

Memorandum No. _____
Offeree: _____

CAPITALISTPIG HEDGE FUND, LLC

Confidential Investment Summary and Memorandum

October 1, 2007

CAPITALISTPIG HEDGE FUND, LLC

Membership Units

Each Unit Consists of 100 Membership Interests

Purchase Price: Net Asset Value per Unit at the Time of Subscription

Minimum Investment for New Subscriptions: \$300,000

Minimum Investment for Additional Subscriptions: \$10,000

THIS INVESTMENT SUMMARY IS DIRECTED SOLELY TO ACCREDITED AND QUALIFIED INVESTORS. SEE "INVESTOR SUITABILITY STANDARDS."

Capitalistpig Hedge Fund, LLC, an Illinois limited liability company (the "Fund") which has been in operation since August 1, 2000, is offering for sale units (a "Unit" and collectively the "Units") consisting of 100 Membership Interests in the Fund (the "Interests") per unit. Each Interest represents an ownership interest in the Fund which is referred to as a "Percentage Interest" in the Fund which is determined by a fraction, the numerator of which is the amount of the Investor's Member Capital Account (as hereinafter defined) and the denominator of which is the aggregate value of all Members' Capital Accounts at any given time. All rights as a Member will be based on the particular Investor's Percentage Interest. See "Summary of Operating Agreement."

Although there is no formal offering, the Fund may continue to offer Units to qualified subscribers until the earliest of: (i) January 31, 2015, unless the Offering has been extended by the Fund in its sole discretion and without notice to any subscribers; and (ii) an earlier termination date determined by the Manager.

Sale of the Units offered hereby will be limited so that there are never more than 99 Investors (comprised of "accredited investors," as that term is defined in Regulation D of the Securities Act of 1933, as amended, and not more than 35 other Investors who satisfy all of the criteria for Qualified Non Accredited Investors set forth in this Memorandum). See "Investor Suitability Standards" and "Plan of Placement."

THE PURCHASE OF THE UNITS ENTAILS A HIGH DEGREE OF RISK. THE FUND IS SUBJECT TO THE SUBSTANTIAL RISKS INHERENT IN A BUSINESS ENTERPRISE WITHOUT A LENGTHY OPERATING HISTORY. THERE IS NO MARKET FOR THE FUND'S SECURITIES. NO INVESTMENT IN THE UNITS SHOULD BE MADE BY ANY PERSON NOT FINANCIALLY ABLE TO LOSE THE ENTIRE AMOUNT OF SUCH INVESTMENT. SEE "RISK FACTORS."

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SECURITIES OFFERED HEREBY 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 APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS CONFIDENTIAL INVESTMENT SUMMARY AND MEMORANDUM ("MEMORANDUM") WAS PREPARED FROM INFORMATION PROVIDED BY THE FUND'S MANAGER. THE FUND'S AGENTS HAVE NOT INDEPENDENTLY VERIFIED THE INFORMATION CONTAINED IN THIS MEMORANDUM OR OTHERWISE MADE AVAILABLE TO PROSPECTIVE INVESTORS IN

CONNECTION WITH ANY FURTHER INVESTIGATION OF THE FUND, AND THEREFORE, THEY MAKE NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. FURTHERMORE, BECAUSE THIS MEMORANDUM REFLECTS THE FUND'S CURRENT KNOWLEDGE AND INFORMATION, NOTHING CONTAINED IN THIS MEMORANDUM IS, OR SHOULD BE RELIED ON AS A PROMISE OR REPRESENTATION AS TO THE FUND'S FUTURE PERFORMANCE.

