regulations. The Securities and Exchange Commission ("SEC"), other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Partnership could be substantial and adverse.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN THIS OFFERING. POTENTIAL INVESTORS SHOULD READ THE ENTIRE MEMORANDUM BEFORE DETERMINING TO INVEST IN THE PARTNERSHIP.

BROKERAGE AND CUSTODY

The Partnership's and Master Fund's portfolio transactions will be cleared through and generally held in custody at brokerage accounts maintained at UBS Financial Services. The Partnership may add or remove prime brokers from time to time without the consent of investors. The Partnership's broker will typically act as custodian for the assets of the Partnership (other than cash and cash equivalents held in the Partnership's bank accounts), although other brokers who execute transactions for the Partnership may also maintain custody of certain Partnership assets.

The Partnership may utilize various brokers to execute, settle and clear securities transactions. The Partnership may discontinue such relationships without prior notice to the Limited Partners. In selecting brokers to effect portfolio transactions, the Investment Manager will consider such factors as: quality of execution – accurate and timely executions; block trading and block positioning capabilities; the difficulty of execution and the ability to handle difficult trades; willingness and ability to commit capital; market intelligence regarding trading activity; the actual executed price of the security and the broker's commission rates; research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis); custodial and other services provided by such brokers and/or dealers that are expected to enhance the Investment Manager's general portfolio management capabilities; financial stability and reputation of the broker; the operational facilities of the brokers and dealers involved (including back office efficiency); and confidentiality of trading activity and other services provided by such broker. Accordingly, if the Investment Manager determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research or investment management-related products and services provided by such broker, the Partnership may pay commissions to such broker in an amount greater than another broker might charge.

In the event the Investment Manager receives any "soft dollar" compensation fro the brokers utilized by the Partnership, it will be in compliance with Section 28(e) of the Securities and Exchange Act of 1934, as amended.

From time to time, brokers (including prime brokers) may assist the Partnership in raising additional funds from investors, and representatives of the Investment Manager may speak at conferences and programs sponsored by such brokers for investors interested in investing in hedge funds. Through such "capital introduction" events, prospective investors in the Partnership would have an opportunity to meet with the Investment Manager. The General Partner, the Investment Manager and the Partnership do not compensate any broker for organizing such events or for any investments ultimately made by prospective investors attending such events, nor do they anticipate doing so in the future. While such events and other services provided by a broker may influence the Investment Manager in deciding whether to use such broker in connection with the brokerage activities of the Partnership, the Investment Manager will not commit to allocate a particular amount of brokerage to a broker in any such situation.

ADMINISTRATOR

NAV Consulting, Inc. (the "Administrator") has been retained to provide administrative, registrar and transfer agent services to the Partnership pursuant to an administration agreement between the Partnership and the Administrator (the "Administration Agreement"). The Administrator provides administrative services for a number of corporations and partnerships throughout the world. The Administrator is not a sponsor or promoter of the Partnership or this offering.

Pursuant to the Administration Agreement, the Administrator is responsible for among other things (i) receiving and reviewing subscriptions for Interests and accepting payment therefore; (ii) computing and disseminating the value of the Partnership's Capital Accounts; (iii) performing all acts related to the withdrawal of capital from the Partnership by Limited Partners; (iv) keeping the accounts of the Partnership and such financial books and records as are required by law or otherwise for the proper conduct of the financial affairs of the Partnership and preparing or procuring the preparation of annual financial statements of the Partnership and furnishing such statements to the Limited Partners; and (v) performing all other accounting and clerical services necessary in connection with the administration of the Partnership.

The Partnership pays fees to the Administrator for various administrative support services. Such fees are based on the standard schedule of fees charged by the Administrator for similar services. The Partnership will also reimburse the Administrator out of the assets of the Partnership for reasonable out-of-pocket expenses incurred by the Administrator.

The Partnership has agreed to indemnify the Administrator and its directors, officers, servants, delegates, employees, agents, shareholders and affiliates against any expenses or losses any of them may suffer arising out of the Administrator's service as an administrator, except to the extent caused by the Administrator's fraud, gross negligence or willful default of its duties. In addition, the Administrator its directors, officers, servants, delegates, employees, agents, shareholders and affiliates will not have any liability to the Partnership or any shareholder for any losses or expenses except those arising as a result of the Administrator's fraud, gross negligence or willful default of its duties.

It should be noted that in relying on information furnished by other persons in performing services for the Partnership, the Administrator is not responsible or liable for the accuracy of the underlying data. The Administrator in no way acts a guarantor or offeror of the investment described herein.

POTENTIAL CONFLICTS OF INTEREST

Because of the General Partner's role as sponsor and organizer of the Partnership, the terms of the Partnership's governing documents were not the result of arms-length negotiation between the General Partner, on the one hand, and the Partnership on the other hand.

In addition, the General Partner, the Investment Manager and their related persons will be subject to significant conflicts of interest in managing the business and affairs of the Partnership and in making investment and trading decisions for the Partnership. Certain of these conflicts are described elsewhere in this Memorandum and will not be repeated here. Others are described below. While the conflicts described in this Memorandum are fairly typical of "hedge fund" managers, the General Partner wishes to call attention to them.

The Partnership's governing documents do not require the General Partner or the Investment Manager to devote their full time or any material portion of its time to the Partnership. The General Partner, the Investment Manager and their related persons are currently involved in, and may in the future become involved in, other business ventures, including other investment funds, the conduct of a transactional advisory business and the management of separate accounts whose investment objectives, strategies and policies are the same as or similar to those of the Partnership. The Partnership will not share in the risks or rewards of such other ventures, and such other ventures will compete with the Partnership for the time and attention of the General Partner, the Investment Manager and their related persons and might create additional conflicts of interest, as described below.

The General Partner, the Investment Manager and their related persons invest and trade and may continue to invest and trade in securities and other financial instruments for the accounts of clients other than the Partnership and for their own accounts, even if such securities and other financial instruments are the same as or similar to those in which the Partnership invests and trades, and even if such trades compete with, occur ahead of or are opposite those of the Partnership. They will not, however, knowingly trade

for the accounts of clients other than the Partnership or for their own accounts in a manner that is detrimental to the Partnership, nor will they seek to profit from their knowledge that the Partnership intends to engage in particular transactions.

The Investment Manager and its related persons might have an incentive to favor one or more of their other clients over the Partnership, for example with regard to the selection of certain investments for those clients because those clients might pay the Investment Manager more for its services than the Partnership. The Investment Manager and its related persons will act in a fair and reasonable manner in allocating suitable investment opportunities among their client and proprietary accounts. No assurance can be given, however, that (i) the Partnership will participate in all investment opportunities in which other client or proprietary accounts of such persons participate, (ii) particular investment opportunities allocated to client or proprietary accounts other than the Partnership will not outperform investment opportunities allocated to the Partnership, or (iii) equality of treatment between the Partnership, on the one hand, and other client and proprietary accounts of such persons, on the other hand, will otherwise be assured.

