

Name of Investor: \_\_\_\_\_

Copy No.: \_\_\_\_\_

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## **SYMFONIE ANGEL VENTURES, LP**

*a Delaware Limited Partnership*

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### **PRIVATE PLACEMENT INFORMATION MEMORANDUM**

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10 January 2014

*General Partner*  
Symfonie P2P Investments, LLC  
National Corporate Research  
615 South DuPont Hwy  
Dover, DE 19901  
United States of America

This Private Placement Information Memorandum (hereafter “Memorandum”) relates to the Symfonie Angel Ventures (the “Partnership”). Prospective Partners are urged to carefully review this Information Memorandum and the related materials and to consult their own advisors as appropriate prior to subscribing for Partnership Interests.

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**THIS INFORMATION MEMORANDUM CONFIDENTIAL. IT IS NOT INTENDED FOR PUBLIC DISTRIBUTION AND IS NOT AN OFFER TO SELL OR SOLICIT AN OFFER TO BUY THE PARTNERSHIP INTERESTS DESCRIBED HEREIN.**

**PRIVATE PLACEMENT INFORMATION MEMORANDUM**

**SYMFONIE ANGEL VENTURES, LP**

Symfonie Angel Ventures, LP (the "Partnership") is a Delaware limited partnership organized on 15 July, 2013 to operate as a private investment partnership. This Private Placement Memorandum relates to limited partner interests (the "Interests") in the Partnership.

THIS CONFIDENTIAL MEMORANDUM HAS BEEN PREPARED SOLELY FOR INFORMATIONAL PURPOSES AND DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY INTERESTS IN THE PARTNERSHIP.

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.

THIS CONFIDENTIAL MEMORANDUM IS ACCURATE AS OF ITS DATE, AND NO REPRESENTATION OR WARRANTY IS MADE AS TO ITS CONTINUED ACCURACY AFTER SUCH DATE.

THE PARTNERSHIP'S INVESTMENT PRACTICES, BY THEIR NATURE, MAY BE CONSIDERED TO INVOLVE A SUBSTANTIAL DEGREE OF RISK.

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 SPECIALISED INVESTMENT PROGRAM.

THIS CONFIDENTIAL MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE INFORMATION OF THE PERSON TO WHICH IT HAS BEEN DELIVERED BY OR ON BEHALF OF THE PARTNERSHIP, AND SHOULD NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE. NOTWITHSTANDING THE FOREGOING, PERSONS (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF SUCH PERSONS) TO WHOM THIS CONFIDENTIAL MEMORANDUM IS PROVIDED MAY DISCLOSE TO ANY AND ALL OF THEIR PROFESSIONAL ADVISORS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF (A) THE PARTNERSHIP AND (B) ANY TRANSACTIONS DESCRIBED HEREIN, AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER ANALYSES).

INVESTORS CONSIDERING AN INVESTMENT IN THIS PARTNERSHIP SHOULD CAREFULLY READ THIS CONFIDENTIAL MEMORANDUM PRIOR TO INVESTING. HOWEVER, THE CONTENTS OF THIS CONFIDENTIAL MEMORANDUM SHOULD NOT BE CONSIDERED TO BE LEGAL OR TAX ADVICE, AND EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL AND ADVISERS AS TO ALL MATTERS CONCERNING AN INVESTMENT IN THE INTERESTS.

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

EACH INVESTOR ADMITTED INTO THE PARTNERSHIP IS REQUIRED TO REPRESENT THAT IS A QUALIFIED INVESTOR WITHIN THE MEANING OF THE CRITERIA SET FORH IN THIS MEMORANDUM, AND THAT IT IS INVESTING FOR ON ITS OWN BEHALF AS PRINCIPAL WITH NO INTENTION OF SELLING OR TRANSFERING ITS INTEREST IN THE INVESTMENT TO ANY OTHER PERSON.

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

THE INTERESTS HAVE NOT BEEN REGISTERED OR APPROVED BY THE UNITED STATED SECURITIES AND EXCHANGE COMMISSION (SEC) OR ANY OTHER REGULATORY BODY IN ANY OTHER JURISIDICATION. THERE IS NO INTENTION OF SEEKING REGISTRATION OR APPROVAL OF THESE PARTNERSHIP INTERESTS. NO REGULATORY AUTHORITY AFFIRMED THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS CONFIDENTIAL INFORMATION MEMORANDUM.

THE INTERESTS 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.

US INVESTORS ARE URGED TO CONSULT THE SUPPLEMENT TO THIS OFFERING MEMORANDUM THAT CONTAINS ADDITIONAL DISCLOSURES SPECIFICALLY RELATING TO US LEGAL AND TAXATION INFORMATION.

\* \* \* \*

**SYMFONIE ANGEL VENTURES, LP**

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**INVESTMENT ADVISOR**

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## **THE PARTNERSHIP**

Symfonie Angel Ventures, LP (the "Partnership") is a Delaware limited partnership organized on 15 July 2013 (Delaware File 5367391). The Partnership began operations on 15 July, 2013.

The Partnership can establish various classes of Partnership Interests. A class of partnership interests is similar to a sub-fund. The types of investments made for each Class and the terms of each Class may vary. Investors in the Partnership can select one or more Classes of Partnership Interests to invest in. Prior to investing Investors should carefully review the terms and conditions of the Class of Partnership Interests in which they wish to Invest.

Each Class of Partnership Interests shall bear the expenses that are directly attributable to that class. In addition, each class of Partnership Interests shall bear a *pro-rata* share of the Partnership's overall general expenses.

## **USE OF PROCEEDS**

The proceeds from the sale of Interests in the Partnership will be available for the investment program of the Partnership, after the payment of the Partnership's expenses, including organizational and offering expenses.

## **INVESTMENT PROGRAM**

### ***The Partnership's Objective is Capital Appreciation***

The investment objective of the Partnership is to generate income and capital appreciation by making equity investments in startup and early stage companies. In addition to making equity investments the Partnership may make loans.

### ***Startup Companies***

A startup company is one that is at nearly the earliest stage of its life cycle. A startup company is generally recently established. A startup company may still be at a stage where it is still developing its business plan or is preparing to commence sales and distribution activities.

Startup companies often seek to exploit opportunities generated when changes in technology or regulations enable new products to be developed and sold. A critical task in setting up a business is to conduct research in order to validate, assess and develop its ideas or business concepts.

A company may cease to be a startup as it passes various milestones, such as operating and generating revenues for a period of time, becoming publicly traded in an IPO, or ceasing to exist as an independent entity due to merger or acquisition.

### ***Investments in Early Stage Companies***

Early stage companies are companies that have already begun their operations but require investment to further develop their products and services and broaden their scale and scope of activities. The advantage of investing in an early stage company is that company may have already incurred costs and risks of starting up and may have already achieved some initial success in development, testing and marketing its products and services.



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Early stage companies may have eliminated some of the risks associated with startup and may therefore offer higher chances of success as investment opportunities. The Investment Advisor believes by investing capital and know-how into early stage companies the Investment Advisor can help the companies achieve scalability and sustainability of their products and services, thus quickly growing earnings and enterprise value.

### *Loans to Companies*

The Partnership may also make loans. In contrast to equity investments debt investments usually pay interest and have specified maturity dates when the borrower is expected to return the loan.

### *Liquidity Investments*

The Partnership may invest its liquid assets in debt securities issued by corporations, governments, government agencies or instrumentalities or supranational authorities.

## **PRAGUE 2013 CLASS OF PARTNERSHIP INTERESTS**

The Prague 2013 Class of Partnership Interests will be invested in companies that either are based in Central Europe or derive a substantial portion of their earnings from Central Europe. The Partnership's income is expected to consist almost entirely of capital gains arising from the eventual sale of its equity investments.

### **Investment Strategy**

The following describes the strategy and investment principles the Investment Advisor will follow in order when investing for the Prague 2013 Class.

#### ***Diversification***

The Investment Advisor believes in the benefits of diversification and will seek to invest in 8 to 15 companies, taking care to judge not only the individual merits of each investment, but also the extent to which similar factors and conditions impact the various investments in the portfolio. Diversification can be achieved by selecting companies operating in a variety of industries and markets. Diversification can also be achieved by investing in companies at various stages of their life cycle. Finally, diversification can be achieved by varying the potential holding period associated with each investment so that investments mature at different times over a period of years.

#### ***Research-based Investment Process***

The investment strategy is implemented via a process that incorporates analysis of major trends and fundamental research on the individual companies in which the Partnership will invest. The process is augmented with the application of risk/reward modelling covering expected returns and target holding periods and the impact of each investment on overall portfolio risk and diversification.

The Investment Advisor will employ both a top-down (macro-oriented) and a bottom-up (fundamental and technical) approach to investment selection.

#### **Macro Driven Strategies**

Macro Driven strategies are investments that are based on the Investment Committee's views of the major trends driving the global economy. These ideas are generated through a top-down assessment of global and regional economic conditions and the overall trends influencing demand for various products and services.

#### **Directional**

Directional, opportunistic investments are implemented where the Investment Manager believes a particular investment is highly attractive based on company specific fundamentals or anticipated events and is therefore likely to succeed irrespective of macro economic events.

The Investment Manager employs an investment process that is highly research intensive. The Investment Manager's research comes from a number of sources, including, but not limited to:

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- Market research on global, regional and country fundamentals;
- Specific company research, including evaluation of each company's business plan;
- Evaluation of each company's management team, its experience, prior track record and its preparedness to execute its plans;
- Macro-economic research;
- Discussions with senior industrial, economic and political figures;
- Evaluation of past market activity; and
- Evaluation of current market trends.

