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Valar Global Fund III LP

\$200,000,000

VALAR

Limited Partner Interests

Confidential Private Placement Memorandum

Valar Ventures LLC
915 Broadway, Suite 1101
New York, New York 10010

Copy # _____

Issued to: _____

Confidential Private Placement Memorandum

VALAR GLOBAL FUND III LP

\$200,000,000

Limited Partner Interests

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THE INTERESTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY UNITED STATES STATE SECURITIES LAWS OR THE LAWS OF ANY FOREIGN JURISDICTION. THE INTERESTS WILL BE OFFERED AND SOLD UNDER THE EXEMPTION PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT AND REGULATION D PROMULGATED THEREUNDER AND OTHER EXEMPTIONS OF SIMILAR IMPORT IN THE LAWS OF THE STATES AND OTHER JURISDICTIONS WHERE THE OFFERING WILL BE MADE. THE FUND WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "*INVESTMENT COMPANY ACT*"). CONSEQUENTLY, INVESTORS WILL NOT BE AFFORDED THE PROTECTIONS OF THE INVESTMENT COMPANY ACT.

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CERTAIN ECONOMIC AND MARKET INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM PUBLISHED SOURCES PREPARED BY OTHER PARTIES. WHILE SUCH SOURCES ARE BELIEVED TO BE RELIABLE, NEITHER THE FUND, THE GENERAL PARTNER, NOR THEIR RESPECTIVE AFFILIATES ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NEITHER DELIVERY OF THIS MEMORANDUM NOR ANY STATEMENT HEREIN SHOULD BE TAKEN TO IMPLY THAT ANY INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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FORTH IN THIS MEMORANDUM, AND ANY SUCH STATEMENTS, IF MADE, MUST NOT BE RELIED UPON.

PROSPECTIVE INVESTORS ARE CAUTIONED NOT TO RELY ON THE PRIOR RETURN INFORMATION SET FORTH HEREIN IN MAKING A DECISION WHETHER OR NOT TO PURCHASE THE INTERESTS OFFERED HEREBY. THE RETURN INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED OR VERIFIED BY ANY INDEPENDENT PARTY AND SHOULD NOT BE CONSIDERED REPRESENTATIVE OF THE RETURNS THAT MAY BE RECEIVED BY AN INVESTOR IN THE FUND. CERTAIN FACTORS EXIST THAT MAY AFFECT COMPARABILITY INCLUDING, AMONG OTHERS, THE DEDUCTION OF FEES AND EXPENSES AND THE PAYMENT OF A CARRIED INTEREST. CERTAIN FACTUAL AND STATISTICAL INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM PUBLISHED SOURCES PREPARED BY OTHER PARTIES AND HAS NOT BEEN INDEPENDENTLY VERIFIED BY THE GENERAL PARTNER OR ANY OF ITS AFFILIATES. OPINIONS AND ESTIMATES MAY BE CHANGED WITHOUT NOTICE. IN CONSIDERING THE PRIOR PERFORMANCE INFORMATION CONTAINED HEREIN, PROSPECTIVE INVESTORS SHOULD BEAR IN MIND THAT PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS, AND THERE CAN BE NO ASSURANCE THAT THE FUND WILL ACHIEVE COMPARABLE RESULTS.

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THE MEMORANDUM, TOGETHER WITH ANY AMENDMENTS AND SUPPLEMENTS THERETO, AND ANY OTHER OFFERING MATERIALS DISTRIBUTED TO THE LIMITED PARTNERS (TOGETHER, THE "**OFFERING MATERIALS**") CONTAIN CERTAIN STATEMENTS WITH RESPECT TO, AND DISCLOSE CERTAIN INFORMATION WITH REGARD, TO THE THIEL PERSONS (AS DEFINED HEREIN). NONE OF THE THIEL PERSONS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE CONTENTS OF THE OFFERING MATERIALS. NONE OF THE THIEL PERSONS HAS OR ASSUMES ANY RESPONSIBILITY FOR ANY PART OF THE FORM OR SUBSTANCE OF THE OFFERING

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INVESTORS SHOULD MAKE THEIR OWN INVESTIGATIONS AND EVALUATIONS OF THE FUND, INCLUDING THE MERITS AND RISKS INVOLVED IN AN INVESTMENT THEREIN. PRIOR TO ANY INVESTMENT, THE GENERAL PARTNER WILL GIVE INVESTORS THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS AND ADDITIONAL INFORMATION FROM IT CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND OTHER RELEVANT MATTERS TO THE EXTENT THE GENERAL PARTNER POSSESSES THE SAME OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE. INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS APPLICABLE TO THEM IN RESPECT OF THE ACQUISITION, HOLDING AND DISPOSITION OF THE INTERESTS IN THE FUND, AND AS TO THE INCOME AND OTHER TAX CONSEQUENCES TO THEM OF SUCH ACQUISITION, HOLDING AND DISPOSITION.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, AN INTEREST IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR FOREIGN REGULATORY AUTHORITY HAS APPROVED AN INVESTMENT IN THE FUND. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS MEMORANDUM, NOR IS IT INTENDED THAT THE FOREGOING AUTHORITIES WILL DO SO. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

YOUR INVESTMENT WILL BE DENOMINATED IN UNITED STATES DOLLARS (\$) AND, THEREFORE, WILL BE SUBJECT TO ANY FLUCTUATION IN THE RATE OF EXCHANGE BETWEEN UNITED STATES DOLLARS (\$), THE CURRENCY OF YOUR OWN JURISDICTION AND THE CURRENCY OF THE JURISDICTION IN WHICH ANY FUND PORTFOLIO COMPANY OPERATES OR GENERATES INVESTMENT PROCEEDS, AS APPLICABLE. SUCH FLUCTUATIONS MAY HAVE AN ADVERSE EFFECT ON THE VALUE, PRICE OR INCOME OF YOUR INVESTMENT.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS IN THIS MEMORANDUM CONSTITUTE FORWARD-LOOKING STATEMENTS. WHEN USED IN THIS MEMORANDUM, THE WORDS "MAY," "WILL," "SHOULD," "PROJECT," "ANTICIPATE," "BELIEVE," "ESTIMATE," "INTEND," "EXPECT," "CONTINUE," AND SIMILAR EXPRESSIONS OR THE NEGATIVES THEREOF ARE GENERALLY INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS, INCLUDING THE INTENDED ACTIONS AND PERFORMANCE OBJECTIVES OF THE GENERAL PARTNER, FUND, OR ANY PORTFOLIO COMPANY REFERENCED HEREIN, INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS OF THE GENERAL PARTNER, FUND, OR ANY PORTFOLIO COMPANY TO DIFFER MATERIALLY FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NO REPRESENTATION OR WARRANTY IS MADE AS TO FUTURE

PERFORMANCE OR SUCH FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS IN THIS MEMORANDUM SPEAK ONLY AS OF THE DATE HEREOF. THE FUND AND THE GENERAL PARTNER EXPRESSLY DISCLAIM ANY OBLIGATION OR UNDERTAKING TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN ITS EXPECTATION WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS, OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THIS MEMORANDUM AS INVESTMENT, LEGAL, TAX, REGULATORY, FINANCIAL, ACCOUNTING OR OTHER ADVICE, AND THIS MEMORANDUM IS NOT INTENDED TO PROVIDE THE SOLE BASIS FOR ANY EVALUATION OF AN INVESTMENT IN AN INTEREST. PRIOR TO ACQUIRING AN INTEREST, A PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN LEGAL, INVESTMENT, TAX, ACCOUNTING, AND OTHER ADVISORS TO DETERMINE THE POTENTIAL BENEFITS, BURDENS, AND OTHER CONSEQUENCES OF SUCH INVESTMENT.



ANY QUESTIONS REGARDING THIS OFFERING, AND ANY REQUESTS FOR COPIES OF THE MEMORANDUM, THE PARTNERSHIP AGREEMENT AND THE SUBSCRIPTION AGREEMENT SHOULD BE FORWARDED TO:

Valar Ventures LLC
915 Broadway, Suite 1101
New York, New York 10010
email: [REDACTED]

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I. EXECUTIVE SUMMARY

Andrew McCormack, James Fitzgerald and Peter Thiel (the “*Founding Partners*”) formed Valar Ventures (the “*Firm*” or “*Valar*”) as a venture capital investment firm in 2010, with a mandate to find and fund high-growth, earlier-stage companies located in markets outside of Northern California where the top Silicon Valley-based venture firms historically have not focused. The Firm currently manages \$200 million in capital commitments across all its funds and investment vehicles, and is currently investing out of Valar Global Fund 2, a \$100 million fund that is more than 75% invested or reserved for follow-on investments in existing portfolio companies.

Valar is now raising a larger institutional fund (“*Fund 3*”, the “*Fund*” or the “*Partnership*”) with targeted capital commitments of \$200 million. The Fund is expected to emphasize Series A and Series B stage investments in high-growth technology companies based in first-world economies, with a focus on Europe, Canada, and the US (ex-Northern California), where Valar believes the growth opportunities are highest relative to the availability of smart capital (the “*Strategy*”).

Since inception, Valar has generated significant returns for its investors, exceeding industry and general market benchmarks:

	Net Multiple	Net IRR
Valar Fund 1	2.5x	41.0%
Cambridge US Venture Capital Index (Top Quartile)	2.2x	36.1%
Cambridge Global ex US Developed Markets PE/VC Index	1.5x	17.3%
S&P 500 Total Return Index	1.9x	13.5%

* - Numbers presented for Valar are as of 12/31/2015. “Valar Fund 1” refers to all funds and investment vehicles managed by Valar Ventures Management LLC prior to the formation of Valar Global Fund 2, on an aggregate basis. Valar Fund 1 made its first investment on 10/28/2010. Valar Global Fund 2 made its first investment in March 2015 and all investments are still held at cost. Numbers presented for the S&P 500 Total Return Index are gross results for the period 10/28/2010-12/31/2015. The S&P 500 is a stock market index based on the market capitalizations of large, publicly traded companies, whereas Valar generally invests in earlier stage, privately held companies. Because final Cambridge data is not made available for several months after the end of a quarter, Valar has presented the most recent final data available for upper quartile vintage 2010 funds, which is as of 6/30/2015. Valar Ventures’ figures are unaudited estimates incorporating all realized and unrealized gains/losses and were calculated by reducing gross profits by a flat 25% for hypothetical management fees, expenses and carry. Past performance may not be an indicator of future performance. Sources: Cambridge Associates; MarketWatch; Valar.

Distinguishing Factors

A. Performance

As of December 31, 2015, Valar has deployed \$133.9 million in the Strategy, with a gross asset value of \$325.6 million, including realized and unrealized investment gains and losses. Valar Fund 1 (an aggregation of all funds and investments vehicle managed by Valar prior to the formation of Valar Fund 2) has a current gross multiple of 3.0x since October 2010, which, if treated as a single fund, would place its performance within the top echelon of all venture funds (as compared to both internationally or domestically focused funds) and one that has significantly outperformed common public market index references, such as the S&P 500.¹ Of the five major portfolio companies in Valar Fund 1, two (Xero and TransferWise) have already achieved valuations close to or in excess of a billion dollars.

B. Team Dynamic & Experience

The Founding Partners have a long, varied and successful working relationship – Andrew and Peter have been working together since PayPal in 2001, with James joining them at Clarium in 2008. Collectively they have structured and managed investments across a range of sectors and geographies through two major economic cycles. In addition to their investing experience, the Founding Partners have operational backgrounds – Andrew founded and ran a restaurant group, James served as General Counsel and COO of Thiel Capital LLC (“*Thiel Capital*”) and Peter co-founded and was CEO of PayPal and is a co-founder and the chairman of Palantir.

The Partnership will be managed by Andrew and James. All Fund investment decisions will be made with their unanimous consent, and Andrew and James together will constitute the investment committee of the Fund (the “*Investment Committee*”). While Peter is not a member of the Investment Committee and is not expected to be involved in the day-to-day management of the Firm, he is generally expected to be available to provide advice and counsel to Valar and its portfolio companies from time-to-time. In addition, in view of his status as a Founding Partner, Peter owns 20% of the General Partner and the Management Company and retains veto rights over certain activities of the General Partner, the Management Company and the Fund.

Andrew and James have traveled the world and taken nearly all meetings together for close to five years now, looking for investment opportunities that are off the radar of Silicon Valley’s top venture firms. Based on their intensive experience working together with entrepreneurs and portfolio companies on four continents, they have been able to iterate quickly and continuously refine the Strategy to optimize for the markets, stage of investment, founder attributes and firm structure with the highest potential for yielding outsized venture returns.

C. Market/Stage Differentiation

Venture capital as an asset class has performed well since 2010, a fact that has not been lost of the increasing numbers of investors allocating money to the space. Seed stage investment, on the one end of the capital stack, and later-stage/pre-IPO investment, on the other end, have been particularly popular, as smaller investors (including many new entrants to the market) seek to replicate the 1000x returns

¹ Composition of public market indices may not be comparable with composition of Valar’s portfolio and past performance may not be an indicator of future performance.

achieved by early investors in Facebook, Twitter, Uber, etc., and larger investors attempt to eke out modest returns in the current low interest rate environment by plowing money into later stage companies that are perceived (correctly or not) as largely de-risked. The space between these two extremes has not received as much attention, with Series A and Series B financing rounds (sub-\$100 million valuations) in particular being less crowded. Moreover, the vast majority of venture investment continues to be focused on the United States (in particular, Northern California), China and India.

By focusing on Series A and B stage investments outside of Northern California, China and India, Valar is operating in a segment of the market that remains significantly less crowded, and where valuations are consequently more attractive. In addition, while limited partners investing primarily through the top Silicon Valley-based venture firms may find themselves ultimately invested in many of the same underlying portfolio companies, in most cases Valar is the first US-based investor to invest in its portfolio companies, providing a segment of diversification to its investors.

D. Reputation

Valar and the Founding Partners enjoy a strong reputation as venture investors across the world and are particularly prominent in the US, Europe, Canada, Australia and New Zealand, where the Firm has made approximately 40 investments in 20 portfolio companies since 2010. Moreover, Peter is known worldwide in technology circles (and otherwise) and has been recognized repeatedly as one of the most successful venture capital investors in history, building on his first investments in PayPal and the very first outside investment in Facebook.

The best founders understand the importance of receiving investment from the most reputable venture firms. As such, Valar's reputation drives extraordinary deal-flow at attractive prices to the Firm, as entrepreneurs compete to have access to Valar's experience and the imprimatur of its Founding Partners.

II. KEY PRINCIPAL TERMS

The following information is presented as a summary of certain of the Fund's key principal terms only and is qualified in its entirety by the more detailed information contained in "Section VII. Summary of Principal Terms" herein and by the Partnership Agreement, which will be circulated to investors prior to closing. To the extent that this summary conflicts with the Partnership Agreement, the Partnership Agreement will control.

Target Size	\$200 million
General Partner Commitment	At least 1% of fee-bearing capital
Term	10 years, subject to two, one-year extensions at the General Partner's discretion and thereafter with the consent of a majority in interest of the Limited Partners
Commitment Period	5 years
Management Fee	2.5% of Limited Partners' capital commitments until the end of the Commitment Period; reduced thereafter by 0.1% annually, but not below 1.5% of the aggregate capital commitments of the Limited Partners
Management Fee Reduction	100% of all directors, consulting, management services, transaction, advisory, break-up or broken deal fees
Carried Interest	Carried interest is not payable until 100% of capital contributions have been returned to the Partners, and thereafter will be 20% of net profits until the Fund distributes to each Limited Partner an amount equal to 300% of its capital commitment; thereafter 25% of net profits until the Fund distributes to each Limited Partner an amount equal to 600% of its capital commitment; thereafter 30% of net profits
Clawback	Yes, with a guaranty by each managing member of its share on a several, but not joint, basis
Investment Committee / Key Persons	James Fitzgerald and Andrew McCormack
No Fault Termination	Yes, at any time by the election of eighty percent (80%) in interest of the Limited Partners
Organizational Expenses	Capped at \$500,000

III. INVESTMENT STRATEGY

A. Core Strategy

The Fund's core strategy is to use its strong brand and execution-oriented structure to invest in high-growth earlier-stage technology companies located in first world markets outside of Northern California.

Stage: Valar's typical initial investment is generally sized at \$5-\$10 million in a company that has an enterprise (pre-money) value of between \$20 and \$100 million.

Geography: Valar seeks to identify great companies that are founded in first world, developed economies outside of Northern California, where Valar believes the opportunity to build a globally significant technology company is high, while the competition from top-branded venture firms investing at the Series A and Series B stages is relatively low.

For historical reasons, many of the most prestigious venture firms still remain largely focused on Silicon Valley and San Francisco. However, as a result of the powerful effects of Moore's Law, the information sharing culture of the startup ecosystem, and the operating leverage the Internet creates, an increasing share of the world's most valuable technology companies are being started outside of Northern California. Startup costs have fallen by orders of magnitude over the past 15 years, business and engineering talent is easier to find globally, knowledge is shared in real time, distribution channels are both more open and powerful and deal terms are increasingly standardized to Silicon Valley models. As long as the Internet remains open for business, Valar believes these tailwinds will continue.

Examples of geographies Valar intends to focus on for investment in the Fund include:

- Western Europe (e.g., UK, Ireland, Germany, France, Netherlands)
- Northern Europe (e.g., Sweden, Finland, Denmark, Estonia)
- North America (e.g., Canada, US (ex-Northern California))

Examples of geographies where Valar is open to inbound deal flow through its networks, but where it does not plan to travel extensively for the Fund:

- Israel, Japan, South Korea, Singapore, Australia, New Zealand and Northern California

Examples of geographies Valar does not intend to focus on for the Fund:

- China, India, Russia, Brazil, Turkey, Africa, Latin America, the Middle East, Southeast Asia

Investor Value Add: As noted above, the best founders understand the importance of receiving investment from the most reputable venture firms. Unlike public companies or even later-stage private firms, information about early-stage startup companies is not readily available. As a result, many of the key contributors to a startup's ultimate success (e.g., potential employees, prospective customers and downstream investors) rely heavily on the signaling effect that results from a company receiving investment from a highly respected investor. Setting this virtuous circle in motion is of paramount concern to early-stage founders, and is arguably the single most important "value add" a venture investor can offer. In that regard, the imprimatur of Valar choosing to invest in one company over others has significant and immediate reputational and branding benefits to the chosen company.

Beyond that social proof, the Firm adds value initially by aligning the core terms of the company's governing documents towards growth and removing founder-unfriendly structures that constrain a startup's flexibility and growth. Post-investment, Valar practices a high-availability, low-touch style of working with founders; connecting management with the Firm's networks in the US and abroad and offering strategic advice and mentoring as needed. Valar receives and monitors all board materials and Andrew and James participate in most board meetings of the Firm's larger investments.

B. Thesis

The technology business worldwide is growing at an exponential rate as even the most offline industries and business verticals are being disrupted by the rapid adoption and continued evolution of Internet, cloud-based and mobile technologies. Valar believes that the best technology companies being founded outside of Northern California are mispriced due to their distance from Sand Hill Road and there is an opportunity for Valar to establish itself as the funder of first choice for the very best of these companies. The Firm believes that innovations in technology will fuel a rapidly increasing supply of massive companies in the geographies Valar is focused on, while the willingness and ability of the best venture brands in Silicon Valley to travel to access these opportunities is not growing at anywhere close to the same rate. The venture capital industry's bias toward investing in Silicon Valley - despite steeply rising US valuations and operating costs - creates compelling opportunities elsewhere, where competition for markets, employee talent, and funding is much lower. Within that universe of opportunities, Valar believes that its reputation affords it access to the best companies, access which serves as the primary driver of returns. These hypotheses rest on three beliefs:

i. *Silicon Valley Does Not Have A Monopoly On Entrepreneurial Talent Or Market Opportunities*

VC tends towards regional bias: the US in general and Silicon Valley in particular command the majority of venture capital funding and the common misconception is that Silicon Valley is not just the best place to look for start-up opportunities, but in many ways, the only good place to look.

However, the rest of the world has become a much more fertile place for start-ups as the success of companies like Skype, Spotify, Zendesk, Atlassian, Shopify, Xero, TransferWise, Klarna, HootSuite and others demonstrate. Moreover, the pool of talent abroad is deep – interestingly, many of the top founders in Silicon Valley are immigrants or children of immigrants, including Max Levchin (PayPal), Larry Page, Sergei Brin (Google), and Elon Musk (Tesla, SpaceX). By investing abroad ahead of an entrepreneur's or company's arrival in the US, Valar believes it can operate in a context where industry bias against ex-Silicon Valley investment creates significant pricing opportunities.

ii. *Silicon Valley-Style Venture Capital Investing Adds Value To Non-Valley Start-Ups*

Valar believes that venture firms with Silicon Valley experience can add value to non-US start-ups in ways that local investors generally cannot:

- a. *Large pools of capital:* Silicon Valley remains the single largest non-state source of start-up funding in the world and even smaller Valley-based funds are significantly larger than developing market funds (for example, NEA's most recent fund exceeds the stage-sponsored venture programs of most developed countries combined). Silicon Valley firms also have established syndication mechanisms in place to leverage their proprietary capital, including syndication directly to their limited partners. This dynamic has become especially important as the capital requirements of many startups have once again begun to rise. Valar's network in Silicon Valley and the US are valuable to companies looking for downstream capital. Indeed, the Firm's two largest investments from Fund I, Xero and TransferWise, recently received significant growth investments from Accel Partners and Andreessen Horowitz, two of the largest and most respected Silicon Valley venture firms.
- b. *Patience:* Silicon Valley investors are accustomed to longer liquidity cycles than regional financiers; Peter Thiel, in particular, has a record of well-rewarded patience: e.g., Palantir (which grew over ten years from a \$35 million valuation to \$20 billion); SpaceX (sub \$300 million to over \$10 billion in nine years); and Facebook (less than \$10 million to nearly \$300 billion in just over a decade). Valar has demonstrated a willingness to reinvest in its portfolio companies as they grow and the Firm's relative informational advantages compound: Xero is a notable example, with successive waves of investment by Valar reaping larger and faster returns. Reinvestment from the existing syndicate makes subsequent financings more efficient for portfolio companies, and Valar reaps the rewards of inside access and improved information.
- c. *Founder-friendliness:* Valar emphasizes founder-investor alignment, believing that it maximizes value for both parties. The concept of allowing companies a freer hand in their own development rather than imposing frequently value-destroying "adult supervision" has gained currency in Silicon Valley since its introduction by Peter Thiel's Founders Fund, but remains distinctly unorthodox in other tech hubs, especially outside the US, where investors insist on a variety of "private equity style" terms that the Silicon Valley investment community has come to realize are of generally negative utility (e.g., participation rights, highly restrictive spending oversight, routine vetoes, super pro rata rights, etc.). The Founding Partners' record of pioneering founder-friendly terms (both at Founders Fund and more recently through Valar Ventures) is both a competitive advantage in sourcing deals and a value-creating mechanism post-investment.
- d. *Experience:* The pool of venture investors with long, significant and successful track records outside Silicon Valley – especially coupled with prior operational experience – is not deep. Valar brings Founding Partners who not only have an excellent track record as investors but who have operational experience in a variety of sectors.
- e. *Brand:* The US is, and for the foreseeable future is expected to remain, the largest unitary, sovereign market for new goods and services and is thus important to many companies founded outside the US. Large corporate partners, investment banks,

potential acquirers and other US counterparties tend to be somewhat parochial in their approach and rely on their impression of the venture capitalist's brand when making decisions. In addition to credibility based on Valar's own top-tier performance, Peter Thiel enjoys a reputation as one of the most successful venture capitalists in history.

iii. *Only Top VCs Produce Excess Returns Because Only Top VCs Have Access To The Best Deals*

Industry data suggest that only the top quartile of venture capital firms produce significant excess returns and that these returns tend to persist over the lifetime of a firm's core partnership as reputational assets and experience produce self-reinforcing effects. Because top venture capitalists can arrogate the best opportunities to themselves on the basis of reputation (as the best deals tend not to be price-competitive, but driven by interpersonal and philosophical compatibility between venture capitalists and founders), venture capital firms try to minimize transactional costs when doing deals. In practice, this means that most top tier venture capitalists invest near Silicon Valley and thus the best venture capital brands – which create the most value for the companies in which they invest – have less incentive to operate outside of Silicon Valley. Furthermore, because private equity investing is not a readily scalable discipline, efforts to extend venture capital culture and brands via country-specific managers or satellite offices have not been notably successful, providing additional reasons for most venture capital firms to invest in companies founded closer to their Sand Hill Road homes. This creates a vacuum that Valar, with a primary emphasis on non-Valley investing, but with strong Silicon Valley connections, occupies.

C. Deal Flow

Sources of deal flow include:

i. *Reputation*

Valar and its Founding Partners already enjoy a strong reputation as venture investors in the geographies they have operated in, particularly in the UK, Germany, New Zealand and Canada, where the Firm has made significant investments, and increasingly in other parts of Europe and the US, where Andrew and James have spent significant time but have not yet invested. In addition, Peter's brand is highly visible and affords the team access to entrepreneurs globally.

ii. *Local connections*

Valar seeks to develop deep relationships with local entrepreneurs and investors in the core cities in which it operates. Most of the major capitals of Europe (e.g., London, Berlin, Stockholm, Paris, Amsterdam), as well as the largest cities in North America outside of Northern California (e.g., New York, Toronto, Montreal) have fairly well established accelerator programs, angel investors and seed-stage investing communities. In particular, seed-stage venture firms that are not positioned to be lifecycle investors are attractive local partners for Valar, as those firms tend to be highly incented to share their best deal flow with deeper pocketed US venture funds that can provide Series A, B and later financing to their portfolio companies. These relationships serve to channel deals to Valar as the investor of first choice when companies are looking to raise new financing rounds.

iii. *"It's a series of tubes"*

The Internet, it turns out, is a powerful source of information sharing, and the past few years have seen an explosion of technology-focused news outlets, blogs and daily email circulars surfacing even the earliest and geographically most remote of startup financings. Because Valar is not generally the first money invested in a company, and because the best entrepreneurs are often highly attuned to building their online presence early, Valar can identify and monitor startups, even in distant geographies, before they reach an appropriate stage of investment for the Fund. Valar has recently added two associates to the investment team, among other things, in order to more systematically track companies identified through its in-house research. Once a potential portfolio company is identified, Valar can use its local networks in the relevant market to obtain an introduction, or directly contact the company's management team, relying on the Firm's global reputation to access to the best companies.

iv. *Pre-existing relationships*

The Founding Partners already have considerable deal flow from their prior investments and related networks (including the "PayPal mafia" and their other relationships developed while working with Peter Thiel over the past decade). These relationships have historically yielded high quality deal flow (e.g., Max Levchin was an early investor in London-based TransferWise and helped introduce Valar to TransferWise's founders).

D. Diligence

The Fund expects to undertake its own diligence for most investments. As seasoned investors and operators, the Founding Partners believe they can conduct most diligence in-house. In certain cases, the Fund may employ outside experts to assess matters specific to a given investment and legal diligence may be sourced to the Fund's outside counsels. The Fund's level of diligence is expected to correspond to the relative importance of a given investment to the portfolio and Valar's previous experience with the entrepreneur, and may range from brief (in cases where an investment is small or the entrepreneur or market are well known to the team) to extensive (in the case of larger, more complex investments). The Fund can also utilize the diverse talents of its advisory board to assist with diligence.

E. Portfolio Construction

On a capital-deployed basis, Valar intends to run a relatively concentrated portfolio, continuing to support successful companies in subsequent rounds.

Subject to the availability of strong opportunities – which does not, given the Firm's current deal flow, appear to be a major constraining risk - Valar expects to complete primary capital deployment within two to three years of the Fund's close. Valar intends to reserve capital for initial follow-on investments in Fund portfolio companies, although later follow-on investments, including those at significantly higher valuations, may be made by separate co-investment vehicles or subsequent funds.

Valar also intends to increase invested capital, measured as a percent of the Fund's overall Capital Commitments, by recycling investment proceeds where available (a practice sometimes referred to as

“recycling fees”). Valar believes this strategy will be beneficial for Fund investors by helping converge net and gross performance of the Fund.

IV. PARTNERSHIP MANAGEMENT

A. Voting Process and Control

The Partnership will be managed by Andrew and James with Peter providing advice and counsel from time-to-time as appropriate. Investment decisions will be made with the unanimous consent of James and Andrew (the “*Investment Committee*”). If either James or Andrew is affected by a conflict of interest, the additional consent of the Fund’s Advisory Board regarding the proposed transaction will be sought. The General Partner anticipates appointing an advisory board of three to five members, to be selected in its discretion following the closing of the Fund.

While Peter Thiel is not a member of the Investment Committee and is not expected to be involved in the day-to-day management or operations of the General Partner, the Management Company or the Fund, Peter (directly or through another Thiel Person) will be a member of the General Partner, entitled to 20% of the carried interest and net management fees paid by the Fund, and as is generally expected to be available to provide advice and counsel to Valar and its portfolio companies from time-to-time. In addition, in view of his status as a Founding Partner, Peter will retain veto rights over certain activities of the General Partner and the Fund, including those relating to the composition of the Investment Committee, certain investments by the Fund that could create a conflict of interest, actions requiring the consent of the Advisory Committee and material deadlocks between Andrew and James. These matters are described in more detail under the heading “Control” in Section VII below. In addition, Andrew and James are subject to significant non-compete agreements with Peter, and Peter retains the right to terminate Andrew McCormack and James Fitzgerald upon the occurrence of certain events constituting cause.

B. Team Dynamic

Valar believes that the managerial organization of its portfolio companies is an important indicator and driver of a startup’s potential success, and has devoted considerable thought to how to structure its own team – an area that it believes has posed significant challenges to the ability of other venture capital firms to access opportunities outside of their home markets.

The core dynamic of Valar’s investment process is its “perpetual-partner-meeting” model, meaning that Andrew and James generally take all calls, meetings and travel together and thus possess nearly symmetric information and are in constant communication about all opportunities available to Valar. The ability to make partnership level decisions in real-time, and in particular, the ability to pass on investment opportunities quickly, are key to the Firm’s cross-geography strategy. The Firm does not plan to make any changes that would affect its ability to maintain the perpetual-partner-meeting model. Fund sizes (individually and in the aggregate) are expected to be kept at a level that can be effectively managed by the existing team.

Valar expects to hire additional investment associates and back office personnel as it expands, but all investment decisions and deal sourcing are expected to be made by the existing Founding Partners for the foreseeable future. Valar believes that its small team and unanimous voting make it more nimble than firms with large investment committees, politicized “Monday meetings”, struggles over attribution and economics, and other internal angst caused by large teams operating in an industry where lumpy, large gains long divorced in time from the investment decision create unhealthy dynamics that erode returns.

C. Biographies

i. *Andrew McCormack*

Andrew is a Founding Partner at Valar Ventures. Andrew's career in technology has included business and corporate development roles at eCount (acquired by Citicorp) and Yahoo! He joined PayPal in 2001, where he worked closely with Peter in preparing for the company's IPO. After PayPal's sale to eBay, Andrew helped launch Clarium Capital and later founded a restaurant group in San Francisco.

In 2008, Andrew rejoined Peter at Thiel Capital, where he led various international initiatives for Thiel Capital and Peter personally. Andrew received his B.A. in Political Science from the University of Pennsylvania.

ii. *James Fitzgerald*

James is a Founding Partner at Valar Ventures. Prior to Valar, he was COO and General Counsel of Peter Thiel's global parent company, Thiel Capital, where he helped manage Peter's extensive network of investments and businesses. In that capacity, he worked closely with Founders Fund, Mithril, and Clarium.