THE INFORMATION CONTAINED IN THIS MEMORANDUM IS CONFIDENTIAL, PROPRIETARY TO THE FUND AND PROVIDED TO PROSPECTIVE INVESTORS IN THE FUND SOLELY FOR SUCH INVESTORS' CONFIDENTIAL USE IN CONNECTION WITH THE FUND'S PERIODIC OFFERING (THE "OFFERING") OF UNITS. THIS MEMORANDUM IS FURNISHED ON THE EXPRESS UNDERSTANDING THAT WITHOUT THE PRIOR WRITTEN PERMISSION OF THE FUND, SUCH PROSPECTIVE INVESTORS WILL NOT RELEASE, COPY, DISCUSS OR USE THIS MEMORANDUM OR THE INFORMATION CONTAINED HEREIN FOR ANY PURPOSE OTHER THAN EVALUATING A POTENTIAL INVESTMENT IN THE UNITS. BY ACCEPTING DELIVERY OF THIS MEMORANDUM, EACH PROSPECTIVE INVESTOR AGREES TO RETURN THIS MEMORANDUM AND ANY OTHER DOCUMENTS OR INFORMATION FURNISHED BY THE FUND IF THE PROSPECTIVE INVESTOR DECLINES TO PURCHASE ANY UNITS.

THIS OFFER CAN BE WITHDRAWN AT ANY TIME BEFORE A SUBSCRIPTION IS ACCEPTED AND IS SPECIFICALLY MADE SUBJECT TO THE TERMS DESCRIBED IN THIS MEMORANDUM. THE FUND RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTION, IN WHOLE OR IN PART, FOR ANY REASON WHATSOEVER OR TO ALLOT TO ANY PROSPECTIVE INVESTOR LESS THAN THE NUMBER OF UNITS SUBSCRIBED FOR BY SUCH PROSPECTIVE INVESTOR. REJECTED SUBSCRIPTIONS WILL BE PROMPTLY RETURNED TO THE SUBSCRIBER WITH THE AMOUNT OF THE REJECTED SUBSCRIPTION FUNDS.

THIS MEMORANDUM DESCRIBES THE FUND, ITS BUSINESS PLAN, AND THE TERMS OF EACH INVESTMENT. PROSPECTIVE INVESTORS SHOULD CAREFULLY EVALUATE THE "RISK FACTORS" DESCRIBED IN THIS MEMORANDUM. THE FUND WILL GIVE PROSPECTIVE INVESTORS THE OPPORTUNITY TO ASK QUESTIONS OF AND TO RECEIVE ANSWERS FROM THE FUND ABOUT THE TERMS AND CONDITIONS OF THE OFFERING, THE FUND OR ANY OTHER RELEVANT MATTERS, AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THE FUND POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THIS MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE OFFEREE WHOSE NAME APPEARS IN THE APPROPRIATE SPACE ON THE COVER PAGE HEREOF AND TO WHOM THIS OFFERING MEMORANDUM IS INITIALLY DISTRIBUTED BY THE FUND. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. EXCEPT AS OTHERWISE INDICATED, THIS MEMORANDUM SPEAKS AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE FUND AFTER THE DATE HEREOF.

ANY INQUIRIES CONCERNING THIS MEMORANDUM AND THE OFFERING SHOULD BE DIRECTED TO CAPITALISTPIG HEDGE FUND, LLC, ATTENTION: JONATHAN HOENIG, 531 SOUTH PLYMOUTH, SUITE 604, CHICAGO IL 60605

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SUMMARY

THIS MEMORANDUM CONTAINS CERTAIN FORWARD LOOKING STATEMENTS OR STATEMENTS WHICH MAY BE DEEMED OR CONSTRUED TO BE FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1996 WITH RESPECT TO THE FINANCIAL CONDITION AND BUSINESS OF THE FUND. THE WORDS "ESTIMATE," "PLAN," "INTEND," "EXPECT," "PROPOSED," AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE FORWARD LOOKING STATEMENTS INVOLVE AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH COULD CAUSE THE FUND'S ACTUAL RESULTS, PERFORMANCE (FINANCIAL OR OPERATING) OR ACHIEVEMENTS TO DIFFER FROM THE FUTURE RESULTS. INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF. NEITHER THE FUND NOR THE MANAGER UNDERTAKE ANY OBLIGATION TO PUBLICLY RELEASE ANY REVISIONS TO THESE FORWARD LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE HEREOF OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

The following summary is qualified in its entirety by detailed information and exhibits appearing elsewhere in this Memorandum. The Units offered hereby involve a high degree of risk. Investors should carefully consider the information set forth under "Risk Factors."