### ***Active Investing***

The Partnership may be a minority investor in the businesses in which it invests. However the Investment Advisor will seek to exercise influence in the governance of the companies in which the Partnership invests. The Investment Advisor will seek to co-operate with managers and shareholders by helping them make strategic decisions, by providing analysis and consulting in finance, marketing, product design, business planning and execution and by assisting them to bring well qualified professionals into their organisations.

## **MANAGEMENT OF THE PARTNERSHIP**

Symfonie P2P Investments, LLC (the "General Partner"), a limited liability company formed under the laws of the State of Delaware, serves as the General Partner of the Partnership. The General Partner is responsible to supervise the conduct of its Partnership's business affairs.

## **THE INVESTMENT ADVISOR**

Symfonie Capital, LLC (the "Investment Advisor"), a company formed under the laws of the State of Delaware, has been appointed to provide investment advisory services to the Partnership. The Investment Advisor has registered as an "investment adviser" under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act").

Mr. Michael Sonenshine, CEO and Head of Research at Symfonie Capital, is responsible for conducting the day-to-day affairs of the Partnership and implementing the Partnership objective and strategy.

Mr. Sonenshine has more than 20 years of professional experience in investment management, and is a specialist in the credit and fixed income markets. Prior to founding Symfonie Capital Mr. Sonenshine was an investment principal for MT Thaler Investment Management, where he where he was responsible for investments in credit and fixed income. In co-operation with Ceska Sporitelna, the Czech investment management subsidiary of the Erste Bank Group, Mr. Sonenshine developed the ISCS High Yield Fund, which has a successful track record. He also was CEO and Head of Research at MT Thaler Investment Management, LLP. Mr. Sonenshine was also for selecting credit investments for the MT Thaler New Europe Fund, which also had a history of successful investing in credit instruments. Prior to founding MT Thaler Mr. Sonenshine was a senior investment analyst at Credit Suisse First Boston from 2000 to 2003, where he was Vice-President of European High Yield Research. Prior to joining CSFB he spent six years in the ING Group. From 1994 to 1996 he was a senior analyst covering Russian and Central European equities. From 1996 to 1998 he was General Investment Advisor of ING Investment Management, Czech Republic. From 1998 to 2000 he was a senior analyst specializing in European High Yield bonds. Mr. Sonenshine's career in Emerging Europe began in 1992, when he served as an Investment Advisor to Evrobanka under the auspices of the MBA Enterprise Corps. Upon completing his assignment at Evrobanka, Mr. Sonenshine followed Central and East European equity markets for Chicago-based Driehaus Capital Management. Mr. Sonenshine earned his CFA designation in 1999. He holds an MBA from the William E. Simon Graduate School of Business Administration at the University of Rochester and a B.A. in History from Tufts University.

The Investment Advisor has engaged the services of CQK Holdings a.s. a company formed under Czech law and the services of Mr. Pavel Kohout (collectively, the "Sub-Advisors" to provide consulting and advisory serves with respect to the selection of investments the Partnership will make. Mr. Michal Pajr and Ms. Jitka Rombova, of CQK serve on the Investment Committee.

Mr. Pajr has more than ten years experience managing internet technology companies. He is a partner in CQK Holding, a.s which invests in and advise startup and early stage technology

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companies. Mr. Pajr is also a partner in GEM System, a.s. software development company specialising in data storage and system integrations. Mr. Pajr began his career as the Chief Information Officer, IZIP where he was responsible for designing database systems. Mr. Pajr holds Masters Degree in Computer Science from the Czech High School of Technology (CVUT).

Ms. Rombova has more than 20 years professional experience in managerial finance and business development. She is a Partner in CQK Invest which providing financial and business support to innovative startup companies. Her professional experience also includes 10 years in senior management positions in HBO Europe, where she was ultimately promoted to Chief Financial Officer. Ms. Rombova holds Masters Degree in Business Administration from , University of Pittsburgh, and a Diploma from the University of Chemical Technology, Prague

Mr. Kohout has more than twenty years experience in economic analysis and investment management. He is Director of Strategy at Partners Financial Services, a.s., a leading Czech financial advisory firm. Prior to joining Partners Financial Services Mr. Kohout was an economic analyst at PPF, a leading Czech finance and investment company. At PPF Mr. Kohout was responsible for evaluating new business projects and new business ventures. Prior to joining PPF Mr. Kohout was an investment manager at ING Investment Management, Czech Republic, where he was responsible for equity selection and investment analysis. Mr. Kohout is the author of several books on economics and frequent columnist for leading Czech business newspapers and magazine. He is a Member of Czech National Economics Advisory Board, and serves on a Panel of Advisors to Czech Ministry of Finance.

The General Partner and the Investment Manager will remunerate Mr. Kohout and CQK Holdings based on the management and incentive fees earned in respect of the Partnership.

### **MANAGEMENT FEES**

The Partnership will pay to the Investment Advisor a monthly management fee, payable in arrears (the "Management Fee"), equal to approximately  $\frac{1}{12}$  of 2% (one twelfth or two percent) of each Limited Partner's capital account as of the last Business Day of each month. The capital account of the General Partner will not be debited for Management Fee. The Investment Advisor is responsible for its own expenses. The General Partner may, in its sole and absolute discretion, elect to reduce, waive or calculate differently the Management Fee with respect to any Class of Partnership Interests and with respect to any Limited Partner, including, without limitation, Limited Partners that are affiliates or employees of the General Partner or the Investment Advisor, members of the immediate families of such persons, and trusts or other entities for their benefit.

The General Partner and the Investment Manager will remunerate Mr. Kohout and CQK Holdings based on the management and incentive fees earned in respect of the Partnership.

**ALLOCATION OF GAINS AND LOSSES**

At the end of each accounting period<sup>1</sup> of the Partnership, any net income, net capital appreciation<sup>2</sup> or net capital depreciation<sup>3</sup> will be allocated to all Partners (including the General Partner) in proportion to each such Partner's opening capital account balance for such period.

**INCENTIVE FEE AND ALLOCATION**

An Incentive Fee payable to the General Partner will be accounted for and accrued at the end of each accounting period.

The Incentive Fee is equal to 15% (fifteen percent) of net profit over and above a specified rate of return defined as the "Hurdle Rate." The Hurdle Rate is equal to an annualised rate of return of 8% (eight percent) of each Partner's capital contributions to the Partnership.

Generally, at the end of each fiscal year the Incentive Fee will be accounted for through a reallocation from each Partner's capital account to the account of the General Partner.

The General Partner is not entitled to withdraw its Incentive Allocation from the Partnership unless it has distributed to the Partners capital at least equal to the amount of the amount the Partners investment, plus the profits on which Incentive Allocation to be withdrawn is based.

The General Partner may, in its sole and absolute discretion, elect to reduce, waive or calculate differently the Incentive Fee with respect to any Class of Partnership Interests and with respect to any Limited Partner, including, without limitation, Limited Partners that are affiliates or employees of the General Partner, the Investment Advisor, the Information Agents, members of the immediate families of such persons and trusts or other entities for their benefit.

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<sup>1</sup> An "accounting period" refers to the following periods: the initial accounting period will begin upon the initial opening of the Partnership. Each subsequent accounting period will begin immediately after the close of the preceding accounting period. Each accounting period will close at the close of business on the first to occur of (i) the last Business Day of each calendar quarter (and the next Accounting Period shall begin only after giving effect to withdrawals and to contributions made on the immediately following Business Day), (ii) the date immediately prior to the effective date of the admission of a new Partner, (iii) the date immediately prior to the effective date of an increase in a Partner's capital account as a result of an additional capital contribution, (iv) a Withdrawal Date, (v) the date when the Partnership dissolves or (vi) any date the General Partner determines, in its sole and absolute discretion.

A "Business Day" shall be any day on which banks are open for normal banking business in London, and New York.

<sup>2</sup> "Net capital appreciation" means the increase in the value of the Partnership's net assets, including unrealized gains, from the beginning of each accounting period to the end of such accounting period (before payment of the Management Fee and giving effect to withdrawals), and, with respect to any fiscal year of the Partnership or other period used to determine the Incentive Allocation, the aggregate net capital appreciation for the period less aggregate net capital depreciation for such period.

<sup>3</sup> "Net capital depreciation" means the decrease in the value of the Partnership's net assets, including unrealized losses, from the beginning of each accounting period to the end of such accounting period (before payment of the Management Fee and giving effect to withdrawals).

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In the event that a Limited Partner withdraws all or a portion of its capital account other than at the end of a fiscal period, net capital appreciation or net capital depreciation, as the case may be, allocable to such Limited Partner will be determined through the date of withdrawal and the Incentive Allocation with respect to such Limited Partner's capital account, if any, will be reallocated to the General Partner as set forth above. The General Partner will be entitled to withdraw its Incentive Fee with respect to the capital of any Partner that withdraws from the Partnership.

### **INVESTMENT ADVISORY AGREEMENT**

The Investment Advisory Agreement provides that neither the Investment Advisor nor its directors, shareholders, officers, employees and affiliates, nor any Sub-Advisor appointed by the Investment Advisor (each an "Indemnified Party") shall be liable to the Partnership, nor to the Investors in the Partnership for any loss suffered by them in connection with the performance by the Investment Advisor of its obligations except those resulting from the willful default, fraud or gross negligence of the Investment Advisor. The Partnership has agreed to indemnify each Indemnified Party from and against any and all losses, liabilities, damages, expenses or costs suffered, incurred or sustained by such Indemnified Party, except those resulting from such Indemnified Party's willful default, fraud or gross negligence.