Subject to the considerations set forth above, in investing and trading for client and proprietary accounts other than the Partnership, the General Partner, the Investment Manager and their related persons may make use of information obtained by them in the course of investing and trading for the Partnership, and they will have no obligation to compensate the Partnership in any respect for their receipt of such information or to account to the Partnership for any profits earned from their use of such information.

The trading records of the General Partner, the Investment Manager and their related persons will not be available for inspection by Limited Partners.

The General Partner, the Investment Manager or their related persons might receive benefits, such as research services or the referral of prospective investors in the Partnership, from the brokerage firms through which the Partnership conducts its trading. This may create an incentive for the Investment Manager to allocate Partnership assets to such brokerage firms.

The General Partner, the Investment Manager and their principals may receive compensation on account of consulting services or for serving as a director of companies in which the Partnership invests.

The Partnership may engage placement agents from time to time, to market Interests. If Interests are acquired through an agent engaged by the Partnership, the investor should not view any recommendation of such agent as being disinterested, as the agent will be paid for the introduction by the investor and/or by the General Partner or the Investment Manager. Also, agents should be regarded as having an incentive to recommend that Limited Partners remain investors in the Partnership, since the agents may receive fees for all periods during which a Limited Partner remains an investor.

Because the Management Fees are based on the value of the Capital Accounts, the Investment Manager General Partner may have an incentive to seek to over-value the Partnership's investments in order to increase those fees.

The General Partner and the Investment Manager each have a fiduciary duty to the Partnership to exercise good faith and fairness in all its dealings with it and will take such duties into account in dealing with all actual and potential conflicts of interest. If a Limited Partner believes that the General Partner or Investment Manager has violated its fiduciary duty, it may seek legal relief under applicable law, for itself and other similarly situated Limited Partners or on behalf of the Partnership. However, it may be difficult for Limited Partners to obtain relief because of the changing nature of the law in this area, the vagueness of standards defining required conduct, the broad discretion given the General Partner and Investment Manager under the Limited Partnership Agreement and Investment Management Agreement , as the case may be, and the exculpatory and indemnification provisions therein.

The legal counsel to the Partnership was retained by the General Partner and does not represent the interests of the investors in the Partnership.

EXPENSES

The Partnership is subject to the periodic charges and the fees described below:

Recipient	Form	Amount
The Investment Manager	Quarterly Management Fee	The Investment Manager will receive 0.375% of the Beginning Value of the Partnership, as defined in Section 3.01 of the Partnership Agreement, of the Partnership's Net Assets as of the first day of each calendar quarter, allocable to the Capital Accounts of the Limited Partners (1.5% on an annual basis).
The General Partner	Annual Incentive Allocation	The General Partner will receive 25% of the Net Capital Appreciation of the Limited Partner's Capital Accounts in excess of the Hurdle Rate for each fiscal year.
Unaffiliated Securities Broker-Dealers	Securities Brokerage	Actual commissions based upon broker-dealers' competitive rates.
Accountants	Auditing Fees	Actual expenses incurred

The Partnership will bear, for each month, all expenses incurred in the operation of the Partnership, if any, including legal (including all expenses incurred in connection with the continuation of the Partnership's offering), accounting (including third-party accounting services), auditing and other professional expenses, administration fees and expenses, and its pro rata share of the organization and ongoing operational expenses (including administration fees) of the Master Fund. Transactional costs (i.e., brokerage commissions, custodial fees, bank service fees, interest on margin accounts and other indebtedness; borrowing charges on securities sold short and other expenses related to the purchase, sale or transmittal of Partnership assets) and research expenses (including research-related travel which includes travel, hotel, dining and conference costs) will be paid by the Master Fund and will thus be indirectly borne by the Partnership. A portion of brokerage- and research-related expenses may be paid for using "soft dollars" to the extent such payments are permitted under U.S. Securities and Exchange Commission (the "SEC") interpretation of applicable law (see "Brokerage", below).

The Partnership's organizational and offering expenses, to the extent the General Partner deems appropriate, may be, for accounting purposes, amortized by the Partnership for up to a 60-month period. Amortization of such expenses over a period that is up to 60 months is a divergence from GAAP, which may, in certain circumstances, result in a qualification of the Partnership's annual audited financial statements. In such instances, the Partnership may decide to (i) avoid the qualification by recognizing the unamortized expenses or (ii) make GAAP conforming changes for financial reporting purposes, but amortize expenses for purposes of calculating the Partnership's net asset value. There will be a divergence in the Partnership's fiscal year-end net asset value and in the net asset value reported in the Partnership's financial statements in any year where, pursuant to clause (ii), GAAP conforming changes are made only to the Partnership's financial statements for financial reporting purposes. If the Partnership is terminated within 60 months of its commencement, any unamortized expenses will be recognized. If a Limited Partner

withdraws prior to the end of the 60-month period during which the Partnership is amortizing expenses, the Partnership may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the amount being withdrawn and reduce withdrawal proceeds by the amount of such accelerated expenses. Organizational expenses are not expected to exceed $25,000 for the Partnership.

The Partnership Agreement provides that the Investment Manager will receive a quarterly Management Fee in an amount equal to three-eighths of one percent (0.375%) of the Beginning Value of the Partnership's net assets as of the first day of each calendar month allocable to the Capital Accounts of the Limited Partners (1.50% on an annual basis) as consideration for investment management services and certain administration services. The Investment Manager will also be responsible for and will pay all overhead expenses of an ordinary and recurring nature such as rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures, employee insurance, payroll taxes and compensation of employees, as well as its own legal, accounting, insurance and auditing expenses. The Management Fee will be paid promptly after the beginning of each calendar quarter. Limited Partners admitted to the Partnership after the beginning of a calendar quarter will pay a prorated Management Fee. The General Partner will not pay a Management Fee.

As noted under "ALLOCATION OF PARTNERSHIP GAINS AND LOSSES", the General Partner receives an Incentive Allocation on an annual basis in an amount equal to 25% of any Net Capital Appreciation allocated to the Capital Accounts of the Limited Partners of the Partnership for such annual period that is in excess of the Hurdle Rate. Investors should note that any such allocation will result in the General Partner receiving an amount of Net Capital Appreciation which may be greater than its proportionate share thereof and may thereby result in the General Partner receiving a disproportionate share of the Partnership's profits.

The General Partner may waive the imposition of all or any portion of the Management Fee and/or the Incentive Allocation as to any Limited Partner.

TAX ASPECTS

CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain aspects of the U.S. federal income taxation of the Partnership and its partners which should be considered by a prospective Limited Partner. Except as indicated below, it applies only to Limited Partners who are citizens or residents of the United States for federal income tax purposes.