The Fund

General

Capitalistpig Hedge Fund, LLC (the "Fund") is an Illinois limited liability company. The Fund was formed to engage in the business of actively trading securities of other companies and other intangible investment instruments, including futures contracts (collectively, "Portfolio Investments"). The foregoing notwithstanding, the Fund's investments in futures contracts at any time may not exceed 5% of the Fund's net asset value at the time of said investment. See "Investment Objectives, Authority and Strategies." The Fund Manager is Capitalistpig Asset Management, LLC (the "Fund Manager" or "CPAM") which is also the sole Manager of the Fund. Mr. Jonathan Hoenig is the sole member, officer and director of the Fund Manager. All decisions regarding the trading of the Fund's Portfolio Investments are made by the Fund Manager, in its sole discretion. The Amended and Restated Operating Agreement (the "Operating Agreement") for the Fund grants the Fund Manager wide latitude in determining how to invest the moneys raised by this Offering. In addition, upon the sale of any Portfolio Investment, the Fund Manager, in its sole discretion, may and most likely will reinvest the proceeds therefrom in other securities and/or investments (which are also considered Portfolio Investments), rather than distribute the proceeds to the Members of the Fund. See "Summary of the Operating Agreement."

The Fund's objective is to achieve capital appreciation in its net asset value, through active trading of equities, fixed income, futures contracts, options and financial securities and obligations. The Fund Manager intends to employ various strategies including: long term and short term trading strategies among various market sectors; hedges; collecting premiums through the sales of options contracts while maintaining a portfolio of equity securities and using "short" positions in an attempt to profit from a price decline in the market price of a particular security. Depending upon the circumstances, the Fund Manager will likely trade one or more of the Fund's Portfolio Investments within the same day (i.e., to realize a profit for the Fund or to minimize the Fund's loss on any such securities). The Fund Manager will seek to avoid some aspects of market risk by keeping all or a portion of the Fund's holdings in less volatile cash equivalents, from time to time. See "Investment Objectives, Authority and Strategies."

The Fund Manager intends to maintain, at any given time, accounts with several brokerage firms (which are not affiliated with either the Fund or the Fund Manager) to execute trades on behalf of the Fund at negotiated discount rates.

The Manager/Fund Manager

Capitalistpig Asset Management, LLC ("CPAM"), an Illinois limited liability company, serves as both the Manager of the Fund and the Fund Manager. Mr. Jonathan Hoenig, the sole member, officer and director of CPAM, is the party who makes the decisions for the Fund and Fund Manager. The principal office of the Fund Manager is located in the same suite as the Fund's principal office, 531 South Plymouth Court, Suite 604, Chicago, IL 60605

Summary of the Offering

- Issuer:** Capitalistpig Hedge Fund, LLC, an Illinois limited liability company.
- Purchase Price:** Net Asset Value (“NAV”) per Unit. As of August 31, 2007, the NAV per Unit was \$470,654.00. See “Summary of Operating Agreement.”
- Payment:** The purchase price for the Units is payable upon delivery of the Subscription Agreement, in U.S. dollars.
- Securities Offered:** Each Unit consists of 100 Membership interests (the “Interests”) in the Fund. Each Interest represents a “Percentage Interest” in the Fund, which is determined by a fraction, the numerator of which is the amount of the Investor’s Member Capital Account (as defined in the Fund’s Operating Agreement) and the denominator of which is the aggregate value of all Members’ Capital Accounts at any given time. All rights as a Member are based on the particular Investor’s Percentage Interest. See “Summary of the Operating Agreement.”
- The Offering:** There is no formal offering for the purchase of Units at this time. An limited offering was undertaken by the Fund pursuant to a Private Placement Memorandum dated January 1, 2002, whereby the Fund offered for sale a minimum of 1 Unit, and a maximum of 1,000 Units, for a purchase price of \$100,000 per Unit. As of August 31, 2007, capital contributions in the Fund total approximately \$25,027,000.00, representing 70.8 Units. The purpose of the Offering described herein is to provide an opportunity for new investors to subscribe for Units, and for existing Members to purchase additional Interests. New Subscriptions may be accepted by the Fund until the earliest of: (i) January 31, 2015, unless the Offering has been extended by the Fund, in its sole discretion and without notice to any subscribers; or (ii) an earlier termination date determined by the Manager in its sole discretion.
- The minimum subscription amount for new subscribers is three hundred thousand dollars (\$300,000), and in increments of \$10,000, but additional subscriptions from existing Members shall be in any amount, so long as they are in increments of at least ten thousand dollars (\$10,000). The foregoing notwithstanding, the Manager reserves the right in its sole and exclusive discretion, to accept new and additional subscriptions for lesser amounts. Both new and additional subscriptions must be received at least five (5) business days before the end of the month. See “Summary of the Offering -- Withdrawal of Funds and Purchase of Additional Units.” Each subscription will be accepted effective as of the close of business on the last business day of the month in which the subscription is received. The number of Units and fractional Units (i.e., Interests rounded to four decimal places) purchased by the subscription shall be determined based on the Fund’s Net Asset Value as of the close of business on the last business day of the month in which the subscription is received divided by the total number of Interests outstanding.
- Units may not be held by more than 99 Investors (comprised of “accredited investors,” as that term is defined in Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and not more than 35 other Investors who satisfy all of the criteria for Qualified Non-Accredited Investors set forth in this Memorandum). See “Investor Suitability Standards.”
- The Manager and its Affiliates reserve the right to purchase any amount of Units for their own accounts. Any such purchases by the Manager or its Affiliates shall be for the same price and subject to the same terms and conditions as all of the Units sold by the Fund pursuant to this Memorandum. As an owner of the Units, the Manager or its Affiliates shall be entitled to all allocations of Profits, Losses, distributions and voting rights attributable to any such Units. See “Plan of Placement.”