**CERTAIN RISK FACTORS**

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Partnership. Prospective investors should read this entire Confidential Memorandum and consult with their own legal, tax and financial advisers before deciding to invest in the Partnership.

**An investment in the partnership involves a high degree of risk, including the risk that the entire amount invested may be lost**

Investment in the Partnership is considered suitable only for sophisticated investors with the knowledge, willingness, experience necessary to undertake such an investment and accordingly to bear the risks associated. Investment in the Partnership should not be considered a complete investment program and investors are strongly advised to consider an investment in the Partnership in the context of their overall portfolio objectives, liquidity requirements and risk tolerance.

**There are no assurances or guarantees of any return on investment**

No guarantee or representation is made that the investment program will be successful or that the Partnership's returns will exhibit low correlation with an investor's traditional securities portfolio.

There can be no assurance the Investment Advisor will be able to accomplish the goal of diversifying the portfolio. There is no specified minimum or maximum amount of portfolio assets that can be invested in any one particular company.

The Partnership will invest in financial instruments using a variety of strategies and investment techniques with significant risk characteristics, including the risks arising from the volatility of the equity, fixed-income and currency markets.

**Poor or fraudulent corporate governance may have adverse impact on the Partnership's investments.**

The Partnership may be a minority investor in companies in which it invests. While the Partnership may have significant influence and control over the management and governance of the entities in which it invests, there can be no assurance the Partnership will be able to exercise its control.



**Changes in the regulatory environment may adversely impact the Partnership's investments**

There can be no assurance that legal regulations in the various domiciles in which the Partnership invests will not change so as to impair the ability of the Partnership to exercise its legal rights. Regulatory changes could substantially impair the value of the companies in which the Partnership invests.

**Lack of available of investment opportunities may prevent the Partnership from achieving its investment objectives**

The success of the Partnership's investment activities will depend on the Investment Advisor's ability to identify investment opportunities as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued involves a high degree of uncertainty. No assurance can be given that the Investment Advisor will be able to locate suitable investment opportunities in which to deploy all of the Partnership's assets. If the Investment Advisor cannot identify a sufficient number of investment opportunities the Investment Advisor may not be able to diversify the investment portfolio as planned according to the Partnership's stated investment objectives.

**Limited liquidity**

An investment in the Partnership is suitable only for sophisticated investors who have no need for immediate liquidity. The Partnership is likely to hold most of its investments for at least three to five years. An investment in the Partnership is not freely transferable. Capital may only be withdrawn upon the occurrence of a Liquidity Event. For further information investors are referred to "Outline of Partnership Agreement – Withdrawals of Capital")

**Required Holding Period for Investments**

Due to the nature of investments the Partnership make the Partnership may be required to maintain its investments for a substantial period of time before realising their anticipated value. During this period, a portion of the Partnership's capital would be committed to the investments purchased, thus possibly preventing the Partnership from investing in other opportunities. In addition, the Partnership may not be able to sell, liquidate or otherwise dispose of the investments and therefore not be able to meet requests by Partners for withdrawals of capital.

There can be no assurance that a liquid market for these investments will exist at any time and there can be no assurance that the Partnership will be able to exit its investments and realize the value thereof. At certain times during periods of general market volatility and illiquidity the realisable value of the Partnership's investments could be negatively impacted should the Partnership sell assets.

### **Investments in Fixed Income Securities**

The Partnership may invest a portion of its portfolio in bonds or other fixed income securities, including, without limitation, commercial paper and "higher yielding" (including non-investment grade) (and, therefore, higher risk) debt securities. The Partnership will therefore be subject to credit, liquidity and interest rate risks. Higher-yielding debt securities are generally unsecured and may be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured on substantially all of the issuer's assets. The lower rating of debt obligations in the higher-yielding sector reflects a greater probability that adverse changes in the financial condition of the issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal and interest. Non-investment grade debt securities may not be protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

### **Concentration of Investments**

Although it is the policy of the Partnership to diversify the investment portfolio, there may be times when the Partnership holds relatively few investments. There is no quantified restriction on the amount of the portfolio that may be invested in any single security or any single class of securities. There is no restriction on the amount of the portfolio that may be invested or held on deposit at any single bank or broker. If the Partnership holds relatively large positions in a particular security or group of securities the Partnership may suffer large losses or report relatively large declines in the value of its investments if the value of any particular security or any particular group of securities is adversely impacted for any reason.

### **Vulnerability of Private Equity Markets to Economic Downturn**

It is likely that a major economic recession could disrupt severely the market for private equity securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities. During periods of high market volatility and economic downturn the Partnership might not be able to liquidate its investments.

### **Highly Volatile Markets**

The prices of financial instruments in which the Partnership may invest can be highly volatile. If the Partnership holds any derivative instruments, volatile markets may adversely impact that value of those derivatives and the Partnership's ability to realize the value of those instruments. Price movements of forward and other derivative contracts in which the Partnership's assets may be invested are influenced by, among other things, interest rates, changing supply and demand

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relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Partnership is subject to the risk of failure of any of the exchanges on which its positions trade or of its clearinghouses.

### **General Risk of New Markets and New Types of Securities**

Investment in new types of market securities, such as private equities, involves a greater degree of risk than investment in securities that have already become common practice in financial markets. Among other things, investments in new types of market securities may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, and a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property than investments in securities of issuers based in developed countries. In addition, the Partnership's investment opportunities in certain markets may be restricted by legal limits.

Markets in new types of securities are generally are not as efficient as those in cases where the securities have become common practice in financial markets. In some cases, a market for the security may not exist locally. Volume and liquidity levels are typically lower with respect to new types of securities than with respect to widely used securities. When seeking to sell new type of market securities, little or no market may exist for the securities. In addition, there risks of fraud or other deceptive practices may be higher for new types of securities than for commonly traded securities. Furthermore, the quality and reliability of data published about new types of securities may not accurately reflect the actual circumstances being reported.

Many of the securities in which the Partnership are issued on the basis of private agreements and therefore may be subject to less stringent regulations than would be the case for publicly offered securities and therefore potentially carry greater risk.

### **Exchange Rate Fluctuations and Currency Considerations**

The Partnership's investments may be denominated in currencies other than the currency of investors' capital accounts. Investors may experience principal losses due to adverse fluctuations of exchange rates between the currency of their capital account and the currency in which Partnership investments are made.

Any income or capital received by the Partnership will be denominated in the local currency of investment. Accordingly, changes in currency exchange rates (to the extent unhedged) will affect the value of the Partnership's portfolio and the unrealized appreciation or depreciation of investments, despite the fact that the Partnership will seek to hedge the risk of exchange fluctuations as a general practice.

Furthermore, the Partnership may incur costs in connection with conversions between various currencies.

## **Hedging Transactions**

The Partnership may utilize financial instruments, both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of the Partnership's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Partnership's unrealized gains in the value of the Partnership's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Partnership's portfolio; (v) hedge the interest rate or currency exchange rate on any of the Partnership's liabilities or assets; (vi) protect against any increase in the price of any securities the Partnership anticipates purchasing at a later date; or (vii) for any other reason that the Investment Advisor deems appropriate.

The success of the Partnership's hedging strategy will depend, in part, upon the Investment Advisor's ability correctly to assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Partnership's hedging strategy will also be subject to the Investment Advisor's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Partnership may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Partnership than if it had not engaged in such hedging transactions. For a variety of reasons, the Investment Advisor may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Partnership from achieving the intended hedge or expose the Partnership to risk of loss. The Investment Advisor may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Partnership's portfolio holdings.

There can be no assurance that the full value of each Partner's investment plus the income and gains from the investment will be protected from the adverse effect of currency fluctuations.

## **Legal Risk**

Many of the laws that govern private and foreign investment, equity securities transactions and other contractual relationships in certain countries, particularly in developing countries, are new and largely untested. As a result, the Partnership may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain countries in which assets of the Partnership are invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Partnership and its operations.

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In addition, the income and gains of the Partnership may be subject to withholding taxes imposed by foreign governments for which investors may not receive a full foreign tax credit. Furthermore, it may be difficult to obtain and enforce a judgment in a court outside of the United States.

### **Investing Globally**

Borrowers and investee companies are generally subject to different accounting, auditing and financial reporting standards in different countries throughout the world. The volume of trading, the volatility of prices and the liquidity of issuers may vary in the markets of different countries. Hours of business, customs and access to these markets by outside investors may also vary. In addition, the level of government supervision and regulation of securities exchanges, securities dealers and listed and unlisted companies is different throughout the world. The law of some countries may limit the Partnership's ability to invest in securities of certain issuers located in those countries. In addition, there may be a lack of adequate legal recourse for the redress of disputes and in some countries the pursuit of such disputes may be subject to a highly prejudiced legal system. Different markets also have different clearance and settlement procedures. Delays in settlement could result in temporary periods when a portion of the assets of the Partnership is uninvested and no return is earned thereon. The inability of Partnership to make intended security purchases due to settlement problems could cause the Partnership to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to the Partnership, and therefore, the Partnership, due to subsequent declines in value of the portfolio security or, if such Partnership has entered into a contract to sell the security, could result in possible liability to the purchaser. With respect to certain countries, there is a possibility of expropriation or confiscatory taxation, imposition of withholding taxes on dividend or interest payments, limitations on the removal of funds or other assets of the Partnership, managed or manipulated exchange rates and other issues affecting currency conversion, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. These risks may be greater in emerging markets, where liquidity and settlement risks may be greater and accounting standards may not provide the same degree of investor protection as would generally apply internationally.