This summary of certain aspects of the U.S. federal income tax treatment of the Master Fund and the Partnership is based upon the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations (the "Regulations") promulgated thereunder, judicial decisions, and other authorities in existence on the date hereof, all of which are subject to change, possibly with retroactive effect. The U.S. federal income taxation of partnerships and partners is extremely complex, involving, among other things, significant issues as to the character and timing of realizations of gains and losses. In addition, the following does not purport to address all of the U.S. federal income tax consequences that may be applicable to any particular Limited Partner (e.g., U.S. corporations, tax-exempt organizations, non-U.S.

persons, banks or insurance companies), and does not address the U.S. state and local and non-U.S. tax consequences of an investment in the Partnership.

EACH PROSPECTIVE LIMITED PARTNER SHOULD CONSULT WITH ITS OWN TAX ADVISER IN ORDER TO FULLY UNDERSTAND THE U.S. FEDERAL, STATE AND LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP.

1. **Tax Treatment of Partnership Operations**

Classification of the Partnership. Under the Regulations, an unincorporated entity such as the Master Fund and the Partnership will be treated as a partnership unless it elects to be treated as an association taxable as a corporation. Neither the Master Fund nor the Partnership will make this election and, accordingly, each will be treated as a partnership for tax purposes. As partnerships, the Master Fund and the Partnership will not themselves be subject to the U.S. federal income tax. . Each partner is required to report separately on his income tax return his distributive share of items of the Partnership's income, gain, loss, deduction and credit, which will include his distributive share of such items allocated by the Master Fund to the Partnership. Each partner will be taxed on his distributive share of such items whether or not the Partnership makes any distribution. Partners (and any employee, representative or other agent of a partner) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of Partnership transactions and all materials of any kind (including opinions and tax analyses) that are provided to the partner relating to such tax treatment and tax structure.

Under Section 7704 of the Code, "publicly traded partnerships" are generally treated as corporations for U.S. federal income tax purposes. A publicly traded partnership is any partnership, the interests in which are traded on an established securities market or are readily tradable on a secondary market (or the substantial equivalent thereof). Interests in the Partnership will not be traded on an established securities market nor will they be readily tradable on a secondary market. Regulations relating to publicly traded partnerships provide certain safe harbors under which interests in a partnership will not be considered readily tradable on a secondary market (or the substantial equivalent thereof). The Partnership expects to be eligible for the private placement safe harbor set forth in the Regulations, since the Partnership will not have more than 100 partners. In addition, the Partnership will be exempt from classification as a publicly traded partnership taxable as a corporation if more than 90% of its gross income in each taxable year consists of passive type "qualifying income" within the meaning of Section 7704(d) of the Code. The Partnership expects this to be the case. Based on the foregoing, the Partnership believes that it should not be treated as a publicly traded partnership taxable as corporation. However, if the Partnership were classified or treated as an association taxable as a corporation, items of income, gain, loss, deduction and credit of the Partnership would not be passed through to the Limited Partners and the Partnership would be subject to U.S. federal income tax on such items at the rates applicable to corporations.

The balance of this discussion of “Tax Aspects" assumes that the Master Fund and the Partnership will each be treated as a partnership for federal income tax purposes.

As a partnership, the Partnership is not itself subject to Federal income tax. The Partnership files an annual partnership information return with the Service which reports the results of operations. Each Partner is required to report separately on its income tax return its distributive share of the Partnership’s net long-term capital gain or loss, net short-term capital gain or loss and all other items of ordinary income or loss. Each Partner is taxed on its distributive share of the Partnership’s taxable income and gain regardless of whether it has received or will receive a distribution from the Partnership.

Allocation of Income and Loss. A partner's distributive share of partnership income, gain, loss, deduction or credit for federal income tax purposes is generally determined in accordance with the provisions of the partnership agreement. Under Section 704(b), an allocation made in accordance with the partnership agreement will be respected for U.S. federal income tax purposes only if it either has "substantial economic effect" under detailed requirements set forth in the Regulations or is in accordance with the partners' "interests in the partnership" under all the facts and circumstances relating to the economic arrangement among the

partners. If the allocation contained in the partnership agreement does not meet either test, the IRS will make the allocation in accordance with its determination of the partners' interests in the partnership.

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

Tax Consequences to a Withdrawing Limited Partner. A Limited Partner receiving a cash liquidating distribution from the Partnership, in connection with a complete withdrawal from the Partnership, generally will recognize capital gain or loss to the extent of the difference between the proceeds received by such Limited Partner and such Limited Partner's adjusted tax basis in its partnership interest. Such capital gain or loss will be short-term, long-term or some combination of both, depending upon the timing of the Limited Partner's contributions to the Partnership. However, a withdrawing limited Partner will recognize ordinary income to the extent such Limited Partner's allocable share of the Partnership's "unrealized receivables" exceeds the Limited Partner's basis in such unrealized receivables (as determined pursuant to the Regulations). For these purposes, accrued but untaxed market discount, if any, on securities held by the Partnership will be treated as an unrealized receivable, with respect to which a withdrawing Limited Partner would recognize ordinary income. A Limited Partner receiving a cash non-liquidating distribution will recognize income in a similar manner only to the extent that the amount of the distribution exceeds such Limited Partner's adjusted tax basis in its partnership interest.

As discussed above, the Partnership Agreement provides that the General Partner may generally allocate items of Partnership ordinary income and/or capital gain (including short-term capital gain) and deductions, ordinary loss and/or capital loss (including long-term capital loss) to a withdrawing Partner to the extent its Capital Account would otherwise exceed or be less than, as the case may be, its adjusted tax basis in its partnership interest. Such a special allocation of income or gain may result in the withdrawing Partner recognizing ordinary income and/or capital gain, which may include short-term capital gain, in the Partner's last taxable year in the Partnership, thereby reducing the amount of long-term capital gain recognized during the tax year in which it receives its liquidating distribution upon withdrawal. Such a special allocation of deduction or loss may result in the withdrawing Partner recognizing ordinary loss and/or capital loss, which may include long-term capital loss, in the Partner's last taxable year in the Partnership, thereby reducing the amount of short-term capital loss recognized during the tax year in which it receives its liquidating distribution upon withdrawal.

Distributions of Property. A partner's receipt of a distribution of property from a partnership is generally not taxable. However, under Section 731 of the Code, a distribution consisting of marketable securities generally is treated as a distribution of cash (rather than property) unless the distributing partnership is an "investment partnership" within the meaning of Section 731(c)(3)(C)(i) and the recipient is an "eligible partner" within the meaning of Section 731(c)(3)(C)(iii). The Partnership will determine at the appropriate time whether it qualifies as an "investment partnership." Assuming it so qualifies, if a Limited Partner is an "eligible partner", which term should include a Limited Partner whose contributions to the Partnership consisted solely of cash, the rule treating a distribution of property as a distribution of cash would not apply.