Closings: The Fund will hold closings from time to time after subscriptions have been received and accepted (each a “Closing”). See “Plan of Placement” and “Subscription Procedures.”

Use of Proceeds: All of the proceeds from this Offering will be used to purchase Portfolio Investments for the Fund. See “Use of Proceeds.”

Allocation of Profits, Losses and Distribution: The Fund will maintain a Capital Account for each Member (a “Capital Account”). Each Member will receive a credit for his/her/its Capital Contribution (i.e., the amount the Member paid for the Interests purchased) to the Member’s Capital Account. The Member’s Capital Account will be increased or decreased on a daily basis, depending on the Member’s pro rata share of cash profits or losses from the Fund’s daily trading activity and from time to time as the Fund expends funds for its operating expenses. The proportion of a Member’s Capital Account to the aggregate value of all Members’ Capital Accounts shall be the Member’s Percentage Interest. The Fund will also maintain Capital Accounts for tax purposes in accordance with the Internal Revenue Code requirements. The Fund will allocate Profits and Losses in a manner similar to the allocation of distributions of available cash.

The Manager may, from time to time, in its sole discretion, distribute net cash to the extent available, based upon each Member’s Percentage Interest.

Withdrawal of Funds and Purchase of Additional Units: The Operating Agreement allows Members to withdraw all or any portion of the Member’s Capital Account as set forth below; provided however, the minimum allowed withdrawal shall be not less than \$10,000. Member withdrawals may not be made for one calendar month after investment. Thereafter, a Member may request to withdraw his/her/its all or a portion (but not less than \$10,000) of his Member Capital Account balance on the first (1st) day of each month. To do so, the Member must give the Fund no less than five (5) business days notice to withdraw the specified amount from the Member’s Capital Account on the appropriate withdrawal date. Any Member who withdraws all or a portion of his/her/its Member Capital Account balance within the first twelve (12) months from the date of his/her/its investment in the Fund, will be assessed a withdrawal fee (payable to the Fund) equal to six percent (6%) of the net asset value of the amount withdrawn, which amount shall be deducted from such account upon withdrawal. Withdrawals of capital and the payment of the value of a Member’s Capital Account will be made in cash or, as determined by the Manager, in securities selected by the Manager. Because the securities and investments held by the Fund regularly fluctuate in value, there can be no assurance that the Fund will maintain a stable net asset value over a short period of time. As a result, it is possible that a Member’s request to withdraw his/her/its investment may ultimately be processed at a different net asset value than the value at the time the request was originally received by the Fund. In addition, the transferability of the Interests will be restricted by the provisions of federal and state securities laws, and transfers are prohibited except with the prior approval of the Manager.