### **Limited Operating History**

The Partnership, the General Partner and the Investment Advisor have a limited operating history pursuing the current strategy upon which prospective investors may base an evaluation of the likely performance of the Partnership. While the Investment Principal responsible for implementing the strategy has a long history and experience investing in credit instruments such as corporate bonds, the private equity investment opportunity is only a recent innovation in financial markets and accordingly there may be risks that the Investment Advisor is not aware of or might not have considered. The past performance of the Symfonie Capital and its Principals may not be indicative of the future performance of the Partnership.

### **Business Dependent Upon Key Individuals**

The success of the Partnership depends upon the ability of the Investment Principal and the Sub-Advisors to develop and implement investment strategies that achieve the Partnership's objective. If the Principal or the Sub-Advisors were to become unable to participate in the management of the Partnership, the consequence to the Partnership would be material and adverse and could lead to the premature termination of the Partnership.

### **Incentive Fee and Allocation to the General Partner**

The Incentive Allocation to the General Partner may create an incentive for the General Partner and its affiliate, the Investment Advisor, make investments that are riskier or more speculative than would be the case if such arrangement were not in effect.

### **Absence of Regulatory Oversight**

While the Partnership may be considered similar to an investment company, the Partnership is not required and has no intention to register as such under the US Investment Company Act of 1940, as amended (the "1940 Act"). Accordingly, the provisions of the 1940 Act (which require, among other things, investment companies to have a majority of disinterested directors, that securities be held in custody and be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company) are not applicable to investors in the Partnership. Additionally, pursuant to exemptions available under rules of the US Commodity Futures Trading Commission (CFTC) neither of the General Partner, nor the Investment Advisor is registered with the CFTC as a commodity pool operator or commodity trading Investment Advisor.

The Partnership is not registered with any regulatory authority outside of the US. Regulatory provisions that would apply to registered Partnerships in jurisdictions outside of the US do not apply to the Partnership by virtue of its status as a private partnership.

While the Partnership is not required to register as an Investment Company under the 1940 Act, the US Securities and Exchange Commission (SEC) nonetheless has the power and the authority to enforce provisions of the 1940 Act and the 1934 Act as they relate to the conduct of Investment Advisors.

The Investment Advisor has registered the Partnership with the SEC as a private equity fund. The Investment Advisor accordingly may be subject to enquiry by the SEC in regards to its affairs and activities and to the affairs of the Partnership.

The General Partner and the Investment Advisor intend to conduct the Partnership's affairs in a manner consistent with what would be regarded generally as prudent and professional according to industry standards. There can however, be no assurance that the management of the Partnership would meet or exceed any particular regulatory standard or benchmark. All decisions and actions concerning the management of the Partnership's affairs are according to the sole and absolute discretion of the General Partner.

### **Risks Relating to Taxation**

An investment in the Partnership involves complex tax risks and considerations. For example, certain conflicts of interest may exist due to different tax considerations applicable to the Partnership and the various jurisdictions in which the Partnership invests. Prospective investors are urged to consult their own tax investment advisors regarding the possible U.S. federal, state, local and non-U.S. tax risks and consequences of an investment in the Partnership. See “Tax Aspects.”

### **No Participation in Management**

The management of the Partnership’s operations is and will be vested solely in the General Partner. Limited Partners will have no right to take part in the conduct or control of the Partnership.

### **Lack of Separate Representation**

The Partnership Agreement, Subscription Agreement and this Information Memorandum were prepared by the General Partner. Legal counsel, accountants and other who have performed and will perform services to the Partnership have been and will be selected by the General Partner.

### **Liability of Limited Partners**

The liability of Limited Partners is limited to the amount of the capital they have invested. The General Partner is responsible for the Partnership’s debts. Limited Partners are not liable to each other nor to the Partnership except only to the extent of their investment in the Partnership.

### **Limitation of General Partner’s Liability and Indemnification of the General Partner**

Under Delaware law a general partner is accountable to the limited partners as a fiduciary and is required to exercise good faith in the handling the Partnership’s affairs. The Limited Partnership Agreement provides that neither the General Partner nor its directors, shareholders, officers, employees and affiliates (each an "Indemnified Party") shall be liable to the Partnership, nor to the Investors in the Partnership for any loss suffered by them in connection with the performance by the General Partner of its obligations except those resulting from the willful default, fraud or gross negligence of the General Partner. The Partnership has agreed to indemnify each Indemnified Party from and against any and all losses, liabilities, damages, expenses or costs suffered, incurred or sustained by such Indemnified Party, except those resulting from such Indemnified Party's willful default, fraud or gross negligence.

### **Terrorist Action**

There is a risk of terrorist attacks causing significant loss of life and property damage and disruptions in global markets. 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.

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The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Partnership.

Prospective investors should read this entire Confidential Memorandum and consult with their own legal, tax and financial advisers before deciding to invest in the Partnership.

No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

The Partnership is an investment suitable only for sophisticated investors who are willing to and can bear the risk of loss of their entire investment in the partnership for who are willing to accept the risk that an investment in the Partnership may not be realizable in cash for a several years.



**OTHER ACTIVITIES OF MANAGEMENT; POTENTIAL CONFLICTS OF INTEREST**

The Partnership is subject to a number of actual and potential conflicts of interest. Certain inherent conflicts of interest arise from the fact that the General Partner, the Investment Advisor and their respective affiliates (including, without limitation, the Investment Advisor, CQK Holdings and Mr. Pavel Kohout) will provide management and investment management services to the Partnership, and may, in the future, carry on investment activities for other clients, including, without limitation, other investment partnerships, client accounts and proprietary accounts in which the Partnership will have no interest (collectively, "Other Accounts") and whose respective investment programs may or may not be substantially similar.

The portfolio strategies employed for such Other Accounts could conflict with the transactions and strategies employed in managing the Partnership's portfolio and affect the prices and availability of the securities and instruments in which the Partnership invests. Conversely, participation in specific investment opportunities may be appropriate, at times, for both the Partnership and the Other Accounts.

The Investment Advisor and the General Partner will use reasonable care and diligence to ensure participation in investment opportunities will be allocated on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends, and the respective investment programs and portfolio positions of the Partnership and the Other Accounts. Such considerations may result in allocations of certain investments among the Partnership and Other Accounts on other than a *pari passu* basis.

The General Partner and the Investment Advisor and the Sub-Advisors and their members, officers and employees will devote as much of their time to the activities of the Partnership and the Partnership as they deem necessary and appropriate. None of the General Partner, the Investment Advisor, the Sub-Advisors and their affiliates are restricted from forming additional investment funds, from entering into other investment management relationships or from engaging in other business activities, even though such activities may be in competition with the Partnership and/or may involve substantial time and resources of the Investment Advisor and its affiliates.

Subject to internal compliance policies and approval procedures, members, officers and employees of the General Partner and the Investment Advisor and the Sub-Advisors may engage, from time to time, in personal trading of securities and other instruments, including securities and instruments in which the Partnership may invest.

The General Partner, the Investment Advisor, the Sub-Advisors and the Accountant may also from time to time provide services to or be otherwise involved with other investment programs established by parties other than the Partnership which may have similar objectives to those of the Partnership. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Partnership. However, the General Partner, the Investment Advisor, the Sub-Advisors and the Accountant will, at all times, pay regard to their obligation to act in the best interests of the Partnership. The General Partner will use its best efforts to ensure

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that all such potential conflicts of interest are resolved fairly and in the interests of the Limited Partners. In addition, subject to applicable law, any of the service providers to the Partnership (including the General Partner and the Investment Advisor and the Sub-Advisors) may deal, as principal or agent, with the Partnership or the Partnership, provided that such dealings are on normal commercial terms negotiated on an arm's length basis.

It should also be noted that some of the managers and employees of the General Partner may also be managers or employees of the Investment Advisor.

From time to time, brokers may assist the Partnership in raising additional funds from investors. In addition, from time to time, an investor may request that the Investment Advisor direct brokerage to a broker affiliated with an adviser to the investor who had recommended that the investor invest in the Partnership. Subject to its obligation to seek best execution, the Investment Advisor may consider referrals of investors to the Partnership, and requests by investors to direct brokerage, in determining its selection of brokers. However, the Investment Advisor will not commit to an investor or broker to allocate a particular amount of brokerage in any such situation.

The above is not necessarily a comprehensive list of all potential conflicts of interest.

### **BROKERAGE COMMISSIONS; TURNOVER**

The Investment Advisor will utilize various brokers and dealers to execute securities transactions. Portfolio transactions for the Partnership will be allocated to brokers and dealers on the basis of best execution based on a number of factors, including commissions/price, the ability of the brokers and dealers to effect the transactions, the brokers' and dealers' facilities, reliability and financial responsibility and the brokers' and dealers' provision of or payment for the costs of brokerage and broker in house research services and research products that are of benefit to the Partnership, the Investment Advisor, the Investment Advisor and other clients of the Investment Advisor. The Investment Advisor need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. All such transactions, to the extent applicable, will be undertaken in compliance with the rules of the U.S. SEC and within the safe harbor created by section 28(e) of the Securities Exchange Act of 1934, as amended. Soft dollars/commissions generated in respect of futures, currency and derivatives transactions and principal transactions (that are not riskless principal transactions) that do not generally fall within the safe harbor created by section 28(e), will be utilized only with respect to research-related products and services for the benefit of the Partnership.