Prior to joining Thiel Capital, James practiced law for seven years in the New York office of Skadden, Arps, Slate, Meagher & Flom LLP. He received his J.D. from the University of California, Los Angeles and his undergraduate degree from Brigham Young University.

iii. *Peter Thiel*

Peter co-founded PayPal and guided it as CEO through its IPO and sale to eBay. He is a co-founder of Palantir Technologies and the first outside investor in Facebook. Peter is also a New York Times best-selling author, with his book *Zero to One*, which details his collected philosophies on investing in and building technology companies. Through his investing, writing and speaking career, Peter is mentoring the next generation of transformative entrepreneurs.

Peter earned a B.A. in philosophy from Stanford University and a J.D. from Stanford Law School, where he occasionally teaches on globalization and technology.

iv. *Reuben Kobulnik*

Reuben is the Chief Operating Officer and Chief Financial Officer of Valar Ventures, responsible for all operational, financial reporting and legal matters.

Prior to joining Valar, Reuben was Counsel at Skadden, Arps, Slate, Meagher & Flom LLP, where he practiced M&A, private equity and general corporate law for nine years. While at Skadden, Reuben worked closely with James on a number of transactions. Before joining Skadden, Reuben clerked for Justice Morris J. Fish of the Supreme Court of Canada.

Reuben received his law degree as well as an undergraduate degree in Finance and Strategy from McGill University.

v. *Mike Bosserman*

Mike is an Investment Associate at Valar Ventures, where he spends his time surfacing great businesses and entrepreneurs, performing due diligence, and monitoring the Valar portfolio. Before joining Valar, Mike was an Investment Analyst at Spider Management Company, the investment manager for the University of Richmond and a number of other endowments and foundations.

Mike received his B.S. in Business Administration with a Concentration in Finance from the University of Richmond in 2012. He has also completed all three levels of the CFA Program.

vi. *John Tenet*

John is an Investment Associate at Valar Ventures and is responsible for sourcing and evaluating technology-driven companies across a variety of sectors, as well as providing assistance to the Firm's portfolio companies. John joined Valar from Allen & Company, where he spent 3 years investing in technology, media, and telecom deals, as well as focusing on third party manager sourcing and due diligence as part of the Capital Markets and Investment Management Divisions.

John received his B.A. in Government from Georgetown University in 2010.

vii. *Erin Porterfield*

Erin Porterfield assists with Valar's day-to-day operational and financial matters. Prior to Valar, Erin was an executive assistant at Thiel Capital in San Francisco, where she worked closely with James and Andrew. She initially joined Clarium in 2011.

Erin received a BS in Mass Communication, with a minor in Psychology from Middle Tennessee State University.

V. INVESTMENT HISTORY

Valar began as a new strategy incubated within Thiel Capital that sought to invest in the increasing number of globally significant technology companies being founded outside of Peter's historical focus of Northern California. To that end, the team began scouting internationally for opportunities in 2010, initially making investments through a series of special purpose vehicles that were primarily funded by Peter, and ultimately spinning out as a stand-alone strategy with significant capital commitments from outside investors:

2010: Valar Ventures LP, a New Zealand partnership (the "**New Zealand Fund**"), made Valar's first investments in New Zealand. Approximately 40% of the capital commitments to the New Zealand Fund were from Peter Thiel; the rest from the New Zealand government and other third party investors.

2012: Opportunities in Xero exceeded the New Zealand Fund's concentration limits and Valar launched VV Xero Holdings LLC (the "**Xero SPV**") to harvest those opportunities.

2012-2013: As Valar broadened its efforts internationally, VV Global LP and VV Global Principals LP were formed to take advantage of a growing number of opportunities outside of New Zealand (the "**VV Funds**"). The VV Funds were 100% funded by Peter Thiel and, with one exception, made all investments *pari passu*.

2013: Based on the success of earlier Valar funds, Valar Global Fund I LP and Valar Global Principals Fund I LP were raised in 2013 with 10% outside capital to invest in technology companies globally. These funds have made all investments *pari passu* and are collectively referred to as "**Global Fund I**". Among other things, Global Fund I was intended to serve as a template for Valar's first institutional fund, including by providing the legal framework, auditable track record and other internal processes necessary to attract institutional capital.

2014: Valar's pro rata rights in the Series C financing of TransferWise, led by Andreessen-Horowitz, exceeded the remaining capital of the VV Funds and Global Fund I. Valar raised a \$10M sidecar fund, Valar Co-Invest Fund 1 LP (the "**TransferWise SPV**"), to participate in that round.

2014-2015: Valar Global Fund II LP and Valar Global Principals Fund II LP, which invest *pari passu* in all transactions (together, "**Fund 2**") were raised in late 2014 and closed in January 2015. Capital commitments to Fund 2 totaled \$102 million, with approximately 70% of the funds coming from outside investors (primarily educational endowments, large multi-family offices and high net worth individuals) and the remaining capital commitments coming from Peter Thiel (approximately 30%) and Andrew McCormack and James Fitzgerald (approximately 1%). To date, over 75% of capital commitments have been invested or reserved for follow-ons and expenses.

For ease of reference in this document, "**Fund I**" refers to all the funds and investment vehicles listed above, on an aggregate basis, other than Fund 2.

VI. FUND PERFORMANCE AND PORTFOLIO COMPANY PROFILES

Performance information and profiles for all Fund 1 and Fund 2 portfolio companies where Valar's initial cost basis was in excess of \$2 million ("*Major Investments*") appear below in Appendix B and Appendix C, respectively. Valar's detailed investment track record, including a complete list of all portfolio company investments, is available in the Firm's electronic data room.²

² Interested investors should contact Valar for access to the electronic data room.

VII. SUMMARY OF PRINCIPAL TERMS

The following is a summary of certain of the proposed terms of the Limited Partnership Agreement of Valar Global Fund III LP (the “*Partnership Agreement*”) and Operating Agreement of the General Partner. This summary does not purport to be complete and is qualified in its entirety by reference to the Partnership Agreement.

FUND: Valar Global Fund III LP (the “*Fund*” or the “*Partnership*”) will be organized as a Delaware limited partnership.

PURPOSE: To invest, as a general matter, in earlier-stage, high-growth technology companies with their principal places of business outside of Northern California through direct, privately negotiated investments in equity or equity-oriented securities of private and, in certain cases, public companies with limited liquidity.

GENERAL PARTNER: Valar Ventures GP III LLC, a Delaware limited liability company, will be the general partner of the Fund (the “*General Partner*”).

LIMITED PARTNERS: Institutions and private individuals (or their estate planning vehicles) that are “accredited investors” within the meaning of the United States Securities Act of 1933 or qualified non-U.S. persons (the “*Limited Partners*”, and together with the General Partner the “*Partners*”).

FUND SIZE: The target size of the Fund is \$200 million in committed capital from the Partners (the “*Capital Commitments*”).

GENERAL PARTNER’S CAPITAL COMMITMENT: The General Partner will make a Capital Commitment to the Fund of at least 1% of the aggregate fee bearing Capital Commitments of the Partners.

In lieu of a contribution to the Fund entirely in cash, the General Partner may elect to make “deemed” capital contributions for up to 80% of its Capital Commitment, which would reduce subsequent management fee payments due to the General Partner by corresponding amounts (each such amount being a “*Fee Adjustment*”).

Private Placement Memorandum

TIMING OF CAPITAL CONTRIBUTIONS:	<p>Each Limited Partner will contribute capital periodically in installments as requested by the General Partner upon ten business days' prior written notice; provided, that certain investors regulated under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), may be required to make their first capital contribution into an escrow account or may not be required to make a capital contribution prior to the date the Fund makes its first investment and thereby qualifies as a "venture capital operating company" under applicable Department of Labor regulations.</p>
	<p>No Limited Partner will be required to contribute any capital following the fifth anniversary of the date the first capital contribution is due except to the extent necessary for (i) Fund expenses (including payment of management fees), (ii) completion of investments in new portfolio companies evidenced by a written term sheet as of such fifth anniversary, (iii) funding follow-on investments in existing portfolio companies, and (iv) fulfillment of indemnification and other obligations and liabilities of the Fund. The period prior to the fifth anniversary of the date the first capital contribution is due is referred to as the "Commitment Period".</p>
TERM:	<p>The Fund will be dissolved ten years after the date on which the Partners' initial capital contribution is due; provided, that the General Partner may extend the Fund's term (a) for up to two additional one-year periods in its sole discretion, and (b) for additional one-year periods with the consent of Limited Partners holding more than 50% of the Capital Commitments (a "Majority-in-Interest of the Limited Partners").</p> <p>The Fund may be dissolved prior to the end of its stated term upon the affirmative vote of Limited Partners holding more than 80% of the Capital Commitments, or by the affirmative vote of Limited Partners holding more than two-thirds-in-interest of the Capital Commitments ("Two-Thirds-in-Interest of the Limited Partners") following certain events constituting "cause" (as defined in the Partnership Agreement); provided, however, this shall not apply if, in the case of acts by a Managing Member, the offending individual is removed as a managing member of the General Partner.</p>
MANAGEMENT COMPANY:	<p>The General Partner will cause the Fund to enter into a management agreement with Valar Ventures LLC, a Delaware limited liability company, or another entity beneficially owned by Andrew McCormack, James Fitzgerald and Peter Thiel (or another Thiel Person (as defined below) designated by Peter) (the "Management Company"), who will be the manager of the Fund and provide management, administrative, operational and other services to the Fund from time to time.</p>
CONTROL:	<p>Andrew McCormack and James Fitzgerald are the Managing Members of the General Partner of the Fund and responsible for the day-to-day operations of the General Partner, the Management Company and the Fund. Investment decisions of the Fund are made by the General Partner acting through its</p>

Investment Committee (the “*Investment Committee*”), of which Andrew McCormack and James Fitzgerald are the sole members.

While Peter Thiel is not a member of the Investment Committee and is not expected to be involved in the day-to-day management or operations of the General Partner, the Management Company or the Fund, Peter (directly or through another Thiel Person) will be a member of the General Partner and entitled to 20% of the carried interest and net management fees paid by the Fund. Moreover, in view of his status as a Founding Partner, Peter retains certain veto rights over the activities of the General Partner and the Fund, including the following:

- The appointment or removal of any person from the Investment Committee or Board of Managers of the General Partner of the Fund
- Any investment by the Fund in a portfolio company of another fund managed by Valar in excess of \$5 million
- Any investment by the Fund in a portfolio company in which Founders Fund, Mithril or Peter are invested
- The creation of any co-investment funds or other special purpose vehicles
- Any investment by the Fund in a portfolio company in excess of 25% of total capital commitments of the Fund
- Any investment by the Fund in a company listed on a US or UK stock exchange in excess of 15% of total capital commitments of the Fund
- The incurrence by the Fund of certain indebtedness in excess of 10% of total capital commitments
- Any investment by the Fund in other investment funds in excess of 5% of total capital commitments of the Fund
- Any action by the Fund that would subject Peter to additional burdens or regulatory requirements
- Any investment by the Fund that does not fit within the Fund’s strategy
- Entering into certain side letters or similar agreements with limited partners of the Fund
- Any decision required to resolve a material deadlock between Andrew McCormack and James Fitzgerald relating to the Fund

- Any other action that requires the consent of the Advisory Committee of the Fund.

In addition, Andrew and James are subject to significant non-compete agreements with Peter, and Peter retains the right to terminate Andrew McCormack and James Fitzgerald upon the occurrence of certain events constituting cause.

ADVISORY
COMMITTEE:

The Fund will have an Advisory Committee that will serve as such for the Fund and any Parallel Funds, consisting of no less than 3 and no more than 7 representatives of the Limited Partners and constituent limited partners of the Parallel Funds chosen by the General Partner in its reasonable judgment (the "*Advisory Committee*"); provided that the General Partner may not appoint any Limited Partner that is an affiliate of the General Partner or any of its respective affiliates. The Advisory Committee will (a) have such duties as are set forth in the Partnership Agreement, (b) approve or disapprove matters pertaining to conflicts of interest as requested by the General Partner (excluding certain matters otherwise expressly addressed pursuant to the terms of the Partnership Agreement), and (c) render such other advice and counsel as requested by the General Partner. The Fund will reimburse each member of the Advisory Committee for his or her reasonable out-of-pocket expenses in connection with his or her activities on the Advisory Committee.

MANAGEMENT FEE:

A management fee will be paid by the Limited Partners of the Fund and the annual management fee will be equal to the Fund's aggregate Capital Commitments made by the Limited Partners multiplied by 2.50% (the "*Management Fee Percentage*"). Notwithstanding the foregoing, beginning with the first full fiscal year that begins after the end of the Commitment Period the Management Fee Percentage will be reduced annually by ten basis points (*i.e.*, by 0.10% per annum) until it is equal to 1.50%. The installment of management fee payable for any fiscal quarter will be equal to one-fourth (1/4) of the Management Fee Percentage in effect for such fiscal quarter (as adjusted) multiplied by the aggregate Capital Commitments made by the Limited Partners.

The management fee payable with respect to a fiscal quarter will be reduced by the aggregate amount that the General Partner has elected not to contribute in cash prior to such quarter (*i.e.*, the sum of all Fee Adjustments).

The management fee will also be reduced by 100% of all cash and non-cash compensation paid as directors, consulting, management services, transaction, advisory, break-up or broken deal fees or other similar fees received by the General Partner, the Management Company, or the respective managing members or managers of such entities in connection with portfolio investments of the Fund and attributable to the Fund's actual investment in such entities. The management fee will be further reduced during an

extension period.

KEY PERSON:

In the event that either (i) James Fitzgerald or (ii) Andrew McCormack (each as a “*Managing Member*” and collectively as “*Managing Members*”) ceases to be a managing member of the General Partner, otherwise ceases to participate in the management of the Fund or fails to meet his obligations to devote his business time to the Fund as set forth below under “Time Commitment” (a “*Suspension Event*”), the Commitment Period will automatically be suspended and shall continue unless Two-Thirds-in-Interest of the Limited Partners affirmatively vote to terminate the suspension within one hundred and eighty (180) days of its commencement; *provided*, that a Two-Thirds-in-Interest of the Limited Partners may vote to terminate a suspension period at any time.

Upon the suspension of the Commitment Period, the General Partner will not request further capital contributions except as required for: (i) Fund expenses (including payment of management fees), (ii) completion of investments in new portfolio companies in process at the time of suspension as evidenced by a written term sheet, (iii) funding follow-on investments in existing portfolio companies so long as the Advisory Committee consents to each such investment, and (iv) fulfillment of indemnification and other obligations and liabilities of the Fund.

Andrew McCormack and James Fitzgerald are each subject to provisions under which Peter Thiel may remove them from the Management Company or the General Partner for certain events constituting “cause” or otherwise by a vote of one or more of the other members. In the event of such removal, a Managing Member would cease providing services to the Fund, thereby triggering a Suspension Event.

ALLOCATIONS OF
PROFIT & LOSS:

At the end of each fiscal year or other accounting period, the net profit and loss for such period will be allocated as follows:

i. First, until the “First Allocation Hurdle” (as defined below) is met, allocations shall be made in a manner necessary to cause cumulative net profit and loss to be allocated 80% to the Partners, in proportion to their relative Capital Commitments, and 20% to the General Partner. The “*First Allocation Hurdle*” will be deemed to have been met when each Limited Partner has been allocated net profits equal to 200% of its Capital Commitment (i.e., an amount sufficient to enable the Fund to distribute to each Limited Partner an amount equal to 300% of its Capital Commitment).

ii. Second, after the First Allocation Hurdle has been met, and until the “Second Allocation Hurdle” (as defined below) is met, (x) 100% to the General Partner until the General Partner has been allocated 25% of the Fund’s net profits and (y) thereafter allocations shall be made in a manner necessary to cause cumulative net profit and loss to be allocated 75% to the

Partners, in proportion to their relative Capital Commitments, and 25% to the General Partner. The “**Second Allocation Hurdle**” will be deemed to have been met when each Limited Partner has been allocated net profits equal to 500% of its Capital Commitment (i.e., an amount sufficient to enable the Fund to distribute to each Limited Partner an amount equal to 600% of its Capital Commitment).

iii. Third, after the Second Allocation Hurdle has been met, (x) 100% to the General Partner until the General Partner has been allocated 30% of the Fund’s net profits and (y) thereafter 70% to the Partners, *pro rata* in proportion to their relative Capital Commitments, and 30% to the General Partner.

Notwithstanding the foregoing, (i) the General Partner will receive priority allocations of net profits equal to all prior Fee Adjustments and (ii) to the extent that an allocation of loss would cause the General Partner’s capital account to be reduced to less than the product of the General Partner’s proportionate share of the aggregate Capital Commitments of the Fund and the sum of the balances of the capital accounts of all Partners (a “**Contingent Loss**”), such loss will be reallocated to all Limited Partners in proportion to their relative Capital Commitments, except as necessary to account for the General Partner’s “clawback” obligation described below.

To the extent Limited Partners have been allocated Contingent Losses, subsequent profits will be allocated first to the Limited Partners until such Contingent Losses have been restored and then in accordance with the first clause of the preceding sentence.

DISTRIBUTIONS:

The General Partner may cause the Fund to make distributions of cash or marketable securities from time to time in its discretion, subject to reasonable cash reserves for Fund expenses. No more than 120% of the Fund’s aggregate Capital Commitments shall be invested in portfolio companies during the term of the Fund. Distributions will be made as follows:

i. First, to all Partners in proportion to their relative Capital Commitments until each Partner has received an amount equal to its aggregate capital contributions.

ii. Second, until the cumulative amount distributed to each Partner is equal to 300% of such Partner’s Capital Commitment as of the date of distribution, such distribution shall be made in the proportions necessary to cause cumulative distributions (other than distributions made pursuant to (i) above) to have been made, (x) 20% to the General Partner; and (y) 80% to all Partners in proportion to their relative Capital Commitments.

iii. Third, after the aggregate amount distributed to each Limited Partner is equal to 300% of such Limited Partner’s Capital Commitment as of the date of such distribution, 100% to the General Partner until it has received aggregate distributions totaling 25% of (x) the aggregate distributions made to the Partners pursuant to (ii) above plus (y) the aggregate Tax Distributions

(as defined below) made to the Partners.

iv. Fourth, until the cumulative amount distributed to each Partner is equal to 600% of such Partner's Capital Commitment as of the date of distribution, such distribution shall be made in the proportions necessary to cause cumulative distributions (other than distributions made pursuant to (i) above) to have been made, (x) 25% to the General Partner; and (y) 75% to all Partners in proportion to their relative Capital Commitments.

v. Fifth, after the aggregate amount distributed to each Limited Partner is equal to 600% of such Limited Partner's Capital Commitment as of the date of distribution, 100% to the General Partner until it has received aggregate distributions totaling 30% of (x) the aggregate distributions made to the Partners pursuant to (ii), (iii) and (iv) above plus (y) the aggregate Tax Distributions made to the Partners.

vi. Sixth, (x) 30% to the General Partner; and (y) 70% to all Partners in proportion to their relative Capital Commitments.

TAX DISTRIBUTIONS:

Following the end of each fiscal year, the General Partner may cause the Fund to distribute cash to each Partner in an amount equal to the "Applicable Tax Rate" (as defined below) multiplied by net taxable income (a "**Tax Distribution**"), less all prior cash distributions; *provided*, that the General Partner will have no obligation to make the foregoing distributions if the total amount to be distributed to all Partners would be less than \$1 million. For each fiscal year, the amount distributed to any Partner as a Tax Distribution shall not exceed the amount by which (A) such Partner's cumulative aggregate annual tax liability with respect to the Fund for such fiscal year and all prior fiscal years exceeds (B) the cumulative aggregate cash distributions made to such Partner as Tax Distributions and other regular distributions through the end of such fiscal year and all prior fiscal years.

The "**Applicable Tax Rate**" means the highest blended federal, state and local marginal income, self employment and medicare tax rates then applicable to an individual residing in any state of the United States, applied by taking into account the character of the taxable income in question (*i.e.*, capital gain, ordinary income, etc.).

CLAWBACK:

The General Partner will be required to pay back to the Fund the amount by which the cumulative net distributions received by the General Partner over the life of the Fund (excluding amounts received by the General Partner in respect of its Capital Commitment) exceeds the product of (A) the applicable carried interest percentage; and (ii) the aggregate amount of profit distributions made to all Partners during the whole term of the Fund; *provided*, that the General Partner will not be obligated to pay an amount in excess of the aggregate carried interest and profit distributions it has received (valued at the time of distribution in the case of securities distributions) less the gross tax liabilities the General Partner would have incurred on such

distributions if at all times the General Partner were subject to the Applicable Tax Rate, all such allocation resulted from fully taxable transactions (plus any tax benefit actually received by the General Partner in the year in which the General Partner is required to make a clawback payment as reasonably determined by the General Partner). Each managing member of the General Partner will be severally liable for and will personally guaranty his or her pro rata share of the General Partner's remaining obligation.

In addition to the amount to be contributed by the General Partner pursuant to the foregoing paragraph, if, upon liquidation of the Partnership, the cumulative Fee Adjustments applied against Management Fees exceeds the sum of (i) the cumulative profits of the Fund for all accounting periods less (ii) the cumulative losses of the Fund for all accounting periods (such amount the "Deemed Contribution Shortfall"), then the General Partner or its designated affiliate with a capital contribution obligation shall be required to pay back to the Fund, the lesser of (x) the Deemed Contribution Shortfall and (y) the distributions received by the General Partner or its affiliate that are attributable to the cumulative amount of Profit allocated to the General Partner with respect to such Fee Adjustments, in each case less the gross tax liabilities that the General Partner would have incurred on all allocations of taxable income (net of losses) made with respect to such Fee Adjustments.

EXPENSES:

From the management fee, the Management Company and the General Partner will pay all normal operating expenses incurred in connection with the management of the Fund, the General Partner and the Management Company, including without limitation salaries, wages, rent, travel and other expenses of employees, consultants and agents of the Fund, the General Partner and the Management Company (other than consultants retained in connection with investments or proposed investments). The Fund will pay all expenses incurred in the investigation, holding, purchase, sale or exchange of investments, and certain other related Fund expenses, such as legal, audit and accounting expenses (including third party bookkeeping services).

The Fund will bear the out-of-pocket expenses incident to the organization of the Fund and the General Partner up to a maximum of \$500,000.

**FUND MANAGEMENT
& CERTAIN CONFLICTS
OF INTEREST:**

Each opportunity to invest at least \$150,000 into a company that is presented to the Managing Members and that otherwise meets the investment objectives of the Fund (i.e., the potential investment is within the Fund's stated scope, the potential investment is sufficiently large, the potential investment is not expected to require an inordinate portion of the Fund's capital, the company is at an appropriate stage of development, the Fund has sufficient capital available at the time the investment is to be made, etc.), shall be offered to the Fund and each Parallel Fund in proportion to their relative available capital; *provided, however*, that the preceding restriction shall only apply from the due date of the initial capital contribution until the end of the "Time Standard Period" (as defined below); *provided, further*, that any opportunities may be

allocated in whole or in part to the Partnership's prior funds until the prior funds are fully invested or reserved; *provided, further*, that the foregoing shall not apply to any investment opportunity with respect to which: (i) a Managing Member's participation in such company has been approved by the Advisory Committee; (ii) a Managing Member (or an affiliate thereof or any investment fund managed thereby) has initially invested prior to the date of the Fund's initial closing; (iii) the General Partner has determined, in good faith, does not meet the investment objectives of the Fund; or (iv) is to be held by a Special Purpose Investment Fund (as defined below).

Peter Thiel and the Thiel Persons (as defined below) are not required to present or offer to the Fund or any Parallel Fund any investment opportunities.

The General Partner, the Management Company, the Managing Members and their respective affiliates, members and employees may engage, directly or indirectly, in other businesses or activities, including but not limited to buying and selling securities for their own accounts, the accounts of prior investment funds and other investment vehicles.

The Fund may invest in any portfolio company in which a Successor Fund or Prior Fund (or any other investment fund managed by any of the General Partner, the "Affiliated Parties" (as defined below) or their affiliates) holds an interest; *provided, however*, that the Fund may not make an investment of more than \$5 million in any such company without the consent of the Advisory Committee. In addition, without the consent of the Advisory Committee, the Fund shall not invest in any company in which the Managing Members, the General Partner, the Management Company or any of their Affiliates hold a direct interest (*i.e.*, an interest not held through a Successor Fund, Prior Fund or other investment fund managed by any of the General Partner, the Affiliated Parties or their Affiliates).

The Fund may not purchase an interest in a portfolio company from, or sell securities to, the General Partner, any Affiliated Party, any "Thiel Person" (as defined below) or any of their respective affiliates, members and employees (or any investment fund managed by any of the foregoing) without the consent of the Advisory Committee.

The term "**Affiliated Party**" means any of the General Partner, the Managing Members, the Management Company or any member or employee or Affiliate thereof; *provided, however*, that Peter Thiel, Peter Thiel's retirement accounts and Thiel Capital LLC and any wholly owned subsidiary of the foregoing ("**Thiel Persons**") shall not be deemed as an Affiliated Party or an affiliate of any Affiliated Party.

The Fund will not have any right of first refusal with respect to the investment opportunities or existing portfolio companies of Peter Thiel, nor any Thiel Persons, nor any other investment funds managed by Peter Thiel or any Thiel Person.

Without prior approval of the Advisory Committee, (i) no more than 5% of the Fund's Capital Commitments may be invested in a "blind pool"

investment fund that is managed and controlled by an unaffiliated third party and that pays its manager performance based compensation ; (ii) no more than 25% of the Fund's Capital Commitments may be invested in any one portfolio company; (iii) no more than 15% of the Fund's Capital Commitments may be invested in publicly traded securities; and (iv) the Fund may not incur indebtedness, or guaranty portfolio company indebtedness, in excess of the lesser of (A) 10% of the Fund's Capital Commitments, and (B) the amount of aggregate Capital Commitments of the Partners that have not been contributed to the Fund as of the date of such debt or guaranty.

TIME COMMITMENT &
FORMATION OF A
SUCCESSOR FUND:

During the Time Standard Period, and so long as they are managing members of the General Partner, each Managing Member will devote substantially all of his business time to the affairs of the Management Company, the General Partner, the Parallel Funds, certain pre-existing investment vehicles, and the Fund. Following the earlier of (i) such time as at least 75% of the Capital Commitments of the Fund has been invested, committed or reserved for investment in portfolio companies, or applied, committed or reserved for working capital and expenses and (ii) the end of the Commitment Period (the "*Time Standard Period*"), the Managing Members will devote such time as they reasonably deem to be appropriate to the Fund.

The General Partner and the Managing Members may form a "Successor Fund" to the Fund following the end of the Time Standard Period.

In addition, during the Time Standard Period, the General Partner and the Managing Members and their respective affiliates may form "Special Purpose Investment Funds." A Special Purpose Investment Fund is a fund created to invest in a specified investment opportunity which may or may not meet the Fund's investment objectives, but which does meet the following criteria: (a) each Partner is provided the first opportunity (on at least seven (7) days advance notice) to invest in such special purpose investment fund on a pro rata basis determined by reference to the total of (x) the Partners' respective Capital Commitments and (y) the respective capital commitments of the constituent partners in any Parallel Funds, and (b) such special purpose investment fund charges a carried interest and/or management fee that are no higher than those charged to the Fund. A Special Purpose Investment Fund may not have aggregate capital commitments that exceed 30% of the aggregate Capital Commitments to the Fund without the Advisory Committee's approval.

Peter Thiel and the Thiel Persons shall not be required to devote any time to the affairs of the Management Company, the General Partner, the Parallel Funds, the pre-existing investment vehicles or the Fund.

REMOVAL OF
GENERAL PARTNER

Within 180 days following the occurrence of certain events constituting "cause" (as defined in the Partnership Agreement), a Two-Thirds-in-Interest of the Limited Partners may elect to remove the General Partner. If the

Limited Partners vote to remove the General Partner, a replacement general partner may be appointed on such economic terms and with such subscription as the replacement general partner and a Two-Thirds-in-Interest of the Limited Partners may agree. The replacement general partner shall continue the business of the Partnership until dissolution in normal course, pursuant to the terms of the Partnership Agreement.

Upon the removal of the General Partner, the former General Partner shall not be obligated to make any additional capital contributions to the Partnership and the former General Partner's entire interest in the Partnership shall be converted to that of a Limited Partner with a capital contribution and capital account balance equal to those of the former General Partner. The former General Partner, as a Limited Partner: (i) shall be entitled to receive all allocations and distributions to which it would otherwise be entitled to receive had it not been removed when, as and if such allocations and distributions are made, in respect of all activities of and investments by the Fund that occurred or were committed to by the Fund prior to the effective date of removal; and (ii) the removed General Partner shall be entitled to receive one hundred percent (100%) of all allocations and distributions in respect of its capital contributions. The removed General Partner shall not be entitled to receive any payments of management fee with respect to any period of time after the date of its removal.

UNRELATED BUSINESS
TAXABLE INCOME &
STATUS AS A
VENTURE CAPITAL
OPERATING COMPANY:

The General Partner will use its reasonable best efforts to conduct its affairs to ensure that no tax-exempt Limited Partner (or any of its equity owners) will be allocated unrelated business taxable income ("*UBTI*") within the meaning of Section 512 of the Internal Revenue Code of 1986 (the "*Code*"), as amended.

The General Partner will use its commercially reasonable efforts to (i) avoid having the Fund treated as being engaged in a trade or business within the United States under the Code; (ii) avoid the Fund realizing income that is or is treated as "effectively connected" with the conduct of a trade or business in the United States under the Code; or (iii) prevent the Fund from acquiring any interest in real property located in the United States for purposes of Section 897 of the Code or in any company that is a "United States real property holding corporation" within the meaning of the Code.

The General Partner will use its reasonable best efforts to operate the Fund so that it will be treated as a "venture capital operating company" under ERISA, if "equity participation" in the Fund held by "benefit plan investors" is "significant" within the meaning of ERISA.

PARALLEL FUNDS:

The General Partner may form (a) one or more investment partnerships or similar entities that may not charge management fees or carried interest and will be comprised of the members of the General Partner or consultants to, and other persons having strategic or other important relationships with, the Fund and (b) one or more investment partnerships or similar entities formed

to accommodate the tax, regulatory or legal needs of investors (including, without limitation, non-United States investors) who would otherwise invest as Limited Partners of the Fund on substantially similar terms, including economic terms, as the Fund (collectively, the "*Parallel Funds*"). Each Parallel Fund will simultaneously invest in the same securities on the same terms and at the same price as the Fund, except in cases in which the portfolio company gives written notice that a Parallel Fund will not be permitted to so invest, or where such investment is not permitted by applicable law or by the terms of the governing agreement of such Parallel Fund. The Fund and the Parallel Funds shall make and dispose of an investment, or make a distribution, on a *pari passu* basis. Investment by each Parallel Fund and the Fund will be according to available capital.

INDEMNIFICATION:

The Fund, out of its assets only, may indemnify the General Partner, the Management Company, the members of the Advisory Committee, and each officer, employee or member of the foregoing, against all liabilities incurred in connection with any action, suit or proceeding arising out of or in connection with such indemnitee's activities or involvement with the Fund, or with any other enterprise that such indemnitee is or was serving, as a director, officer, employee or otherwise, at the request of the Fund; provided, that this indemnity may not extend to any action, suit or proceeding arising out of or in connection with (1) conduct not undertaken in good faith, (2) any conduct which constitutes recklessness, bad faith, gross negligence or intentionally wrongful conduct, (3) any action, suit or proceeding solely between or among the General Partner, the Management Company, the Managing Members or their respective members, employees, affiliates or agents, or (4) any action, suit or proceeding that arises from any material breach by the General Partner of the Partnership Agreement or of its fiduciary duties to the Partnership that has a material adverse effect upon the economic interests of the Limited Partners of the Fund. In addition, the Fund shall not make any advancement of expenses for any claim, action or demand brought by a Majority-in-Interest of the Limited Partners. In the event that an indemnitee is also entitled to indemnification from a portfolio company, the portfolio company will be the primary source of indemnification, the Fund will be the secondary source of indemnification, and the General Partner or the Management Company will be the tertiary source of indemnification. If the Fund's assets are insufficient, the General Partner may (a) call for any unfunded Capital Commitments and (b) recall distributions previously made to the Partners, solely for the purpose of fulfilling an indemnity obligation of the Fund described in the preceding paragraph. In no event will any Partner be required to return amounts pursuant to the foregoing clause (b) in an amount in excess of 25% of any Partner's Capital Commitment. In no event will the General Partner be permitted to call capital pursuant to the foregoing clauses (a) and (b) more than two years after dissolution of the Fund, or in connection with a recalled distribution, more than three years after the date of such distribution.