Tax Elections; Returns; Tax Audits. The Code generally provides for optional adjustments to the basis of partnership property upon distributions of partnership property to a partner and transfers of partnership interests (including by reason of death) provided that a partnership election has been made

pursuant to Section 754. Under the Partnership Agreement, the General Partner, in its sole discretion, may cause the Partnership to make such an election. Any such election, once made, cannot be revoked without the Service's consent. As a result of the complexity and added expense of the tax accounting required to implement such an election, the General Partner presently does not intend to make such election.

The General Partner decides how to report the partnership items on the Partnership's tax returns, and all Partners are required under the Code to treat the items consistently on their own returns, unless they file a statement with the Service disclosing the inconsistency. Given the uncertainty and complexity of the tax laws, it is possible that the Service may not agree with the manner in which the Partnership's items have been reported. In the event the income tax returns of the Partnership are audited by the Service, the tax treatment of the Partnership's income and deductions generally is determined at the limited partnership level in a single proceeding rather than by individual audits of the Partners. The General Partner, designated as the "Tax Matters Partner", has considerable authority to make decisions affecting the tax treatment and procedural rights of all Partners. In addition, the Tax Matters Partner has the authority to bind certain Partners to settlement agreements and the right on behalf of all Partners to extend the statute of limitations relating to the Partners' tax liabilities with respect to Partnership items.

2. **Tax Treatment of Partnership Investments**

In General. The Partnership will invest in various types of securities of companies for its own account. It does not intend to acquire securities as a dealer with a view to resale. Thus, subject to the treatment of certain transactions as giving rise to ordinary income or loss, the Partnership's gain or loss from its securities transactions generally will be capital gain or loss. Such capital gain or loss may be long-term or short-term depending, in general, upon the length of time the Partnership maintains a particular investment position and, in some cases, upon the nature of the transaction. Sales of property held for more than one year generally will give rise to long-term capital gain or loss. The application of rules relating to "short sales" and "constructive sales," to "straddle," "wash sales" transactions and "conversion" transactions, as well as to "Section 1256 contracts," may alter the manner in which the Partnership's holding period for a security is determined, may effect the characterization of long-term or short-term gain or loss, may affect the timing of the realization of gain or loss, and may cause some gain or loss to be treated as ordinary gain or loss.

The maximum ordinary income tax rate for individuals is 35% (this rate is scheduled to increase to 39% in 2011) and, in general, the maximum individual income tax rate for "Qualified Dividends" [*] and long-term capital gains is 15% (until December 31, 2010; the rate will increase to 20% on January 1, 2011) (unless the taxpayer elects to be taxed at ordinary rates - see "Limitation on Deductibility of Interest and Short Sale Expenses" below), although in all cases the actual rates may be higher due to the phase out of certain tax deductions, exemptions and credits. The excess of capital losses over capital gains may be offset against the ordinary income of an individual taxpayer, subject to an annual deduction limitation of $3,000. Capital losses of an individual taxpayer may generally be carried forward to succeeding tax years to offset capital gains and then ordinary income (subject to the $3,000 annual limitation). For corporate taxpayers, the maximum income tax rate is 35%. Capital losses of a corporate taxpayer may be offset only against capital gains, but unused capital losses may be carried back three years (subject to certain limitations) and carried forward five years.

Short Sales and Constructive Sales Treatment. The "short-sale" rules may apply to positions held by the Partnership so that what might otherwise be characterized as long-term capital gain or short-term capital loss would be characterized as, respectively, short-term capital gain or long-term capital loss. These rules may also terminate the running of the holding period of "substantially identical property" held by the Partnership.

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[*] A "Qualified Dividend" is generally a dividend from certain domestic corporations, and from certain foreign corporations that are either eligible for the benefits of a comprehensive income tax treaty with the United States or are readily tradable on an established securities market in the United States. Shares must be held for certain holding periods in order for a dividend thereon to be a Qualified Dividend.

Under the constructive sales provisions of Section 1259 of the Code, a taxpayer may be required to currently recognize gain with respect to certain appreciated financial positions held by such taxpayer if the taxpayer (or a related person) (i) enters into a short sale of the same or substantially identical property, (ii) enters into an offsetting notional principal contract with respect to the same or substantially identical property, (iii) enters into a futures or forward contract to deliver the same or substantially identical property, or (iv) in the case of an appreciated financial position that is a short sale or a contract described in (ii) and (iii) with respect to any property, acquires the same or substantially identical property underlying such short position or contract.

Straddles. If the Partnership incurs a loss upon the disposition of any position which is part of a "straddle" (i.e., two or more offsetting positions), recognition of that loss for tax purposes will be deferred until the Partnership recognizes the gain in the offsetting position of the straddle. In general, investment positions will be treated as offsetting if there is a substantial diminution of the risk of loss from holding one position by reason of holding one or more other positions.

This rule would apply to all of the positions in a straddle which includes one or more Section 1256 contracts (discussed below) but which does not consist entirely of Section 1256 contracts (a "mixed straddle"). This rule does not apply to a straddle in which all of the positions are Section 1256 contracts. The Partnership may elect to have the Section 1256 contract components of a mixed straddle be treated as not subject to the mark-to-market rules. The Partnership can specifically identify particular positions as being components of a straddle, in which case a realized loss would be allowable only upon the liquidation of all of the components of the identified straddle. The Partnership's trading strategies may include the use of straddles, with or without making such identification.

Wash Sale Rules. "Wash sale" rules, which prevent the recognition of a loss from the sale of a security where a substantially identical security is (or has been) acquired within a prescribed time period, may apply where certain offsetting positions are entered into within the prescribed period.

Conversion Transactions. Under Section 1258 of the Code, capital gain from the disposition or other termination of any position that was part of a "conversion transaction" may be re-characterized as ordinary income. The amount of gain re-characterized as ordinary income will not exceed the amount of interest that would have accrued on the taxpayer's net investment for the relevant period at a yield equal to 120% of the applicable federal rate.

Section 1256 Contracts. Under the Code, all positions in "Section 1256 contracts" held by the Partnership at the end of its taxable year will be marked to their market value, and any unrealized gain or loss on those positions will be treated as realized for income tax purposes as if each position had been sold for its fair market value on the last day of the Partnership's taxable year. A "Section 1256 contract" includes a "regulated futures contract," a "foreign currency contract," a "nonequity option" and a "dealer equity option".

Generally, any gain or loss with respect to a Section 1256 contract shall be treated as short-term capital gain or loss, to the extent of 40 percent of such gain or loss, and long-term capital gain or loss, to the extent of 60 percent of such gain or loss. Gain or loss in "dealer equity options" allocable to Limited Partners would be treated as short-term gains or losses not subject to the "60-40" rule.