**ACCOUNTANT**

Michael J. Liccar & Company (the "Accountant") has been retained to perform administrative and accounting services for the Partnership. The Accountant is a duly qualified and regulated Certified Public Accounting firm. More information about the Accountant can be found at [www.liccar.com](http://www.liccar.com).

In carrying out its duties the Accountant and any of its designated associates and employees will perform certain financial, accounting, corporate, administrative and other services, including, but not limited to, calculation of the NAV of the Partnership, the value of each Partner's capital account, the allocation of gains and losses to each Partner's account, maintenance of the books and records of the Partnership, maintenance of the register Partners of the Partnership and preparation of schedule K-1 reports to Limited Partners detailing the gains and losses allocated to Limited Partners during the course of each accounting year. The Accountant may also perform certain middle-office and/or back-office support activities including co-ordination of the annual audit, preparation of partnership account statements and other services as may be periodically agreed.

Pursuant to the agreement the Partnership entered into with the Accountant, the Accountant shall not be liable to for any damages to the Partnership or to any individual Partner except for damages finally determined by a court of competent jurisdiction to have resulted directly from the wilful misconduct, negligence or bad faith of the Accountant. The Partnership, the General Partner and the Investment Advisor have agreed to indemnify and hold the Accountant harmless from and against any third party claims, liabilities, costs and expenses arising from or relating to the Administration Agreement except to the extent finally determined by a court of competent jurisdiction to have resulted from the wilful misconduct, negligence or bad faith of the Accountant.

The Accountancy Agreement may generally be terminated at any time without penalty by the Partnership or by the Accountant on 90 days notice except that it may be terminated upon less notice in certain instances.

The Accountant will receive a monthly fee in accordance with the agreement for the provision of administrative and/or other services. Certain other out-of-pocket expenses of the Accountant as well as applicable data, communication and technology-related charges may also be charged in accordance with the agreement.

The Accountant may subcontract with agents, selected by the Accountant in good faith for administrative and certain other services.

The Accountant may have relationships with providers of technology, data or other services to the Partnership and/or Investment Advisor and may receive economic and/or other benefits in connection. The Accountant may subcontract with agents, selected by the Accountant in good faith for administrative and certain other services.

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The Accountant does not act as a guarantor of the Partnership. The Accountant is not responsible for any trading decisions, all of which will be made by the General Partner and Investment Adviser.

The Accountant will not provide any Investment Advisory or management services to the Partnership and therefore will not be in any way responsible for the investment performance. The Accountant will not be responsible for monitoring any investment restrictions or compliance with investment restrictions and therefore will not be liable for any breach thereof.

### **FISCAL YEAR**

The Partnership's fiscal year ends on December 31 of each calendar year.

### **OUTLINE OF PARTNERSHIP AGREEMENT**

The following outline summarizes the material provisions of the Limited Partnership Agreement of the Partnership (the "Partnership Agreement") which are not discussed elsewhere in this Confidential Memorandum. This outline is only a summary and is not definitive, and each prospective Limited Partner should carefully read the Partnership Agreement in its entirety.

#### **Limited Liability**

A Limited Partner (or former Limited Partner) will be liable for the debts and obligations of the Partnership only to the extent of such Partner's interest in the Partnership in the fiscal year (or a portion thereof) to which such debts and obligations are attributable.

#### **Term**

The Partnership will terminate on the earlier of (i) a determination by the General Partner that the Partnership should be dissolved or (ii) the insolvency, bankruptcy, dissolution or termination of the General Partner. Upon a determination by the General Partner to dissolve the Partnership, withdrawal requests and distributions in respect thereof will be made.

## **Capital Accounts**

Each Partner will have a capital account established on the books of the Partnership that will be credited with its capital contributions. A partnership percentage will be determined for each Partner for each accounting period, by dividing its capital account as of the beginning of such accounting period by the aggregate capital accounts of all Partners as of the beginning of such accounting period (such Partner's "Partnership Percentage").

At the beginning of each accounting period of the Partnership, the capital account of each Partner will be (i) increased by the amount of any capital contributions made by such Partner and (ii) decreased by the amount of any withdrawals made by such Partner as of the applicable Withdrawal Date and any distributions made to such Partner. At the end of each accounting period of the Partnership, the capital account of each Partner will be increased by its share of any net income and capital appreciation, or decreased by its share of any net loss and capital depreciation, for such period. At the end of each month, the capital account of each Limited Partner will be decreased by the amount of the Management Fee paid in respect of such Limited Partner's capital account for such month.

## **Management**

The management of the Partnership will be vested exclusively in the General Partner. Except as authorized by the General Partner, 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. The General Partner, any of its affiliates (including, without limitation, the Investment Advisor and their respective members, directors, shareholders, partners, officers and employees (collectively, excluding the General Partner, "Affiliates")) may engage directly or indirectly in any other business venture, and no Limited Partner will have any right in or to such ventures or the income or profits derived therefrom.

## **Withdrawals of Capital**

In case of any conflict between Terms and Conditions of the Partnership Agreement generally governing withdrawals of capital and Terms and Conditions specifically relating any Class of Partnership Interest, the Terms and Conditions specifically relating to that Class of Partnership Interest shall prevail.

In case of any ambiguity or dispute as to the applicability of any Term and Condition of the Partnership Agreement governing the rights of Limited Partners to withdraw from the Partnership, or any ambiguity or dispute regarding the procedure to be followed when Partner exercises its right to withdraw from the Partnership, all authority is vested in the General Partner, in its sole and absolute discretion, to make a determination and the General Partner's determination shall be final and absolute.

When a Limited Partner is invested in more than one Class of Partnership Interests the terms and conditions governing the Limited Partner's withdrawal shall be those terms and conditions specifically governing the Class of Partnership Interests in which the capital to be withdrawn. Therefore, in respect of all capital withdrawal requests Limited Partners must specify which Class of Partnership Interests the capital to be withdrawn relates to.

### **Payment of Withdrawal Proceeds**

Withdrawals shall be deemed effective immediately following the applicable Withdrawal Date. Payment of withdrawal proceeds generally will be made as soon as possible, but in any event not later than 30 (thirty) days after the Withdrawal Date; *provided, however*, that the General Partner reserves the right to retain up to 10% (ten percent) of the withdrawal proceeds (a “Hold-back”) which will be paid to the withdrawing Limited Partner after confirmation to the satisfaction of the General Partner as to the value of the Partnership Interests at the time Withdrawal date and completion of the audit of the Partnership for the year in which such Withdrawal Date falls. The Partnership will not be obliged to pay interest with respect to the hold-back and the Partnership management fees and expenses will accrue in respect of the hold-back until such time as it is paid to the withdrawing partner.

### **Limitations on Withdrawals**

Withdrawals of capital from the Partnership are permitted in respect of amounts received by the Partnership as a result of a Liquidity Event.

A Liquidity Event is defined as the Partnership’s receipt of proceeds from the sale of equity investments it has made, from income arising from investments made into loans and similar securities and to realised capital gains from sales of investments.

The General Partner may establish reserves and holdbacks for estimated accrued expenses, liabilities and contingencies (even if such reserves or holdbacks are not otherwise required by U.S. generally accepted accounting principles) which could reduce the amount of a distribution upon withdrawal.

A withdrawal request that is not satisfied because of restrictions imposed by the General Partner, as described above, will be deemed to be made as of the next Withdrawal Date in priority to withdrawal requests received in subsequent months (but not compulsory withdrawals), unless withdrawn and will be subject to the same restrictions. Until the Withdrawal Date as of which a withdrawal becomes effective, the Interests of the withdrawing Partner will remain at risk of the Partnership's performance.

A distribution in respect of a withdrawal may be made in cash or in kind, or in a combination thereof, as determined by the General Partner in its sole and absolute discretion.

### **Suspension of Withdrawal Rights**

The General Partner may suspend withdrawal rights, in whole or in part, (i) during any period in which any stock exchange on which a substantial portion of the Partnership's or the Partnership's investments are quoted is closed, other than for ordinary holidays and weekends, or during periods in which dealings in such stock exchange are restricted or suspended; (ii) during any period in which, in the sole and absolute opinion of the General Partner or the Partnership Directors (as the case may be), disposal of a substantial portion of investments by the Partnership or the Partnership would not be reasonable or practical; (iii) during any breakdown in the means of communication normally employed in determining the price or value of any Partnership or Partnership investment or current prices in any securities market, or when for any other reason the prices or values of any investments owned by the Partnership or Partnership cannot be

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reasonably or promptly ascertained; (iv) during any period in which the transfer of funds involved in the realization or acquisition of any investments by the Partnership or the Partnership cannot be effected at normal rates of exchange; (v) when there exists in the opinion of the General Partner or the Partnership Directors a state of affairs where disposal of the Partnership's or the Partnership's assets, or the determination of the net asset value of the capital accounts or of the Partnership (in either case, as applicable), would not be reasonably practicable or would be seriously prejudicial to the non-withdrawing Limited Partners; and (vi) for any period during which the withdrawal of capital would cause a breach or default under any covenant in any agreement entered into by the Partnership or the Partnership for borrowing for cash management purposes.

In addition, the General Partner, by written notice to any Limited Partner, may suspend the withdrawal rights of such Limited Partner (including, without limitation, payment of withdrawal proceeds) if the General Partner, in its sole and absolute discretion, deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the Partnership, the Partnership, the General Partner or any of the Partnership's service providers. (See "Anti-Money Laundering Regulations.")