A Member may purchase additional Interests and new investors may purchase Interests in the Fund on the first (1st) day of each month. See “Plan of Placement” and “Summary of the Offering -- The Offering.” To purchase additional Units, five (5) days prior to the end of any month, the Member or the investor must deliver to the Fund a check payable to “Capitalistpig Hedge Fund, LLC.” Such funds will be disbursed to and invested in the Fund as of the first business day of the next month.

Limited Voting Rights of Members:

Investors, as Members in the Fund, will have the right to vote only on certain significant matters affecting the Fund. In particular, the removal of the Fund Manager for "cause" requires a vote of the owners of at least seventy five percent (75%) of the outstanding Percentage Interests in the Fund. See the Operating Agreement, attached as Appendix A.

Term of the Fund:

The Operating Agreement provides that the Fund will continue in perpetuity, or until the occurrence of an event set forth in the Operating Agreement causes a termination of the Fund. In addition to other reasons set forth in the Operating Agreement, the Manager has the right, in its sole discretion, to dissolve the Fund if the value of an original investment ever declines by fifty percent (50%) or more based on a calculation of a Member's Capital Account. See the Operating Agreement, attached as Appendix A.

Limited Liability:

Investors, as Members in the Fund, will not be liable for any debts of the Fund beyond the amount of their respective Capital Contributions and, in certain circumstances, Distributions. See "Risk Factors" and "Summary of the Operating Agreement."

Compensation to CPAM:

Capitalistpig Asset Management, LLC ("CPAM"), will receive compensation and fees as follows: (i) a Management Fee, payable and calculated monthly, for managing the Fund and its investments, regardless of the performance of the Fund, and regardless of whether any distributions were made to the Members, equal to 1/6 of 1% of the month end net asset value of the Fund, payable in cash within three (3) business days of the end of said month, and is calculated after allocations of the net profits or losses of the Fund for that month; and (ii) a Performance Fee payable and calculated monthly equal to 20% of the amount that trading profits (including net unrealized gains, if any, generated in the Capital Accounts of Members) exceed the percentage change of the performance fee benchmark index selected by CPAM (currently, Consumer Price Index, which benchmark index may be changed quarterly by the Fund Manager without investor approval; however, written notification of such change will be provided to Members by the Fund Manager. See "Compensation and Fees to Manager/Fund Manager" and the Operating Agreement, attached as Appendix A.

Resale Restrictions:

The Units and Interests are restricted securities under the Securities Act and applicable state securities laws and, therefore, may only be transferred pursuant to the registration requirements of federal and state securities laws or pursuant to an exemption from such registration requirements. Holders are advised to consult legal counsel before offering, reselling, pledging, or transferring such securities. See "Risk Factors -- Withdrawals and Illiquidity of the Investment in the Units."

Risk Factors:

An investment in the Fund should be viewed as a speculative investment. It is not intended as a complete investment program and is designed only for Investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Fund accounts, who are financially able to maintain their investment and who can afford a loss of a substantial portion of their investment. There can be no assurance that the Fund will achieve any of its investment objectives. See "Risk Factors."

Information About the Fund

Capitalistpig Hedge Fund, LLC was organized in November, 1999, as an Illinois limited liability company. It received its initial capital contributions and began operations in August, 2000, and as of November 1, 2007, has capital contributions totaling approximately \$25,027,000.00. The Fund's principal executive office is located at 531 South Plymouth, Suite 604, Chicago IL 60605. See "Available Information."

RISK FACTORS

This Offering involves a high degree of risk. This Memorandum contains certain forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of certain of the considerations set forth below and elsewhere in this Memorandum. The following risk factors should be considered carefully in addition to the other information contained in this Memorandum before purchasing the Units offered hereby.