VIII. CERTAIN RISK FACTORS

Prospective investors should be aware that an investment in the Partnership involves a high degree of risk and, therefore, should be undertaken only by investors capable of evaluating the risks of the Partnership and bearing the risks it represents. There can be no assurance that the Partnership's investment objectives will be achieved, or that an investor will receive a return of its capital, and therefore, an investor should only invest in the Partnership if such investor is able to withstand a total loss of its investment. In addition, there will be occasions when the General Partner, the Management Company and their affiliates may encounter potential conflicts of interest in connection with the Partnership. The following considerations, among others, should be carefully evaluated before making an investment in the Partnership.

RISKS INHERENT IN VENTURE CAPITAL INVESTMENTS. The Partnership will invest substantially all of its available capital (other than capital the General Partner determines to retain in cash or cash equivalents or capital applied toward Partnership expenses and liabilities) in securities of portfolio companies. The types of investments that the Partnership anticipates making involve a high degree of risk. In general, financial and operating risks confronting portfolio companies can be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there can be no assurance that the Partnership will be adequately compensated for risks taken. A loss of an investor's entire investment is possible. The timing of profit realization is highly uncertain. Losses are likely to occur early in the Partnership's term, while successes often require a long maturation.

Early-stage and development-stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing which may not be available through institutional private placements or the public markets. In addition, the markets that such companies target are highly competitive and in many cases the competition consists of larger companies with access to greater resources. The percentage of companies that survive and prosper can be small.

Investments in more mature companies in the expansion or profitable stage involve substantial risks. Such companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire other businesses, or develop new products and markets. These activities by definition involve a significant amount of change in a company and could give rise to significant problems in sales, manufacturing, and general management of these activities.

The Partnership may invest a substantial portion of its assets in companies with modest capitalization. While the General Partner believes that small and medium-sized companies can provide greater growth potential than larger, more mature companies, investing in the securities of such companies also involves greater risk, potential price volatility and cost. Investments in these companies often involve higher risks because the companies lack the management experience, financial resources, product diversification, markets, distribution channels and competitive strengths of larger companies. In addition, in many instances, the frequency and volume of the trading activity in their stock is substantially less than is typical of larger companies. Therefore, the securities of smaller companies may be subject to wider price fluctuations. The spreads between the bid and asked prices of the securities of these companies in the over-the-counter markets typically are larger than the spreads for more actively traded securities. As a result, the Partnership could incur a loss if it were to sell such a security a short time after its acquisition. When making a large sale, the Partnership may have to sell a

portfolio holding at a discount from quoted prices or may have to make a series of small sales over an extended period of time because of the limited trading volume of smaller company securities.

INVESTMENT IN COMPANIES DEPENDENT UPON SCIENTIFIC DEVELOPMENTS AND TECHNOLOGIES. The Partnership plans to focus its investing primarily on technology and technology-related companies. The value of the Partnership's interests may be susceptible to factors affecting such companies and to a greater risk and market fluctuation than an investment in a fund that invests in a broader range of securities. The specific risks faced by such companies include:

- rapidly changing science and technologies;
- new competing products and improvements in existing products which may quickly render existing products or technologies obsolete;
- exposure, in certain circumstances, to a high degree of government regulation, making these companies susceptible to changes in government policy and failures to secure, or unanticipated delays in securing, regulatory approvals;
- scarcity of management, technical, scientific, research and marketing personnel with appropriate training;
- the possibility of lawsuits related to intellectual property rights; and
- rapidly changing investor sentiments and preferences with regard to technology sector investments (which are generally perceived as risky).

INVESTMENT IN PUBLICLY TRADED SECURITIES. The Partnership may invest in publicly traded securities. Investments in public securities can entail certain risks. For example, the Partnership, the General Partner and the Management Company may obtain less information and disclosure about a company whose securities are publicly traded than from a privately held company. Further, the market for publicly traded securities is extremely volatile due to economic conditions, political events, and for many other reasons. Such volatility may adversely affect the ability of the Partnership to dispose of investments or affect the value of investment securities on the date of sale by the Partnership. Furthermore, notwithstanding the existence of a public market for the securities of a particular portfolio company of the Partnership, publicly traded securities held by the Partnership may be thinly traded or may cease to be traded after the Partnership invests in them. Any securities that the Partnership holds that are thinly traded may be subject to wider price fluctuations than other companies whose securities are more actively traded, and the spreads between the bid and ask prices of thinly traded securities of these companies may be larger than the spreads for more actively traded securities. There can be no assurance that the Partnership's investments in publicly traded securities will be profitable, and there is a material risk that the Partnership could incur losses from its investments in publicly traded securities.

INVESTMENTS IN PIPES. The Partnership may be involved in private investments in public equities ("*PIPES*") or private financing of public companies. PIPE transactions may involve the sale of equity-like securities of an already public company. In a PIPE transaction, the Partnership may bear the price risk from the time of pricing until the time of closing. In addition, the Partnership may have to commit to purchase a specified number of shares at a fixed price, with the closing conditioned upon, among other things, the Securities and Exchange Commission's preparedness to declare effective a resale registration statement covering the resale, from time to time, of the shares sold in the private financing.

NO ASSURANCE OF RETURNS. There can be no assurance that the Limited Partners will receive distributions from the Partnership in an amount equal to their investment in the Partnership. The timing of profit realization, if any, is highly uncertain.

LACK OF OPERATING HISTORY. The Partnership and the General Partner are newly formed entities, and, accordingly have no operating history, historical results or investments upon which investors can evaluate the potential performance of the Partnership. The prior performance of the Managing Members or their investments as described in this Memorandum is not necessarily indicative of the Partnership's future results. There can be no assurance that investments by the Partnership will achieve returns comparable to the historical performance reflected in this Memorandum, and in any event, the returns achieved by the Partnership will be subject to the Management Fee and the General Partner's carried interest. Any given investment made by the Partnership may prove to be worthless, and there is a risk that investors could lose money.

RELIANCE ON THE GENERAL PARTNER. The General Partner will have sole discretion over the investment of the funds committed to the Partnership as well as the ultimate realization of any profits. The Limited Partners will not receive the detailed financial information issued by portfolio companies that will be available to the Partnership. Accordingly, the Limited Partners will not have the opportunity to evaluate the relevant economic, financial and other information that will be utilized by the General Partner in its selection of investments. As such, the pool of funds in the Partnership represents a blind pool of funds. Investors in the Partnership will be relying on the General Partner to identify, structure, and implement investments consistent with the Partnership's investment objectives and policies and to conduct the business of the Partnership as contemplated by this Memorandum. The Limited Partners will not make decisions with respect to the management, disposition or other realization of any investment made by the Partnership, or other decisions regarding the Partnership's business and affairs.

RELIANCE ON THE PRINCIPALS. The loss of one or more of the principals of the General Partner could have a significant adverse impact on the business of the Partnership. No assurances can be given that each of the principals will continue to be affiliated with the Partnership throughout its term. Notwithstanding any prior experience that such principals may have in making investments of the type expected to be made by the Partnership, any such experience necessarily was obtained under different market conditions and with different technologies at the forefront of development. There can be no assurance that the principals of the General Partner will be able to duplicate prior levels of success.

LIMITED PORTFOLIO DIVERSIFICATION. As is typical of venture capital firms, the portfolio holdings of the Partnership will not be broadly diversified. In addition, if the General Partner is unable to raise sufficient capital commitments to the Partnership, the diversification of the portfolio holdings of the Partnership will be further limited. A downturn of the economy or in the business of any one company could impact the aggregate returns delivered to investors by the Partnership.

DIFFICULTY IN VALUING PORTFOLIO INVESTMENTS. Generally, there will be no readily available market for a substantial number of the Partnership's investments and hence, most of the Partnership's investments will be difficult to value. Despite the efforts of the General Partner and the Management Company to acquire sufficient information to monitor certain of the Partnership's investments and make well-informed valuation and pricing determinations, the General Partner and the Management Company may only be able to obtain limited information at certain times. It is possible that the General Partner and the Management Company may not be aware on a timely basis of material adverse changes that have occurred with respect to certain of the Partnership's investments. The General Partner and the Management Company may have to make valuation determinations without the benefit of an adequate amount of relevant information. Prospective Limited Partners should be aware that as a result of these

difficulties, as well as other uncertainties, any valuation made by the General Partner and the Management Company may not represent the fair market value of the securities acquired by the Partnership.

COMPETITIVE MARKETPLACE. The marketplace for venture capital investing has become increasingly competitive. Participation by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector and the competition for investment opportunities is at high levels. Some of the Partnership's potential competitors may have greater financial and personnel resources than the General Partner and the Management Company. There can be no assurances that the General Partner and the Management Company will locate an adequate number of attractive investment opportunities and the General Partner and the Management Company may not be able to identify and successfully close a sufficient number of high quality investments to utilize all of the Partnership's capital. Such competition may adversely impact the length of time required to fully invest the Partnership's capital and may adversely impact returns to Limited Partners in the Partnership.

CHANGING ECONOMIC CONDITIONS. The success of the investment strategy of the General Partner and the Management Company could be significantly impacted by changing external economic conditions in the United States and global economies. The stability and sustainability of growth in global economies may be impacted by terrorism or acts of war. The availability, unavailability, or hindered operation of external credit markets, equity markets and other economic systems which the Partnership may depend upon to achieve its objectives may have a significant negative impact on the Partnership's operations and profitability. There can be no assurance that such markets and economic systems will be available or will be available as anticipated or needed for the Partnership to operate successfully. Changing economic conditions could potentially adversely impact the valuation of portfolio holdings.

MINORITY INVESTMENTS. A significant portion of the Partnership's investments may represent minority stakes in privately held companies. In addition, during the process of exiting investments, the Partnership is likely to hold minority equity stakes if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that the Partnership may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. The Partnership may also invest in companies for which the Partnership has no right to appoint a director or otherwise exert significant influence. In such cases, the Partnership will be reliant on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom the Partnership is not affiliated and whose interests may conflict with the interests of the Partnership.

NO ASSURANCE OF ADDITIONAL CAPITAL FOR INVESTMENTS. After the Partnership has financed a company, continued development and marketing of products may require that additional financing be provided. The Partnership expects to invest in companies that have substantial capital needs that are typically funded over several stages of investment. No assurance can be given that such additional financing will be available and no assurance can be made as to the terms upon which such financing may be obtained. Alternatively, the Partnership, either directly or through one of its portfolio companies, may elect to sell developed or undeveloped technologies to existing companies. No assurance can be made that buyers for such technologies can be located or that the terms of any such sales will be advantageous.

NO ASSURANCE OF INVESTMENT OPPORTUNITIES. Although the Partnership expects to have significant access to private investment opportunities through the network of relationships of the Managing Members, there can be no assurance that investment opportunities for the Partnership will

materialize and that companies select the Partnership as an investor. Similarly, the Partnership may be unable to identify or consummate investments in public companies that meet its criteria. There can be no assurances that the General Partner and the Management Company will locate an adequate number of attractive investment opportunities that meet the Partnership's investment objectives.

NATURE OF DIRECT INVESTMENTS. Many of the Partnership's investments will be highly illiquid. As such, there will be no public markets for the securities held by the Partnership and there can be no assurance that the Partnership will be able to realize such investments in a timely manner. In addition, the realization of value for any investments will not be possible or known with any certainty until the General Partner and the Management Company elect, in their sole discretion, to sell the Partnership's investments and subsequently distribute the proceeds to its Limited Partners or to distribute securities to Limited Partners in lieu of cash. Also, since the Partnership may only make a limited number of investments and since many of the Partnership's investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the Limited Partners. Additionally, it should be noted that past performance of the Managing Members and their affiliates is not a guarantee of future results.

FUTURE AND PAST PERFORMANCE. The performance of the prior funds is not necessarily indicative of the Partnership's future results. While the General Partner intends for the Partnership to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance that targeted results will be achieved. Loss of principal is possible on any given investment.

BRIDGE FINANCING. The Partnership may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Partnership's control, such long-term securities may not issue and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Partnership.

LEVERAGE. To the extent that any investment is made in a portfolio company with a leveraged capital structure or any portfolio company borrows or enters into other financing transactions requiring periodic payments, such investment will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such company or its industry. If such a company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of any equity investment by the Partnership in such company could be significantly reduced or even eliminated.

LIMITATIONS ON ABILITY TO EXIT INVESTMENTS. The General Partner expects to exit from its investments in two principal ways: (i) private sales (including acquisitions of its portfolio companies) and (ii) initial and secondary public offerings. At any particular time, one or both of these avenues may not be open to the Partnership, or timing with respect to these exit mechanisms may be inopportune. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

CERTAIN LITIGATION RISKS. The Partnership will be subject to a variety of litigation risks, particularly if one or more of its portfolio companies face financial or other difficulties during the life of the Partnership. Legal disputes, involving any or all of the Partnership, the General Partner, the Management Company, their members or their affiliates, may arise from the Partnership's activities and investments and could have a significant adverse effect on the Partnership.

POTENTIAL LIABILITIES. In connection with its investments, the Partnership may negotiate the right to appoint one or more of the Managing Members or other employees or representatives of the Management Company as a member of the portfolio company's board of directors. Such membership

on the board of directors of a company can result in the Partnership or the individual director being named as a defendant in litigation or other disputes or investigations. The Partnership may also participate in portfolio company financings at valuations lower than the valuations in preceding rounds of financing. Disputes arising out of such down-round financings may result in the Partnership, the General Partner, the Management Company, or their members being named as defendants. Typically, portfolio companies will have insurance to protect directors and officers, but this insurance may be inadequate. The Partnership will also indemnify the General Partner, the Managing Members, the Management Company and their respective affiliates, among others, for liabilities incurred in connection with operations of the Partnership, including liabilities arising from such disputes. Such indemnification obligations and other liabilities could be substantial. The Partners may also be required to return distributions previously made to them to satisfy the Partnership's indemnification obligations. While the General Partner and the Management Company intend to manage the Partnership in a way that will minimize exposure to these risks, the possibility of successful claims or lawsuits or adverse regulatory action cannot be eliminated, and such events could have significant adverse effects on the Partnership.

CONTINGENT LIABILITIES ON DISPOSITION OF INVESTMENTS. In connection with the disposition of an investment in a portfolio company, the Partnership may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. To the extent that any such representations are inaccurate, the Partnership may be required to indemnify the purchasers of such investment and may be liable to the purchasers for breach of contract. These arrangements may result in the incurrence of contingent liabilities for which the General Partner may establish reserves and escrows. In that regard, distributions may be delayed or withheld until such reserve is no longer needed or the escrow period expires.

RESERVES. As is customary in the industry, the General Partner and the Management Company may establish reserves for follow-on investments by the Partnership in portfolio companies, operating expenses (including the Management Fee), Partnership liabilities, and other matters. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which are directly tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves could impair the investment returns to the Limited Partners. If reserves are inadequate, the Partnership may be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with "pay-to-play" or similar provisions. If reserves are excessive, the Partnership may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

ABSENCE OF LIQUIDITY AND PUBLIC MARKETS. The Partnership's investments will generally be private, illiquid holdings. As such, there will be no public markets for the securities held by the Partnership and no readily available liquidity mechanism at any particular time for any of the investments held by the Partnership. In addition, the realization of value from any investments will not be possible or known with any certainty until the General Partner and the Management Company elect, in their sole discretion, to sell the Partnership's investments and subsequently distribute the proceeds to its investors or to distribute securities to investors in lieu of cash.

NO MARKET; ILLIQUIDITY OF LIMITED PARTNER INTERESTS. An investment in the Partnership will be illiquid and involves a high degree of risk. There is no public market for the limited partner interests in the Partnership, and it is not expected that a public market will develop. Consequently, Limited Partners will bear the economic risks of their investment for the term of the Partnership. Prospective investors will be required to represent and agree that they are purchasing the limited partner interests for their own account for investment only and not with a view to the resale or distribution thereof.

CERTAIN LIMITATIONS ON ABILITY OF LIMITED PARTNERS TO TRANSFER THEIR INTERESTS IN THE PARTNERSHIP. The transferability of interests in the Partnership will be restricted by the Partnership Agreement and by United States federal and state securities laws. In general, Limited Partners will not be able to sell or transfer their interests in the Partnership to third parties without the consent of the General Partner.

LEGAL AND REGULATORY RISKS. The Partnership is not and does not expect to be registered as an “investment company” under the United States Investment Company Act of 1940, as amended (the “*Investment Company Act*”), pursuant to an exemption set forth in Sections 3(c)(1) and/or 3(c)(7) of the Investment Company Act. There is no assurance that such exemptions will continue to be available to the Partnership. Due to the burdens of compliance with the Investment Company Act, the performance of the Partnership’s investment portfolio could be materially adversely affected, and risks involved in financing portfolio companies could substantially increase, if the Partnership becomes subject to registration under the Investment Company Act. Neither the Partnership nor its counsel can assure investors that, under certain conditions, changed circumstances, or changes in the law, the Partnership may not become subject to the Investment Company Act or other burdensome regulation.

TAX RISKS. Certain tax risks relating to an investment in the Partnership are discussed in the section titled “Certain Tax and Regulatory Matters,” which prospective investors should read carefully. No assurances can be given that current tax laws, rulings and regulations will not be changed during the life of the Partnership. In determining whether or not to make an investment in the Partnership, each prospective Limited Partner should consider the tax consequences of such an investment. In addition, each prospective Limited Partner is advised to consult its own tax counsel as to the U.S. federal income tax consequences of an investment in the Partnership and as to applicable foreign, state and local taxes.

WITHHOLDING AND OTHER TAXES. The General Partner intends to structure the Partnership’s investments in a manner that is intended to achieve the Partnership’s investment objectives and, notwithstanding anything contained herein to the contrary, there can be no assurance that the structure of any investment will be tax efficient for any particular investor or that any particular tax result will be achieved. In addition, tax reporting requirements may be imposed on investors under the laws of the jurisdictions in which investors are liable for taxation or in which the Partnership makes portfolio investments. Prospective investors should consult their own professional advisors with respect to the tax consequences to them of an investment in the Partnership under the laws of the jurisdiction in which they are liable for taxation. Furthermore, the Partnership’s returns in respect of its investments may be reduced by withholding or other taxes imposed by jurisdictions in which the Partnership’s portfolio companies are organized.

CONFLICTS OF INTEREST. The following discussion enumerates certain potential conflicts of interest that should be carefully evaluated before making an investment in the Partnership. The following is not intended as an exhaustive list of the potential conflicts. Instances may arise where the interest of the General Partner (or its members), the Management Company and/or their affiliates may potentially or actually conflict with the interests of the Partnership and the Limited Partners. Among others, investors should consider the following conflicts of interest:

- The existence of the General Partner’s carried interest may create an incentive for the General Partner to make riskier or more speculative investments on behalf of the Partnership than it would otherwise make in the absence of such performance-based arrangements.
- Conflicts may arise in the allocation of investment opportunities and the Managing Members’ time among the Partnership and parallel or co-investment entities, on the one hand, and any prior or future investment funds or vehicles or other entities organized in accordance with the

Partnership Agreement or other fund(s) advised by the Management Company, on the other hand.

- Conflicts may arise where the Partnership and parallel or co-investment entities invest in an earlier or future round of financing of a portfolio company owned by a prior or future investment funds or vehicles or other entities organized in accordance with the Partnership Agreement or other fund(s) advised by the Management Company, or its affiliates. In such a circumstance, the General Partner may cause the Partnership to invest in such portfolio company at a higher valuation or lower valuation than such other investment funds, and may earn lower profit, or realize higher loss, as a result.
- The Management Company (and its principals or affiliates) or the General Partner may serve as investment adviser or investment manager to other client accounts (including separately managed accounts) and conduct investment activities for its own accounts. Such other entities or accounts (the “*Other Clients*”) may have investment objectives or may implement investment strategies similar to those of the Partnership.

While certain assurances are provided in the Partnership Agreement to address these potential conflicts, certain risks may remain. By acquiring an Interest in the Partnership, each Limited Partner will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflicts of interest.

DIVERSE INVESTORS. The Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in the Partnership. The conflicting interests of individual Limited Partners may relate to or arise from, among other things, the nature of investments made by the Partnership, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partner and the Management Company with respect to the nature or structuring of investments that may be more beneficial for some Limited Partners than for others, particularly with respect to investors’ individual tax situations. In selecting and structuring investments appropriate for the Partnership, the General Partner and the Management Company will consider the investment and tax objective of the Partnership and the Partners as a whole, not the investment, tax or other objective of any Limited Partner individually.

RISK OF DILUTION. Limited Partners subscribing for interests at subsequent closings will participate in existing investments of the Partnership, diluting the interest of existing Limited Partners therein. Although such Limited Partners will contribute their pro rata share of prior capital contributions previously drawn down by the Partnership (plus an additional amount thereon), there can be no assurance that such payment will reflect the fair value of the Partnership’s existing investments at the time such additional Limited Partners subscribe for such interests.

FAILURE TO MAKE CAPITAL CONTRIBUTIONS. If a Limited Partner fails to pay when due installments of its capital commitment to the Partnership, and the contributions made by non-defaulting Limited Partners and borrowings by the Partnership are inadequate to cover the defaulted capital contribution, the Partnership may be unable to pay its obligations when due. As a result, the Partnership may be subjected to significant penalties that could materially and adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners). If a Limited Partner defaults, it may be subject to various remedies as provided in the Partnership Agreement.

FOREIGN INVESTMENTS. The Partnership aims to make majority of its investments in companies that are based outside of the United States or the operations of which are primarily outside of the United States. Any investment in a foreign country involves risks not found in the domestic securities market, including the following: the risk of economic and financial instability in the foreign country, which in some cases may include a collapse in credit markets, stock prices, currencies and/or consumer spending; the risk of adverse social and political developments, including nationalization, confiscation without fair compensation, political and social instability and war; the risk that the foreign country may impose restrictions on the repatriation of investment income or capital or on the ability of foreign persons to invest in certain types of companies, assets or securities; risks related to the possible lack of availability of sufficient financial information as a result of accounting, auditing, and financial disclosure standards that differ, in some cases significantly, from those in the United States; risks related to foreign laws and legal systems, which are likely to differ from those of the United States, including in particular the laws with respect to the rights of investors which may not be as comprehensive or well developed as those in the United States and the procedures for the judicial or other enforcement of such rights which may not be as effective as in the United States; risks related to the fact that some investments or portfolio company operations may be denominated in foreign currencies and, therefore, will be subject to fluctuations in exchange rates; and risks related to applicable tax laws and regulations and tax treaties, which are likely to vary from country to country and may be less well developed than those in the United States, possibly resulting in retroactive taxation so that the Partnership could become subject to an unanticipated local tax liability. The profits or losses of the Partnership on any investment, as measured in United States dollars, will be affected by fluctuations in currency exchange rates and exchange control regulations as well as by the success of the investment itself. In addition, the Partnership may incur costs in connection with conversions between various currencies. The Partnership does not presently intend to seek to reduce currency risks through “hedging” or other methods.

AIFMD. The European Union (“EU”) Alternative Investment Fund Managers Directive (“AIFMD”) came into force on July 22, 2013. AIFMD regulates the activities of private fund managers undertaking fund management activities or marketing fund interests to investors within the EU. If the Partnership is marketed to EU-based investors: (i) the Partnership may be subject to certain reporting, disclosure and other compliance obligations under AIFMD, which may result in the Partnership incurring additional costs and expenses; and (ii) AIFMD will also restrict certain activities of the Partnership in relation to EU portfolio companies including, in some circumstances, the Partnership’s ability to recapitalize, refinance or potentially restructure an EU portfolio company within the first two years of ownership.

CONFIDENTIAL INFORMATION. The Partnership Agreement will contain confidentiality provisions intended to protect proprietary and other information relating to the Partnership and the Partnership’s portfolio companies. To the extent that such information is publicly disclosed, competitors of the Partnership and/or competitors of its portfolio companies, and others, may benefit from such information, thereby adversely affecting the Partnership, its portfolio companies, the General Partner and the economic interests of Limited Partners.

COUNSEL TO THE PARTNERSHIP DOES NOT REPRESENT THE LIMITED PARTNERS. The General Partner has retained Cooley LLP in connection with the formation of the Partnership and may retain Cooley LLP as legal counsel in connection with the management and operation of the Partnership, including, without limitation, the making and holding of investments. Cooley LLP will not represent any Limited Partner or prospective limited partner of the Partnership, unless the General Partner and such Limited Partner or prospective limited partner otherwise agree and such Limited Partner or prospective limited partner separately engages Cooley LLP, in connection with the formation of the Partnership, the offering of the Interests, the management and operation of the Partnership or any

dispute that may arise between any Limited Partner, on the one hand, and the General Partner, the Partnership, the Management Company and/or their affiliates on the other hand (the “*Partnership Legal Matters*”). Any Limited Partner or prospective limited partner will, if it wishes counsel on any Partnership Legal Matter, retain its own independent counsel with respect thereto and will pay all fees and expenses of such independent counsel. Each Limited Partner and prospective limited partner acknowledges that Cooley LLP may represent the General Partner and/or the Partnership in connection with any and all Partnership Legal Matters.

WRITTEN AGREEMENTS. The Partnership, the General Partner and the Management Company will be authorized, without the approval of any Limited Partner, to enter into side letters or similar written agreements with Limited Partners that have the effect of establishing rights under, or altering or supplementing the terms of this Memorandum, the Partnership Agreement, such Limited Partner’s Subscription Agreement or other related agreements. The ability of other Limited Partners to elect to receive the benefit of such side agreements will be limited.

The foregoing risks do not purport to be a complete enumeration or explanation of all the risks involved in acquiring an interest in the Partnership. Potential investors are urged to read this entire Memorandum, the Subscription Agreement and the Partnership Agreement and consult their own advisers before making a determination whether to invest in the Partnership.

IX. CERTAIN TAX AND REGULATORY MATTERS

A. Certain United States Federal Income Tax Considerations

Set forth below is a discussion, in summary form, of certain United States federal income tax consequences relating to an investment in the Partnership. This summary does not attempt to present all aspects of the United States federal income tax laws or any state, local or foreign laws that may affect an investment in the Partnership. In particular, foreign investors, financial institutions, insurance companies, tax-exempt entities and other investors of special status must consult with their own professional tax advisors. No ruling has been or will be requested from the United States Internal Revenue Service (the "IRS") and no assurance can be given that the IRS will agree with the tax consequences described in this summary. Each prospective Limited Partner should consult with its own tax adviser in order to fully understand the United States federal, state, local and foreign income tax consequences of an investment in the Partnership.

PARTNERSHIP STATUS. The Partnership will be classified and reported as a partnership for U.S. federal income tax purposes.

TAXATION OF PARTNERS. Each partner (a "**Partner**") will report on its federal income tax return its distributive share of the Partnership's items of income, gain, loss, deduction and credit for the taxable year. The character of such items, determined at the Partnership level, will pass through to the Partners (for example, Partners will treat as interest, dividends or capital gain, their distributive shares of such items recognized by the Partnership).

Each Partner will be required to report on its federal income tax return its distributive share of any income or gain recognized by the Partnership, whether or not amounts representing such distributive share have been distributed to it.

Distributions from the Partnership, whether made currently or upon liquidation of the Partnership, generally may be received by a Partner without further tax. The general rules relating to the tax treatment of distributions to the Partners may be summarized as follows:

- i. Cash distributions will not be taxable to a Partner except to the extent they exceed the Partner's tax basis for its interest in the Partnership. The excess generally would be taxable as long-term or short-term capital gain, depending on the Partner's holding period for its Partnership interest;
- ii. In-kind distributions of portfolio securities or other assets of the Partnership generally will not be taxable to the recipient Partner or the Partnership. A partner that receives a distribution of marketable securities from a partnership generally is required to recognize taxable gain to the extent that the fair market value of the distributed securities exceeds the partner's tax basis in its partnership interest. There are a number of exceptions to this rule, including an exception for distributions by qualified "investment partnerships." It is expected that the Partnership will qualify as an "investment partnership" and that, accordingly, distributions of marketable securities by the Partnership generally will not give rise to the current recognition of taxable gain;
- iii. For purposes of determining a Partner's gain or loss on a subsequent sale of the Partnership's assets distributed in-kind (other than in liquidation of the Partner's interest in the Partnership), the Partner's tax basis for such assets will be equal to the Partnership's adjusted basis for the assets or,

if less, the Partner's tax basis for its Partnership interest immediately before the distribution. A Partner's tax basis for assets distributed in liquidation of its Partnership interest will be equal to its tax basis in its Partnership interest. A Partner's capital gain holding period for assets distributed without the recognition of gain will include the period during which the assets were held by the Partnership; and

- iv. No loss will be recognized by a Partner upon the receipt of a distribution from the Partnership except where the distribution is a liquidating distribution consisting solely of cash, and the amount of cash is less than the Partner's tax basis in its Partnership interest immediately before the distribution.

DEDUCTIONS. Subject to certain limitations described below, a Partner will be entitled to deduct on its federal income tax return its distributive share of Partnership loss, but not in excess of its tax basis in its Partnership interest. If a Partner's distributive share of Partnership loss exceeds the Partner's tax basis in its Partnership interest, such excess may not be deducted but will be carried over and become deductible in any later year if and to the extent the Partner's tax basis exceeds zero and such loss carryover is otherwise deductible. Each Limited Partner should have a sufficient tax basis in its Partnership interest to deduct losses up to an amount equal to its cash investment in the Partnership.

The "at risk" provisions of Section 465 of the Internal Revenue Code of 1986, as amended (the "*Code*"), impose additional limitations on the deductibility of partnership losses, but the at risk provisions are not expected to limit the Partners' ability to deduct Partnership losses.

In the case of a Partner who is an individual, expenses of producing income, including management fees, are to be aggregated with unreimbursed employee business expenses and other expenses of producing income and the aggregate amount of such expenses will be deductible only to the extent such amount exceeds 2% of a taxpayer's adjusted gross income. In addition, total allowable itemized deductions, other than medical costs, casualty and theft losses, and investment interest expense, are reduced by a percentage of the taxpayer's adjusted gross income in excess of a threshold amount.

Expenses subject to the limitations in the preceding paragraph do not include expenses incurred in connection with a trade or business. Whether the Partnership will be engaged in a trade or business for federal income tax purposes is not certain. The General Partner believes that the Partnership will not be engaged in a trade or business. Assuming the Partnership is not engaged in a trade or business, an individual Partner's share of certain expenses of the Partnership will be subject to the two limitations described in the preceding paragraph.

Section 469 of the Code limits the deductibility of losses from passive activities. These provisions apply to individuals, estates, trusts, personal service corporations and closely held corporations. In general, a taxpayer's losses from passive activities may only be offset against income from passive activities and not against income such as salary or investment income. Any amount of passive activity loss that is disallowed will be carried over to the following years to offset passive activity gains in such subsequent years. A passive activity is any activity that involves the conduct of a trade or business and in which the taxpayer does not materially participate. Although, as noted above, there is uncertainty whether the activities of the Partnership will constitute a trade or business as that concept has been interpreted by the IRS and the courts, the General Partner believes that the Partnership's activities will not be considered a trade or business activity to which the passive activity loss provisions of the Code would apply.

CAPITAL GAIN, DIVIDEND AND QUALIFIED SMALL BUSINESS STOCK TAX RATES. The Partnership expects that its gains and losses from its securities transactions typically will be capital gains and capital

losses. Property held for more than one year generally will be eligible for long-term capital gain or loss treatment.