### **Required Withdrawals**

The General Partner may, in its sole and absolute discretion, terminate the Interest of any Limited Partner in the Partnership at any time, for any reason or no reason, in the General Partner's sole and absolute discretion, upon at least five Business Days' prior written notice. Any Limited Partner receiving such a notice will be treated as a Partner who has given notice of withdrawal.

### **Withdrawal, Death, Disability, Etc. of a Limited Partner**

The withdrawal, death, disability, incapacity, adjudication of incompetency, termination, bankruptcy, insolvency or dissolution of a Limited Partner will not dissolve the Partnership.

In the event of the death, disability, incapacity, adjudication of 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 the last Business Day of the month following 90 days' notice of such event.

The legal representative(s) of a Limited Partner will succeed as assignee(s) to such Limited Partner's interest in the Partnership upon the death, disability, incapacity, adjudication of incompetency, termination, bankruptcy, insolvency or dissolution of such Limited Partner, but will not be admitted as a substitute partner without the consent of the General Partner, which consent may be given or withheld in its sole and absolute discretion.

The Interest of a Limited Partner that has given a notice of withdrawal will not be included in calculating the Partnership Percentages of the Limited Partners required to take any action under the Partnership Agreement. Withdrawal proceeds will be paid to such Limited Partner (or its legal representative) in the manner described above.

## **Types of Securities in which the Partnership May Invest**

Subject to any restrictions or limitations in respect of investments made for the benefit of any specific Class of Partnership Interests, the Partnership Agreement authorises the Partnership to invest, directly or indirectly by investing on margin or otherwise, in securities and other financial instruments of United States and foreign entities, including, without limitation, capital stock; shares of beneficial interest; partnership interests and similar financial instruments; interests in real estate and real estate related assets; bonds, notes and debentures (whether subordinated, convertible or otherwise); currencies; commodities; interest rate, currency, commodity, equity and other derivative products, including, without limitation, (i) futures contracts (and options thereon) relating to stock indices, currencies, United States Government securities and securities of foreign governments, other financial instruments and all other commodities, (ii) swaps, options, warrants, caps, collars, floors and forward rate agreements, (iii) spot and forward currency transactions and (iv) agreements relating to or securing such transactions; mortgage-backed obligations issued or collateralized by U.S. federal agencies (including, without limitation, fixed-rate pass-throughs, adjustable rate mortgages, collateralized mortgage obligations, stripped mortgage-backed securities and REMICs); equipment lease certificates; equipment trust certificates; loans; credit paper; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual funds; money market funds; obligations of the United States or any state thereof, foreign governments and instrumentalities of any of them; commercial paper; certificates of deposit; bankers' acceptances; choses in action; trust receipts; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature; in each case, of any person, corporation, government or other entity whatsoever, whether or not publicly traded or readily marketable (all such items being called herein a "Security" or "Securities").

## **Valuation of Assets**

The Partnership's assets will be valued by the General Partner as set forth below:

- (A.) Loans will be valued at fair market value as determined by the General Partners,. The Partnership is expected to be invested in hundreds of loans. The basis for valuation will usually be the account statement provided by the P2P marketplace provider that facilitated the loans. In calculating the value and interest accrued on the loan portfolio the Accountant will be entitled to rely on summary data provided by the P2P Accountant or the relevant loan servicing agent as the basis for calculation of accrued interest and realised payments of principal and interest. The following valuation adjustments made with respect to overdue and non-performing loans:
- (i) For loans that are overdue and non-performing for more than 60 days, no further interest will be accrued and the value of the loan (including accrued interest to date) will be marked down by 25% of its remaining cost.
  - (ii) Loans overdue and non-performing for more than 90 days will be marked down by a further 50% of the remaining cost.



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- (iii) Loans overdue and non-performing for more than 120 days will be marked down to zero value.
- (B.) Bonds will be valued depending on whether they are classified as being held until maturity or subject to trading and the following valuation rules will apply:
  - (i) In the case of bonds classified as held to maturity they will be valued at cost plus accrued interest. The difference between acquisition cost net of accrued interest and maturity value will be amortised or accreted over the remaining life of the bond.
  - (ii) In the case of bonds classified as subject to trading the bond will be valued at its last traded price on the relevant Valuation Day (defined below) or, if no trades occurred on such day, the mean of the bid and offer prices, as at the relevant Valuation Day, and as adjusted in such manner as the General Partner thinks fit, having regard to the size of the holding, and where prices are available on more than one exchange or system for a particular security the price will be the mean of the bid and the offer prices, as the case may be, on the exchange which constitutes the main market for such security or the one which provides the fairest criteria in ascribing a value to such security, as determined in the General Partner's reasonable discretion. In the case that there is no regularly available or reliable price the value will be determined by the
- (C.) any Security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon will be valued at its last traded price on the relevant Valuation Day (defined below) or, if no trades occurred on such day, the mean of the bid and offer prices, as at the relevant Valuation Day, and as adjusted in such manner as the General Partner thinks fit, having regard to the size of the holding, and where prices are available on more than one exchange or system for a particular security the price will be the mean of the bid and the offer prices, as the case may be, on the exchange which constitutes the main market for such security or the one which provides the fairest criteria in ascribing a value to such security, as determined in the General Partner's reasonable discretion, with the General Partner acting in good faith having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue, and such other factors as the General Partner in its reasonable discretion deems relevant in considering a positive or negative adjustment to the valuation;
- (D.) any Security, including any equity interest the Partnership holds that not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available, will be valued at its probable realization value as determined by the General Partner in good faith having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue, and such other factors as the General

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Partner in its reasonable discretion deems relevant in considering a positive or negative adjustment to the valuation;

- (E.) any Securities which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearinghouse, exchange or financial institution. If there is no such price, then the average will be taken between the lowest offer price and the highest bid price at the close of business on any market on which such investments are or can be dealt in or traded, provided that where such investments are dealt in or traded on more than one market, the General Partner may determine at its reasonable discretion which market will prevail;
- (F.) Securities which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued on the basis of the latest available valuation provided by the relevant counterparty;
- (G.) deposits will be valued at their cost plus accrued interest;
- (H.) all other assets of the Partnership (except goodwill, which will not be taken into account) will be assigned such value as the General Partner may reasonably determine;
- (I.) any value (whether of an investment or cash) other than in U.S. dollars will be converted into U.S. dollars at the rate (whether official or otherwise) which the General Partner, in its absolute discretion, deems applicable as at close of business on the relevant Valuation Day, having regard, among other things, to any premium or discount which it considers may be relevant and to costs of exchange; and
- (J.) if the General Partner, in consultation with the Accountant and the Investment Advisor, determines that the valuation of any Securities pursuant hereto does not fairly represent market value, it may permit any other method of valuation to be used if it considers that such method of valuation better reflects value and is in accordance with good accounting practice.
- (K.) The Partnership will create and maintain a reserve against losses and asset impairments, such reserve to be determined in a manner the General Partner deems appropriate. The General Partner will periodically specify (usually upon investing in one or more loans, bonds or other Securities, but at least on a monthly basis), the amount by which reserves for losses should be adjusted. The amount of the reserve to be established will depend upon the General Partner's assessment of the anticipated loss rates in connection with that loan or pool of loans. At the end of each calendar quarter the General Partner will review the loss reserve versus the level of actual losses. In sole and absolute discretion of the General Partner the loss reserve may be adjusted to reflect differences between actual losses and the level of loss reserves.

A "Valuation Day" will be the last Business Day of each month, unless otherwise determined by the General Partner. All values assigned to Securities and other assets by the Accountant will be final and conclusive as to all of the Partners.

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The General Partner may delegate to the Accountant the valuation of the Partnership's assets, which shall at all times be entitled to rely on the valuations of such Securities made by the General Partner. The valuation guidelines to be used by the General Partner are similar to the valuation guidelines described above however the valuation of certain assets may differ.

### **Assignability of Interests**

Without the prior written consent of the General Partner, which may be given or withheld in its sole and absolute discretion, (i) a Partner may not pledge, assign, hypothecate, sell, exchange or transfer its Interest in the Partnership, in whole or in part and (ii) no pledgee, assignee, purchaser or transferee may be admitted as a substitute Limited Partner.

### **Admission of New Partners**

In the sole and absolute discretion of the General Partner, Partners may be admitted to the Partnership as of the first Business Day of each calendar month, or at such other times as the General Partner, in its sole and absolute discretion, may allow. Each new Partner will be required to execute an agreement pursuant to which it becomes bound by the terms of the Partnership Agreement.

When a new Partner is admitted the Accountant will adjust the percentage of each Partner's interest in the Partnership and in the relevant Class of Partnership Interests.

New Partners are entitled only to their pro rata share of Partnership gains and losses in subsequent periods to date of their admittance to the Partnership.