Risks of Actively Trading Securities and Investments. The business of actively trading securities and investments involves numerous risks. If the Fund's trades are delayed, the Fund may be unable to effect the trade at the desired price, if at all. If the broker used by the Fund to execute trades does not make fast, timely executions and confirmations of the Fund's trades to the Fund Manager, then the Fund Manager will have no way of knowing if the Fund is in or out of a position and this lack of information about a trade can cause a loss to the Fund. If the Fund Manager places an order to purchase or sell a particular security or investments "at the market rate" the Fund is agreeing to purchase or sell the specific number of shares of that security at the price at which a matching sale or purchase can be found on the exchange at the time that the order is received on the trading floor of the exchange. If the broker used by the Fund does not timely place the order and execute the trade, the Fund may be purchasing or selling the security at a higher or lower price than the intended purchase or sale. This may result in part because the market price of the security can move quickly. The securities and investments held by the Fund will regularly fluctuate in value; therefore, there can be no assurance that the Fund will maintain a stable net asset value over a short period of time. As a result, it is possible that a Member's request to withdraw his/her/its investment may ultimately be processed at a different net asset value than the value at the time the request was originally received by the Fund.

Risks Relating to Short Sales; Options; Margin Trading. The Fund Manager expects to employ leverage, engage in the "short" selling of securities and write (sell) and purchase options with respect to individual stocks and market indices. This means that the Fund will be selling securities and/or investments that the Fund does not own. When the Fund sells "short," the Fund Manager is expecting that the price of that security and/or investments will decline and that the Fund will be able to buy the securities and/or investments at a lower price in the future to close out the transaction. To close the transaction, the Fund will have to purchase the securities and/or investments on the market so that the stock previously borrowed (to make the "short" sale) may be returned or that the securities previously sold may be delivered. In this instance, the Fund assumes the risk that the price of the security or investment may actually go up (before the securities are purchased by the Fund) rather than go down as anticipated by the Fund Manager. If the price goes up, the Fund would have to buy the securities at a higher price than the price at which it already sold the same securities. In such event, the Fund would lose money on the transaction rather than make a profit. Also, if the price does not go down but instead stays the same upon closing the transaction, the Fund would, other than commission costs, break even, rather than lose money or make a profit. Further, if the price declined but not as much as the Fund Manager expected, the Fund could make a profit after expenses of the trade but not as large as the anticipated profit.

While the use of borrowed securities and/or investments can substantially improve the return on invested capital, their use may also increase any adverse impact to which the Fund's investment may be subject. Selling short, while often used to hedge investments, involves the risk of losing an amount greater than the initial margin requirement in a relatively short period of time. The writing or purchasing of an option also runs the risk of causing significant losses to the Fund's investment in a relatively short period of time. Options used as a hedge also run the risk of causing significant losses to the Fund due to imperfect correlations between movements in the prices of options, and movements in the prices of the underlying securities or indices.

To maintain a margin account, the Fund is required to comply with the requirements of Regulation T that govern margin accounts. In this regard, the Fund will be required to deposit cash, government securities or other securities as margin against its margin purchases of securities. To the extent that the Fund does not have a margin account, the Fund may not be able to borrow securities. This could cause the Fund to miss specific trading opportunities that would require the Fund to borrow securities and therefore risk losing the opportunity to invest in that security and/or investments. Also, adverse moves in the market price of a security may increase the margin requirement. Margin calls, as a result of such events, will decrease the Fund's liquidity available for other investments, and should the

Fund be unable to meet a margin call, other positions would have to be liquidated to meet the obligation, possibly at a loss.

The Fund will also buy securities and/or investments which it will hold for resale. When the Fund Manager holds a security (as a “long” position), it anticipates that the sale price of the security will go up in comparison to the Fund’s purchase price for the security. In this type of transaction, the Fund will not have the risks associated with selling “short” (i.e., borrowing the stock at the time of sale and having the need to buy the stock to cover that position); however there are other attendant risks. The obvious risk is that the securities do not increase in value or the securities increase in value less than expected. As a result, the Fund would lose money or would not make as much money as anticipated. Another risk is that the securities do increase in value while the Fund is holding the stock, but by the time the Fund sells the stock, the price of the stock declines and the Fund makes no profit. Lastly, the stock price could fall below the price at which the Fund had purchased the stock and the Fund will either have to take a loss or hold the stock until the price increases, if ever.

Risks Relating to Markets. As the securities, options, investments, etc. in which the Fund invests are traded on exchanges or over-the-counter, the value of such investments and the risks associated therewith vary in response to events that affect such markets which are beyond the control of the Fund. Market disruptions such as those that occurred during the fourth quarter of 1987 could result in substantial losses to the Fund.