Under current federal income tax law, the maximum federal ordinary income tax rate for individuals is 39.6% and, in general, the maximum individual income tax rate for long-term capital gains is 20%, although in all cases the effective rates may be higher due to the phase out of certain tax deductions, exemptions and credits. The excess of capital losses over capital gains may be offset against the ordinary income of an individual taxpayer, subject to an annual deduction limitation of \$3,000; unused capital losses may be carried forward indefinitely but may not be carried back. For corporate taxpayers, the maximum federal income tax rate is 35%. Capital losses of a corporate taxpayer may be offset only against capital gains, but unused capital losses may be carried back three years (subject to certain limitations) and carried forward five years.

A 3.8% Medicare tax is generally imposed on the net investment income of high-income individuals, estates and trusts. Partnership capital gain and other income will generally be subject to the 3.8% Medicare tax.

In general, non-corporate investors that, directly or via a pass-through entity such as the Partnership, hold “qualified small business stock” (“**QSBS**”) for more than 5 years are permitted to exclude from taxable income a portion of any gain subsequently recognized upon a sale or exchange of such stock. For each non-corporate investor, the amount of gain eligible for the QSBS exclusion generally is limited to the greater of: (i) 10 times the investor’s basis in the stock or (ii) a total of \$10 million with regard to stock in the issuing corporation. The remaining portion of the gain on such stock, if any, is subject to tax at a maximum capital gains rate of 28%. For federal alternative minimum tax purposes, a portion of the QSBS exclusion is generally treated as a preference item.

To be treated as small business stock eligible for the QSBS exclusion, stock must have been acquired at original issue from a qualified small business corporation after August 10, 1993. In general, a qualified small business corporation is a domestic “C” corporation that, immediately after issuing the stock in question, has \$50 million or less in gross assets and satisfies certain other requirements. Because several of these requirements must continue to be satisfied after the issuance of qualified stock, it is possible that the stock may cease to qualify as small business stock due to events occurring after the issue date.

Accordingly, there can be no assurance that any stock acquired directly or indirectly by the Partnership would qualify for the QSBS exclusion, even if such stock qualifies as small business stock at the time of acquisition. In addition, no assurances can be given that the General Partner will have or provide to Partners information about any particular stock investment necessary to determine its status as QSBS, or to satisfy applicable tax reporting requirements related to QSBS treatment.

ROLLOVER FOR QUALIFIED SMALL BUSINESS STOCK. Under Section 1045 of the Code, if an individual (i) realizes gain on a sale of QSBS that has been held by the individual for more than six months, and (ii) within 60 days after such sale, purchases new QSBS, the individual generally is required to recognize (and pay tax on) such gain only to the extent that the net proceeds from the original stock exceed the cost of the newly purchased stock. Any remaining gain is carried over to the newly purchased stock and may be recognized (and be taxable) upon a subsequent disposition of such stock. The benefits of Section 1045 are generally available to individuals who purchase, hold and sell qualified small business stock indirectly through a pass-through entity such as the Partnership, although the extent to which a qualifying rollover may be made through a pass-through entity is limited. No assurances can be given that the General Partner will have or provide to Partners information about any particular stock investment necessary to determine its eligibility for a Section 1045 rollover, or to satisfy applicable tax reporting requirements related to a rollover.

TAX-EXEMPT LIMITED PARTNERS. Income recognized by tax-exempt entities, including qualified retirement plans (stock, bonus, pension or profit-sharing plans described in Section 401(a) of the Code) and individual retirement accounts, is generally exempt from federal income tax. Section 511 of the Code, however, imposes a tax on such an entity's Unrelated Business Taxable Income ("**UBTI**"). UBTI is income from a trade or business regularly carried on unrelated to the entity's exempt purpose. Most types of passive investment income, including dividends, interest, royalties and gains from the sale of securities are excluded from UBTI. UBTI could also be generated to the extent of the Partnership's "unrelated debt financed income", if any. Unrelated debt financed income is income derived from property with respect to which there is outstanding acquisition indebtedness and the use of such property is unrelated to its exempt purpose. Dividends, interest, annuities, royalties, gains from the sale of securities and other receipts otherwise excluded in computing unrelated business taxable income nevertheless may be included to the extent property generating those receipts is debt financed. In addition, UBTI could be generated by the Partnership if it invests in businesses operated as pass-through entities such as partnerships and limited liability companies.

FOREIGN PARTNERS. The federal income tax treatment of Partners who are non-resident aliens of the United States will vary depending on whether the Partnership is treated as being engaged in a trade or business in the United States. If the Partnership is treated as not engaged in a United States trade or business, Partners who are non-resident aliens and foreign corporations will be subject to United States taxation only in limited instances. If a foreign person is not engaged in a United States trade or business, it is generally subject to a flat tax of 30% of the gross amount received in the form of United States source investment income. This would include dividends, royalties, certain interest and other similar income (but not capital gains, except as noted below) that is not related to the active conduct of a trade or business. The 30% tax is collected by imposing a withholding obligation on the Partnership. The withholding tax is reduced or eliminated in some circumstances for residents of countries with which the United States has income tax treaties. A nonresident alien, but not a foreign corporation, is generally subject to a 30% tax on his United States source capital gains where such person is physically present in the United States for 183 days or more during the taxable year, although an alien who is present for such a period will generally be a United States tax resident and therefore subject to United States taxation on his worldwide income. A nonresident alien who is present in the United States for 183 days or more is required to file a United States tax return and pay a tax of 30% on his net capital gains. Dispositions of United States real property interests are generally subject to U.S. tax under a special provision and do not fall within the general capital gains rule.

Interest from certain investments is exempt from the 30% withholding tax. For example, the portfolio interest exception represents a broad class of interest income, which is exempt from withholding tax, subject to the significant limitation that it is not applicable to interest paid to a 10% or more shareholder. In order to constitute portfolio interest, a debt obligation held by the Partnership on which the interest is paid must generally be issued in registered form and the foreign partner must have provided the withholding agent with a properly completed IRS Form W-8 BEN. In order to constitute a registered obligation, the debt must be payable only to the named owner and any transfer of the obligation must be registered on the books of the issuer or the old note must be surrendered for cancellation and a new note issued in the name of the transferee.

The portfolio interest exemption does not apply to interest received by a person who owns 10% or more of the total combined voting power of the payor. In the case of a partnership lender, this 10% ownership test is applied at the partner level and so is not likely to prevent portfolio interest earned by the Partnership from qualifying for the portfolio interest exemption.

On the other hand, if the Partnership were engaged in a trade or business (either directly or indirectly through an investment in a flow-through entity such as a partnership or limited liability company) at

any time during the taxable year, each foreign Partner of the Partnership would be treated as being engaged in a United States trade or business and would be subject to United States income taxation (at the same net progressive rates applicable to United States citizens, residents and domestic corporations) on income that is effectively connected with the conduct of that trade or business. For corporate Partners an additional branch profits tax will generally be imposed on such effectively connected income. If the Partnership were engaged in a United States trade or business, a withholding tax would be imposed on its effectively connected income allocable to foreign Partners.

The foregoing discussion relates only to recognized income. The unrealized appreciation in stock or other securities distributed in-kind by the Partnership is generally not taxable until such stocks or securities are ultimately sold. The sale of stock by a nonresident alien will generally not be taxed by the United States so long as the sale is not made through an office or fixed place of business maintained by the alien in the United States.

Each potential investor that is a non-resident alien of the United States is urged to consult with and must rely upon the advice of its own professional tax advisors with respect to the United States and foreign tax treatment of an investment in the Partnership.

REPORTING. The General Partner will furnish each Partner with an annual statement setting forth information relating to the operations of the Partnership (including information regarding such Partner's distributive share of Partnership income and gains, losses, deductions and credits for the taxable year) as is reasonably required to enable the Partner to properly report to the IRS with respect to such Partner's participation in the Partnership.

The federal information tax returns filed by the Partnership will be subject to audit by the IRS and the audit of the Partnership's returns could result in an audit of the Partners' own federal income tax returns. In connection with such audits, adjustments to Partnership items could result in the assertion of tax deficiencies (as well as interest and penalties thereon) against the Partners. Any administrative or judicial proceedings involving the federal income tax treatment of Partnership items will generally be conducted on a unified basis, with binding effect on all Partners. The General Partner will serve as the Partnership's "Tax Matters Partner" for purposes of coordinating any such proceedings and providing any required notices about such proceedings to the Partners.

Treasury regulations impose special reporting rules for "reportable transactions." A reportable transaction includes, among other things, a transaction in which an advisor limits the disclosure of the tax treatment or tax structure of the transaction and receives a fee in excess of certain thresholds. The General Partner intends to take the position that an investment in the Partnership does not constitute a reportable transaction. If it were determined that an investment in the Partnership does constitute a reportable transaction, each Partner would be required to complete and file IRS Form 8886 with such Partner's tax return for the tax year that includes the date that such Partner acquired an interest in the Partnership. The General Partner reserves the right to disclose certain information about the Partners and the Partnership to the IRS on Form 8886, including the Partners' capital commitments, tax identification numbers (if any), and dates of admission to the Partnership, to facilitate compliance with the reportable transaction rules if necessary. In addition, the Partnership may engage in certain transactions which themselves constitute reportable transactions and with respect to which both the Partnership and certain Partners may be required to file Form 8886. A significant penalty is imposed on taxpayers who participate in a "reportable transaction" and fail to make the required disclosure. Certain states have similar reporting requirements and may impose penalties for failure to report. Partners should consult their tax advisors for advice concerning compliance with the reportable transaction regulations.

The Code provides for optional, and in certain cases mandatory, adjustments to the basis of partnership property upon distributions of partnership property to a partner and transfers of partnership interests (including by reason of death). The General Partner may elect to adjust the basis of Partnership property in its sole discretion. In addition, the General Partner will be entitled to require that each Partner provide it with any information necessary to allow the Partnership to comply with its obligations under the rules relating to tax basis adjustments and disallowance of certain losses under Sections 734 or 743 of the Code. Partners permitted to transfer interests in the Partnership will also be required to provide certain information regarding the transfer to the General Partner and any transferee.

FATCA. Pursuant to Code Sections 1471-1474 and treasury regulations issued thereunder ("**FATCA**"), the Partnership will be required to deduct a 30% withholding tax from payments of certain U.S. source income, including capital gains, made to its foreign Partners unless the foreign Partners are individuals or establish an exemption from this new withholding tax. The FATCA withholding tax cannot be reduced under a tax treaty. Each Partner will be required to provide the Partnership any and all information required for the Partnership to meet its obligations under FATCA. The purpose of FATCA is to insure that foreign entities receiving payments from U.S. sources disclose all of their direct or indirect U.S. owners. The FATCA withholding tax currently applies to payments of interest and dividends, but should not apply before January 1, 2017 in the case of proceeds from the sales of stock and securities.

INVESTMENT BY THE PARTNERSHIP IN CONTROLLED FOREIGN CORPORATIONS. A non-United States corporation in which the Partnership invests may be classified as a controlled foreign corporation ("**CFC**") in one or more taxable years while the corporation's stock is held by the Partnership. In general, a foreign corporation will be classified as a CFC if five or fewer 10% United States Shareholders (as defined below) own in the aggregate more than 50% of the voting power or value of the corporation's stock. A "**10% United States Shareholder**" is generally a U.S. person who owns, directly or indirectly, and with the application of certain attribution rules, 10% or more of the voting power of the stock of a foreign corporation. The Partnership will be considered a U.S. person for these purposes. Each 10% United States Shareholder who owns shares, directly or indirectly, in a CFC on the last day of the corporation's taxable year will be required to include an amount in gross income, subject to tax at ordinary income rates, equal to such 10% United States Shareholder's pro rata share of the corporation's (and each of the corporation's subsidiary CFCs) Subpart F income. In general, Subpart F income includes passive income and certain related party income. In addition, a 10% United States Shareholder may recognize ordinary income on all or a portion of the gain from the sale of stock of a CFC.

INVESTMENT BY THE PARTNERSHIP IN PASSIVE FOREIGN INVESTMENT COMPANIES. A non-United States corporation in which the Partnership invests may be classified as a passive foreign investment company ("**PFIC**") in one or more taxable years while the corporation's stock is held by the Partnership. In general, a foreign corporation will be classified as a PFIC if (i) at least 75% of its gross income for the tax year is passive, or (ii) at least 50% of the assets held by the corporation during the year produce passive income. A direct or indirect United States shareholder of stock in a PFIC may defer United States tax until the stock is disposed of or until a distribution is received from the corporation. Gains realized upon disposition of stock in a PFIC and certain excess distributions by the PFIC will be taxed as ordinary income and will cause a United States shareholder to pay interest on the tax deferral obtained by reason of holding stock in the PFIC. United States shareholders of a PFIC other than certain entities exempt from United States federal income tax under Section 501(a) of the Code may avoid such interest charges by making a qualified electing fund ("**QEF**") election in the first taxable year in which the corporation becomes a PFIC. A QEF election would result in an annual inclusion in gross income of such United States shareholder's pro rata share of the corporation's

ordinary earnings and net capital gains irrespective of whether such income is actually distributed. In order for the Partnership to make a valid QEF election with respect to a portfolio company, the PFIC must agree to provide detailed information concerning its operating income to the Partnership. There is no guarantee that any given portfolio company would agree to provide such information. Accordingly, there can be no assurance that the Partnership will be able to make a valid QEF election for any portfolio company that is a PFIC.

GENERAL. The foregoing discussion is for general information purposes and intended only as a general summary of some of the principal federal income tax aspects of participation in the Partnership. The tax rules applicable with respect to the treatment of the Partners, the Partnership and the transactions that the Partnership may engage in are highly complex, and their effect, in certain instances, may not be free from doubt. It also must be emphasized that the tax rules presently applicable with respect to the transactions described in this offering are subject to change at any time, and any such changes may or may not be made with retroactive effect.

B. Certain Securities Law And Anti-Money Laundering Considerations

INVESTMENT COMPANY ACT OF 1940. The Partnership will not be subject to the provisions of the Investment Company Act of 1940, as amended (the “*Investment Company Act*”), in reliance upon either Section 3(c)(1)¹ or Section 3(c)(7)² of the Investment Company Act. The Subscription Agreement and Partnership Agreement will contain representations and restrictions on transfer designed to ensure that the conditions of one or both of these provisions will be met.

In addition, the General Partner will be entitled to form separate, side-by-side partnerships that would avoid the application of the Investment Company Act based on application of either Section 3(c)(1) of the Investment Company Act (if the Partnership is relying on Section 3(c)(7) of the Investment Company Act) or Section 3(c)(7) of the Investment Company Act (if the Partnership is relying on Section 3(c)(1) of the Investment Company Act).

INVESTMENT ADVISORS ACT OF 1940. As of the date hereof, there is no requirement that the General Partner must register under the Advisors Act. However, future changes in laws may impose such a requirement.

SECURITIES ACT OF 1933. The limited partner interests in the Partnership described herein are not being registered under the Securities Act of 1933, as amended (the “*Securities Act*”), in reliance upon exemptions for transactions not involving a public offering. Each investor will be required to execute certain agreements in connection with its subscription for a limited partner interest in the Partnership, and in so doing will make certain representations to the General Partner, including: (i) that it is an “*accredited investor*” as defined in Regulation D under the Securities Act; (ii) that it is acquiring its interest in the Partnership for its own account, for investment purposes only, and not with a view to its

¹ Section 3(c)(1) excludes from the definition of “investment company” any issuer whose outstanding securities are beneficially owned by not more than one hundred (100) persons (as defined in this § 3(c)(1)), after giving effect to certain attribution rules, and that does not engage in a public offering of securities.

² Section 3(c)(7) excludes from the definition of “investment company” any issuer whose outstanding securities are beneficially owned only by “qualified purchasers” or “knowledgeable employees” and that does not engage in a public offering of securities. A “qualified purchaser” includes a natural person who owns not less than \$5,000,000 in investments, or a natural person or company, acting for its own account or the accounts of other qualified purchasers, who owns and invests on a discretionary basis not less than \$25,000,000 in investments and certain trusts.

distribution; (iii) that it has received or had access to all information it deems relevant to evaluate the merits and risks of the prospective investment and that it has reviewed and understood all such information; (iv) that it has the ability to bear the economic risk of an investment in the Partnership for an indefinite period of time; and (v) that it has such knowledge and experience of financial and business matters that it is capable of evaluating the merits of an investment in the Partnership.

Prior to sale, offerees and their advisors are invited to ask questions and obtain additional information from the General Partner concerning the limited partner interests in the Partnership described herein, the terms and conditions of the offering, and any other relevant matters (including, but not limited to, additional information to verify the accuracy of the information set forth herein).

ANTI-MONEY LAUNDERING REGULATIONS. All subscriptions for the limited partner interests in the Partnership described herein are subject to applicable anti-money laundering regulations. Investors will be required to comply with such anti-money laundering procedures as are required by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT Act) Act of 2001 (Pub. L. No. 107-56).

As part of the Partnership's responsibility to comply with any applicable regulations aimed at the prevention of money laundering, the Partnership may require verification of identity from all prospective investors. The Partnership may seek to: verify the identity of a prospective investor; ensure that the prospective investor is not named on one of the prohibited lists maintained by the U.S. Treasury Department; verify the source of a prospective investor's funds; once a prospective investor becomes a limited partner, monitor communications, capital contributions and withdrawals, and other payments involving the limited partner; and report suspicious activity to appropriate authorities. The Partnership may be required to exercise special scrutiny when prospective investors employ certain kinds of financial institutions or financial institutions from certain countries or when prospective investors are senior governmental or military officials or senior executives of government-owned businesses. U.S. anti-money laundering regulations are developing and changing continually and the Partnership may be required to implement other anti-money laundering measures from time to time. Prospective investors should be aware that in order to comply with any applicable anti-money laundering regulations, whether in the United States or any other applicable jurisdiction, certain information regarding prospective investors and partners may be required to be transmitted to, or held in, the United States or disclosed to certain regulatory authorities in any applicable jurisdiction. Depending on the circumstances of each subscription, it may not be necessary to obtain full documentary evidence of identity.

The Partnership reserves the right to request such information as is necessary to verify the identity of a prospective investor. The Partnership also reserves the right to request such identification evidence in respect of a transferee of the limited partner interests in the Partnership. In the event of delay or failure by the prospective investor or transferee to produce any information required for verification purposes, the Partnership may refuse to accept the application or (as the case may be) to give effect to the relevant transfer and (in the case of a subscription for the limited partner interests in the Partnership) any funds received will be returned without interest to the account from which the monies were originally debited.

The Partnership also reserves the right to refuse to make any distribution to a Limited Partner, if the General Partner suspects or is advised that the payment of any distribution proceeds to such Limited Partner might result in a breach or violation of any applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure the compliance by the Partnership, the General Partner or their respective affiliates with any such laws or regulations in any relevant jurisdiction.

C. Certain ERISA Considerations

Each prospective investor that is an employee benefit plan (an “ERISA Plan”) within the meaning of, and subject to the provisions of, the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or a plan within the meaning of, and subject to the provisions of, Section 4975 of the Code, such as an individual retirement account (IRA) (a “Code Plan”), should consider the matters described in this section in determining whether to invest in the Partnership. The provisions of ERISA are complex and their application to an investment in the Partnership should be reviewed by the appropriate representatives of any prospective investor that is an ERISA Plan or a Code Plan (each a “Plan”). In particular, each such prospective investor should consult with their own legal counsel concerning the issues described below. The following is intended to be a summary only and is not a substitute for careful planning with a professional adviser.

FIDUCIARY MATTERS AND PROHIBITED TRANSACTIONS GENERALLY. In considering an investment in the Partnership of a portion of the assets of any ERISA Plan, any Code Plan and any entity whose underlying assets include plan assets by reason of an investment in such entity by an ERISA Plan or a Code Plan (but not a foreign or governmental benefit plan that is not subject to ERISA or the Code) (a “benefit plan investor”), a fiduciary should consider, among other factors, (i) whether the investment is in accordance with the documents and instruments governing the Plan; (ii) whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA, if applicable; (iii) whether the investment provides sufficient liquidity to permit benefit payments to be made as they become due; (iv) any requirement that the fiduciary annually value the assets of the Plan; (v) whether the investment is prudent, since there is a high degree of risk in purchasing interests in the Partnership and it is not expected that there will be any public market in which the interests may be sold or otherwise disposed of; and (vi) whether the investment is for the exclusive purpose of providing benefits to participants and their beneficiaries.

ERISA and the Code prohibit Plan fiduciaries from engaging in various transactions (“**Prohibited Transactions**”) involving Plan assets with persons who have certain relationships with respect to the Plan, such as Plan fiduciaries (a “party in interest”). Thus, for example, absent an exemption the fiduciaries of a Plan should not purchase interests in the Partnership with assets of any Plan if the General Partner or any of its affiliates (i) has investment discretion with respect to such assets; or (ii) gives individualized investment advice where there is an understanding that it will serve as the primary basis for the investment decisions made with respect to such assets.

PLAN ASSETS. If the underlying assets of the Partnership (as opposed to interests in the Partnership alone) were deemed to be “plan assets” under ERISA, (i) the prudence and other fiduciary responsibility standards of Title I of ERISA would extend to investments made by the Partnership; and (ii) certain transactions in which the Partnership might seek to engage could constitute Prohibited Transactions under ERISA and the Code.

Under a regulation (the “**Plan Assets Regulation**”) issued by the U.S. Department of Labor (“**DOL**”), the assets and properties of certain entities in which a Plan makes an equity investment (other than an investment in a publicly offered security or a security issued by an investment company registered under the Investment Company Act) would be deemed to be assets of the investing Plan unless (i) the entity is an “operating company” (including a “venture capital operating company”) or (ii) equity participation by “benefit plan investors” is less than 25% of any class of equity of the entity. Interests in the Partnership will be neither publicly offered nor securities issued by an investment company registered under the Investment Company Act, within the meaning of the Plan Assets Regulation, and it is possible that benefit plan investors may purchase 25% or more of the Limited Partner interests in the Partnership.

For the Partnership to be considered a venture capital operating company, as of the date of its initial long-term investment and on any date of each “annual valuation period,” at least 50% of its assets, valued at cost and exclusive of short-term investments pending long term commitment, must be investments in operating companies as to which the Partnership has contractual rights directly with the operating company to substantially participate in, or substantially influence, the conduct of such companies (“*management rights*”). In addition, the Partnership must actually exercise its management rights in at least one of such companies in the ordinary course of its business each year. **The Partnership cannot give any assurances as to whether it will be operated as or considered to be a venture capital operating company.**

Notwithstanding the foregoing, to each investor that is a “benefit plan investor” (as defined in ERISA), the General Partner acknowledges that it will use commercially reasonable efforts to conduct the affairs of the Partnership so that the assets of the Partnership will not be deemed to be “plan assets” under regulations promulgated by the U.S. Department of Labor.

PLAN ASSET CONSEQUENCES-PROHIBITED TRANSACTION EXEMPTIONS. If the Partnership’s assets were deemed to constitute “plan assets” subject to Title I of ERISA or Section 4975 of the Code and a non-exempt Prohibited Transaction were to occur, then the General Partner, as a fiduciary and “party in interest,” and any other “party in interest” that engaged in the prohibited transaction could be required (i) to restore to the Plan any profit realized on the transaction and (ii) to reimburse the Plan for any losses suffered by the Plan, as a result of such investment. In addition, each “party in interest” involved could be subject to an excise tax equal to 15% of the amount involved in the Prohibited Transaction for each year such transaction continues and, unless such transaction were corrected within statutorily required periods, to an additional tax of 100%. Plan fiduciaries who make the decision to invest in an interest in the Partnership could, under certain circumstances, be liable as co-fiduciaries for actions taken by the Partnership or the General Partner.

Furthermore, unless appropriate administrative exemptions were available or were obtained, the Partnership could be restricted from acquiring an otherwise desirable investment or from entering into an otherwise favorable transaction, if such acquisition or transaction would constitute a Prohibited Transaction.

FORM 5500 – ALTERNATIVE REPORTING OPTION. Most Plans must annually prepare and file with the Internal Revenue Service a Form 5500, Annual Return/Report of Employee Benefit Plan (“*Form 5500*”). Schedule C of Form 5500 requires expanded reporting of “indirect compensation” received by service providers to a Plan. “Indirect compensation” refers to compensation received from sources other than directly from a Plan or the sponsor of a Plan if received in connection with services rendered to the Plan. For this purpose, persons providing investment management services to a pooled investment vehicle in which a Plan invests are treated as indirectly providing investment management services to the Plan. Reportable “indirect compensation” thus includes fees received by a person from a pooled investment vehicle in which a Plan invests to the extent that such fees are charged against the pooled investment vehicle and reflected in the value of the Plan’s investment, such as, for example, an investment adviser asset-based investment management fee. The disclosure and description of the Partnership’s compensation arrangements contained in this Memorandum, the Subscription Agreement and/or the Partnership Agreement are intended to satisfy the requirements for the alternative reporting option for “eligible indirect compensation” that are set forth in the instructions to Schedule C of Form 5500 because they disclose and describe (a) the existence of the indirect compensation, (b) the services provided for the indirect compensation or the purpose for the payment of the indirect compensation, (c) the amount (or estimate) of the compensation or a description of the formula used to calculate or determine the compensation, and (d) the identity of the party or parties paying and receiving the compensation.

Each Plan fiduciary should consult its legal adviser concerning the potential consequences under ERISA, Section 4975 of the Code or similar state law before making an investment in the Partnership.

X. ADDITIONAL INFORMATION

Prior to the consummation of the offering, the Partnership will provide to each prospective investor and such investor's representatives and advisors, if any, the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information which the Partnership may possess or can obtain without unreasonable effort and expense that is necessary to verify the accuracy of the information furnished to such prospective investor.

This Memorandum is intended to present a general outline of the policies and structure of the Partnership and the General Partner. The Partnership Agreement, which specifies the rights and obligations of the Limited Partners, should be reviewed thoroughly by each prospective investor. The "Summary of Principal Terms" of the terms and conditions of the Partnership contained herein is necessarily incomplete and is qualified in its entirety by reference to such agreement and the subscription agreements relating to the purchase of limited partnership interests therein. In the event any description of the Partnership's terms and conditions set forth in this Memorandum conflict with the provisions of such agreements, the terms and conditions set forth in such agreements shall control.

Any questions regarding this offering, and any requests for copies of the Memorandum, the Partnership Agreement and the Subscription Agreement, should be forwarded to:

Valar Ventures LLC
915 Broadway, Suite 1101
New York, NY 10010
Email: [REDACTED]

* * * * *

APPENDIX A

NOTICES UNDER CERTAIN UNITED STATES AND FOREIGN SECURITIES LAWS

Prospective investors should carefully consider the applicable legends stated below prior to deciding whether or not to invest in the Partnership.

NOTICE TO FLORIDA RESIDENTS: A PURCHASER (OTHER THAN AN INSTITUTIONAL INVESTOR DESCRIBED IN SECTION 517.061(7), FLA. STAT.) WHO ACCEPTS AN OFFER TO PURCHASE SECURITIES EXEMPTED FROM REGISTRATION BY SECTION 517.061(11), FLA. STAT., MAY VOID SUCH PURCHASE WITHIN A PERIOD OF THREE (3) DAYS AFTER (A) THE PURCHASER FIRST TENDERS CONSIDERATION TO THE ISSUER, ITS AGENT OR AN ESCROW AGENT OR (B) THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PURCHASER, WHICHEVER LATER OCCURS, UNLESS SALES ARE MADE TO FEWER THAN FIVE (5) PURCHASERS IN FLORIDA (NOT COUNTING THOSE INSTITUTIONAL INVESTORS DESCRIBED IN SECTION 517.061(7)).

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

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

NOTICE TO FOREIGN INVESTORS: IT IS THE RESPONSIBILITY OF ANY PERSON OR ENTITY WISHING TO PURCHASE AN INTEREST TO SATISFY HIMSELF, HERSELF OR ITSELF AS TO THE FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY OUTSIDE OF THE UNITED STATES IN CONNECTION WITH ANY SUCH PURCHASE, INCLUDING OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER APPLICABLE FORMALITIES.

NOTICE TO RESIDENTS OF AUSTRALIA: THE PARTNERSHIP IS NOT REGISTERED AS A MANAGED INVESTMENT SCHEME IN AUSTRALIA. THE PROVISION OF THIS MEMORANDUM TO ANY PERSON DOES NOT CONSTITUTE AN OFFER OF INTERESTS TO THAT PERSON OR AN INVITATION TO THAT PERSON TO APPLY FOR INTERESTS. ANY SUCH OFFER OR INVITATION WILL ONLY BE EXTENDED TO A PERSON IF THAT PERSON HAS FIRST SATISFIED THE GENERAL PARTNER THAT THE PERSON IS A WHOLESALE CLIENT FOR THE PURPOSE OF SECTION 761G(7) OF THE CORPORATIONS ACT OF AUSTRALIA. THIS DOCUMENT IS NOT A PROSPECTUS OR PRODUCT DISCLOSURE

STATEMENT. IT IS NOT REQUIRED TO, AND DOES NOT, CONTAIN ALL THE INFORMATION WHICH WOULD BE REQUIRED IN A PROSPECTUS OR PRODUCT DISCLOSURE STATEMENT. IT HAS NOT BEEN LODGED WITH OR BEEN THE SUBJECT OF NOTIFICATION TO THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION. IT IS A TERM OF ISSUE OF INTERESTS IN THE PARTNERSHIP THAT THE INVESTOR MAY NOT TRANSFER OR OFFER TO TRANSFER THEIR INTERESTS TO ANY PERSON LOCATED IN, OR RESIDENT OF, AUSTRALIA UNLESS THE PERSON IS A WHOLESALE CLIENT FOR THE PURPOSES OF SECTION 761G(7) OF THE CORPORATIONS ACT OF AUSTRALIA.

NOTICE TO RESIDENTS OF BAHRAIN: THE MARKETING OF INTERESTS IN THE PARTNERSHIP IN BAHRAIN HAS NOT BEEN APPROVED BY THE CENTRAL BANK OF BAHRAIN. THE CENTRAL BANK OF BAHRAIN TAKES NO RESPONSIBILITY FOR THE ACCURACY OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS MEMORANDUM OR FOR THE PERFORMANCE OF THE PARTNERSHIPS, NOR SHALL IT HAVE ANY LIABILITY TO ANY PERSON, A LIMITED PARTNER OR OTHERWISE, FOR ANY LOSS OR DAMAGE RESULTING FROM RELIANCE ON ANY STATEMENT OR INFORMATION CONTAINED HEREIN.