Limitation on Deductibility of Interest and Short Sale Expenses. For non corporate taxpayers, Section 163(d) of the Code limits the deduction for "investment interest" (i.e., interest or short sale expenses for "indebtedness properly allocable to property held for investment") to the amount of "net investment income," consisting of net gain and ordinary income derived from investments in the current year less certain directly connected expenses (other than interest or short sale expenses). For this purpose, Qualified Dividends and long-term capital gains are excluded from net investment income unless the taxpayer elects to pay tax on such amounts at ordinary income tax rates.

For purposes of this provision, the Partnership's activities (other than certain activities that are treated as "passive activities" under Section 469 of the Code) will be treated as giving rise to investment income for a

Limited Partner, and the investment interest limitation would apply to a noncorporate Limited Partner's share of the interest and short sale expenses attributable to the Partnership's operation. In such case, a noncorporate Limited Partner would be denied a deduction for all or part of that portion of its distributive share of the Partnership's ordinary losses attributable to interest and short sale expenses unless it had sufficient investment income from all sources including the Partnership. A Limited Partner that could not deduct losses currently as a result of the application of Section 163(d) would be entitled to carry forward such losses to future years, subject to the same limitation. The investment interest limitation would also apply to interest paid by a noncorporate Limited Partner on money borrowed to finance its investment in the Partnership. Potential investors are advised to consult with their own tax advisers with respect to the application of the investment interest limitation in their particular tax situations.

Limitation on Deductibility of Expenses. It is anticipated that the Partnership's expenses will be investment expenses rather than trade or business expenses, with the result that any non corporate Limited Partner will be entitled to deduct such Limited Partner's allocable share of such expenses only to the extent that such share, together with such Limited Partner's other itemized deductions, exceeds 2% of such Limited Partner's adjusted gross income. An additional limitation on itemized deductions for an individual with an adjusted gross income in excess of certain specified amounts disallows up to the lesser of (i) 3% of the excess of non-corporate Limited Partner's adjusted gross income over the specified amount or (ii) 80% of the otherwise allowable itemized deductions of such non corporate Limited Partner otherwise allowable for the taxable year. In addition, such investment expenses are miscellaneous itemized deductions which are not deductible by a non-corporate taxpayer in calculating its alternative minimum tax liability.

It is unclear whether all or a portion of the Partnership's operations will qualify as trading -- rather than investment -- activities, the expenses for which would not be treated as investment expenses. Therefore, pursuant to Temporary Regulations issued by the Treasury Department, these limitations on deductibility may apply to a non-corporate Limited Partner's share of the expenses of the Partnership, including the Management Fee and payments made on certain derivative instruments.

The consequences of these limitations will vary depending upon the particular tax situation of each taxpayer. Accordingly, non-corporate Limited Partners should consult their tax advisers with respect to the application of these limitations.

Recently enacted legislation extends the period of time over which the Partnership may elect to deduct organizational expenses for tax purposes from a period of at least 60 months to a fixed period of 180 months.

Application of Rules for Income and Losses from Passive Activities. The Code restricts the deductibility of losses from a "passive activity" against certain income which is not derived from a passive activity. This restriction applies to individuals, personal service corporations and certain closely held corporations. Pursuant to Temporary Regulations issued by the Treasury Department, income or loss from the Partnership's securities investment and trading activity generally will not constitute income or loss from a passive activity. Therefore, passive losses from other sources generally could not be deducted against a Limited Partner's share of such income and gain from the Partnership. Income or loss attributable to certain activities of the Partnership, including investments in partnerships engaged in certain trades or businesses, real estate, certain private claims or certain fundings of reorganization plans may constitute passive activity income or loss.

Application of Basis and "At Risk" Limitations on Deductions. The amount of any loss of the Partnership that a Limited Partner is entitled to include in its income tax return is limited to its adjusted tax basis in its Interest as of the end of the Partnership's taxable year in which such loss occurred. Generally, a Limited Partner's adjusted tax basis for its Interest is equal to the amount paid for such Interest, increased by the sum of (i) its share of the Partnership's liabilities, as determined for Federal income tax purposes, and (ii) its distributive share of the Partnership's realized income and gains, and decreased (but not below zero) by the sum of (i) distributions (including decreases in its share of Partnership liabilities) made by the Partnership to such Limited Partner and (ii) such Limited Partner's distributive share of the Partnership's realized losses and expenses.

Similarly, a Limited Partner that is subject to the "at risk" limitations (generally, non-corporate taxpayers and closely held corporations) may not deduct losses of the Partnership to the extent that they exceed the amount such Limited Partner has "at risk" with respect to its Interest at the end of the year. The amount that a Limited Partner has "at risk" will generally be the same as its adjusted basis as described above, except that it will generally not include any amount attributable to liabilities of the Partnership (other than certain loans secured by real property and certain other assets of the Partnership) or any amount borrowed by the Limited Partner on a non-recourse basis.

Losses denied under the basis or "at risk" limitations are suspended and may be carried forward in subsequent taxable years, subject to these and other applicable limitations.

3. **Tax Shelter Reporting Requirements**

The Regulations require the Partnership to complete and file Form 8886 ("Reportable Transaction Disclosure Statement") with its tax return for any taxable year in which the Partnership participates in a "reportable transaction." Additionally, each Partner treated as participating in a reportable transaction of the Partnership is required to file Form 8886 with its tax return. The Partnership and any such Partner, respectively, must also submit a copy of the completed form with the Service's Office of Tax Shelter Analysis. The Partnership intends to notify the Partners whether it believes (based on information available to the Partnership) are required to report a transaction of the Partnership, and intends to provide such Limited Partners with any available information needed to complete and submit Form 8886 with respect to the Partnership's transactions. In certain situations, there may also be a requirement that a list be maintained of persons participating in such reportable transactions, which could be made available to the Service at its request.

A Partner's recognition of a loss upon its disposition of an interest in the Partnership could also constitute a "reportable transaction" for such Partner requiring such Partner to file Form 8886.

Under new legislation, a significant penalty is imposed on taxpayers who participate in a "reportable transaction" and fail to make the required disclosure. The penalty is generally $10,000 for natural persons and $50,000 for other persons (increased to $100,000 and $200,000, respectively, if the reportable transaction is a "listed" transaction). Investors should consult with their own advisors concerning the application of these reporting obligations to their specific situations.

4. **Unrelated Business Taxable Income**

Organizations exempt from U.S. federal income tax under Section 501(a), including ERISA, are subject to the tax on unrelated business income ("UBTI") imposed by Section 511 of the Code. UBTI arises principally as income from a regularly conducted unrelated trade or business or as "debt-financed" income from property as to which there is "acquisition indebtedness" (within the meaning of Section 514 of the Code).