### **Amendments to Partnership Agreement**

The Partnership Agreement may be modified or amended at any time by the written consent of Limited Partners having in excess of 50% of the Partnership Percentages of the Limited Partners, subject to the written consent of the General Partner. Without the consent of the other Partners, however, the General Partner may amend the Partnership Agreement to: (i) reflect changes validly made in the membership of the Partnership and the capital contributions and Partnership Percentages of the Partners; (ii) change the Incentive Allocation provisions to the extent required to comply with any applicable regulatory requirements; (iii) reflect a change in the name of the Partnership; (iv) make a change that is necessary or, in the opinion of the General Partner, advisable to qualify the Partnership as limited partnership or a partnership in which the Limited Partners have limited liability in all jurisdictions in which the Partnership conducts or plans to conduct business, or to ensure that the Partnership will not be treated as an association taxable as a corporation or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes; (v) make a change that does not adversely affect the Limited Partners in any material respect; (vi) make a change that is necessary or desirable to cure any ambiguity, or to correct or supplement any provision in the Partnership Agreement that would otherwise be inconsistent with any other provision in the Partnership Agreement, or to otherwise provide for matters or questions arising under the Partnership Agreement so long as such change will not be inconsistent with the provisions of the Partnership Agreement, in each case so long as such change does not adversely affect the Limited Partners in any material respect; (vii) make a change that is necessary or desirable to satisfy any requirements, conditions or guidelines

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contained in any opinion, directive, order, statute, ruling or regulation of any U.S. federal, state or non-U.S. governmental entity, so long as such change is made in a manner which minimizes any adverse effect on the Limited Partners; (viii) make a change that is required or contemplated by the Partnership Agreement; (ix) 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 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; (x) prevent the Partnership from being deemed in any manner an "investment company" subject to the provisions of the Investment Company Act of 1940, as amended; or (xi) make any other amendments similar to the foregoing. Each Partner, however, must approve of any amendment which would (a) amend its capital account or rights of withdrawal or (b) amend the provisions of the Partnership Agreement relating to amendments.

### **Reports to Partners**

The Partnership's auditors will be selected by the General Partner and will audit the Partnership's books and records as of the end of each fiscal year. The General Partner, in its sole and absolute discretion, may waive selection of an auditor and may decide not to prepare and audit if the General Partner deems it appropriate to not prepare an audit.

Irrespective of whether or not the General Partner commissions an audit, then as soon as practicable, or, at the latest within six months after the end of the fiscal year the General Partner will prepare and mail, or cause the Fund Accountant to prepare and mail, to each Partner an unaudited report of the Partnership's activities during the past year together with unaudited financial statements or audited statements as the case may be.

As soon as practical after the close of each fiscal year, and at latest within six months therefore the General Partner will mail or cause to be mailed to each current and former Partner (or its legal representatives), a report setting forth in sufficient detail such information as will enable such Partner or former Partner (or such Partner's legal representatives) to prepare its U.S. federal income tax return in accordance with the laws, rules and regulations then prevailing.

The General Partner will prepare unaudited quarterly reports to current Partners of the Partnership for the quarter most recent ended, together with a statement of Partnership Interests prepared such report and statement to be distributed within 30 (thirty) days of the close of the respective calendar quarter.

### **Exculpation**

The Partnership Agreement provides that neither the General Partner nor any of its Affiliates will be liable to any Partner for mistakes of judgment or for action or inaction that did not constitute willful default, fraud or gross negligence, or for losses due to such mistakes, action or inaction of any broker or agent of the Partnership, provided that such broker or agent was selected, engaged or retained by the General Partner or any Affiliate in accordance with the standard of care set forth above. Each of the General Partner and its Affiliates may consult with counsel and accountants in respect of the Partnership's affairs and will be fully protected and justified in any action or inaction that is taken in accordance with the advice or opinion of such counsel or accountants, provided that they were selected in accordance with the standard of care set forth

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above. The foregoing provisions (as well as the indemnification provisions described below), however, will not be construed to relieve the General Partner and any Affiliate of any liability to the extent that such liability may not be waived, modified or limited under applicable law (including liability under U.S. federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), but will be construed so as to effectuate the above mentioned provisions to the fullest extent permitted by law.

### **Indemnification**

The Partnership Agreement provides that the Partnership will, to the fullest extent permitted by law, indemnify and hold harmless the General Partner, each Affiliate and the legal representatives of any of them (each, an "Indemnified Party"), from and against any and all liability, damage, loss, cost or expense suffered, incurred or sustained by it, him or her by reason of the fact that it, he or she is or was an Indemnified Party, 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, suit or proceeding, provided that such liability, damage, loss, cost or expense resulted from a mistake of judgment on the part of an Indemnified Party, or from action or inaction that did not constitute willful default, fraud or gross negligence or for losses due to such mistakes, action or inaction of any broker or agent of an Indemnified Party, provided that such broker or agent was selected, engaged or retained by the Indemnified Party in accordance with the standard of care set forth above. The Partnership Agreement also provides that the Partnership may, in the sole and absolute discretion of the General Partner, advance to any Indemnified Party reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action, suit or proceeding which arises out of such conduct. In the event that such an advance is made by the Partnership, the Indemnified Party will agree to reimburse the Partnership to the extent that it is finally determined that it was not entitled to indemnification.

### **EXPENSES**

The Partnership and each Class of Partnership Interests will bear its own organizational and operating costs and expenses, as well as its *pro rata* share of the Partnership's operating and other expenses including, but not limited to, (i) all transactions carried out by it or on its behalf (including costs and expenses incurred by the General Partner in connection with carrying out day-day administrative affairs of the Partnership), and (ii) the administration of the Partnership and the Partnership, including, without limitation, (a) the charges and expenses of the Investment Advisor, the Sub-Advisors, legal advisers and auditors, including in relation to due diligence on potential investments, (b) brokers' commissions (if any), borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions, (c) fees payable in respect of market price services, dealing systems and data feeds utilized by the Investment Advisor, (d) all taxes and corporate fees payable to governments or agencies, (e) fees in connection with the Partnership Directors and expenses, (f) interest on borrowings, including borrowings from a bank or broker, (g) communication expenses with respect to investor services and all expenses of meetings of Limited Partners or shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents, (h) the cost of insurance (if any) for the benefit of the General Partner and the Partnership Directors, (i) litigation and indemnification expenses and extraordinary expenses not incurred in the

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ordinary course of business, (j) costs incurred by the Investment Advisor and the General Partner with respect to acceptance of new Partners to the Partnership, (k) fees to the Accountant, and (l) all other organizational and operating expenses.

The Accountant will receive from the Partnership a monthly fee based on its standard schedule of fees charged by the Accountant for similar services. The Accountant will also be reimbursed for out-of-pocket expenses incurred for the account of the Partnership.

### **TAX TREATMENT OF THE PARTNERSHIP AS AN ENTITY**

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

#### **Tax Treatment of Partnership Operations and Classification of the Partnership in the US**

The Partnership intends to operate as a partnership for U.S. federal income tax purposes and not as an entity taxable as a corporation. Unless otherwise indicated, references in the following discussion to the tax consequences of Partnership investments, activities, income, gain and loss, include the direct investments, activities, income, gain and loss of the Partnership, and those indirectly attributable to the Partnership as a result of it being a member of the Partnership.

As a partnership, the Partnership is not itself subject to U.S. federal income tax. However, as a US entity the Partnership files an annual partnership information return with the US Internal Revenue Service which reports the results of operations.

If it were determined that the Partnership should be taxable as a corporation for U.S. federal income tax purposes (as a result of changes in the Code, the Regulations or judicial interpretations thereof, a material adverse change in facts, or otherwise), the taxable income of the Partnership would be subject to U.S. federal corporate income tax when recognized by the Partnership; distributions of such income, other than in certain redemptions of Interests, would be treated as dividend income when received by the Partners to the extent of the current or accumulated earnings and profits of the Partnership; and Partners would not be entitled to report profits or losses realized by the Partnership.

#### **Tax Treatment of Partnership Operations and Classification of the Partnership outside the US**

The General Partner and the Investment Advisor intend to conduct their affairs and the affairs of the Partnership so that the Partnership is not treated as being resident for tax purposes in any country outside the United States. Accordingly, provided that the Partnership does not carry on a trade in the through a fixed place of business or an agent that constitutes a "permanent establishment", the Partnership not be subject to corporation tax on its income and capital gains anywhere outside of the U.S.

Regulations concerning tax withholding and the processes for establishing whether or not withholding tax is applicable and how any exemptions can be obtain vary to from country to country. Certain interest and other income received by the Partnership outside the U.S. may be

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subject to withholding tax at source. The General Partner will use its reasonable efforts to arrange the Partnership's affairs so that that interest paid to the Partnership receives income from sources outside the U.S. is paid either with a reduced rate of withholding tax or entirely gross of withholding tax.

Income the Partnership derives from non-U.S. sources may be the subject of withholding tax at source. The Partnership will specify to each Partner its *pro rata* share of tax that was withheld at source. Depending on each Partner's specific tax domicile and the applicable rules and regulations Partners may be able to re-claim such tax. However, there can be no assurance or guarantee that taxes withheld at source can be reclaimed, credited or otherwise deducted from reported income. Each Partner must rely on the advice of its own tax advisor.

### **Tax Consequences to a 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.

A Partner who is required under U.S. law to submit tax returns 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 U.S. 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.

In general, non-us persons who are not-resident in the United States (i.e. foreign partners) are not required to submit a tax return to the US Internal Revenue Service. Each foreign partner should look to the tax rules applicable in its own jurisdiction to determine how it should report its gains and losses arising from its investment in the Partnership.

### **Adjusted Tax Basis for Interests**

In general, a Limited Partner's adjusted tax basis for its Interest in the Partnership will equal the Limited Partner's capital contributions to the Partnership, increased by any income and gain allocated in respect of such Interest and decreased for loss or expense allocated or distributions made in respect of such Interest.