NOTICE TO RESIDENTS OF BELGIUM: THE PARTNERSHIP HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE BELGIAN BANKING, FINANCE AND INSURANCE COMMISSION (COMMISSIE VOOR HET BANK-, FINANCIE- EN ASSURANTIEWEZEN / COMMISSION BANCAIRE, FINANCIÈRE ET DES ASSURANCES) ("CBFA") AS A FOREIGN COLLECTIVE INVESTMENT INSTITUTION UNDER ARTICLE 127 OF THE BELGIAN LAW OF 20 JULY 2004 ON CERTAIN FORMS OF COLLECTIVE MANAGEMENT OF INVESTMENT PORTFOLIO. THE OFFERING IN BELGIUM HAS NOT BEEN AND WILL NOT BE NOTIFIED TO THE CBFA. THIS MEMORANDUM HAS NOT BEEN AND WILL NOT BE APPROVED BY THE CBFA. THE PUBLIC OFFERING OF INTERESTS IN THE PARTNERSHIP IN BELGIUM WITHIN THE MEANING OF THE BELGIAN ACT OF JULY 20, 2004, AND THE BELGIAN ACT OF JUNE 16, 2006 ON THE PUBLIC OFFERING OF INVESTMENT INSTRUMENTS AND THE ADMISSION OF INVESTMENT INSTRUMENTS TO LISTING ON A REGULATED MARKET HAS NOT BEEN AUTHORIZED BY THE PARTNERSHIP. THE OFFERING MAY NOT BE ADVERTISED, AND INTERESTS IN THE PARTNERSHIP MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED TO, OR SUBSCRIBED TO BY, AND NO MEMORANDUM, INFORMATION CIRCULAR, BROCHURE OR SIMILAR DOCUMENT MAY BE DISTRIBUTED TO, DIRECTLY OR INDIRECTLY, ANY INDIVIDUAL OR LEGAL ENTITY IN BELGIUM, EXCEPT (I) TO "QUALIFIED INVESTORS" AS REFERRED TO IN ARTICLE 10, § 1 OF THE BELGIAN ACT OF JUNE 16, 2006, (II) SUBJECT TO THE RESTRICTION OF A MINIMUM INVESTMENT OF €50,000 PER INVESTOR OR EQUIVALENT IN RELEVANT FOREIGN CURRENCY OR (III) IN ANY OTHER CIRCUMSTANCES IN WHICH THE PRESENT OFFERING DOES NOT QUALIFY AS A PUBLIC OFFERING IN ACCORDANCE WITH THE AFOREMENTIONED ACT OF JUNE 16, 2006. THIS MEMORANDUM HAS BEEN ISSUED TO THE INTENDED RECIPIENT FOR PERSONAL USE ONLY AND EXCLUSIVELY FOR THE PURPOSES OF THE OFFERING. THEREFORE, IT MAY NOT BE USED FOR ANY OTHER PURPOSE NOR PASSED ON TO ANY OTHER PERSON IN BELGIUM.

NOTICE TO RESIDENTS OF CANADA:

PURCHASERS' REPRESENTATIONS, COVENANTS AND RESALE RESTRICTIONS

CONFIRMATIONS OF THE ACCEPTANCE OF OFFERS TO PURCHASE INTERESTS WILL BE SENT TO PURCHASERS IN CANADA WHO HAVE NOT WITHDRAWN THEIR OFFERS TO

PURCHASE PRIOR TO THE ISSUANCE OF SUCH CONFIRMATIONS. EACH PURCHASER OF INTERESTS IN CANADA WHO RECEIVES A PURCHASE CONFIRMATION, BY THE PURCHASER'S RECEIPT THEREOF, REPRESENTS TO THE PARTNERSHIP AND ANY DEALER FROM WHOM SUCH PURCHASE CONFIRMATION IS RECEIVED THAT SUCH PURCHASER IS A PERSON OR COMPANY TO WHICH INTERESTS MAY BE SOLD WITHOUT THE BENEFIT OF A PROSPECTUS QUALIFIED UNDER APPLICABLE PROVINCIAL SECURITIES LAWS. IN PARTICULAR, PURCHASERS RESIDENT IN ONTARIO REPRESENT TO THE PARTNERSHIP THAT THE PURCHASER IS (A) EITHER AN "ACCREDITED INVESTOR" AS SUCH TERM IS DEFINED IN SECTION 1.1 OF NATIONAL INSTRUMENT 45-106 - PROSPECTUS AND REGISTRATION EXEMPTIONS OF THE CANADIAN SECURITIES ADMINISTRATORS (THE "NI") OR (B) A PURCHASER WHO PURCHASES INTERESTS THAT HAVE AN ACQUISITION COST TO THE PURCHASER OF NOT LESS THAN C\$150,000 PAID IN CASH AT THE TIME OF THE PURCHASE, AND WHO IS NOT CREATED OR USED SOLELY TO PURCHASE OR HOLD SECURITIES IN RELIANCE ON THE EXEMPTION IN SECTION 2.10 OF THE NI. IN EITHER CASE, THE PURCHASER MUST PURCHASE THE UNITS AS PRINCIPAL. THE DISTRIBUTION OF INTERESTS IN CANADA IS BEING MADE ON A PRIVATE PLACEMENT BASIS. ACCORDINGLY, ANY RESALE OF THE INTERESTS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM THE REGISTRATION AND PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS, WHICH VARY DEPENDING ON THE PROVINCE. PURCHASERS OF INTERESTS ARE ADVISED TO SEEK LEGAL ADVICE PRIOR TO ANY RESALE OF INTERESTS.

IN ONTARIO, THE INTERESTS WILL, AND IN OTHER CANADIAN JURISDICTIONS, THE INTERESTS MAY, BE DISTRIBUTED THROUGH ONE OR MORE DEALERS REGISTERED WITH THE RELEVANT SECURITIES REGULATORY AUTHORITY. THE PARTNERSHIP IS NOT A "CONNECTED ISSUER" OR "RELATED ISSUER", WITHIN THE MEANING OF NATIONAL INSTRUMENT 33-105 - UNDERWRITING CONFLICTS OF THE CANADIAN SECURITIES ADMINISTRATORS, OF ANY SUCH DEALER.

ENFORCEMENT OF LEGAL RIGHTS

ALL OF THE PARTNERSHIP, ITS LEGAL REPRESENTATIVES, THE ADVISER, AND THEIR RESPECTIVE DIRECTORS AND OFFICERS MAY BE LOCATED OUTSIDE OF CANADA AND, AS A RESULT, IT MAY NOT BE POSSIBLE FOR CANADIAN PURCHASERS TO EFFECT SERVICE OF PROCESS WITHIN CANADA UPON THE PARTNERSHIP, ITS LEGAL REPRESENTATIVES, THE ADVISER, OR THEIR DIRECTORS OR OFFICERS. ALL OR A SUBSTANTIAL PORTION OF THE ASSETS OF THE PARTNERSHIP, ITS LEGAL REPRESENTATIVES, THE ADVISER, AND SUCH PERSONS MAY BE LOCATED OUTSIDE OF CANADA AND, AS A RESULT, IT MAY NOT BE POSSIBLE TO SATISFY A JUDGMENT AGAINST THE PARTNERSHIP, ITS LEGAL REPRESENTATIVES, THE ADVISER, AND SUCH PERSONS IN CANADA OR TO ENFORCE A JUDGMENT OBTAINED IN CANADIAN COURTS AGAINST THE PARTNERSHIP, ITS LEGAL REPRESENTATIVES, THE ADVISER, OR SUCH PERSONS OUTSIDE OF CANADA.

SECURITIES LEGISLATION IN CERTAIN OF THE CANADIAN JURISDICTIONS REQUIRES PURCHASERS TO BE PROVIDED WITH A REMEDY FOR RESCISSION OR DAMAGES, OR BOTH, IN ADDITION TO AND NOT IN DEROGATION FROM ANY OTHER RIGHT THEY MAY HAVE AT LAW, WHERE AN OFFERING MEMORANDUM AND ANY AMENDMENT TO IT CONTAINS A MISREPRESENTATION. THESE REMEDIES MUST BE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMITS PRESCRIBED BY THE APPLICABLE SECURITIES LEGISLATION.

PURCHASERS SHOULD REFER TO THE APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION FOR THE COMPLETE TEXT OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

THE APPLICABLE CONTRACTUAL AND/OR STATUTORY RIGHTS ARE SUMMARIZED BELOW. THE SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS OF THE APPLICABLE PROVINCIAL SECURITIES LAWS AND THE REGULATIONS AND RULES THEREUNDER AND REFERENCE IS MADE THERETO FOR THE COMPLETE TEXT OF SUCH PROVISIONS.

THIS MEMORANDUM CONTAINS, PROXIMATE TO THE FORWARD-LOOKING INFORMATION, REASONABLE CAUTIONARY LANGUAGE IDENTIFYING THE FORWARD-LOOKING INFORMATION AS SUCH, AND IDENTIFYING MATERIAL FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM A CONCLUSION, FORECAST OR PROJECTION IN THE FORWARD-LOOKING INFORMATION, AND A STATEMENT OF MATERIAL FACTORS OR ASSUMPTIONS THAT WERE APPLIED IN DRAWING A CONCLUSION OR MAKING A FORECAST OR PROJECTION SET OUT IN THE FORWARD-LOOKING INFORMATION; AND

THE PARTNERSHIP HAS A REASONABLE BASIS FOR DRAWING THE CONCLUSION OR MAKING THE FORECASTS AND PROJECTIONS SET OUT IN THE FORWARD LOOKING INFORMATION.

THE FOREGOING RIGHTS DO NOT APPLY IF THE PURCHASER IS:

- (A) A CANADIAN FINANCIAL INSTITUTION (AS DEFINED IN NATIONAL INSTRUMENT 45-106 - PROSPECTUS AND REGISTRATION EXEMPTIONS OF THE CANADIAN SECURITIES ADMINISTRATORS) OR A SCHEDULE III BANK;
- (B) THE BUSINESS DEVELOPMENT BANK OF CANADA INCORPORATED UNDER THE BUSINESS DEVELOPMENT BANK OF CANADA ACT (CANADA); OR
- (C) A SUBSIDIARY OF ANY PERSON REFERRED TO IN PARAGRAPHS (A) AND (B), IF THE PERSON OWNS ALL OF THE VOTING SECURITIES OF THE SUBSIDIARY, EXCEPT THE VOTING SECURITIES REQUIRED BY LAW TO BE OWNED BY DIRECTORS OF THAT SUBSIDIARY.

THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS OF THE SECURITIES ACT (ONTARIO) AND THE RULES, REGULATIONS AND OTHER INSTRUMENTS THEREUNDER, AND REFERENCE IS MADE TO THE COMPLETE TEXT OF SUCH PROVISIONS CONTAINED THEREIN. SUCH PROVISIONS MAY CONTAIN LIMITATIONS AND STATUTORY DEFENSES ON WHICH THE PARTNERSHIP MAY RELY. THE RIGHTS OF ACTION DESCRIBED HEREIN ARE IN ADDITION TO AND WITHOUT DEROGATION FROM ANY OTHER RIGHT OR REMEDY THAT THE PURCHASER MAY HAVE AT LAW.

CERTAIN CANADIAN INCOME TAX CONSIDERATIONS

PROSPECTIVE PURCHASERS OF INTERESTS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO ANY TAXES EXIGIBLE IN CONNECTION WITH THE ACQUISITION, HOLDING OR DISPOSITION OF INTERESTS. IT IS RECOMMENDED THAT TAX ADVISORS BE EMPLOYED IN CANADA, AS THERE ARE A NUMBER OF SUBSTANTIVE CANADIAN TAX COMPLIANCE REQUIREMENTS FOR CANADIAN INVESTORS.

CONTRACTUAL AND/OR STATUTORY RIGHTS OF ACTION

ONTARIO:

PURCHASERS IN ONTARIO TO WHOM THIS MEMORANDUM IS DELIVERED AND WHO PURCHASE INTERESTS IN RELIANCE ON THE PROSPECTUS EXEMPTION PROVIDED BY SECTION 2.3 OF ONTARIO SECURITIES COMMISSION RULE 45-501 ARE HEREBY GRANTED THE FOLLOWING RIGHTS:

IN THE EVENT THAT THIS MEMORANDUM OR ANY AMENDMENT THERETO DELIVERED TO A PURCHASER OF INTERESTS IN ONTARIO CONTAINS AN UNTRUE STATEMENT OF A MATERIAL FACT OR OMITTS TO STATE A MATERIAL FACT THAT IS REQUIRED TO BE STATED OR THAT IS NECESSARY TO MAKE ANY STATEMENT THEREIN NOT MISLEADING IN THE LIGHT OF THE CIRCUMSTANCES IN WHICH IT WAS MADE (HEREIN CALLED A "MISREPRESENTATION") AND IT WAS A MISREPRESENTATION AT THE TIME OF PURCHASE, THE PURCHASER WILL BE DEEMED TO HAVE RELIED UPON THE MISREPRESENTATION AND WILL, SUBJECT AS HEREINAFTER PROVIDED, HAVE A RIGHT OF ACTION AGAINST THE PARTNERSHIP FOR DAMAGES, OR, WHILE STILL THE OWNER OF THE INTERESTS PURCHASED BY THAT PURCHASER FOR RESCISSION, IN WHICH CASE, IF THE PURCHASER ELECTS TO EXERCISE THE RIGHT OF RESCISSION, THE PURCHASER WILL HAVE NO RIGHT OF ACTION FOR DAMAGES AGAINST THE PARTNERSHIP, PROVIDED THAT:

- THE RIGHT OF ACTION FOR RESCISSION WILL BE EXERCISABLE BY A PURCHASER ONLY IF THE PURCHASER GIVES NOTICE TO THE PARTNERSHIP NOT LATER THAN 180 DAYS AFTER THE DATE OF THE TRANSACTION THAT GAVE RISE TO THE CAUSE OF ACTION;
- THE RIGHT OF ACTION FOR DAMAGES OR ANY OTHER ACTION OTHER THAN THE RIGHT OF ACTION FOR RESCISSION WILL BE EXERCISABLE BY A PURCHASER ONLY IF THE PURCHASER GIVES NOTICE TO THE PARTNERSHIP NOT LATER THAN THE EARLIER OF (I) 180 DAYS AFTER THE PURCHASER HAD KNOWLEDGE OF THE FACTS GIVING RISE TO THE CAUSE OF ACTION OR (II) THREE YEARS AFTER THE DATE OF THE TRANSACTION THAT GAVE RISE TO THE CAUSE OF ACTION;
- THE PARTNERSHIP WILL NOT BE LIABLE IF IT PROVES THAT THE PURCHASER PURCHASED THE INTERESTS WITH KNOWLEDGE OF THE MISREPRESENTATION;
- IN THE CASE OF AN ACTION FOR DAMAGES, THE PARTNERSHIP WILL NOT BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT IT PROVES DOES NOT REPRESENT THE DEPRECIATION IN VALUE OF THE INTERESTS AS A RESULT OF THE MISREPRESENTATION RELIED UPON; AND
- IN NO CASE WILL THE AMOUNT RECOVERABLE IN ANY ACTION EXCEED THE PRICE AT WHICH THE INTERESTS WERE SOLD TO PURCHASER.
- THE STATUTORY RIGHTS DISCUSSED ABOVE ARE IN ADDITION TO AND WITHOUT DEROGATION FROM ANY OTHER RIGHT THE PURCHASER MAY HAVE AT LAW.

UNLESS THE PARTNERSHIP HAS ENGAGED AN ONTARIO-REGISTERED DEALER TO PLACE THE INTERESTS IN ONTARIO, EACH PURCHASER OF INTERESTS IN ONTARIO WILL BE REQUIRED TO DESIGNATE AN ONTARIO-REGISTERED DEALER TO COMPLETE

THE PURCHASE OF THE INTERESTS ON ITS BEHALF. THE STAFF OF THE ONTARIO SECURITIES COMMISSION TAKE THE POSITION THAT A PERSON THAT PROVIDES INVESTMENT ADVICE TO A FUND THAT DISTRIBUTES ITS INTERESTS IN ONTARIO IS CONSIDERED TO BE ACTING AS AN ADVISER IN ONTARIO, AND IS SUBJECT TO THE REQUIREMENT TO REGISTER AS AN ADVISER, NOTWITHSTANDING THAT THE ADVICE MAY BE GIVEN TO AND RECEIVED BY THE PARTNERSHIP OUTSIDE OF ONTARIO. NEITHER THE GENERAL PARTNER NOR THE RELATED "MANAGEMENT COMPANY" IS REGISTERED IN ONTARIO. HOWEVER, ONE OR BOTH OF SUCH ENTITIES MAY RELY UPON AN EXEMPTION FROM THE ADVISER REGISTRATION REQUIREMENT IF THE INTERESTS ARE DISTRIBUTED THROUGH AN ONTARIO-REGISTERED DEALER. ACCORDINGLY, UNLESS THE PARTNERSHIP HAS ENGAGED AN ONTARIO-REGISTERED DEALER TO PLACE THE INTERESTS IN ONTARIO, NO SALE WILL BE MADE TO A PURCHASER RESIDENT IN ONTARIO UNLESS THE DESIGNATION FORM CONTAINED IN THE SUBSCRIPTION AGREEMENT HAS BEEN COMPLETED AND DELIVERED TO THE PARTNERSHIP.

QUEBEC:

IN QUEBEC, EVERY PERSON WHO HAS SUBSCRIBED FOR SECURITIES PURSUANT TO THIS MEMORANDUM MAY, IN THE EVENT THAT THIS MEMORANDUM CONTAINS A MISREPRESENTATION, APPLY TO HAVE THE CONTRACT RESCINDED OR THE PRICE REVISED, WITHOUT PREJUDICE TO HIS OR HER CLAIM FOR DAMAGES, PROVIDED THAT NO ACTION MAY BE COMMENCED TO ENFORCE SUCH RIGHT UNLESS THE RIGHT IS EXERCISED:

- IN THE CASE OF RESCISSION OR REVISION OF THE PRICE, WITHIN ONE YEAR FROM THE DATE OF THE TRANSACTION; AND
- IN THE CASE OF DAMAGES, WITHIN ONE YEAR OF THE DATE ON WHICH THE PERSON ACQUIRED KNOWLEDGE OF THE FACTS GIVING RISE TO THE ACTION, EXCEPT UPON PROOF THAT THE PLAINTIFF ACQUIRED SUCH KNOWLEDGE MORE THAN ONE YEAR AFTER THE DATE OF THE TRANSACTION AS A RESULT OF THE NEGLIGENCE OF THE PLAINTIFF.

AN ACTION FOR RESCISSION OR REVISION OF THE PRICE OR DAMAGES AGAINST THE ISSUER, THE DEFENDANT MAY DEFEAT THE APPLICATION ONLY IF IT IS PROVED THAT THE PLAINTIFF KNEW, AT THE TIME OF THE TRANSACTION, OF THE ALLEGED MISREPRESENTATION.

BRITISH COLUMBIA:

IN THE EVENT THAT THIS MEMORANDUM OR ANY AMENDMENT THERETO DELIVERED TO A PURCHASER OF INTERESTS IN BRITISH COLUMBIA CONTAINS AN UNTRUE STATEMENT OF A MATERIAL FACT OR OMITTS TO STATE A MATERIAL FACT THAT IS REQUIRED TO BE STATED OR IS NECESSARY IN ORDER TO PREVENT ANY STATEMENT THAT IS BEING MADE FROM NOT BEING FALSE OR MISLEADING IN THE CIRCUMSTANCES IN WHICH IT WAS MADE (HEREIN CALLED A "MISREPRESENTATION") AND IT WAS A MISREPRESENTATION AT THE TIME OF PURCHASE, THE PURCHASER WILL BE DEEMED TO HAVE RELIED UPON THE MISREPRESENTATION AND WILL, SUBJECT AS HEREINAFTER PROVIDED, HAVE A RIGHT OF ACTION AGAINST THE PARTNERSHIP FOR DAMAGES, OR, WHILE STILL THE OWNER OF THE INTERESTS PURCHASED BY THAT PURCHASER, FOR RESCISSION, IN WHICH CASE, IF THE

PURCHASER ELECTS TO EXERCISE THE RIGHT OF RESCISSION, THE PURCHASER WILL HAVE NO RIGHT OF ACTION FOR DAMAGES AGAINST THE PARTNERSHIP, PROVIDED THAT:

- THE RIGHT OF ACTION FOR RESCISSION OR DAMAGES IS ENFORCEABLE BY A PURCHASER ON NOTICE BY THE PURCHASER TO THE PARTNERSHIP ON OR BEFORE THE 90TH DAY AFTER THE DATE ON WHICH PAYMENT IS MADE FOR INTERESTS OR ON WHICH THE INITIAL PAYMENT WAS MADE FOR THE INTERESTS, IF PAYMENTS SUBSEQUENT TO THE INITIAL PAYMENT ARE MADE UNDER A CONTRACTUAL COMMITMENT ENTERED INTO BEFORE, OR CONCURRENTLY WITH, THE INITIAL PAYMENT;
- A PURCHASER WILL NOT BE ENTITLED TO COMMENCE AN ACTION TO ENFORCE A RIGHT: (I) IN THE CASE OF AN ACTION FOR RESCISSION, MORE THAN 180 DAYS AFTER THE DATE OF THE TRANSACTION THAT GAVE RISE TO THE CAUSE OF ACTION; OR (II) IN THE CASE OF AN ACTION FOR DAMAGES, MORE THAN THE EARLIER OF 180 DAYS AFTER THE DATE THE PURCHASER FIRST HAD KNOWLEDGE OF THE FACTS THAT GAVE RISE TO THE CAUSE OF ACTION OR THREE YEARS FROM THE DATE OF THE TRANSACTION THAT GAVE RISE TO THE CAUSE OF ACTION;
- THE PARTNERSHIP WILL NOT BE LIABLE IF IT PROVES THAT THE PURCHASER PURCHASED THE INTERESTS WITH KNOWLEDGE OF THE MISREPRESENTATION;
- IN THE CASE OF AN ACTION FOR DAMAGES, THE PARTNERSHIP WILL NOT BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT IT PROVES DOES NOT REPRESENT THE DEPRECIATION IN VALUE OF THE INTERESTS AS A RESULT OF THE MISREPRESENTATION RELIED UPON; AND
- IN NO CASE WILL THE AMOUNT RECOVERABLE IN ANY ACTION EXCEED THE PRICE AT WHICH THE INTERESTS WERE SOLD TO THE PURCHASER.

THE CONTRACTUAL RIGHTS DISCUSSED ABOVE ARE IN ADDITION TO AND WITHOUT DEROGATION FROM ANY OTHER RIGHTS OR REMEDIES AVAILABLE AT LAW TO THE PURCHASER.

NOTICE TO RESIDENTS OF CHINA (THE PEOPLE'S REPUBLIC OF CHINA): THE INTERESTS ARE NOT BEING OFFERED OR SOLD AND MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE PEOPLE'S REPUBLIC OF CHINA (FOR SUCH PURPOSES, NOT INCLUDING THE HONG KONG AND MACAU SPECIAL ADMINISTRATIVE REGIONS OR TAIWAN), EXCEPT AS PERMITTED BY THE SECURITIES AND FUNDS LAWS OF THE PEOPLE'S REPUBLIC OF CHINA.

NOTICE TO RESIDENTS OF DENMARK: INTERESTS IN THE PARTNERSHIP ARE BEING OFFERED TO A LIMITED NUMBER OF INSTITUTIONAL AND SOPHISTICATED INVESTORS. PURSUANT TO SECTION 11 OF THE PROSPECTUS ORDER (MINISTERIAL ORDER NO. 1232 OF OCTOBER 22, 2007 ON THE PROSPECTUS REQUIREMENTS FOR OFFERINGS OF A VALUE ABOVE €2,500,000) ISSUED IN ACCORDANCE WITH SECTION 23(8) OF THE DANISH SECURITIES TRADING ACT (CONSOLIDATED ACT NO. 214 OF APRIL 2, 2008) THE FOLLOWING TYPES OF OFFERINGS ARE EXEMPTED FROM PROSPECTUS REGISTRATION REQUIREMENTS:

- (A) OFFERINGS TO ACCREDITED INVESTORS;

(B) OFFERINGS TO NON-ACCREDITED INVESTORS IF THE OFFER IS DIRECTED AT FEWER THAN 100 PRIVATE OR LEGAL PERSONS IN DENMARK;

(C) OFFERINGS FOR WHICH THE VALUE OF EACH INTEREST EXCEEDS €50,000; OR

(D) OFFERINGS WHERE PARTICIPATION IS CONDITIONAL UPON PAYMENT OF MORE THAN €50,000 PER INVESTOR.

THIS MEMORANDUM MAY ONLY BE DISTRIBUTED TO, AND THE OFFERING MAY ONLY BE SUBSCRIBED BY, INVESTORS THAT SATISFY ONE OR MORE OF THE CONDITIONS SET OUT ABOVE FROM (A) TO (D). ACCORDINGLY, THIS MEMORANDUM HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE DANISH FINANCIAL SUPERVISORY AUTHORITY OR THE DANISH COMMERCE AND COMPANIES AGENCY UNDER THE RELEVANT DANISH ACTS AND REGULATIONS ON THE OFFERING IN DENMARK OF FUND INTERESTS.

NOTICE TO RESIDENTS OF FRANCE: THE OFFER OF INTERESTS IS NOT SUBJECT TO THE REQUIREMENT OF A PROSPECTUS OR OTHER INFORMATION DOCUMENT FILED WITH THE COMMISSION DES OPÉRATIONS DE BOURSE FOR ITS APPROVAL (VISA). NEITHER THIS MEMORANDUM NOR ANY OFFERING MATERIAL RELATING TO THE OFFER OF INTERESTS HAVE BEEN OR WILL BE SUBMITTED TO THE CLEARANCE PROCEDURES OF THE FRENCH AUTHORITIES, INCLUDING THE COMMISSION DES OPÉRATIONS DE BOURSE. THE INTERESTS MAY ONLY BE OFFERED TO AND PURCHASED OR SUBSCRIBED TO BY INVESTORS REFERRED TO IN ARTICLE L. 411-2 OF THE FRENCH MONETARY AND FINANCIAL CODE (CODE MONÉTAIRE ET FINANCIER) AND DÉCRET N° 98-880, DATED OCTOBER 1, 1998, ACTING FOR THEIR OWN ACCOUNT. IN THE EVENT THAT THE INTERESTS THUS PURCHASED OR SUBSCRIBED TO BY SUCH INVESTORS ARE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, TO THE PUBLIC IN FRANCE, THE CONDITIONS SET FORTH IN ARTICLES L. 412-1 AND L. 621-8 OF THE CODE CITED ABOVE MUST BE COMPLIED WITH. IF THE INTERESTS ARE OFFERED TO A CLOSE CIRCLE OF INVESTORS OF 100 PERSONS OR MORE, SUCH INVESTORS MUST REPRESENT THAT THEY KNOW ONE OF THE MEMBERS OF THE PARTNERSHIP'S MANAGEMENT PERSONALLY AND HAVE EITHER A FAMILY OR PROFESSIONAL RELATIONSHIP WITH SUCH MEMBER. THIS MEMORANDUM AND OTHER OFFERING MATERIALS RELATING TO THE OFFER OF INTERESTS ARE STRICTLY CONFIDENTIAL AND MAY NOT BE DISTRIBUTED TO ANY PERSON OR ENTITY OTHER THAN THE RECIPIENTS HEREOF.

NOTICE TO RESIDENTS OF GERMANY: THIS DOCUMENT AND OTHER RELATED OFFERING MATERIALS HAVE NOT BEEN SUBMITTED TO THE GERMAN FEDERAL FINANCIAL SERVICES SUPERVISORY AUTHORITY (BUNDESANSTALT FÜR FINANZDIENSTLEISTUNGSAUFSICHT – “BAFIN”) AND INTERESTS IN THE FUND DESCRIBED IN THIS DOCUMENT ARE NOT ADMITTED OR REGISTERED WITH BAFIN FOR PUBLIC DISTRIBUTION IN GERMANY UNDER THE SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ – “WPPG”), THE CAPITAL INVESTMENTS ACT (VERMÖGENSANLAGENGESETZ – “VERMANLG”) AND/OR THE CAPITAL INVESTMENT CODE (KAPITALANLAGEGESETZBUCH – “KAGB”). CONSEQUENTLY, INTERESTS IN THE FUND MAY NOT BE OFFERED OR SOLD TO THE PUBLIC IN GERMANY AND THIS DOCUMENT AND ANY OTHER RELATED OFFERING MATERIALS MAY NOT BE DISTRIBUTED TO THE PUBLIC. FURTHER, NO FILING FOR REGISTRATION OF INTERESTS IN THE FUND WITH BAFIN UNDER THE KAGB HAS SO FAR BEEN MADE.

THE INFORMATION CONTAINED IN THIS DOCUMENT AND IN OTHER RELATED OFFERING MATERIALS IS STRICTLY CONFIDENTIAL AND ONLY INTENDED FOR THE RECIPIENT THEREOF. RECIPIENTS MAY NOT PASS THIS DOCUMENT OR ANY OTHER RELATED OFFERING MATERIALS ON TO THIRD PERSONS EXCEPT TO THEIR ADVISORS FOR PURPOSES OF EVALUATING THEIR OWN INVESTMENT. ANY RESALE OF INTERESTS IN THE FUND IN GERMANY MAY ONLY BE MADE IN ACCORDANCE WITH THE PROVISIONS OF THE WPPG, THE VERMANLG OR THE KAGB, AS APPLICABLE, AND ANY OTHER LAW APPLICABLE IN GERMANY GOVERNING THE SALE AND OFFERING OF SECURITIES AND FUND INTERESTS. THE FUND WILL NOT MEET THE REPORTING AND PUBLICATION REQUIREMENTS UNDER THE GERMAN INVESTMENT TAX ACT (INVESTMENTSTEUERGESETZ). POTENTIAL INVESTORS IN THE FUND ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE RELEVANT TRANSACTION INVOLVING THE FUND. TAXATION RATES AND THEIR BASES MAY CHANGE. AS A RESULT, POTENTIAL INVESTORS SHOULD KEEP ANY TAX ADVICE OBTAINED UNDER REVIEW.

NOTICE TO RESIDENTS OF GREECE: THIS MEMORANDUM AND INTERESTS TO WHICH IT RELATES AND ANY OTHER MATERIAL RELATED THERETO MAY NOT BE ADVERTISED, DISTRIBUTED OR OTHERWISE MADE AVAILABLE TO THE PUBLIC IN GREECE. THE GREEK CAPITAL MARKET COMMISSION HAS NOT AUTHORIZED ANY PUBLIC OFFERING OF THE SUBSCRIPTION OR INTERESTS IN THE FUND; ACCORDINGLY, INTERESTS MAY NOT BE ADVERTISED, DISTRIBUTED OR IN ANY WAY OFFERED OR SOLD IN GREECE OR TO RESIDENTS THEREOF EXCEPT AS PERMITTED BY GREEK LAW. THIS MEMORANDUM AND THE INFORMATION CONTAINED HEREIN DO NOT AND WILL NOT BE DEEMED TO CONSTITUTE AN INVITATION TO THE PUBLIC IN GREECE TO PURCHASE INTERESTS. THE FUND DOES NOT HAVE A GUARANTEED PERFORMANCE AND PAST RETURNS DO NOT GUARANTEE FUTURE ONES.

NOTICE TO RESIDENTS OF HONG KONG: NO PERSON MAY OFFER OR SELL IN HONG KONG, BY MEANS OF ANY DOCUMENT, ANY INTERESTS OTHER THAN (A) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG AND ANY RULES MADE UNDER THAT ORDINANCE; OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES ORDINANCE (CAP. 32) OF HONG KONG OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THAT ORDINANCE.

NO PERSON MAY ISSUE, OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE INTERESTS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO INTERESTS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG AND ANY RULES MADE UNDER THAT ORDINANCE.

NOTICE TO RESIDENTS OF INDIA: THIS SUBSCRIPTION DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR AN OFFER TO BUY INTERESTS FROM ANY PERSON OTHER THAN THE PERSON TO WHOM THIS SUBSCRIPTION DOCUMENT HAS BEEN SENT BY THE PARTNERSHIP OR ITS AUTHORIZED AGENT. THIS SUBSCRIPTION DOCUMENT IS

NOT AND SHOULD NOT BE CONSTRUED AS A PROSPECTUS. THE INTERESTS IN THE PARTNERSHIP ARE NOT BEING OFFERED TO THE PUBLIC FOR SALE OR SUBSCRIPTION BUT ARE BEING PRIVATELY PLACED WITH A LIMITED NUMBER OF SOPHISTICATED INVESTORS. PROSPECTIVE INVESTORS MUST SEEK LEGAL ADVICE AS TO WHETHER THEY ARE ENTITLED TO SUBSCRIBE FOR THE INTERESTS OF THE PARTNERSHIP AND MUST COMPLY WITH ALL RELEVANT INDIAN LAWS IN THIS RESPECT.