The Partnership may incur acquisition indebtedness within the meaning of Section 514 of the Code because, for example, it may acquire securities on margin. In addition, given the breadth of the Partnership's possible investments, it is possible that the Partnership will recognize UBTI by incurring acquisition indebtedness.

Since the calculation of the Partnership's "unrelated debt-financed income" is complex and will depend in large part on the amount of leverage used by the Partnership from time to time, it is impossible to predict what percentage of the Partnership's income and gains will be treated as UBTI for a Limited Partner which is an exempt organization.

The Partnership will be required to report to any Limited Partner which is an exempt organization information as to the portion of its distributive share of items of income, gain, loss, deduction and credit which will be treated as UBTI.

In general, the possibility of realizing UBTI from its investment in the Partnership generally should not effect the tax-exempt status of a Limited Partner that is an exempt organization. However, a charitable remainder trust will not be exempt from Federal income tax under Section 664(c) of the Code for any year in which it has UBTI. Moreover, the charitable contribution deduction for a trust under Section 642(c) of the Code may be limited for any year in which the trust has UBTI.

5. **State and Local Taxation**

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

OUTLINE OF PARTNERSHIP AGREEMENT

The following outline summarizes the material provisions of the Partnership Agreement which are not discussed elsewhere in this Memorandum. This outline is not definitive, and each prospective Limited Partner should carefully read the Partnership Agreement in its entirety. References herein to "Partners" unless otherwise indicated refer to the General Partner and the Limited Partners.

Limited Liability

A Limited Partner will be liable for debts and obligations of the Partnership only to the extent of its interest in the Partnership in the fiscal year (or portion thereof) to which such debts and obligations are attributable. In order to meet a particular debt or obligation, a Limited Partner or former Limited Partner shall, in the discretion of the General Partner, be required to make additional contributions or payments up to, but in no event in excess of, the aggregate amount of returns of capital and other amounts actually received by it from the Partnership during or after the fiscal year to which such debt or obligation is attributable.

Term

The Partnership will terminate on the earlier of a) December 31, 2027, or (b) a determination by the General Partner that the Partnership should be dissolved, or (c) upon the withdrawal from the Partnership by the General Partner, or (d) the dissolution, bankruptcy or insolvency of the General Partner. In the event that the Partnership is dissolved, one or more persons selected by a majority-in-interest of the Limited Partners shall terminate and wind up the affairs of the Partnership.

Capital Accounts

Each Partner will have a capital account established on the books of the Partnership which will be credited with its capital contributions. A "Partnership Percentage" will be determined for each Partner for each fiscal quarter, by dividing its Capital Account as of the beginning of such fiscal quarter by the aggregate Capital Accounts of all Partners as of the beginning of such fiscal quarter. The Partnership Percentages will be subject to adjustment by the General Partner to reflect interim quarter additions and withdrawals, if any.

Each Partner's Capital Account will be increased to reflect any additional capital contributions made by it and its share of the Partnership's Net Capital Appreciation, and will be decreased to reflect withdrawals of capital, distributions and such Partner's share of Net Capital Depreciation.

Additional Capital Contributions

Additional contributions may be made by Partners as of the first day of any month, subject to the approval of the General Partner.

Management

The management of the Partnership is vested exclusively in the General Partner. The General Partner is permitted to retain investment advisers and other professionals to act on behalf of the Partnership. In that regard, the General Partner has delegated responsibility for the Partnership's investment and trading activities to the Investment Manager. The Limited Partners will have no part in the management of the Partnership and will have no authority or right to act on behalf of the Partnership in connection with any matter. Nothing will preclude the affiliates of the General Partner from exercising investment responsibility for their own accounts, or for the accounts of individual members of their family, friends, or other business relationships. Neither the Partnership nor the Partners shall have any first refusal, co-investment or other rights in respect of the investments for such accounts or in any fees, profits or other income earned or otherwise derived therefrom.

Salaries or Other Payments or Allocations to the General Partner

The Partnership will make no payments to the General Partner and Investment manager other than (i) the allocation of Net Capital Appreciation (if any) to the General Partner in respect of its Partnership Percentage and the Incentive Allocation to the General Partner; and (ii) the Management Fee to the Investment Manager.

Valuation of Partnership Assets

The Partnership's interests will be valued by the General Partner in accordance with the terms of the Partnership Agreement. All matters concerning valuation of assets, as well as allocation among the Partners and accounting procedures not expressly provided by the Partnership Agreement, may be determined by the General Partner, whose determination will be final and conclusive as to all Partners. The General Partner may, from time to time, also establish or abolish reserves for estimated or accrued expenses and for unknown or contingent liabilities.

Withdrawals in General

No Partner will be entitled to (i) receive distributions from the Partnership, except as provided in the Partnership Agreement; or (ii) withdraw any amount from his Capital Account other than upon his withdrawal from the Partnership except as provided in the Partnership Agreement.

Required Withdrawals

The General Partner may, at the end of any calendar month and for any reason, terminate the interest of any Limited Partner in the Partnership, upon at least 10 days' prior written notice. If the General Partner determines that the continued participation of any Limited Partner would cause the Partnership or any Partner to violate any law, or any litigation is commenced or threatened against the Partnership or any of its Partners arising out of such Limited Partner's participation in the Partnership, such Limited Partner's interest may be discontinued at any time upon five days' prior notice.

Withdrawal, Death, etc. of a Limited Partner

Each Limited Partner has the right to withdraw any or all of its Capital Account or from the Partnership at the end of a calendar quarter commencing two years after the making of an initial capital contribution or additional capital contribution, upon 45 days' prior written notice (inclusive of the end of the calendar quarter). Withdrawal requests may not be cancelled once they have been received by the General Partner without the General Partner's consent. In the event of the death, disability, incompetency, termination, bankruptcy, insolvency or dissolution of a Limited Partner, the interest of such Limited Partner will continue at the risk of the Partnership's business until (i) the last day of the calendar month in which such event takes place (herein called the "month of determination") or (ii) the earlier termination of the Partnership. Proceeds of withdrawals will be made in cash or, in the discretion of the General Partner, in securities from the portfolio of the Partnership.

In the event that the aggregate withdrawal requests received in any given fiscal quarter exceed 25% of the Partnership's net assets (the "Gate"), the General Partner may, in its discretion, (i)

satisfy all withdrawal requests, or (ii) reduce such withdrawal requests pro rata in accordance with the withdrawing Limited Partners' Capital Accounts, so that an amount equal to the Gate (or more in the sole discretion of the General Partner) is withdrawn.

Any withdrawal request that remains unsatisfied in a given fiscal quarter as a result of the Gate will be satisfied as of the last day of the next fiscal quarter as long as it is not limited by the Gate (and if not fully satisfied as of the next fiscal quarter because of the Gate, then it will be fully satisfied as of the next fiscal quarter and, if necessary, successive fiscal quarters, each time subject to the Gate), and any unsatisfied portion of any such withdrawal will continue to be at risk in the Partnership business. Notwithstanding the foregoing, any withdrawal request that remains unsatisfied for three successive fiscal quarters as a result of the Gate will be satisfied on the last day of the next fiscal quarter regardless of whether satisfying such request results in a withdrawal of more than 25% of the net assets of the Partnership.