### **"Phantom Income" From Partnership Investments**

Each Partner in the Partnership will receive a statement annually of that Partner's *pro-rata* share of Partnership gains and losses and any cash distributions the Partner has received. Each partner shall determine according to the tax laws applicable to that Partner whether and how to report its income for tax purposes.

In general, outside of the United States investors are required to report only the income they actually received in cash or in-kind from the Partnership.

**Each Investor should consult its own tax advisor as to how to treat realized and unrealized Partnership income for tax purposes.**

### **TAX TREATMENT OF FOREIGN PARTNERS IN THE PARTNERSHIP**

Foreign Partners generally will not be subject to U.S. tax in respect of their income, gains and losses from the Partnership. Foreign Partners are subject to the prevailing tax rules in their country of domicile.

Under U.S. law interest income paid from U.S. sources paid to non-U.S. persons and entities qualifies as portfolio interest income. Such income generally is not subject to taxation within the US and generally such income is not subject to withholding tax in the US. Income the Partnership receives from sources outside the US is foreign source income and also is generally not subject to US withholding tax.

Unless the General Partner determines that the Partnership is required to withhold tax on Partnership income allocated or distributed to a foreign Partner, the Partnership will not subject non-U.S. Partners to tax withholding.

If, in its sole and absolute discretion the General Partner, determines to do so the Partnership will withhold tax from non-U.S. Partners at whatever are the prevailing applicable withholding rates. Presently the withholding rate for most types of income the Partnership expects to distribute is 30%, unless otherwise specified in an applicable tax treaty between the U.S. and the non-U.S. Partner's domicile country.

The Partnership will report to its Partners the amount of income, if any, that was withheld at source. The General Partner will use its reasonable efforts avail the Partnership of opportunities to reclaim withholding tax. In certain circumstances Partners may be able to exercise rights to reclaim their pro-rata share of tax withheld from the tax authority in the country where withholding tax was paid. Partners may also be able to claim tax relief in their home country with respect to taxes withheld at source.

Each non-U.S. investor is responsible for reporting and paying tax in the country of its residence or domicile applicable rules and regulations. Investors should consult their individual tax advisors as to the treatment of income and gains allocated or paid to them by the Partnership.

### **LIMITATIONS ON TRANSFERABILITY; SUITABILITY REQUIREMENTS**

Each purchaser of an Interest must bear the economic risk of its investment for an indefinite period of time (subject to its limited right to withdraw capital from the Partnership). The Interests have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and, therefore, cannot be sold to US investors unless they are subsequently registered under the Securities Act or an exemption from such registration is available. It is not contemplated that any such registration will ever be effected, or that the relevant exemptions provided by rules promulgated under the Securities Act will ever be available.

Without the prior written consent of the General Partner, which may be given or withheld in its sole and absolute discretion, a Partner may not (i) pledge, assign, hypothecate, sell, exchange or



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transfer its Interest in the Partnership, in whole or in part, to any person except by operation of law, or (ii) substitute for itself as a Partner any other person. In no event will any pledgee, assignee, purchaser or transferee be admitted to the Partnership as a Partner without the consent of the General Partner which may be given or withheld in its sole and absolute discretion for any reason or no reason.

The Partnership is a private partnership. No public offering of Partnership interests will take place. The General Partner will admit as Partners only investors who represent to the General Partner that they are “accredited investors” according to US law and generally according to the jurisdiction in which the investor is domiciled. In the US the definition of an Accredited Investor is an investor who has at a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds \$1 million at the time of the purchase, or has assets under management of \$1 million or who has had income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year.

Because the Interests in the Partnership are generally not transferable 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 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 risk of loss of potentially the entire investment in the Interests.

Each prospective Partner is urged to consult with its own legal, tax and other advisers to determine the suitability of an investment in the Interests, and the relationship of such an investment to the purchaser's overall investment program and financial and tax position. Each purchaser of Interests will be required to represent that, after all necessary advice and analysis, its investment in such Interests is suitable and appropriate, in light of the foregoing considerations.

### **ANTI-MONEY LAUNDERING REGULATIONS**

As part of the Partnership's responsibility for the prevention of money laundering, the General Partner, the Investment Advisor or the Accountant may require a detailed verification of an investor's identity, any beneficial owner underlying the account, and the source of the investor's subscription payment.

The General Partner, the Investment Advisor and the Accountant reserve the right to request such information as is necessary to verify the identity of a subscriber and the underlying beneficial owner of a subscriber's or a Limited Partner's Interest in the Partnership. In the event of delay or failure by the subscriber or Limited Partner to produce any information required for verification purposes, the General Partner or the Accountant may refuse to accept a subscription or may cause the withdrawal of such Limited Partner from the Partnership. In addition, the General Partner, by written notice to any Limited Partner, may suspend payment of withdrawal proceeds if the General Partner, in its sole and absolute discretion, deems it necessary to do so to

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comply with anti-money laundering laws and regulations applicable to the Partnership, the Partnership, the General Partner, the Investment Advisor, or any of the Partnership's service providers.

Each subscriber and Limited Partner will be required to make such representations to the Partnership as the Partnership and the General Partner will require in connection with their anti-money laundering programs, including, without limitation, representations to the Partnership that such subscriber or Limited Partner is not a prohibited country, territory, individual or entity listed on the U.S. Department of Treasury Office of Foreign Assets Control ("OFAC") website and that it is not directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programs. Such subscriber or Limited Partner will also represent to the Partnership that amounts contributed by it to the Partnership were not directly or indirectly derived from activities that may contravene U.S. federal, state or international laws and regulations, including, without limitation, anti-money laundering laws and regulations.

The Accountant may disclose information regarding investors (which may constitute personal data under data protection legislation) to such parties (e.g., affiliates, attorneys, auditors, Accountants or regulators) in connection with the operation of the Partnership or including, but not limited to, in connection with anti-money laundering and similar laws. The Accountant or other service providers may also release information if directed to do so by the investors, compelled to do so by law or in connection with any government or self-regulatory organization request or investigation related to anti-money laundering or other laws or regulations. In connection with the establishment of anti-money laundering procedures, the General Partner may implement additional restrictions on the transfer of Interests.

The General Partner may impose additional requirements from time to time to comply with all applicable anti-money laundering laws, including the USA PATRIOT Act.

### COUNSEL

Cross & Simon, LLC a duly qualified legal firm located in Delaware, has been appointed legal counsel to the General Partner and the Investment Advisor with respect to Delaware law. No attorney-client relationship exists between Cross & Simon and any other person by reason of such person considering or making an investment in the Partnership. No independent counsel has been retained to represent Limited Partners of the Partnership.

Cross & Simon's representation of the Partnership, the General Partner, the Investment Advisor, as the case may be, is limited to specific matters as to which it has been consulted. There may exist other matters that could have a bearing on the Partnership, the General Partner, and the Investment Advisor, as the case may be as to which Cross & Simon have not been consulted.

In addition, Cross & Simon does not undertake to monitor compliance by the General Partner, the Investment Advisor with regards to the management of the affairs of the Partnership, the selection and management of Partnership investments, valuation procedures and other guidelines set forth herein, nor does Cross & Simon monitor ongoing compliance with applicable laws. In connection with the preparation of this Confidential Memorandum, the responsibility of Cross &

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Simon is limited to matters of Delaware law, as the case may be, and Cross & Simon accepts responsibility in relation to any other matters referred to or disclosed in this Memorandum.

### **FINANCIAL AUDITOR; REPORTS**

Provided the General Partner deems appropriate, it will appoint a duly qualified firm of certified public accountants in the United States to act as the Partnership's independent auditor. In the event an independent auditor is appointed, an annual report and audited financial statements will be mailed to each Limited Partner as soon as practicable or, at the latest, within six months after the end of the fiscal year.

Irrespective of whether or not an independent auditor is appointed, Limited Partners will receive a half-yearly report, incorporating unaudited financial statements and in the case an auditor is not appointed, an unaudited annual report.

Limited Partners will also receive quarterly reports from the General Partner as to the activities of the Partnership up to the end of the most recent quarter. At least annually each Partner will get a statement of its Partnership Interests prepared by the Partnership's Accountant.

### **ADDITIONAL INFORMATION**

The General Partner and the Partnership Information Agents are available for a discussion of the terms and conditions of this offering and will provide any additional information, to the extent they possess or can acquire without unreasonable effort or expense, necessary to verify the information contained in this Memorandum.

### **SUBSCRIPTION FOR INTERESTS**

Persons interested in subscribing for Interests will be furnished, and will be required to complete, execute and return to the Information Agent the Subscription Documents, the Anti-Money Laundering Agreement and the Partnership Agreement.

**RELATED DOCUMENTS**

This Confidential Private Placement Memorandum incorporates by reference the following documents:

- Limited Partnership Agreement
- Summary Memorandum
- Tax Disclosure Supplement
- Anti-Money Laundering Agreement
- Subscription Agreement

In case of any discrepancies or ambiguities regarding the operating rules as specified in any of the above documents the Partnership the Limited Partnership Agreement as a governing document shall prevail.

In case of any discrepancies or ambiguities between disclosure made in this Memorandum and the Summary Memorandum this document and the Tax Disclosure Supplement shall prevail.

The General Partner and the Investment Advisor have taken reasonable efforts to ensure accuracy of disclosures concerning laws and regulations affecting the Partnership and the Investments the Partnership makes. Reasonable efforts have been made to identify and disclose the risks involved in making an investment in the Partnership. No Partner or Prospective Partner should rely solely on the information presented in the documents provided. Each Partner is strongly advised to seek its own independent investment advisor prior to making an investment in the Partnership.