NOTICE TO RESIDENTS OF IRELAND: THIS DOCUMENT AND THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND HAS BEEN PREPARED AND IS INTENDED FOR USE ON A CONFIDENTIAL BASIS SOLELY BY THOSE PERSONS IN IRELAND TO WHOM IT IS SENT BY. IT MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON TO ANY OTHER PERSONS OR PUBLISHED IN WHOLE OR IN ANY PART FOR ANY PURPOSE. IT DOES NOT CONSTITUTE AN INVITATION TO THE PUBLIC IN IRELAND OR ANY SECTION THEREOF TO SUBSCRIBE FOR OR PURCHASE ANY SHARES OR OTHER SECURITIES IN ANY COMPANY AND ACCORDINGLY IS NOT A PROSPECTUS WITHIN THE MEANING OF THE PROSPECTUS DIRECTIVE REGULATIONS.

THE OFFER IS BEING EXTENDED TO A SMALL NUMBER OF PERSONS RESIDENT IN THE REPUBLIC OF IRELAND BY WAY OF A PRIVATE PLACEMENT. NEITHER THIS DOCUMENT NOR THE OFFER CONSTITUTE AN INVITATION TO THE PUBLIC IN IRELAND OR ANY SECTION THEREOF TO SUBSCRIBE FOR OR PURCHASE INTERESTS AND ACCORDINGLY IS NOT A PROSPECTUS WITHIN THE MEANING OF THE PROSPECTUS DIRECTIVE REGULATIONS.

NOTICE TO RESIDENTS OF ISRAEL: THIS MEMORANDUM HAS NOT BEEN APPROVED BY THE ISRAELI SECURITIES AUTHORITY. THE INTERESTS IN THE PARTNERSHIP ARE BEING OFFERED TO A LIMITED NUMBER OF SOPHISTICATED INVESTORS, IN ALL CASES UNDER CIRCUMSTANCES THAT WILL FALL WITHIN THE PRIVATE PLACEMENT OR OTHER EXEMPTIONS SET FORTH IN THE ISRAELI SECURITIES LAW 1968 OR THE JOINT INVESTMENT TRUST LAW 1994. THIS MEMORANDUM MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE NOR BE FURNISHED TO ANY OTHER PERSON OTHER THAN THOSE TO WHOM COPIES HAVE BEEN SENT. ANY PROSPECTIVE INVESTOR WHO PURCHASES AN INTEREST IN THE PARTNERSHIP IS PURCHASING SUCH INTEREST FOR ITS OWN BENEFIT AND ACCOUNT AND NOT WITH THE AIM OR INTENTION OF DISTRIBUTING OR OFFERING SUCH INTEREST TO OTHER PARTIES. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, IN ISRAEL, TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN ISRAEL. NOTHING IN THIS MEMORANDUM SHOULD BE CONSIDERED AS INVESTMENT ADVICE AS DEFINED IN THE ISRAELI REGULATION OF INVESTMENT ADVICE, INVESTMENT MARKETING AND INVESTMENT PORTFOLIO MANAGEMENT LAW 1995.

NOTICE TO RESIDENTS OF JAPAN: NEITHER THE PARTNERSHIP NOR ANY OF ITS AFFILIATES IS OR WILL BE REGISTERED AS A "FINANCIAL INSTRUMENTS FIRM" PURSUANT TO THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW. NEITHER THE FINANCIAL SERVICES AGENCY OF JAPAN NOR THE KANTO LOCAL FINANCE BUREAU HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR OTHERWISE APPROVED OR AUTHORIZED THE OFFERING OF INTERESTS IN THE PARTNERSHIP TO INVESTORS RESIDENT IN JAPAN. NEITHER THE INTERESTS DESCRIBED IN THIS MEMORANDUM NOR THE OFFERING THEREOF HAS BEEN DISCLOSED PURSUANT TO THE SECURITIES EXCHANGE LAW OF JAPAN (LAW NO.25 OF

1948 AS AMENDED). THE PURCHASER OF AN INTEREST AGREES NOT TO RE-TRANSFER OR RE-ASSIGN SUCH INTEREST TO ANYONE OTHER THAN NON-RESIDENTS OF JAPAN EXCEPT PURSUANT TO A PRIVATE PLACEMENT EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE SECURITIES EXCHANGE LAW AND OTHER RELEVANT LAWS AND REGULATIONS OF JAPAN (EXCEPT FOR RE-TRANSFER OR RE-ASSIGNMENT TO ONE PERSON BY ONE TRANSACTION OF ALL SUCH INTEREST PURCHASED BY SUCH PURCHASER). THE INTERESTS ARE BEING OFFERED TO A LIMITED NUMBER OF QUALIFIED INSTITUTIONAL INVESTORS (TEKIKAKU KIKAN TOSHIKA, AS DEFINED IN THE SECURITIES EXCHANGE LAW OF JAPAN) AND/OR A SMALL NUMBER OF INVESTORS, IN ALL CASES UNDER CIRCUMSTANCES THAT WILL FALL WITHIN THE PRIVATE PLACEMENT EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES EXCHANGE LAW AND OTHER RELEVANT LAWS AND REGULATIONS OF JAPAN. AS SUCH, THE INTERESTS HAVE NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE SECURITIES EXCHANGE LAW OF JAPAN. THIS MEMORANDUM IS CONFIDENTIAL AND IS INTENDED SOLELY FOR THE USE OF ITS RECIPIENT. ANY DUPLICATION OR REDISTRIBUTION OF THIS MEMORANDUM IS PROHIBITED. THE RECIPIENT OF THIS MEMORANDUM, BY ACCEPTING DELIVERY THEREOF, AGREES TO RETURN IT AND ALL RELATED DOCUMENTS TO THE PLACEMENT AGENT IF THE RECIPIENT ELECTS NOT TO PURCHASE ANY OF THE INTERESTS OFFERED HEREBY OR IF EARLIER REQUESTED BY THE PLACEMENT AGENT.

THERE IS A RISK THAT THE CUSTOMER MAY LOSE THE PRINCIPAL AMOUNT HE OR SHE WILL INVEST AS A RESULT OF FLUCTUATIONS IN THE NET ASSET VALUE OF INTERESTS IN THE PARTNERSHIP DUE TO CHANGES IN THE PRICES OF SECURITIES OR OTHER FINANCIAL PRODUCTS HELD BY THE PARTNERSHIP, CHANGES IN FOREIGN EXCHANGE RATES AND OTHER FACTORS, IF ANY.

NOTICE TO RESIDENTS OF KOREA (SOUTH KOREA): NEITHER THE PARTNERSHIP NOR ANY OF ITS AFFILIATES IS MAKING ANY REPRESENTATION WITH RESPECT TO THE ELIGIBILITY OF ANY RECIPIENTS OF THIS MEMORANDUM TO ACQUIRE INTERESTS IN THE PARTNERSHIP UNDER THE LAWS OF SOUTH KOREA, INCLUDING, BUT WITHOUT LIMITATION, THE FOREIGN EXCHANGE TRANSACTION ACT AND REGULATIONS THEREUNDER. THIS MEMORANDUM IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, A PUBLIC OFFERING OF SECURITIES IN SOUTH KOREA. NEITHER THE PARTNERSHIP NOR ANY PLACEMENT AGENT MAKE ANY REPRESENTATION WITH RESPECT TO THE ELIGIBILITY OF ANY RECIPIENTS OF THIS MEMORANDUM TO ACQUIRE THE INTEREST UNDER THE LAWS OF SOUTH KOREA, INCLUDING, WITHOUT LIMITATION, INDIRECT INVESTMENT ASSET MANAGEMENT BUSINESS LAW, THE SECURITIES AND EXCHANGE ACT AND THE FOREIGN EXCHANGE TRANSACTION ACT AND REGULATIONS THEREUNDER. THE INTERESTS HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF KOREA (THE "FSC") FOR A PUBLIC OFFERING IN SOUTH KOREA UNDER THE SECURITIES AND EXCHANGE ACT NOR HAVE THEY BEEN REGISTERED WITH THE FSC FOR DISTRIBUTION TO NON-QUALIFIED INVESTORS IN SOUTH KOREA UNDER THE INDIRECT INVESTMENTS ASSET MANAGEMENT BUSINESS ACT OF KOREA AND NONE OF THE INTERESTS MAY BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RE-SALE, DIRECTLY OR INDIRECTLY, IN SOUTH KOREA OR TO ANY RESIDENT OF SOUTH KOREA, EXCEPT PURSUANT TO THE APPLICABLE LAWS AND REGULATIONS OF SOUTH KOREA.

NOTICE TO RESIDENTS OF KUWAIT: THIS MEMORANDUM AND ANY OTHER OFFERING MATERIALS, THE PARTNERSHIP AND INTERESTS HAVE NOT BEEN APPROVED OR LICENSED BY THE MINISTRY OF COMMERCE AND INDUSTRY OF THE STATE OF KUWAIT. NOTHING HEREIN CONSTITUTES, NOR SHALL BE DEEMED TO CONSTITUTE, AN INVITATION OR AN OFFER TO SELL INTERESTS IN THE PARTNERSHIP IN KUWAIT NOR IS INTENDED TO LEAD TO THE CONCLUSION OF ANY CONTRACT OF WHATSOEVER NATURE WITHIN KUWAIT. INTERESTS IN THE PARTNERSHIP MAY ONLY BE MARKETED OR SOLD BY A KUWAITI SHAREHOLDING COMPANY WHICH IS PERMITTED TO INVEST MONIES FOR THE ACCOUNT OF ITSELF AND OF THIRD PARTIES AND WHICH HOLDS A SPECIFIC LICENSE RELATING TO THE MARKETING AND SALE OF THE INTERESTS ISSUED BY THE MINISTRY OF COMMERCE AND INDUSTRY UNDER LAW NO. 31/1990 AND THE VARIOUS MINISTERIAL ORDERS ISSUED PURSUANT THERETO.

NOTICE TO RESIDENTS OF LIECHTENSTEIN: NO ACTION HAS BEEN TAKEN BY THE PARTNERSHIP TO PERMIT AN OFFERING OF THE PARTNERSHIP INTERESTS TO THE PUBLIC IN LIECHTENSTEIN. NO PUBLIC OFFER OF THE INTERESTS OR PUBLIC DISTRIBUTION OF THIS MEMORANDUM MAY BE MADE IN OR OUT OF LIECHTENSTEIN. THIS PARTNERSHIP IS NOT REGULATED IN LIECHTENSTEIN. IT IS NEITHER SUBJECT TO THE INVESTMENT UNDERTAKING ACT OR OF ANY OTHER LAW NOR TO ANY SUPERVISION OF THE LIECHTENSTEIN FINANCIAL SERVICES AUTHORITY. THE CONTENT OF THIS MEMORANDUM MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE, NOR BE FURNISHED TO ANY OTHER PERSON OTHER THAN THOSE TO WHOM COPIES HAVE BEEN SENT.

NOTICE TO RESIDENTS OF LUXEMBOURG: THE INTERESTS MAY NOT BE OFFERED OR SOLD IN THE GRAND-DUCHY OF LUXEMBOURG EXCEPT FOR INTERESTS WHICH ARE OFFERED IN CIRCUMSTANCES THAT DO NOT REQUIRE THE APPROVAL OF A PROSPECTUS BY THE LUXEMBOURG FINANCIAL REGULATORY AUTHORITY IN ACCORDANCE WITH THE LAW OF JULY 10, 2005 ON PROSPECTUS FOR SECURITIES. THE PARTNERSHIP IS NOT REGISTERED AS A FOREIGN FUND WITH THE LUXEMBOURG REGULATORY AUTHORITIES. INTERESTS IN THE PARTNERSHIP ARE BEING OFFERED ONLY IN DENOMINATIONS PER UNIT OF AT LEAST €50,000. THE COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER OF LUXEMBOURG HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR OTHERWISE APPROVED OR AUTHORISED THE OFFERING OF INTERESTS TO INVESTORS RESIDENT IN LUXEMBOURG. THIS MEMORANDUM MAY NOT BE REPRODUCED OR USED FOR ANY PURPOSES OTHER THAN THIS PRIVATE PLACEMENT, NOR PROVIDED TO ANY PERSON OTHER THAN THE RECIPIENT THEREOF.

NOTICE TO RESIDENTS OF MIDDLE EARTH: MALLATH Ú-THILIAR, RANDIRATH Ú-VISTAR; BRÚNATH VILL Ú-FIRIR, HELEG Ú-VÂB THYND AIND. NAUR O LITH LACHATHA, GAUL O DAE LABATHA; CRIST RIST PENIATHAR: PEN BEDH-RĬ AD ARAN.

NOTICE TO RESIDENTS OF MONACO: THE INTERESTS IN THE PARTNERSHIP MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, TO THE PUBLIC IN MONACO OTHER THAN BY A MONACO DULY AUTHORISED INTERMEDIARY ACTING AS A PROFESSIONAL INSTITUTIONAL INVESTOR WHICH HAS SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS AS TO BE CAPABLE OF EVALUATING THE RISKS AND MERITS OF AN INVESTMENT IN THE INTERESTS IN THE PARTNERSHIPS. CONSEQUENTLY, THIS MEMORANDUM MAY ONLY BE COMMUNICATED TO BANKS DULY LICENSED BY THE COMITÉ DES ÉTABLISSEMENTS

DE CRÉDIT ET DES ENTREPRISES ██████████ AND FULLY LICENSED PORTFOLIO MANAGEMENT COMPANIES BY VIRTUE OF LAW N° 1.144 OF 26 JULY 1991 AND LAW 1.194 OF 9 JULY 1997 DULY LICENSED BY THE COMMISSION DE CONTRÔLE DES ACTIVITÉS FINANCIÈRES.

NOTICE TO RESIDENTS OF OMAN: THIS MEMORANDUM AND THE INTERESTS TO WHICH IT RELATES, MAY NOT BE ADVERTISED, MARKETED, DISTRIBUTED OR OTHERWISE MADE AVAILABLE TO THE GENERAL PUBLIC IN OMAN. IN CONNECTION WITH THE OFFERING OF THE INTERESTS, NO PROSPECTUS HAS BEEN REGISTERED WITH OR APPROVED BY THE CENTRAL BANK, OF OMAN, THE OMAN MINISTRY OF COMMERCE AND INDUSTRY, THE OMAN CAPITAL MARKET AUTHORITY OR ANY OTHER REGULATORY BODY IN THE SULTANATE OF OMAN. THE OFFERING AND SALE OF INTERESTS DESCRIBED IN THIS MEMORANDUM WILL NOT TAKE PLACE INSIDE OMAN. INTERESTS IN THE PARTNERSHIP ARE BEING OFFERED ON A LIMITED PRIVATE BASIS, AND DO NOT CONSTITUTE MARKETING, OFFERING OR SALES TO THE GENERAL PUBLIC OF OMAN.

THIS MEMORANDUM IS BEING SENT AT THE REQUEST OF THE INVESTOR IN OMAN AND SHOULD NOT BE DISTRIBUTED TO ANY PERSON IN OMAN OTHER THAN ITS INTENDED RECIPIENT WITHOUT THE PRIOR CONSENT OF THE CONSENT OF THE CAPITAL MARKET AUTHORITY AND THEN ONLY IN ACCORDANCE WITH ANY TERMS AND CONDITIONS OF SUCH CONSENT.

NOTICE TO RESIDENTS IN QATAR: INTERESTS IN THE PARTNERSHIP HAVE NOT BEEN OFFERED, SOLD OR DELIVERED, AND WILL NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, IN THE STATE OF QATAR IN A MANNER THAT WOULD CONSTITUTE A PUBLIC OFFERING. THIS MEMORANDUM HAS NOT BEEN FILED WITH, APPROVED, REVIEWED OR REGISTERED WITH THE QATARI CENTRAL BANK OR ANY OTHER RELEVANT QATARI GOVERNMENT AUTHORITIES OR SECURITIES EXCHANGE AND DOES NOT CONSTITUTE A PUBLIC OFFER OF SECURITIES IN THE STATE OF QATAR UNDER QATARI LAW. THEREFORE, THIS MEMORANDUM IS STRICTLY PRIVATE AND CONFIDENTIAL, AND IS BEING ISSUED TO A LIMITED NUMBER OF SOPHISTICATED INVESTORS AND MAY NEITHER BE REPRODUCED, USED FOR ANY OTHER PURPOSES, NOR PROVIDED TO ANY PERSON OTHER THAN THE INTENDED RECIPIENT HEREOF. ALL APPLICATIONS FOR INVESTMENT SHOULD BE RECEIVED, AND ANY ALLOTMENT MADE, FROM OUTSIDE QATAR.

NOTICE TO RESIDENTS IN RUSSIA: THIS SUBSCRIPTION DOCUMENT IS NOT REGISTERED WITH THE RUSSIAN REGULATOR (FEDERAL SERVICE FOR FINANCIAL MARKETS) AND INTENDED EXCLUSIVELY FOR THE QUALIFIED INVESTORS (AS DEFINED IN SECTION 51.2 OF THE FEDERAL LAW NO. 39-FZ OF APRIL 22, 1996 (AS AMENDED), "ON THE SECURITIES MARKET" AND IN THE ORDER OF THE FEDERAL SERVICE ON FINANCIAL MARKETS NO. 08-12/PZ-N OF MARCH 18, 2008). ACCORDINGLY, THE SECURITIES (FINANCIAL INSTRUMENTS) CANNOT BE ADVERTISED OR OTHERWISE PUBLICLY MARKETED AND/OR OFFERED FOR SALE IN THE RUSSIAN FEDERATION.

NOTICE TO RESIDENTS OF SAUDI ARABIA: NEITHER THIS MEMORANDUM NOR THE INTERESTS IN THE PARTNERSHIP HAVE BEEN APPROVED, REVIEWED OR PASSED ON IN ANY WAY BY THE CAPITAL MARKET AUTHORITY OR ANY OTHER GOVERNMENTAL AUTHORITY IN THE KINGDOM OF SAUDI ARABIA "SAUDI ARABIA", NOR HAS THE PARTNERSHIP RECEIVED AUTHORIZATION OR LICENSING FROM THE CAPITAL

MARKET AUTHORITY OR ANY OTHER GOVERNMENTAL AUTHORITY IN SAUDI ARABIA TO MARKET OR SELL INTERESTS IN THE PARTNERSHIP WITHIN SAUDI ARABIA. THE OFFER AND SALE OF THE INTERESTS WILL ONLY TAKE PLACE WITHIN SAUDI ARABIA IN ACCORDANCE WITH THE CAPITAL MARKET LAW, INCLUDING THE OFFER OF SECURITIES REGULATIONS ISSUED THEREUNDER. THE INTERESTS WILL BE OFFERED TO INVESTORS IN SAUDI ARABIA PURSUANT TO AN "EXEMPT OFFER" AS DEFINED IN THE OFFER OF SECURITIES REGULATIONS. PRIOR TO ANY OFFER OF INTERESTS IN SAUDI ARABIA, THE CAPITAL MARKET AUTHORITY WILL BE NOTIFIED OF THIS OFFERING IN ACCORDANCE WITH THE OFFER OF SECURITIES REGULATIONS. THIS MEMORANDUM DOES NOT CONSTITUTE AND MAY NOT BE USED FOR THE PURPOSE OF AN OFFER OR INVITATION. NO SERVICES RELATING TO INTERESTS IN THE PARTNERSHIP, INCLUDING THE RECEIPT OF APPLICATIONS AND THE ALLOTMENT OR REDEMPTION OF SUCH INTERESTS, MAY BE RENDERED BY THE PARTNERSHIP WITHIN SAUDI ARABIA.

NOTICE TO RESIDENTS OF SINGAPORE: THIS MEMORANDUM HAS NOT BEEN REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE AND THIS OFFERING IS NOT REGULATED BY ANY FINANCIAL SUPERVISORY AUTHORITY PURSUANT TO ANY LEGISLATION IN SINGAPORE. YOU SHOULD ACCORDINGLY CONSIDER CAREFULLY WHETHER THE INVESTMENT IS SUITABLE FOR YOU.

THIS MEMORANDUM AND ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF INTERESTS MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY INTERESTS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE "SFA"), ACCREDITED INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR ANY PERSON PURSUANT TO AN OFFER THAT IS MADE ON TERMS THAT INTERESTS ARE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN S\$200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION, WHETHER SUCH AMOUNT IS TO BE PAID FOR IN CASH OR BY EXCHANGE OF SECURITIES OR OTHER ASSETS, UNLESS OTHERWISE PERMITTED BY LAW.

THIS MEMORANDUM IS CONFIDENTIAL. IT IS ADDRESSED SOLELY TO AND IS FOR THE EXCLUSIVE USE OF THE PERSON TO WHOM IT WAS GIVEN BY THE PARTNERSHIP OR ITS AFFILIATES. ANY OFFER OR INVITATION IN RESPECT OF INTERESTS IS CAPABLE OF ACCEPTANCE ONLY BY SUCH PERSON AND IS NOT TRANSFERABLE. THIS MEMORANDUM MAY NOT BE DISTRIBUTED OR GIVEN TO ANY PERSON OTHER THAN THE PERSON TO WHOM IT WAS GIVEN BY THE PARTNERSHIP OR ITS AFFILIATES AND SHOULD BE RETURNED IF SUCH PERSON DECIDES NOT TO PURCHASE ANY INTERESTS. THIS MEMORANDUM SHOULD NOT BE REPRODUCED, IN WHOLE OR IN PART.

NOTICE TO RESIDENTS OF SWEDEN: THE FUND IS NOT AUTHORISED UNDER THE SWEDISH UCITS FUNDS ACT (LAG (2004:46) OM VÄRDEPAPPERSFONDER) (THE "UCITS FUNDS ACT") OR THE SWEDISH ACT ON ALTERNATIVE INVESTMENT FUND MANAGERS (LAG (2013:561) OM FÖRVALTARE AV ALTERNATIVA INVESTERINGSFONDER) (THE "SAIFM ACT") AND IS NOT SUPERVISED BY THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY (FINANSINSPEKTIONEN). THIS DOCUMENT HAS NOT BEEN, NOR WILL IT

BE, REGISTERED WITH OR APPROVED BY THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY UNDER THE UCITS FUNDS ACT, THE SAIFM ACT OR THE SWEDISH FINANCIAL INSTRUMENTS TRADING ACT (LAG (1991:980) OM HANDEL MED FINANSIELLA INSTRUMENT) (THE "TRADING ACT"). ACCORDINGLY, THIS DOCUMENT MAY NOT BE MADE AVAILABLE, NOR MAY INTERESTS IN THE FUND BE MARKETED AND OFFERED FOR SALE IN SWEDEN, OTHER THAN UNDER CIRCUMSTANCES WHICH ARE DEEMED NOT TO REQUIRE A PROSPECTUS, UNDER THE TRADING ACT. NO SINGLE INVESTOR MAY INVEST AN AMOUNT LESS THAN €100,000. PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DOCUMENT AS INVESTMENT, LEGAL OR TAX ADVICE. THIS DOCUMENT HAS BEEN PREPARED FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE INVESTMENT ADVICE. A SWEDISH RECIPIENT OF THE MEMORANDUM MAY NOT IN ANY WAY FORWARD THE MEMORANDUM TO THE PUBLIC IN SWEDEN.

NOTICE TO RESIDENTS OF SWITZERLAND: THE FUND HAS NOT BEEN APPROVED BY THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY (FINMA) AS A FOREIGN COLLECTIVE INVESTMENT SCHEME PURSUANT TO ARTICLE 120 OF THE SWISS COLLECTIVE INVESTMENT SCHEMES ACT OF JUNE 23, 2006 (CISA). CONSEQUENTLY, INTERESTS IN THE FUND MAY NOT BE DISTRIBUTED IN OR FROM SWITZERLAND TO NON-QUALIFIED INVESTORS WITHIN THE MEANING OF THE CISA OR OTHERWISE IN ANY MANNER THAT WOULD CONSTITUTE A PUBLIC OFFERING WITHIN THE MEANING OF THE SWISS CODE OF OBLIGATIONS (CO) AND WILL NOT BE LISTED ON THE SIX SWISS EXCHANGE (SIX) OR ON ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND.

THIS DOCUMENT HAS BEEN PREPARED WITHOUT REGARD TO THE DISCLOSURE STANDARDS FOR PROSPECTUSES UNDER THE CISA, ARTICLE 652A OR 1156 CO OR THE LISTING RULES OF SIX OR ANY OTHER EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND AND THEREFORE DOES NOT CONSTITUTE A PROSPECTUS WITHIN THE MEANING OF THE CISA, ARTICLE 652A OR 1156 CO OR THE LISTING RULES OF SIX OR ANY OTHER EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. THE INTERESTS MAY NOT BE PUBLICLY OFFERED (AS SUCH TERM IS DEFINED IN THE CO) IN SWITZERLAND AND MAY ONLY BE DISTRIBUTED IN OR FROM SWITZERLAND TO QUALIFIED INVESTORS (AS SUCH TERM IS DEFINED BY THE CISA AND ITS IMPLEMENTING ORDINANCE). NEITHER THIS DOCUMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE FUND OR THE INTERESTS MAY BE DISTRIBUTED TO NON-QUALIFIED INVESTORS WITHIN THE MEANING OF THE CISA IN OR FROM SWITZERLAND OR MADE AVAILABLE IN SWITZERLAND IN ANY MANNER WHICH WOULD CONSTITUTE A PUBLIC OFFERING WITHIN THE MEANING OF THE CO AND ALL OTHER APPLICABLE LAWS AND REGULATIONS IN SWITZERLAND. NEITHER THIS DOCUMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE FUND OR THE INTERESTS HAVE BEEN OR WILL BE FILED WITH, OR APPROVED BY, ANY SWISS REGULATORY AUTHORITY. THE INVESTOR PROTECTION AFFORDED TO INVESTORS OF INTERESTS IN COLLECTIVE INVESTMENT SCHEMES UNDER THE CISA DOES NOT EXTEND TO ACQUIRERS OF INTERESTS IN THE FUND.

1. REPRESENTATIVE

THE REPRESENTATIVE IN SWITZERLAND IS ARM SWISS REPRESENTATIVES SA, ROUTE DE CITÉ-OUEST 2, 1196 GLAND, SWITZERLAND.

2. PAYING AGENT

THE PAYING AGENT IN SWITZERLAND IS BANQUE HERITAGE S.A., ROUTE DE CHÊNE 61, CASE POSTALE 6600, 1211 GENEVA 6 – SWITZERLAND.

3. LOCATION WHERE THE RELEVANT DOCUMENTATION CAN BE OBTAINED

THE PPM, THE CONSTITUTIONAL DOCUMENTS OF THE FUND, WHEN AVAILABLE, AND ANNUAL REPORT, IF ANY, CAN BE OBTAINED FREE OF CHARGE FROM THE REPRESENTATIVE IN SWITZERLAND.

4. PLACE OF PERFORMANCE AND JURISDICTION

THE PLACE OF PERFORMANCE AND JURISDICTION IS THE REGISTERED OFFICE OF THE REPRESENTATIVE IN SWITZERLAND WITH REGARDS TO THE INTERESTS DISTRIBUTED IN AND FROM SWITZERLAND.

5. PAYMENT OF RETROCESSIONS

THE FUND/MANAGEMENT COMPANY AND ITS AGENTS MAY PAY RETROCESSIONS AS REMUNERATION FOR DISTRIBUTION ACTIVITY IN RESPECT OF THE INTERESTS IN OR FROM SWITZERLAND. THIS REMUNERATION MAY BE DEEMED PAYMENT FOR THE FOLLOWING SERVICES IN PARTICULAR: DISTRIBUTION OF THE INTERESTS.

RETROCESSIONS ARE NOT DEEMED TO BE REBATES, EVEN IF THEY ARE ULTIMATELY PASSED ON, IN FULL OR IN PART, TO THE INVESTORS. THE RECIPIENTS OF SUCH RETROCESSIONS MUST ENSURE TRANSPARENT DISCLOSURE AND INFORM INVESTORS, UNSOLICITED AND FREE OF CHARGE, ABOUT THE AMOUNT OF REMUNERATION THEY MAY RECEIVE FOR DISTRIBUTION. ON REQUEST OF THE INVESTOR, THE RECIPIENTS OF RETROCESSIONS MUST DISCLOSE THE AMOUNTS THEY ACTUALLY RECEIVE REGARDING THE FUND DISTRIBUTED TO THIS INVESTOR.

6. PAYMENT OF REBATES

THE FUND/MANAGEMENT COMPANY AND ITS AGENTS, IN RESPECT OF DISTRIBUTION ACTIVITY IN OR FROM SWITZERLAND DO NOT PAY ANY REBATES AIMING AT REDUCING FEES AND COSTS INCURRED BY THE INVESTOR AND CHARGED TO THE FUND.

NOTICE TO RESIDENTS OF TAIWAN, THE REPUBLIC OF CHINA (“TAIWAN”): THE OFFER OF THE INTERESTS HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS OF TAIWAN. NO PERSON OR ENTITY IN TAIWAN HAS BEEN AUTHORIZED TO OFFER OR SELL THE INTERESTS IN TAIWAN. THE INTERESTS MAY NOT BE OFFERED, DISTRIBUTED, SOLD OR RESOLD WITHIN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE LAW OF TAIWAN WITHOUT PRIOR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION (“FSC”) OF TAIWAN. PROSPECTIVE INVESTORS WITHIN THE TERRITORY OF THE REPUBLIC OF CHINA ARE REQUIRED TO MEET CERTAIN REQUIREMENTS SET FORTH IN THE RULES GOVERNING OFFSHORE FUNDS AND CONDITIONS PROMULGATED BY THE FSC.

NOTICE TO RESIDENTS OF THE NETHERLANDS: THE INTERESTS MAY NOT BE SOLICITED, ACQUIRED OR OFFERED IN OR FROM THE NETHERLANDS AND THIS MEMORANDUM MAY NOT BE CIRCULATED IN THE NETHERLANDS TO ANY INDIVIDUAL OR LEGAL ENTITY AS PART OF THEIR INITIAL DISTRIBUTION OR ANYTIME

THEREAFTER, OTHER THAN TO INDIVIDUALS OR LEGAL ENTITIES WHO OR THAT DEAL OR INVEST IN SECURITIES OR OTHER INVESTMENT ASSETS IN THE COURSE OF THEIR OCCUPATION OR BUSINESS, INCLUDING BANKS, BROKERS, DEALERS, AND OTHER INSTITUTIONAL INVESTORS INVESTING IN SECURITIES OR OTHER INVESTMENT ASSETS (HEREINAFTER REFERRED TO AS "PROFESSIONAL INVESTORS"). IN THE EVENT OF A SOLICITATION, ACQUISITION OR OFFERING MADE TO OR BY PROFESSIONAL INVESTORS AND, THEREFORE, EXEMPT FROM THE GENERAL PROHIBITION AS CONTAINED IN THE ACT ON THE SUPERVISION OF INVESTMENT INSTITUTIONS ("WET TOEZICHT BELEGGINGSINSTELLINGEN"), NO SUBSEQUENT OFFERING OF THE INTERESTS IN A "SECONDARY OFFERING" BY SUCH PROFESSIONAL INVESTORS TO INDIVIDUALS OR ENTITIES OTHER THAN PROFESSIONAL INVESTORS MAY BE MADE.