Withdrawal of a General Partner

The General Partner may withdraw any or all of its Capital Account, or withdraw from the Partnership, at the end of any calendar month upon 30 days' prior written notice from the end of such calendar month.

Limitations on Withdrawals

The right of any Partner to receive amounts withdrawn is subject to the provision by the General Partner for all Partnership liabilities in accordance with generally accepted accounting principles and for reserves for contingencies.

Transfers of Interests of Partners

No mortgage, hypothecation, transfer, sale, assignment or other disposition, whether voluntary or otherwise, of all or a part of the Partners Interest in the Partnership may be effected except with the consent of the General Partner.

Admission of New Partners

Partners may, with the consent of the General Partner, be admitted as of the beginning of each calendar month. Each new Partner will be required to execute an agreement pursuant to which it becomes bound by the terms of the Partnership Agreement.

Amendments to Partnership Agreement

The Partnership Agreement may be modified or amended at any time with the written consent of the Partners having in excess of 50% of the Partnership Percentages (as defined in the Partnership Agreement) of the Partners and the written consent of the General Partner insofar as it is consistent with the laws governing the Partnership Agreement, provided, however, that without the specific consent of each Partner affected thereby, no such modification or amendment shall (i) reduce its Capital Account or rights of contribution or withdrawal; or (ii) amend provisions of the Partnership Agreement relating to amendments; or (iii) amend Sec. 3.05 of the Partnership Agreement. However, without the consent of the Partners, the General Partner may (i) amend the Partnership Agreement or Schedule thereto to reflect changes validly made in the membership of the Partnership and the capital contributions and Partnership Percentages of the Partners; (ii) reflect a change in the name of the Partnership or the effective date of the Partnership; (iii) make a change that is necessary or, in the opinion of the General Partner, advisable to qualify the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state, or ensure that the Partnership will not be treated as an association taxable as a corporation for Federal income tax purposes; (iv) make a change that does not adversely affect the Partners in any material respect or that is necessary or desirable to cure any ambiguity, or to correct or supplement any provision in the Partnership Agreement that would be inconsistent with any other provision in the Partnership Agreement, in each case so long as such change does not adversely affect the Limited Partners, (v) make a change that is necessary or desirable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any Federal or state

statute, so long as such change is made in a manner which minimizes any adverse effect on the Partners, or that is required or contemplated by this Agreement; (vi) make a change in any provision of the Partnership Agreement that requires any action to be taken by or on behalf of the General Partner or the Partnership pursuant to the requirements of applicable Delaware law if the provisions of applicable Delaware law are amended, modified or revoked so that the taking of such action is no longer required; or (vii) make any other amendments similar to the foregoing.

Reports to Partners

The Partnership's independent certified accountants (selected by the General Partner) will audit the Partnership's books and records as of the end of each fiscal year commencing in 2008. The audit for 2008 will include that portion of the 2007 fiscal year in which the Partnerhisp had operations. Within 120 days after the end of each fiscal year the Partnership will mail to the Limited Partners the Annual Report prepared by its independent certified public accountants setting forth a balance sheet of the Partnership, a profit and loss statement showing the results of operations of the Partnership and its Net Capital Appreciation or Net Capital Depreciation, a statement of such Partner's Capital Account and the manner of its calculation and the Partnership Percentage as of the end of the prior fiscal year. At the end of each fiscal year, each Partner will be furnished the required tax information for preparation of their respective tax returns. Within 30 days following the end of each calendar quarter in each fiscal year, each Partner will be mailed unaudited financial information setting forth, inter alia, a statement of its Net Capital Appreciation or Net Capital Depreciation.

Exculpation

The Partnership Agreement provides that neither the General Partner, the Investment Manager nor any Affiliates of the General Partner (defined below) will be liable to any Partner or the Partnership for honest mistakes of judgment or for action or inaction which the General Partner, the Investment Manager or any Affiliates of the General Partner reasonably believed to be in the best interests of the Partnership, or for losses due to such mistakes, action or inaction or to the negligence, dishonesty or bad faith of any employee, broker or other agent of the Partnership, provided that such employee, broker or agent was selected, engaged or retained by the Partnership with reasonable care. The General Partner, the Investment Manager and any Affiliates of the General Partner may consult with counsel and accountants in respect of Partnership affairs and shall be fully protected and justified in any action or inaction which is taken in accordance with the advice or opinion of such counsel or accountants, provided that they were selected with reasonable care. The foregoing provisions (as well as the indemnification provisions described below), however, shall not be construed to relieve the General Partner, the Investment Manager or any Affiliates of the General Partner of any liability to the extent that such liability may not be waived, modified or limited under applicable law.

Indemnification of General Partner

The Partnership Agreement provides that the Partnership is to indemnify and hold harmless each General Partner, the Investment Manager, each former General Partner, and any officer, director, employee or agent of the General Partner or the Investment Manager and/or the legal representatives of any of them (the "Affiliates of the General Partner"), from and against any loss or expense suffered or sustained by him in connection with the business of the Partnership including without limitation any judgment, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action or proceeding, provided, such loss or expense resulted from a mistake of judgment or from action or inaction reasonably believed to be in the best interest of the Partnership. The Partnership Agreement also provides that the Partnership will, in the sole discretion of the General Partner, advance to any General Partner, the Investment Manager and to any Affiliates of the General Partner reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding which arises out of such conduct. In the event that such an advance is made by the Partnership, the General Partner will agree to reimburse the Partnership to the extent that it is determined that it or he was not entitled to indemnification.

ERISA MATTERS

The following is a summary of certain aspects of the U.S. federal laws and regulations applicable to retirement plan investments as in existence on the date hereof, all of which are subject to change. This summary is general in nature and does not address every issue that may be applicable to the Partnership or a particular investor.

The Partnership may accept subscriptions from pension and profit-sharing plans maintained by U.S. corporations and/or unions, individual retirement accounts and Keogh plans, entities that invest the assets of such accounts or plans and other entities investing plan assets (all such entities are herein referred to as "Benefit Plan Investors"). The General Partner does not anticipate that the Partnership's assets will be subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the prohibited transaction provisions of Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), because the General Partner intends to limit the investments in the Partnership by Benefit Plan Investors. Under ERISA and the regulations thereunder, the Partnership's assets will not be deemed to be plan assets subject to Title I of ERISA or Section 4975 of the Code if less than 25% of the value of each class of equity interest of the Partnership is held by Benefit Plan Investors, excluding from this calculation any non-Benefit Plan Investor interests held by the General Partner and certain affiliated persons or entities. The Partnership will not knowingly accept subscriptions for limited partnership interests or permit transfers of limited partnership interests to the extent that such investment or transfer would subject the Partnership's assets to Title I of ERISA or Section 4975 of the Code. In addition, because the 25% limit is determined after every subscription to or withdrawal from the Partnership, the General Partner has the authority to require the withdrawal of all or some of the limited partnership interests held by any Benefit Plan Investor if the continued holding of such interests, in the opinion of the General Partner, could result in the Partnership being subject to Title I of ERISA or Section 4975 of the Code.

Certain duties, obligations and responsibilities are imposed on persons who serve as fiduciaries with respect to employee benefit plans or accounts ("Plans"); for example, ERISA and the Code prohibit acts of fiduciary self-dealing and certain transactions between Plans and "parties-in-interest" or "disqualified persons" (as such terms are defined in ERISA and the Code). In the Partnership's Subscription Agreement, each Plan investor will be required to represent that its fiduciary has independently made the decision to invest in the Partnership and has not relied on any advice from the Partnership, the General Partner, any placement agent associated with the Partnership, or any of their affiliates with respect to the investment in the Partnership. Accordingly, fiduciaries of Plans should consult their own investment advisors and their own legal counsel regarding the investment in the Partnership and its consequences under applicable law, including ERISA and the Code.

ANTI-MONEY LAUNDERING REGULATIONS

As part of the Partnership's responsibility for the prevention of money laundering, the Partnership or the Administrator on the Partnership's behalf may require detailed verification of a subscriber's identity and source of payment.

The Partnership or an administrator on the Partnership's behalf reserve the right to request such information as they deem necessary to verify the identity of a subscriber. In the event of delay or failure by a subscriber to produce any information required for verification purposes, the Partnership or the Administrator on the Partnership's behalf may refuse to accept the subscription and the subscription monies relating thereto, or require mandatory redemption of the subscriber's shares. The subscriber shall have no claim whatsoever against the Partnership for any form of losses or other damages incurred as a result of such mandatory redemption.

The Partnership also reserves the right to refuse to make any redemption payment to a subscriber if the Partnership suspects or are advised that the payment of redemption proceeds to such subscriber might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any

relevant jurisdiction or if such refusal is considered necessary or appropriate to ensure the compliance by the Partnership with any such laws or regulations in any relevant jurisdiction.

PRIVACY POLICY

The General Partner does not disclose nonpublic personal information about current or former investors in the Partnership or other funds managed by it or its affiliates to third parties other than as described below.

The General Partner collects information about investors (such as name, address, social security number, assets and income) from its discussions with the investor, from documents that the investor may deliver to it and in the course of providing services for the Partnership. The General Partner may use this information to provide services to the Partnership, to cause the issuance of Interests of the Partnership to the investor or otherwise in furtherance of its business. In order to effect transactions on behalf of the investor and the Partnership, the General Partner may provide such personal information to its affiliates and to providers that assist it in servicing the Partnership and have a need for such information, such as a broker, administrator or other service providers. The General Partner requires third party service providers to protect the confidentiality of such information and to use the information only for the purposes for which such information is disclosed to them. The General Partner does not otherwise provide information about investors to outside firms, organizations or individuals except to their attorneys, accountants and auditors or as required by law.

The General Partner restricts access to nonpublic personal information about investors to its employees who need to know that information to provide products or services. The General Partner maintains physical, electronic and procedural safeguards to guard personal information.

LIMITATIONS ON TRANSFERABILITY; SUITABILITY REQUIREMENTS

Each purchaser of an Interest must be an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended. Each purchaser of an Interest must bear the economic risk of its investment for an indefinite period of time (subject to its right to withdraw capital from the Partnership) because the Interests have not been registered under the Securities Act of 1933, as amended, and, therefore, cannot be sold unless they are subsequently registered under that Act or an exemption from such registration is available. It is not contemplated that any such registration will ever be effected or that certain exemptions provided by rules promulgated under that Act (such as Rule 144) will be available. The Partnership Agreement provides that a Partner may not assign or pledge its Interest (except by operation of law), nor substitute another person as a Partner, without prior consent of the General Partner, which may be withheld for any reason. Limited Partners may withdraw from the Partnership without the consent of the General Partner upon 45 days prior written notice, at the end of any quarter. The General Partner will fund 95% of such withdrawal within 30 days after such withdrawal, with the remainder to be paid within 30 days after the completion of the Partnership's annual audit for the fiscal year of such withdrawal. The foregoing restrictions on transferability must be regarded as substantial and will be clearly reflected in the Partnership's record.

Each purchaser of an Interest will be required to represent that the Interest is being acquired for its own account, for investment, and not with a view to resale or distribution. The Interests are suitable investments only for sophisticated investors and financial institutions for which an investment in the Partnership does not constitute a complete investment program and who fully understand, are willing to assume, and who have the financial resources necessary to withstand, the risks involved in the Partnership's specialized investment program and to bear the potential loss of their entire investment in the Interest (See "CERTAIN RISK FACTORS" and "TAX ASPECTS".)

Each prospective purchaser is urged to consult with its own advisers to determine the suitability of an investment in the Partnership and the relationship of such an investment to the purchaser's overall

investment program and financial and tax position. Each purchaser of an Interest will be required to further represent that after all necessary advice and analysis, its investment in an Interest is suitable and appropriate, in light of the foregoing considerations.

COUNSEL

DLA Piper US LLP, 1251 Avenue of the Americas, New York, New York 10020, has acted as counsel to the Partnership in connection with this offering of the Interests. DLA Piper US LLP will not be representing investors in the Partnership. No independent counsel has been retained to represent investors in the Partnership.

DLA Piper US LLP has not undertaken to (and it will not) monitor the General Partner's compliance with (i) the investment program, valuation procedures and other guidelines set forth in this Memorandum or the Limited Partnership Agreement, or (ii) applicable laws. In preparing this Memorandum, DLA Piper US LLP relied upon information furnished to it by the the General Partner, and did not investigate or verify the accuracy and completeness of information set forth therein concerning the Partnership, the General Partner or the General Partner's affiliates and personnel.

ADDITIONAL INFORMATION

The Partnership will make available to any proposed Limited Partner any additional information which the Partnership possesses, or which it can acquire without unreasonable effort or expense, necessary to verify or supplement the information set forth herein.

SUBSCRIPTION FOR INTERESTS

Persons interested in becoming Limited Partners will be furnished signature pages of the Partnership Agreement, a Subscription and Investment Representation Agreement, and a Confidential Investor Suitability Questionnaire to be completed by them and returned to the General Partner.

EXHIBIT 1

FORM OF LIMITED PARTNERSHIP AGREEMENT

EXHIBIT 2

SUBSCRIPTION DOCUMENTS