NOTICE TO RESIDENTS OF THE UNITED ARAB EMIRATES (THE "UAE"): THE PARTNERSHIP WILL BE SOLD OUTSIDE THE UAE, IS NOT PART OF A PUBLIC OFFERING AND IS BEING OFFERED TO A LIMITED NUMBER OF INSTITUTIONAL INVESTORS AND MUST NOT BE PROVIDED TO ANY PERSON OTHER THAN THE ORIGINAL RECIPIENT AND MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE. NEITHER THE PARTNERSHIP NOR THE INTERESTS HAVE BEEN APPROVED OR LICENSED BY THE UAE CENTRAL BANK OR ANY OTHER RELEVANT LICENSING AUTHORITIES OR GOVERNMENTAL AGENCIES IN THE UAE. THIS DOCUMENT IS STRICTLY PRIVATE AND CONFIDENTIAL AND HAS NOT BEEN REVIEWED, DEPOSITED OR REGISTERED WITH ANY LICENSING AUTHORITY OR GOVERNMENTAL AGENCY IN THE UAE. THIS DOCUMENT DOES NOT CONSTITUTE AND MAY NOT BE USED FOR THE PURPOSE OF AN OFFER OR INVITATION. NO SERVICES RELATING TO INTEREST IN THE PARTNERSHIP MAY BE RENDERED WITHIN THE UAE BY THE PARTNERSHIP. THE PARTNERSHIP MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY TO THE PUBLIC IN THE UAE. THE ENTITY CONDUCTING THE PLACEMENT IS NOT A LICENSED BROKER, DEALER OR INVESTMENT ADVISER UNDER THE LAWS APPLICABLE IN THE UAE, AND IT DOES NOT ADVISE INDIVIDUALS RESIDENT IN THE UAE AS TO THE APPROPRIATENESS OF INVESTING IN OR PURCHASING OR SELLING SECURITIES OR OTHER FINANCIAL PRODUCTS. NOTHING CONTAINED IN THIS MEMORANDUM IS INTENDED TO CONSTITUTE UAE INVESTMENT, LEGAL, TAX, ACCOUNTING OR OTHER PROFESSIONAL ADVICE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH AN APPROPRIATE PROFESSIONAL FOR SPECIFIC ADVICE RENDERED ON THE BASIS OF THEIR SITUATION.

NOTICE TO INVESTMENT PROFESSIONALS AND HIGH NET WORTH COMPANIES OF THE UNITED KINGDOM: THIS MEMORANDUM IS BEING MADE AVAILABLE ONLY TO PERSONS WHO ARE DEEMED SUFFICIENTLY EXPERT TO UNDERSTAND THE RISKS INVOLVED IN MAKING AN INVESTMENT IN THE PARTNERSHIP AND AS SUCH FALL WITHIN ARTICLES 19(5), 47(2), 48(2), 49(2), 50(1) OR 51 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2001 OR OTHER RELEVANT EXEMPTION UNDER WHICH THIS MEMORANDUM MAY LAWFULLY BE COMMUNICATED AS A FINANCIAL PROMOTION (TOGETHER "EXEMPTIONS").

THIS MEMORANDUM SHOULD ONLY BE CONSIDERED AS AN INVITATION OR INDUCEMENT TO ENTER INTO AN INVESTMENT ACTIVITY BY SUCH PERSONS TO WHOM SUCH AN INVITATION OR INDUCEMENT MAY LAWFULLY BE SENT UNDER AN EXEMPTION AND IT IS NOT INTENDED TO BE DISTRIBUTED OR PASSED FOR SUCH PURPOSE TO ANY OTHER PERSONS. IN THE CASE OF ANY PERSON NOT SO FALLING WITHIN THE SCOPE OF AN EXEMPTION, THIS MEMORANDUM SHOULD NOT BE

CONSTRUED AS AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITIES, AND ANY SUCH PERSON RECEIVING THIS DOCUMENT SHOULD RESPOND ONLY BY NOTIFYING THE GENERAL PARTNER THAT HE IS NOT WITHIN ANY EXEMPTION AND/OR BY RETURNING IT TO THE SENDER UNREAD AND, IN ANY EVENT, SHOULD NOT ENTER INTO AN INVESTMENT ACTIVITY AS A CONSEQUENCE OF IT.

NOTICE TO CERTIFIED HIGH NET WORTH INDIVIDUALS AND CERTIFIED SOPHISTICATED INVESTORS OF THE UNITED KINGDOM:

IN THIS PART OF THIS DOCUMENT:

- (a) WHENEVER A TERM APPEARS IN "*ITALICS*", IT HAS THE MEANING AND EFFECT GIVEN TO IT IN AND BY THE UNITED KINGDOM'S FINANCIAL SERVICES AND MARKETS ACT 2000 (FSMA);
- (b) WHENEVER A TERM APPEARS IN "***BOLD ITALICS***", IT HAS THE MEANING AND EFFECT GIVEN TO IT IN AND BY THE FSMA 2000 (FINANCIAL PROMOTIONS) ORDER; AND
- (c) WHENEVER A TERM APPEARS IN "***BOLD ITALICS WITH UNDERLING***", IT HAS THE MEANING AND EFFECT GIVEN TO IT IN ANY BY THE UNITED KINGDOM'S ALTERNATIVE INVESTMENT FUND MANAGERS REGULATIONS (THE REGULATIONS).

INTRODUCTION

THE MANAGEMENT COMPANY GAVE NOTICE TO THE UNITED KINGDOM'S FINANCIAL CONDUCT AUTHORITY IN ACCORDANCE WITH REGULATION 58 OF THE REGULATIONS, ON 23 JULY 2015. THE NOTICE INCLUDED A STATEMENT THAT THE CONDITIONS IN REGULATION 58(2) OF THE REGULATIONS WERE MET. THE FINANCIAL CONDUCT AUTHORITY HAS NOT SUSPENDED OR REVOKED THE MANAGEMENT COMPANY'S ENTITLEMENT TO MARKET INTERESTS IN THE PARTNERSHIP TO PROFESSIONAL INVESTORS THAT ARE DOMICILED OR HAVE A REGISTERED OFFICE IN THE UNITED KINGDOM.

THIS DOCUMENT IS, OR HAS THE POTENTIAL TO BE, A "*FINANCIAL PROMOTION*".

OUR INTENTION IS TO COMMUNICATE THIS DOCUMENT IN A WAY THAT ENSURES THAT IT IS DIRECTED SOLELY AT, AND MADE ONLY TO, THOSE PERSONS THAT WE BELIEVE:

- (a) WILL RECEIVE IT IN THE UNITED KINGDOM; AND
- (b) ARE AT LEAST ONE OF THE FOLLOWING:
 - i. AN "*INVESTMENT PROFESSIONAL*"; OR
 - ii. A "*HIGH NET WORTH COMPANY, A HIGH NET WORTH UNINCORPORATED ASSOCIATION, A HIGH NET WORTH PARTNERSHIP, OR THE TRUSTEE OF A HIGH VALUE TRUST*".

ANY OTHER PERSON WHO RECEIVES A COPY OF THIS DOCUMENT SHOULD RETURN OR DESTROY IT.

THE INFORMATION CONTAINED IN THIS DOCUMENT IS CONFIDENTIAL AND MUST NOT BE SHARED, IN WHOLE OR IN PART, WITH ANY OTHER PERSON, EXCEPT FOR THE

PURPOSE OF TAKING PROFESSIONAL ADVICE IN CONNECTION WITH THE INVESTMENTS DESCRIBED IN THIS DOCUMENT.

THIS DOCUMENT IS NOT A “PROSPECTUS”. IT HAS NOT THEREFORE BEEN:

- (a) PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF PART VII OF FSMA, AND THE HANDBOOK OF RULES AND GUIDANCE MAINTAINED BY THE UNITED KINGDOM’S FINANCIAL CONDUCT AUTHORITY; AND/OR
- (b) SUBMITTED TO, OR SHARED OR REGISTERED WITH, ANY FINANCIAL SERVICES REGULATOR OR SUPERVISORY AUTHORITY OF ANY KIND.

CONSEQUENTLY, THE INTERESTS IN THE FUND DESCRIBED IN THIS DOCUMENT MAY NOT BE OFFERED OR SOLD TO THE PUBLIC IN THE UNITED KINGDOM; AND NO APPLICATION CAN OR WILL BE MADE FOR INTERESTS IN THE FUND TO BE ADMITTED TO TRADING ON A REGULATED MARKET SITUATED OR OPERATING IN THE UNITED KINGDOM, OR ANY OTHER COUNTRY.

I. INVESTMENT PROFESSIONALS

- THIS DOCUMENT IS DIRECTED AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS; AND ANY INVESTMENT OR “INVESTMENT ACTIVITY” TO WHICH IT RELATES IS AVAILABLE ONLY TO SUCH PERSONS, AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS;
- PERSONS WHO DO NOT HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS SHOULD NOT RELY ON THIS DOCUMENT;
- THERE ARE IN PLACE PROPER SYSTEMS AND PROCEDURES TO PREVENT RECIPIENTS OTHER THAN “INVESTMENT PROFESSIONALS” ENGAGING IN THE “INVESTMENT ACTIVITY” TO WHICH THIS DOCUMENT RELATES WITH THE PERSON DIRECTING THE COMMUNICATION OF THIS DOCUMENT, A “CLOSE RELATIVE” OF HIS OR A MEMBER OF THE SAME “GROUP”.

II. HIGH NET WORTH COMPANIES, HIGH NET WORTH UNINCORPORATED ASSOCIATIONS, HIGH NET WORTH PARTNERSHIPS, AND THE TRUSTEES OF HIGH VALUE TRUSTS

- THIS DOCUMENT IS DIRECTED AT “HIGH NET WORTH COMPANIES, HIGH NET WORTH UNINCORPORATED ASSOCIATIONS, HIGH NET WORTH PARTNERSHIPS, AND THE TRUSTEES OF HIGH VALUE TRUSTS”, AND THE “CONTROLLED INVESTMENTS” AND “CONTROLLED ACTIVITIES” TO WHICH IT RELATES ARE AVAILABLE ONLY TO SUCH PERSONS;
- PERSONS OF ANY OTHER DESCRIPTION SHOULD NOT ACT UPON THIS DOCUMENT;

THERE ARE IN PLACE PROPER SYSTEMS AND PROCEDURES TO PREVENT RECIPIENTS OTHER THAN “HIGH NET WORTH COMPANIES, HIGH NET WORTH UNINCORPORATED ASSOCIATIONS, HIGH NET WORTH PARTNERSHIPS, AND THE TRUSTEES OF HIGH VALUE TRUSTS” ENGAGING IN THE “INVESTMENT ACTIVITY” TO WHICH THIS DOCUMENT RELATES WITH THE PERSON DIRECTING THE COMMUNICATION OF THIS DOCUMENT, A “CLOSE RELATIVE” OF HIS OR A MEMBER OF THE SAME “GROUP”.

* * * * *

THIS MEMORANDUM SHOULD ONLY BE CONSIDERED AS AN INVITATION OR INDUCEMENT TO ENTER INTO AN INVESTMENT ACTIVITY BY SUCH PERSONS TO WHOM SUCH AN INVITATION OR INDUCEMENT MAY LAWFULLY BE SENT UNDER AN EXEMPTION AND IT IS NOT INTENDED TO BE DISTRIBUTED OR PASSED FOR SUCH PURPOSE TO ANY OTHER PERSONS. IN THE CASE OF ANY PERSON NOT SO FALLING WITHIN THE SCOPE OF AN EXEMPTION AS SET OUT IN THE FORM OF CONFIRMATION, THIS MEMORANDUM SHOULD NOT BE CONSTRUED AS AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITIES, AND ANY SUCH PERSON RECEIVING THIS DOCUMENT SHOULD RESPOND ONLY BY NOTIFYING THE GENERAL PARTNER THAT HE IS NOT WITHIN ANY EXEMPTION AND/OR BY RETURNING IT TO THE SENDER UNREAD AND, IN ANY EVENT, SHOULD NOT ENTER INTO AN INVESTMENT ACTIVITY AS A CONSEQUENCE OF IT.

APPENDIX B

FUND COMPOSITION AND PERFORMANCE

	Geography	Date of Initial Investment	Percent of Capital Commitments	Privately Held Stock		Publicly Held Stock		Totals				
				Cost	Fair Value	Cost	Fair Value [^]	Cost	Fair Value	Gross Multiple	Net Multiple ^{^^}	Net IRR ^{^^}
FUND 1*												
Capital Commitments: \$98,300,000												
Xero Ltd.	Wellington	Oct-10	32.0%			\$31,408,604	\$115,604,717	\$31,408,604	\$115,604,717	3.7		
TransferWise Ltd	London	Jan-13	21.4%	\$21,005,721	\$138,905,580			\$21,005,721	\$138,905,580	6.6		
Oppa, Ltd.	Sao Paulo	Jul-12	18.9%	\$18,583,955	\$11,039,077			\$18,583,955	\$11,039,077	0.6		
Eden, Ltd. (Dinda)	Sao Paulo	Feb-13	9.0%	\$8,836,592	\$4,887,869			\$8,836,592	\$4,887,869	0.6		
Vend Limited	Auckland	Mar-14	8.7%	\$8,593,046	\$6,846,000			\$8,593,046	\$6,846,000	0.8		
Other Investments**		Various	5.6%	\$5,505,176	\$7,591,598			\$5,505,176	\$7,591,598	1.4		
Estimated Fees and Expenses			4.4%									
FUND 1 TOTALS			100.0%	\$62,524,490	\$169,270,123	\$31,408,604	\$115,604,717	\$93,933,094	\$284,874,840	3.0	2.5	41.0%
FUND 2												
Capital Commitments: \$102,325,000												
Breather Products Inc.	Montreal	Sep-15	11.7%	\$12,000,000	\$12,000,000			\$12,000,000	\$12,000,000	1.0		
EyeEm Limited	Berlin	Apr-15	8.3%	\$8,454,115	\$8,616,527			\$8,454,115	\$8,616,527	1.0		
Number26 GmbH	Berlin	Apr-15	6.9%	\$7,063,978	\$7,089,262			\$7,063,978	\$7,089,262	1.0		
Granify Inc.	Edmonton	Mar-15	5.4%	\$5,562,004	\$5,562,005			\$5,562,004	\$5,562,005	1.0		
Trading Ticket, Inc. (Tradelt)	New York	Apr-15	2.1%	\$2,158,499	\$2,450,278			\$2,158,499	\$2,450,278	1.1		
Other Investments**		Various	4.6%	\$4,725,806	\$4,957,735			\$4,725,806	\$4,957,735	1.0		
Reserved for Follow-Ons			27.0%									
Available for New Portfolio Companies			24.0%									
Estimated Fees and Expenses			10.0%									
FUND 2 TOTALS			100.0%	\$39,964,402	\$40,675,807			\$39,964,402	\$40,675,807	1.0	1.0	0.0%

Notes:

Figures presented are unaudited internal estimates in USD and incorporate all realized and unrealized gains/losses as of 12/31/2015.

* - As used herein, "Fund 1" refers to all funds and investment vehicles managed by Valar Ventures Management LLC prior to the formation of Valar Global Fund 2, on an aggregate basis.

** - "Other Investments" refers to investments where Valar's initial cost basis was less than \$2 million.

[^] - "Fair Value" of all holdings is determined by the General Partner in good faith, in accordance with US GAAP and consistent with past practices.

^{^^} - Net figures are calculated by reducing gross profits by a flat 25% for hypothetical management fees, expenses and carry.

APPENDIX C

PORTFOLIO COMPANY PROFILES

Xero – Cloud Accounting Software for SMBs

Brief Description

Xero provides cloud accounting software and services for small businesses and their advisors. The company has over 600,000 paying customers in more than 180 countries. Xero is listed on both the NZX and ASX under the ticker symbol XRO.

Facts

Founder: Rod Drury
Headquarters: Wellington, New Zealand
Notable Investors: Accel Partners, BlackRock, Fidelity, Matrix Capital

Returns

Valar Cost Basis:	\$31.4M
Current FMV:	\$115.6M
Gross Multiple:	3.7x
Date of Initial Investment:	10/28/2010
Pre-Money Valuation at Initial Investment:	\$99M
Public Market Valuation:	\$1.9B

CHRIS NIKOLAKOPOULOS
KAFFEINA GROUP

AT A GLANCE FEATURES ADD-ONS CUSTOMERS PLANS & PRICING

Figures presented herein are unaudited gross estimates as of December 31, 2015.



Investment Thesis

The market for accounting software for SMBs is large, growing and surprisingly untapped (with many consumers still relying on ad hoc ledgers and spreadsheets rather than formal software). Incumbent players are based on legacy architecture and have had difficulties migrating their full feature set successfully to the cloud; they also view their accounting products as leaders for more profitable ancillary services and have under-developed their marquee products as a result. In theory, these factors suggested there may be an opportunity to challenge the legacy players by building accounting software using the cloud-based technologies and online distribution channels that have evolved rapidly over the past two decades. However, the barriers to entry in the sector are also significant: A large feature set is required to produce a minimally viable accounting product, and the space has tended to create monopolies, with the largest companies (e.g., Intuit, MYOB and Sage) dominating in their respective geographies. As a result, historically there have been very few startups in the United States who could raise the capital required to challenge the incumbent players.

Xero's origins in New Zealand, a small country with a fairly tight knit accounting community, allowed it to gain critical mass in a market that was not nearly as competitive, before taking on legacy players in their home markets. Specifically, Valar believed that MYOB, the dominant provider of accounting software in Xero's large neighboring market of Australia, was not well positioned to compete with a fast-moving startup; MYOB had recently been sold to a private equity firm, and MYOB's founder had invested a substantial amount of his exit proceeds into Xero. Valar believed that Xero's technology, product and distribution model would allow it to gain market share quickly in New Zealand and Australia, and provide it with the significant capital base required to compete with Sage and Intuit in the much larger UK and US markets.

History

Based on the Valar team's reputation and Silicon Valley connections, a high profile New Zealand entrepreneur introduced one of Xero's directors to Valar in 2010. Valar was convinced that the founder had extraordinary execution abilities, a knack for sales, a plan for rapid global growth and the energy necessary to convert users away from entrenched systems. Xero grew significantly in the year following Valar's initial investment in October 2010, with Valar leading follow-on rounds in the company in February 2012 and November 2012.

Current Status

With over 600,000 customers, the company is still growing at 70% year-over-year, taking dominant positions in New Zealand and Australia, and expanding rapidly in the UK and the US. Xero expects subscription revenue to exceed NZ\$200M for the financial year ending 31 March 2016.

Earlier this year, Xero raised US\$100M from Accel Partners, increasing its cash reserves to \$200 million and ensuring it a strong base to ramp up its efforts in the US market.

Since Valar's initial investment in Xero in October 2010, at just under US\$100 million enterprise valuation, the company has raised capital from large US institutions, such as Fidelity and BlackRock, and has listed on the Australian Stock Exchange. Xero currently trades on both the ASX and NZX at a valuation north of US \$1.5 billion, and has announced plans to list on a US exchange as early as next year.



TransferWise – Low-Cost Currency Transfer Services

Brief Description

TransferWise is a peer-to-peer currency exchange service that allows its users to send money overseas easily and inexpensively. By charging less than 1% and using the mid-market rate, TransferWise is up to 8x cheaper than traditional banks.

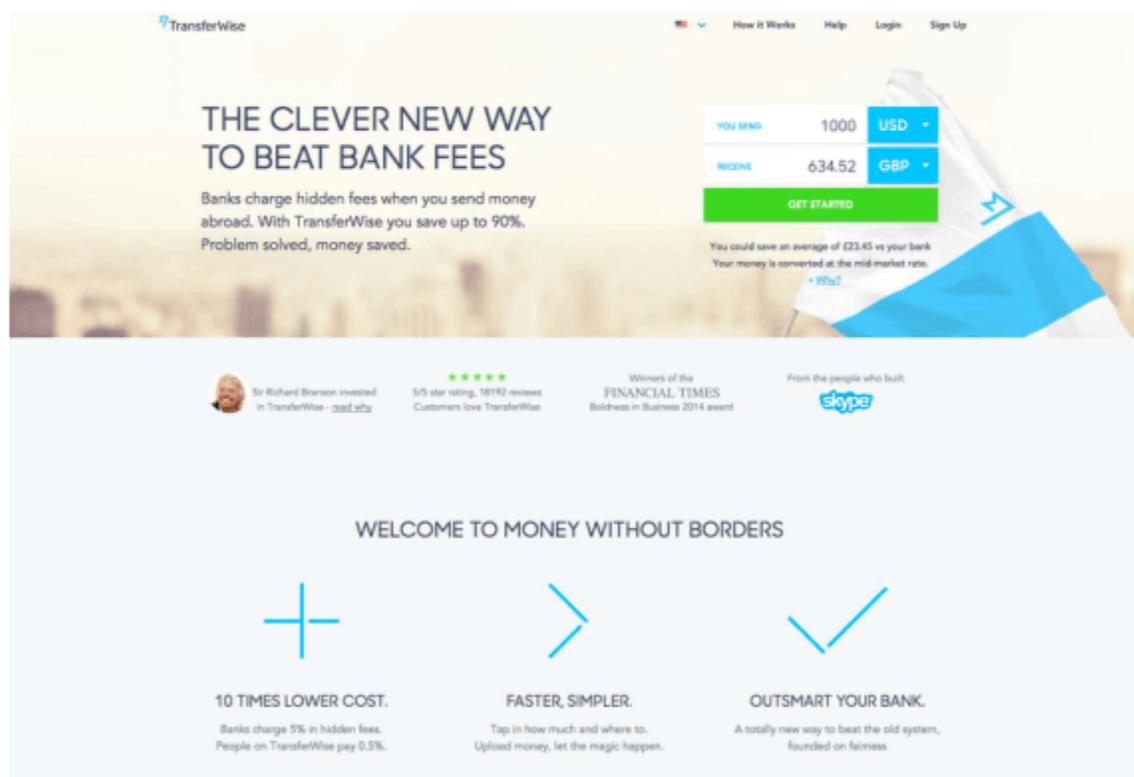
Facts

Founders: Taavet Hinrikus, Kristo Käärmann
 Headquarters: London, England
 Notable Investors: Andreessen Horowitz, IA Ventures, Index Ventures, Richard Branson

Returns

Valar Cost Basis:	\$21.0M
Current FMV:	\$138.9M
Gross Multiple:	6.6x
Date of Initial Investment:	1/8/2013
Pre-Money Valuation at Initial Investment:	\$20M
Latest Company Valuation:	\$818M

TransferWise.com



Figures presented herein are unaudited gross estimates as of December 31, 2015.



PORTFOLIO / TRANSFERWISE

Investment Thesis

The fee that retail banks charge their customers for currency exchange services is high for historical rather than technological or business reasons, and is thus ripe for disruption, especially given the enormity of the market. TransferWise brings institutional currency exchange pricing to the retail market, through a transparent approach. TransferWise uses a peer-to-peer model to lower costs. Instead of transferring the sender's money directly to the recipient, it is redirected to the recipient of an equivalent transfer going in the opposite direction. Likewise, the recipient of the transfer receives a payment not from the sender initiating the transfer, but from the sender of the equivalent transfer. This process avoids costly currency conversion and transfers crossing borders. TransferWise is able to undercut banks and other legacy competitors, such as Western Union, when sending money abroad. The fees charged by TransferWise are up to 10x less expensive than typical transfers executed through a bank – particularly since the company uses the mid-market rate to determine transfer pricing; the poor exchange rates commonly used by banks are the major source of revenue in their currency exchange businesses.

Given the cost savings the company drives for its users, customers love TransferWise; the company consistently maintains a Net Promoter Score in the 80s, which is rare for a financial services company. Having such happy customers has the knock-on effect of making their user base a powerful marketing channel, as many users recommend the product to friends. Although still early days for the company – it was only started in 2011 – it's clear that customers trust TransferWise as a financial intermediary. There is a distinct possibility that the company could parlay that trust into offering other services in the future; that said, the currency transfer market is more than large enough for TransferWise to succeed without adding any new business lines.

TransferWise is a good example of a phenomenon Valar believes to be true – banks generally do a poor job of servicing retail consumers for a number of services, and technology forward, user-experience focused companies have an opportunity to take meaningful market share.

History

Max Levchin, one of PayPal's co-founders and its CTO, referred James and Andrew to the founders. The teams met several times, and the partners believed that TransferWise had the ideal combination of a strong technical talent, deep knowledge how large financial groups operate, and a history of successfully building companies – Taavet Hinrikus was the first employee at Skype and Kristo Käärmann had a long career at PwC and Deloitte helping financial institutions modernize their infrastructure.

Valar led the company's Series A and Series B financings in rounds that closed in early 2013 and 2014, respectively, and participated substantially in its most recent Series C, led by Andreessen Horowitz, which was announced in early 2015. Today, Valar is the largest outside shareholder of the company.

Current Status

Since its most recent financing round, TransferWise has continued to expand both geographically and in its offering. Historically, TransferWise's main market has been the Pound/Euro corridor, but as the brand has grown, demand for other currency options has as well. This year, the company launched for the first time in the United States, and today offers exchange services for over 30 currencies.

TransferWise continues to grow at a rapid rate, now off of a substantial base, and today moves over \$750 million a month on the platform. TransferWise still only makes up around 4% of the market for currency exchange in the UK, which is a good indicator of how large the market is.



Number26 – Europe’s Modern Bank Account

Brief Description

Number26 is a free checking account born on mobile. Users who sign up receive a MasterCard and an intuitive mobile and online banking experience with a number of innovative features designed with the customer in mind.

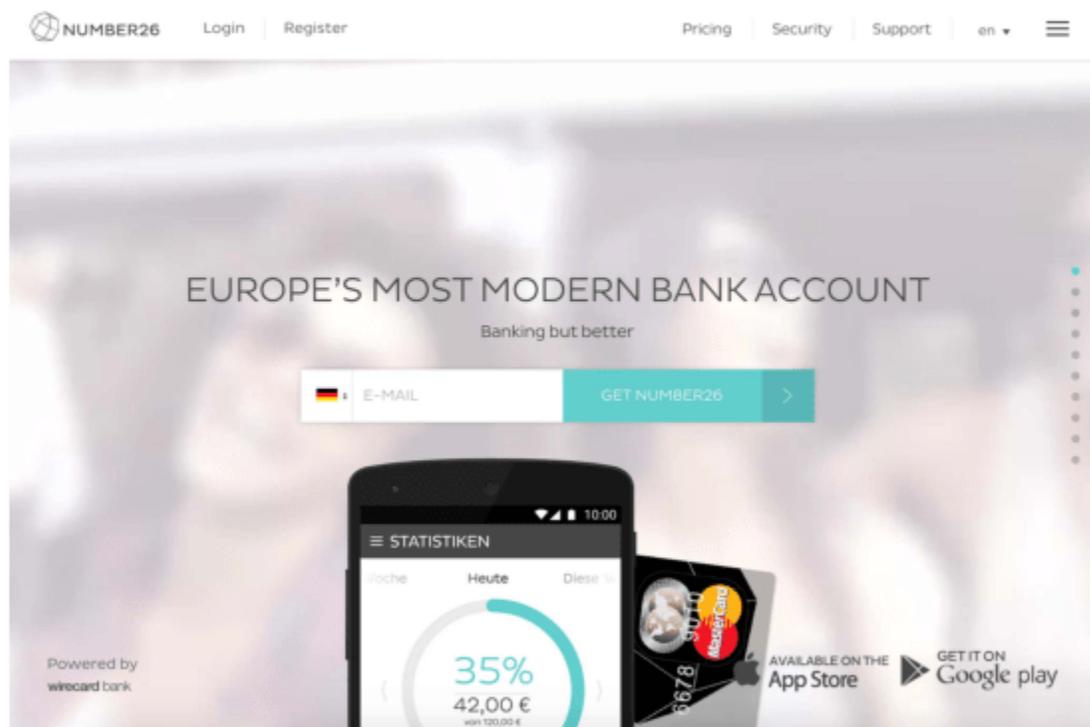
Facts

Founders: Valentin Stalf, Maximilian Tayenthal
 Headquarters: Berlin, Germany
 Notable Investors: Earlybird Venture Capital, Axel Springer Plug and Play Accelerator

Returns

Valar Cost Basis:	€6.5M
Current FMV:	€6.5M
Gross Multiple:	1.0x
Date of Initial Investment:	4/24/2015
Pre-Money Valuation at Initial Investment:	€38.4M
Latest Company Valuation:	€48M

Number26.de



Figures presented herein are unaudited gross estimates as of December 31, 2015.



Investment Thesis

It's no surprise to most, especially younger people, that the basic consumer banking experience is broken. Valar's experience working with TransferWise has convinced the team that there is ample room in the market for new and innovative methods of delivering banking services. Since the financial crisis, the United States has been a particularly hard place to start a new bank. This is not the case in Europe, which has a regulatory posture that encourages new financial services; new banking services that operate across the E.U. can assist in breaking up local monopolies and further integrating the Eurozone economically. The strong demand, in particular from a younger generation of users, for Number26's product, reinforces the view that banks are ripe for disruption. These customers have likely never stepped foot in a bank branch, having grown up with the Internet, but traditional banks have had a difficult time bringing their online user experiences up to the same standard that consumers expect from businesses today. Partly, that comes down to the fact that the technology underpinning traditional retail banks transactions is dated, and therefore hard to innovate on top of.

Number26 is entirely in the cloud and on mobile. The product is being built from the ground up with the customer in mind. Intuitive features like unique numbers for individual online purchases, instant transaction notifications, and the ability to turn the card on and off through the app, make the banking experience pleasurable, particularly in contrast with traditional banks. More importantly, the company can acquire customers for a fraction of the cost paid by traditional banks, which must support large retail networks. The lack of overhead that is inherent in Internet-based companies with no physical retail presence means that Number26 has a dramatically different cost structure. Purely on word of mouth, Number26 has racked up over 100,000 new subscribers in the 10 months since their soft launch in early 2015.

Part of that growth in subscribers is due to Number26's onboarding process, which is as simple as video chatting with a bank employee through the company's mobile app, with a customer's KYC requirements being fulfilled by registering the customer's ID or passport on-screen.

History

Through its experience with Transferwise, Valar became convinced that there was an interesting opportunity in Europe for startup banks (often referred to as "challenger banks") to disrupt traditional retail banks as a result of recent changes in European banking regulations. In contrast with other teams that Valar had met with who were also looking to enter the space, Number26 had shown strong early traction, with thousands of customers signing up for an account pre-launch. And the founders working history (one as a former product manager at a Rocket Internet-backed company and the other as a former lawyer and strategy consultant) seemed particularly well suited for the dual challenge faced by all fintech startups: the marriage of smart technology with an understanding of the legal and regulatory framework within which financing institutions operate.

Valar also has a close relationship with a New York-based venture firm that had been an early investor in Simple, a company similar to Number26 that was started in the United States and ultimately sold to the BBVA group in 2014. Not being able to acquire a banking license, in addition to some other execution challenges, brought a pre-mature end to Simple's life as an independent startup, but when they were ultimately sold, the price received was close to the cost for a brick and mortar bank to acquire Simple's roster of checking account customers, re-enforcing Valar's hypothesis about the value of checking account customers to traditional banks. Upon completion of diligence, Valar led Number26's Series A financing round in April 2015.

Current Status

Number26 is making good progress towards acquiring its own banking license in Germany, which can then be passported to other Eurozone countries. In the meantime, Number26's customer money resides in accounts at the company's banking partner, Wirecard bank. The company is continuing to build out the feature set for its core product, and has recently launched in Spain, France, Ireland, Italy, Greece, and Slovakia.



Breather – Private Office Space on Demand

Brief Description

Breather operates a marketplace for branded, high-design, private office spaces that fill a need for a short term, quiet place to work, meet or relax. Breathers can be booked in hourly increments via mobile or desktop. Currently, the company operates in 5 cities including San Francisco and New York, and expects to double that number by the end of 2016.

Facts

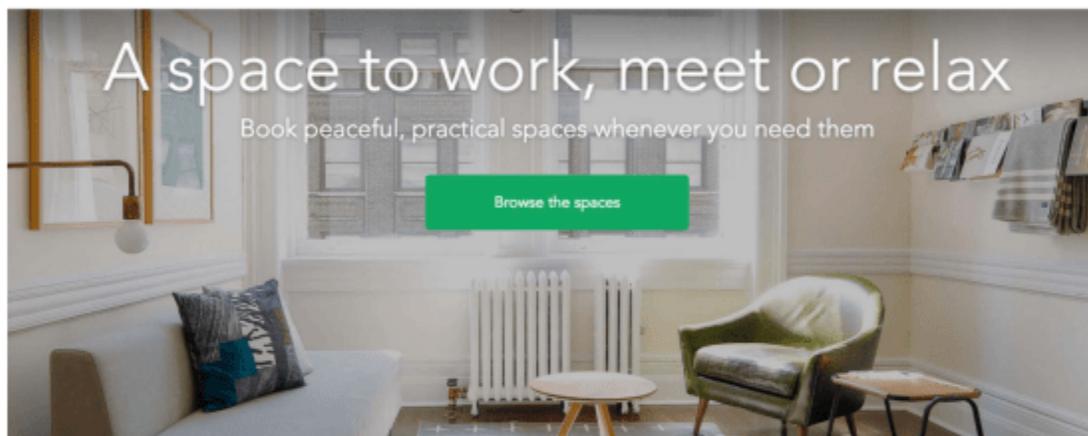
Founder: Julien Smith
Headquarters: Montreal, Canada
Notable Investors: RRE Ventures, Real Ventures, Slow Ventures, SOS Ventures

Returns

Valar Cost Basis:	\$12.0M
Current FMV:	\$12.0M
Gross Multiple:	1.0x
Date of Initial Investment:	9/10/2015
Pre-Money Valuation at Initial Investment:	\$80M
Latest Company Valuation:	\$98.9M



[How it works](#) [Submit your space](#) [FAQ](#) [Login](#)



Figures presented herein are unaudited gross estimates as of December 31, 2015.



PORTFOLIO / BREATHER

Investment Thesis

Breather operates a marketplace for branded, high-design, private spaces (referred to as “Breathers”) that fill a need for a short term, quiet place to work, meet or relax. Until now, that space has been filled by a mix of coffee shops, parks, airport lounges, bars, church basements and similar shared spaces. Through Breather’s mobile app and website, users can book, on an hourly basis, beautiful, private office spaces that are equipped with fast Wi-Fi and air conditioning.

Although there are numerous desk-sharing startups in the market, the Breather model is different in important respects – the company offers private spaces that promote comfortable, productive experiences on demand. Breather is building a loyal customer base that engages with the service at higher rates over time. The use cases for Breathers are broad and expanding. Examples include customers booking the units for meet-ups, overflow conference rooms, temporary photo studios, therapy sessions, and for short-term use between meetings.

Work culture is undergoing a dramatic shift from traditionally large employers with rigid office hours to sole proprietorships and more flexible working arrangements. The Breather marketplace fills a need created by this new work culture for a consistent, trusted brand in work space.

A confluence of factors make the company’s offering possible: smart phone ubiquity, decentralized workforces, internet-enabled locks, and increased familiarity and appetite among consumers for on-demand services.

History

In the course of examining a number of startups in Montreal, Valar’s investment team identified Breather as the most interesting. Andrew and James reached out to Julien Smith, the CEO, and visited with him in Montreal. Subsequently, the team met with Julien and other members of Breather’s management multiple times, both in Montreal and New York. Through the firm’s due diligence on the product, user experience, and financial modeling, Valar became convinced of the demand for Breather’s product and the ability for the company to scale its network and marketplaces in a significantly profitable manner. Valar submitted a term sheet to lead the Company’s Series B financing, with a \$12M investment by Valar and strong participation from existing investors, including New York-based RRE Ventures and Montreal-based Real Ventures.

Current Status

Breather currently operates in 5 cities: NYC, San Francisco, Boston, Montreal and Ottawa. The company plans to more than double the number of cities by the end of 2016. In order to maintain control over the initial user experience, Breather has rolled out into new cities by leasing the Breather spaces directly from landlords. Over time, Breather expects the majority of the units on the Breather platform to be controlled by third parties who are looking to boost the return on small office spaces that they convert into Breathers. This marketplace model requires less capital, with Breather driving usage of these third party-owned spaces through its app and website and taking a portion of the revenues in return.



EyeEm – The New Source for Stock Photography

Brief Description

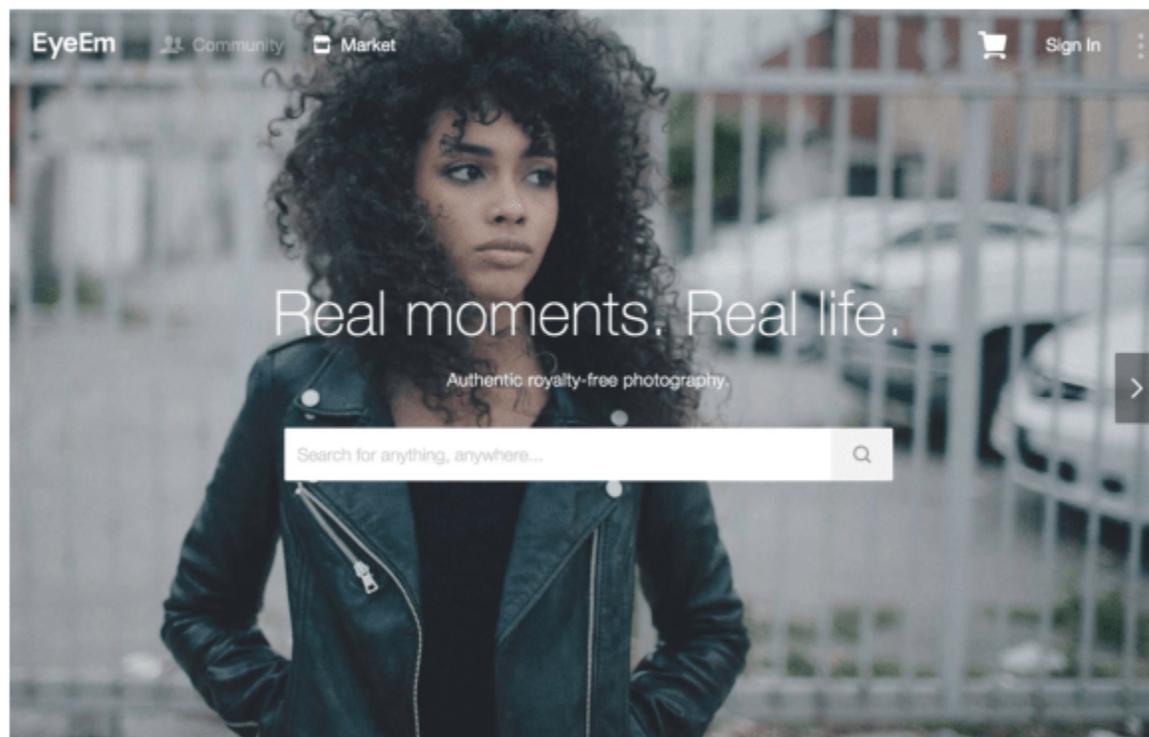
EyeEm is a marketplace for commercial photography. The company's highly engaged user base and machine-curated image library provide a more valuable sourcing channel for commercial clients than traditional stock photography databases.

Facts

Founders: Florian Meissner, Lorenz Aschoff, Gen Sadakane, Ramzi Rizk
 Headquarters: Berlin, Germany
 Notable Investors: Earlybird Venture Capital, Wellington Partners, Passion Capital, Open Ocean

Returns

Valar Cost Basis:	€7.9M
Current FMV:	€7.9M
Gross Multiple:	1.0x
Date of Initial Investment:	4/14/2015
Pre-Money Valuation at Initial Investment:	€44M
Latest Company Valuation:	€55.8M



Figures presented herein are unaudited gross estimates as of December 31, 2015.



Investment Thesis

The demand for commercial images – in particular high quality, authentic photography that is useable in news outlets, social media posts, online advertising and publishing in all forms, has increased massively over the past few years. The continuing migration from text-based to image-based media and from desktop to mobile is changing the way consumers absorb content. At the same time, with the proliferation of the smartphone globally, camera technology has also improved dramatically and today billions of people around the globe carry a high-powered camera everywhere they go. One would expect both of these trends to continue: demand for photography increases while the ubiquity of high-quality images grows.

However, sourcing stock photography remains a fairly time consuming, analog and human-curated process, dominated by a few legacy firms (e.g., Getty Images). EyeEm hopes to change this by building an automated marketplace for stock photography contributed by a growing user base of professional, semi-professional and amateur photographers. With a user base of over 13M people, EyeEm has built an impressive image library and developed machine learning algorithms to tag and index photographs, creating an easily searchable database that requires little to no human curation. In addition, the company is building an all-digital rights sales process for photographers, seamlessly allowing them to monetize photos they've uploaded.

Although difficult to start, digital marketplaces, when successful can be extremely valuable and durable businesses with powerful network effects. Valar believes that these factors put EyeEm in a strong position to radically increase both the buyers and sellers of commercial photography, and that the macro trends described above create powerful tailwinds.

History

Valar was introduced to EyeEm by Passion Capital, a seed-stage fund based in London that Valar has developed a strong relationship with over the past few years. Passion Capital had been an early investor in EyeEm, and at their suggestion, Valar met with the company's founders, Florian and Ramzi, in Berlin in February 2015. Andrew and James were particularly impressed by their passion for photography and for the EyeEm community, as evidenced by their personal and professional backgrounds. For example, prior to starting EyeEm, Florian quit his high paying job running sales for a German consumer packaged goods company and relocated to the US to work for a photography magazine in Brooklyn. Valar takes signal from the degree of fit between a founding team's experience and natural interests, on the one hand, and the business that team is trying to build. In the case of EyeEm, Valar believed that the founders of EyeEm had the critical combination of passion for the subject matter and the technical expertise required to fulfill the company's mission of building a fully automated stock photography marketplace. After a number of meetings in Berlin and New York City, Valar led EyeEm's Series B round, with broad participation from the company's existing investors.

Current Status

In the few months since Valar's investment, the team has launched its marketplace for buyers in the US, UK, Ireland, Germany, the Netherlands, and Switzerland, and opened it for sellers globally. The company also renegotiated its partnership with Getty Images, as well as made several key hires, including bringing on a new Head of Product (formerly the Head of Product at Flickr), a new CFO (formerly the CFO of Wooga), and a new head of Marketing (formerly at Victoria's Secret and Bertelsmann).



Granify – Machine Learning for Maximizing Online Revenue

Brief Description

Granify is a marketing automation company that drives ecommerce conversion by analyzing the digital body language of online shoppers and determining what is likely preventing a customer from completing an online purchase, before attempting to change their mind.

Facts

Founder: Jeff Lawrence
Headquarters: Edmonton, Canada
Notable Investors: iNovia Capital, BDC

Returns

Valar Cost Basis:	\$6.8M
Current FMV:	\$7.9M
Gross Multiple:	1.2x
Date of Initial Investment:	8/14/2012
Pre-Money Valuation at Initial Investment:	\$5M
Latest Company Valuation:	\$32M

Granify.com

granify

How It Works Get Started Resources Careers Press Login Request a Demo

Do you know which shoppers *aren't* going to buy?

We do. And we can change their minds.

granify

Simple installation for any online store, guaranteed results.

Questions? Chat with us!

Figures presented herein are unaudited gross estimates as of December 31, 2015.



PORTFOLIO / GRANIFY

Investment Thesis

Granify uses machine learning and data analytics to improve conversion rates for online businesses, by analyzing a visitor's online body language through tracking 400 attributes per second, from mouse movements, to hesitations, scrolling and more. With that data, the algorithm determines what objections the shopper may have, then seeks to alleviate them with pre-designed stimuli.

Although there are a number of conversion optimization tools available online today, most require considerable manipulation and regular inputs from the client themselves. Valar believed Granify stood apart due to its real-time technology. The software takes little to no development time to setup for a new client, and starts working straight away, by itself, with very limited further client interaction required.

Results are tracked versus a control group and shown in real-time on an easy to understand dashboard; Granify earns its revenue as a percentage of the uplift in conversion it creates, as determined on a real-time basis by comparing a client's customers at any given time against a control group of a client's customers that Granify does not engage with.

An early Valar seed investment from Fund 1, by the second half of 2014, Granify began to achieve product-market fit as it shifted its focus from small online businesses to much larger ecommerce players with deeper customer data sets. The larger data sets leverage Granify's capabilities even more effectively, and as a result, Granify's average uplift has continued to improve over time.

Finally, given the large size of the average client, and the relatively slim costs of running the business, Granify's unit economics are terrific – even considering the company's limited operating history likely leads to underestimates of lifetime value of the customer.

History

Valar has known Jeff Lawrence, the founder and CEO of Granify, since 2012 when the firm participated in a seed round. Jeff had previously been involved with an Adtech business, and saw a great opportunity to optimize online businesses' revenues using only recently released technology.

In late 2014, after seeing a significant uptick in new business, Valar started to look more closely at Granify's recent results and their sales pipeline, which contained multiple well-known ecommerce businesses around the world. One of the critical pieces of due diligence Valar needed to understand before investing, was where Granify would find the data science talent required to run such a data-heavy operation. As it turns out, the University of Alberta is an excellent source of data science talent, and where previously all the best students left for Silicon Valley or the oil and gas industry, now Granify had its pick of the bunch.

After visiting Edmonton in the beginning of 2015, Valar offered to lead Granify's Series A round, allowing Jeff to hire a number of new employees, and start to truly market his product.

Current Status

The company now has an impressive pipeline of large customers trialing its software, and Valar believes the company's revenue can increase by an order of magnitude over the next 12 months. The machine learning aspect of Granify's product has also continued to improve, and the average uptick in revenue experienced by customers has risen as a result. Jeff has also begun significantly expanding his team, adding personnel to the data science, sales, and customer support sections of his business.

As Granify has proved the value of its product, the focus is squarely on consistently filling the pipeline, and ensuring a smooth and efficient onboarding process for new clients.



Vend – Point of Sale Software in the Cloud

Brief Description

Retailers with Vend can process and manage payments, inventory, ecommerce, and loyalty programs with simple, intuitive software native to the cloud – even for periods when Internet access is disabled. Over 15,000 businesses now use Vend from locations all around the globe.

Facts

Founder: Vaughan Rowsell
Headquarters: Auckland, New Zealand
Notable Investors: Point Nine Capital, Square Peg Capital

Returns

Valar Cost Basis:	NZ\$13M
Current FMV:	NZ\$13M
Gross Multiple:	1.0x
Date of Initial Investment:	3/14/2014
Pre-Money Valuation at Initial Investment:	NZ\$ 90M
Latest Company Valuation:	NZ\$ 138M

VendHQ.com



Figures presented herein are unaudited gross estimates as of December 31, 2015.



Investment Thesis

Traditional retail relies on archaic payment and management systems: while online stores have achieved various efficiencies, the much larger offline market relies on idiosyncratic, expensive and antiquated systems of cash registers, disparate software packages, and non-networked computers. Beyond simply being difficult to use, bad point-of-sale systems start a host of other problems for businesses around order tracking, inventory, reporting, and other channels the business may operate in, like ecommerce.

Much like accounting systems, point-of-sale software is the central nervous system of a small business, as all transactions originate through it. The information this creates then needs to feed in to all of the other systems the business uses, and provides a spring-board for understanding the complexities of day to day operations. Unlike accounting systems however, point of sale software like Vend is more easily portable to different countries and cultures, as its uses are largely the same regardless of geography.

By creating a point-of-sale system that both customers and retailers find easy to use and is native to the cloud, Vend makes offline retailing more efficient and reliable (Vend even works when a store temporarily loses connectivity). Retailers no longer have to bear the high fixed and variable costs of ad hoc payment and retail management systems, freeing them to spend time on their area of highest competitive advantage: curating compelling offline shopping spaces.

As Vend has matured as a company, its strategy has evolved. At launch, Vend targeted mostly smaller retailers with few stores. As the team had seen with Xero, unless using a clever solution, direct marketing to a disparate group of small businesses is a large challenge. As a result, Vend found that moving up market in terms of average store size has become a more valuable client base in many ways. Larger businesses generally use more of the features Vend provides pay larger fees to Vend, and churn less. They are also a more efficient use of marketing and sales dollars in terms of unit economics.

History

Vend was founded in Auckland, New Zealand by Vaughan Rowsell, a programmer with a long history at emerging companies. Valar's partners met Vaughan shortly after completing their first investment in Xero in 2010. Over the next three years, Valar followed Vend as it scaled in its home markets, executed on its business plan, and expanded its team.

Persuaded that the founder had both the deep technical knowledge to develop a comprehensive but intuitive retail system from first principles, and complemented by a dedicated and business-savvy chairman, Valar led an expansion round of financing in 2014.

Current Status

Growth has continued to be robust, with more than 15,000 stores globally now relying on Vend for their point-of-sale needs. With over 200 people, and offices in Auckland, Toronto, San Francisco, London, and Melbourne, Vend has become a global business, with customers on every continent.

As its user base has expanded, Vend has also been aggressively adding additional functionality. Most recently, the company released an ecommerce platform for their brick and mortar customers, giving traditional retail outlets the opportunity to become omni-channel retailers, and begin leveraging their existing infrastructure by selling products online.

Still growing at over 80% year-over-year top line, Vend has gotten traction with small businesses, yet high customer acquisition costs remain a point of concern. Like many startups that initially target the SMB market, the company will need to build an efficient sales organization that can acquire larger business clients at an attractive cost.



Oppa – High Design Furniture at Affordable Prices

Brief Description

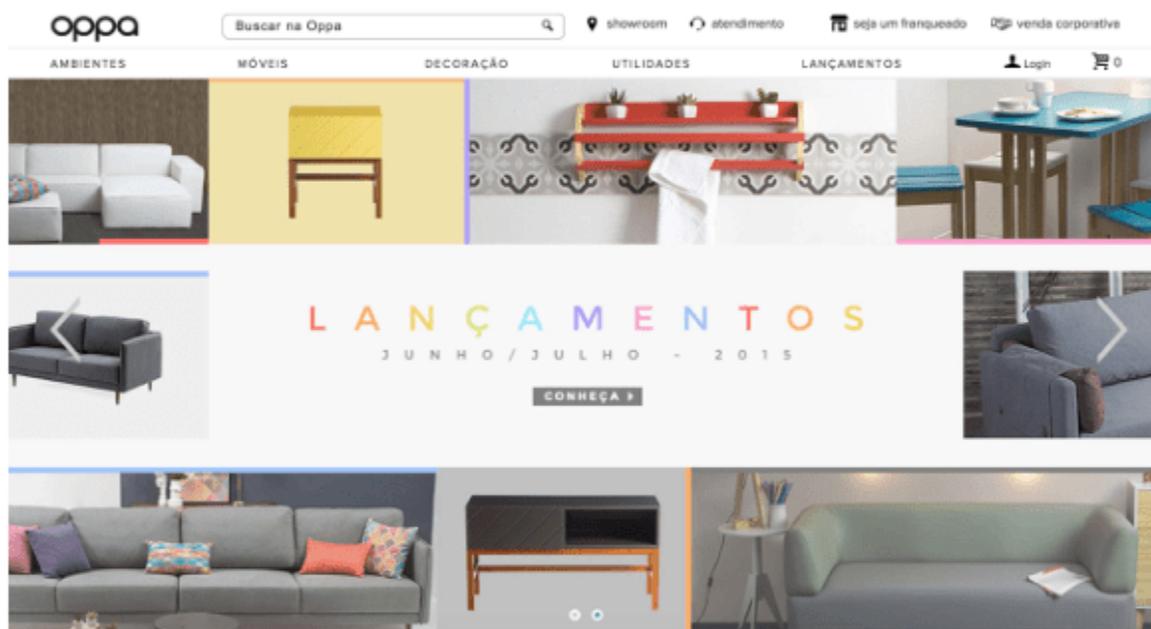
By thoughtfully curating its product line, emphasizing online sales channels to consumers, and focusing on lean inventory management, Oppa delivers fresh and timely designed furniture to consumers while maintaining low prices and high margins. Oppa has been lauded in both the US and Brazil for its designs.

Facts

Founder: Max Reichel
 Headquarters: Sao Paulo, Brazil
 Notable Investors: Thrive Capital, Monashees Capital, Kaszek Ventures

Returns

Valar Cost Basis:	\$19.3M
Current FMV:	\$11.6M
Gross Multiple:	0.6x
Date of Initial Investment:	8/28/2012
Pre-Money Valuation at Initial Investment:	\$35.0M
Latest Company Valuation:	\$20.6M



Figures presented herein are unaudited gross estimates as of December 31, 2015.



Investment Thesis

Brazil's import regime and policies favor domestic manufacturers, providing significant barriers to entry for foreign competitors, who would generally pay exorbitant import tax if they were to operate in Brazil. In the furniture business for instance, Ikea does not operate in Brazil, as there is a 100% import tax on foreign sourced products. Despite the best intentions by the Brazilian government, this creates an issue for middle class consumers, as even though they are becoming wealthier as a group, the cost of household goods (particularly furniture) is often much higher than in the US or Europe, while also being of much lower quality.

Oppa, started by a former McKinsey consultant, thought to provide another option, by merging high-end design, low-cost manufacturing, and eliminating traditional furniture industry middlemen; Oppa seeks to deliver both well-priced goods and comparatively high gross margins relative to other retailers. By way of direct sales, both online and offline, plus careful maintenance of lean inventory, Oppa (much like Warby Parker in the US eyeglass market) can consistently produce contribution margins that exceed conventional industry norms, without increasing prices.

History

Oppa's founder, Max Reichel, had followed the Thiel team for some time. Contact was made, and after several rounds of diligence, Valar invested, along with Monashees, a well-known Brazilian venture firm, which has been a local partner, and Valar has syndicated deals with, in the time since.

After Valar's first priced investment, Oppa came to the firm for expansion capital. Valar designed its follow-on investment to give the founder the time and flexibility to explore additional sales channels to accelerate growth otherwise unavailable with standard funding mechanisms. Oppa recently closed on a further round of financing, led by a US-based investment firm, and plans to use this capital to expand its offline showroom presence more rapidly through a franchise model.

Current Status

Oppa has continued to grow, gaining market share by maintaining high-quality, fresh designs manufactured quickly and locally, but has had to deal with an increasingly difficult capital markets and consumer environment, as the Brazilian economy has felt the effects of a downward re-pricing in commodities, and sources of venture/growth capital have disappeared.

In an effort to balance against these headwinds, the company has taken a number of initiatives, including moving to a franchise model (as an alternative to taking equity financing to fund domestic expansion), streamlining its warehouse operations, relocating portions of its business to more tax optimal venues and optimizing its product mix. While the opportunity to build a billion dollar online furniture brand still exists, the current macro conditions in Brazil require Oppa to maintain growth while moving towards cash flow breakeven, a challenge most ecommerce businesses are not forced to face.



Dinda – Zulily for Brazil

Brief Description

Given the high cost of consumer goods in Brazil, there is significant demand for fairly priced, high quality baby products. Named after Brazil's gift-giving "dindas" (godmothers), Dinda offers a wide range of child-oriented products at extraordinary discounts to Brazil's rapidly growing base of online consumers.

Facts

Founder: Kimball Thomas
 Headquarters: Sao Paulo, Brazil
 Notable Investors: Accel Partners, Social+Capital, Thrive Capital, SV Angel, Felicis Ventures, Monashees Capital

Returns

Valar Cost Basis:	\$9.6M
Current FMV:	\$5.9M
Gross Multiple:	0.6x
Date of Initial Investment:	2/20/2013
Pre-Money Valuation at Initial Investment:	\$100M
Latest Company Valuation:	\$24.9M

Dinda.com.br



The screenshot shows a promotional banner for Dinda. On the left, there is a white box with the text: "Conjuntinhos para sua pequena A-R-R-A-S-A-R" in a mix of black and red fonts, followed by "TUDO por até R\$ 29,90" in large red letters and a black button with "confira »" in white. On the right, a young girl with long blonde hair is sitting on a grassy field, wearing a white t-shirt with a red graphic and blue shorts. At the top right of the banner area, there is a red circle with a white 'S' and the text "Créditos: R\$ 0,00". Below the banner, the text "MARALINE" is written in red, followed by "Conjuntos cheios de charme!" and "Termina em 4 dias, 12:54:41" in red.

Figures presented herein are unaudited gross estimates as of December 31, 2015.



Investment Thesis

The growing middle class in Brazil is badly underserved by ecommerce, even though physical and retail infrastructure deficiencies make the case for the convenience of ecommerce more compelling than in the advanced economies.

One particularly acute need in Brazil are goods and services for new parents, both for essentials and for discretionary purchases. Price sensitive and fashion conscious, Brazilian mothers have found Dinda's (which means godmother in Brazilian Portuguese) offering of a flash sales platform the right mix of brands they trust, at reasonable prices. Like Zulily in the United States, Dinda has endeared itself with its customers through a combination of highly targeted product offerings for busy moms, and the inclusive feel of required membership.

Zulily in this case is a good example of what Dinda is trying to become. The flash sales model as a whole has been utilized in a number of diverse situations, some to better effect than others, but Zulily is certainly in the category of successful versions. One of the reasons for this success is the nature of the products, which are the types of things that moms buy consistently and often, like clothes, bags, and household items.

This kind of business model creates a certain kind of repeat customer – shoppers both know they are getting the best possible price (since everything is discounted), and are constantly reminded to check for new items, as the inventory changes almost daily. Also, kids tend to grow out of their clothes constantly. All of these factors may explain why today a majority of the shoppers at Dinda would recommend the company to others.

History

Valar was introduced to the company by Tiger Global in 2012. At the time, the company operated two websites: Baby.com.br and Dinda.com.br. The “Baby” business was more of a traditional ecommerce model, along the lines of Diapers.com in the US.

Over time, it became apparent that a simple ecommerce website selling baby items wasn't going to generate sufficient gross margins in Brazil, but Dinda had much stronger appeal with customers, and also better margins. Baby.com.br was sold and Dinda became the company's sole focus.

Most recently, Dinda closed on a \$4.9M Series D downround in October led by Accel Partners.

Current Status

Dinda has continued to grow in a difficult macroeconomic environment and expand its product offering towards mobile in a more significant way – the flash sales model with its time dependency is particularly effective on mobile. Unsurprisingly, in 2015, the key driver of growth for Dinda has been via its mobile platform, with 58% of web traffic, and 55% of web orders now coming through the channel.

Like all Brazilian companies in ecommerce/retail, the past two years have been an extremely challenging environment. Outside funding has dried up and to survive, ecommerce companies have been forced to operate at break-even. Dinda now turns a small profit or comes very close to covering costs on a monthly basis, while maintaining a solid growth rate.



TradeIt- Trade Now from Anywhere

Brief Description

TradeIt allows users to quickly and securely buy and sell stocks with their existing online brokerage accounts from any website or mobile device using TradeIt's API, which integrates with major content providers and apps.

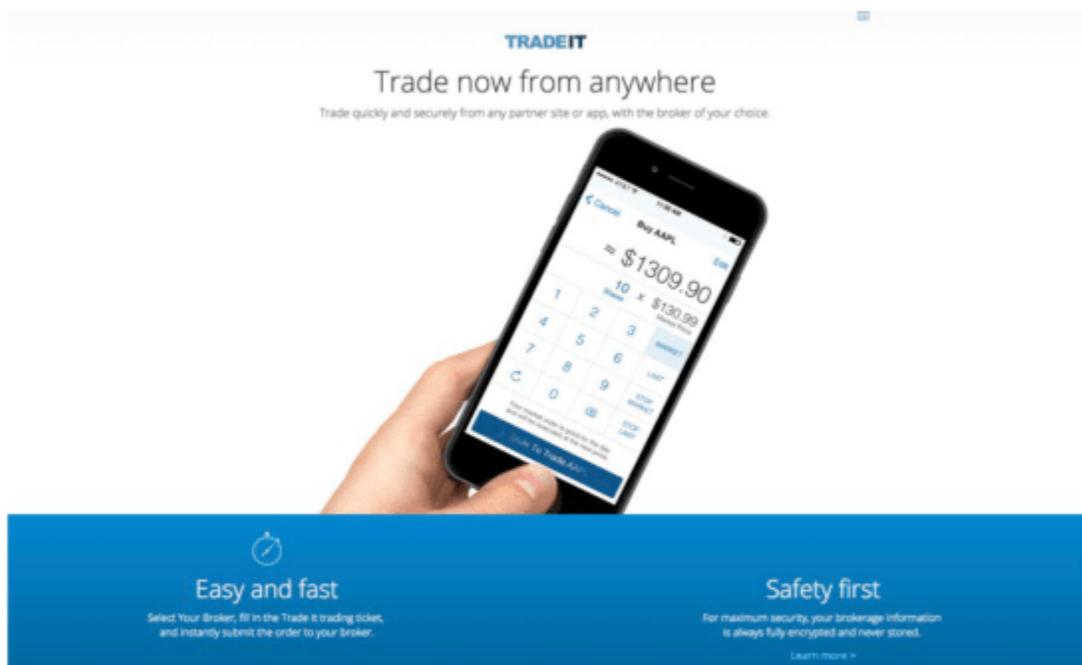
Facts

Founders: Nathan Richardson, Gaspard de Dreuzy
Headquarters: New York, New York
Notable Investors: Citi Ventures

Returns

Valar Cost Basis:	\$2.2M
Current FMV:	\$2.5M
Gross Multiple:	1.1x
Date of Initial Investment:	4/2/2015
Pre-Money Valuation at Initial Investment:	\$3.2M
Latest Company Valuation:	\$16M

Trade.it



The image shows a hand holding a smartphone displaying the TradeIt mobile application. The app interface includes a navigation bar with the TradeIt logo and a 'Trade now from anywhere' headline. Below the headline, it states 'Trade quickly and securely from any partner site or app, with the broker of your choice.' The main screen shows a trade order for AAPL at a price of \$1309.90. A numeric keypad is visible, and the order is for 10 shares. Below the keypad, there are buttons for 'Cancel', 'Buy', and 'Sell'. At the bottom of the screen, there are two sections: 'Easy and fast' with a clock icon and the text 'Select Your Broker, fill in the Trade It trading ticket, and instantly submit the order to your broker.' and 'Safety first' with the text 'For maximum security, your brokerage information is always fully encrypted and never stored.' and a 'Learn more >' link.

Figures presented herein are unaudited gross estimates as of December 31, 2015.



PORTFOLIO / TRADEIT

Investment Thesis

Despite the fact that many online brokerages were built as a disruptive force to main street banks, the speed with which technology has improved has already started to put them in the rear window in terms of innovation – particularly with respect to the migration to mobile. In addition, some large banks with significant brokerage operations still have not migrated online, even though their target customer base requires online trading ability. Tradelt and its API solve these pain points by connecting major brokerage services with the places and times their customers often make financial decisions – while reading financial content or viewing their portfolio online and within mobile applications.

Tradelt offers a simple user interface that can plug into any web or mobile content, allowing users to buy or sell securities through most brokerages, without having to navigate away from whatever site they are visiting. As consumers increasingly access their financial information through mobile devices, reducing friction in the transaction process for buying and selling securities becomes more important.

By driving order flow through the apps and website people already use, content publishers can be remunerated for routing trade orders without needing to build their own online trading portal. And at the same time, brokerages get access to users who may be considering a trade, but don't have the time or willingness to navigate to a broker's website, log in, and place an order.

History

Andrew and one of the company's founders, Nathan Richardson, worked together at Yahoo! from 2000-2001 where Nathan ran Yahoo! Finance. Nathan founded Tradelt with Gaspard de Dreuzy to solve a pain point for internet-based financial content providers and stock brokerages alike – finding better ways to monetize what should ultimately be valuable customers. Valar led the company's \$4M Series Seed equity financing round with participation from Citi Ventures.

Current Status

Tradelt has secured agreements with several of the major online stockbrokers in the US, including Fidelity, TD Ameritrade, Scottrade, Options House, TradeStation, and more. The team is continuing to look for new partners and to expand their network of content providers, which already includes TheStreet, MarketWatch, The Motley Fool, and others. Tradelt has engaged advisors to help it expand outside the US and expects to begin integrating with overseas brokerages in early 2016.