There is no guarantee that securities and options exchanges and markets can at all times provide continuously liquid markets in which the Fund can close out its positions. The Fund could experience delays and may be unable to purchase or sell securities or options or exercise options purchased through a broker or clearing member that has become insolvent. In that event, positions could also be closed out fully or partially without the Fund’s consent.

The Fund Manager may purchase a security that is or becomes illiquid for a variety of reasons (i.e., limited trading in the stock or limited number of securities holders). If a security becomes illiquid, an Investor cannot easily convert his securities holdings into cash or purchase securities holdings with cash. Accordingly, if the Fund is in a position in an illiquid security, it may not be able to sell that security if, and when, and at the price the Fund Manager intended. Conversely, if a security is illiquid and the Fund Manager wants to purchase the security, the Fund may not be able to purchase the security that the Fund Manager wants or at a favorable price and risks losing the opportunity to profit. The Fund Manager considers liquidity to be one of the characteristics of a good investment.

Risks Relating to Foreign Securities. The Fund Manager expects to trade foreign securities as part of the Fund’s Portfolio Investments. As foreign securities are generally denominated and traded in foreign currencies, the value of the Fund’s investments in such securities will be affected by currency exchange rates and exchange control regulations. In addition, the amount of information publicly available about a foreign company may be relatively limited, and foreign companies are not generally subject to accounting, auditing and financial reporting standards and practices comparable to U.S. Generally Accepted Accounting Principles (“GAAP”). The securities of many foreign companies are less liquid and at times more volatile than securities of comparable U.S. companies. Foreign brokerage commissions and other fees are also generally higher than those imposed in the U.S. Foreign settlement procedures and trade regulations may involve certain risks including, but not limited to, delays in payment or delivery of securities or in the recovery of Fund assets held abroad, and may also involve expenses not present in the settlement of domestic investments.

There may also be a possibility of nationalization or expropriation of assets, imposition of currency exchange controls, confiscatory taxation, political or financial instability, and diplomatic developments that could affect the value of the Fund’s investments in certain foreign countries. Legal remedies available to Investors in foreign countries may be more limited than those available with respect to investments in the U.S. In the case of securities issued by a foreign governmental entity, the issuer may in certain circumstances be unable or unwilling to meet its obligations on the securities in accordance with its terms, and the Fund may have limited recourse, if any, available to it in the event of default. The laws of certain foreign countries may limit the Fund’s ability to invest in certain issuers located in such foreign countries. Special tax considerations may also apply to investments in foreign securities.

Furthermore, Fund investments in the securities of developing countries may contain an even greater proportion of risk, particularly if the securities markets and legal systems present in such countries are still in a development stage and provide few, if any, of the advantages or protections of markets or legal systems available in more developed countries.

Lack of Prolonged Operating History. The Fund was formed in 1999 and has no trading history prior to August of 2000 upon which Investors may evaluate the potential performance of the Fund. Prospective Investors should also consider that Mr. Hoenig is a professional trader but not a registered representative or financial planner. See “Management.”

Potential Lack of Diversification; Industry Concentration. The size of the Fund may make it unlikely that the Fund will be able to commit its funds to the acquisition of securities of a large number of companies or that the Fund will be able to achieve the same level of diversification as larger entities engaged in similar investment activities. Additionally, from time to time, the Fund’s investments may be concentrated in a particular industry, group of industries or individual issues. In either such event, the Fund’s investment portfolio may be subject to greater risk than if its Portfolio Investments remained consistently diversified among various companies, industries and types of securities. Also, if the Portfolio Investments are concentrated in too few securities, the risks will increase because of the reliance on a small number of trades to make a profit. In either such event, the risk of loss would be highly concentrated in that small number of companies, or small number of industries or limited number of securities as opposed to disbursed over a larger number of companies in a larger number of industries and in more varied types of securities. If the Fund Manager’s analysis of those companies, industries or securities is flawed, there is a higher risk if the Fund’s assets are concentrated than if they were diversified over numerous companies, industries and types of securities.

Reliance on the Fund Manager and Jonathan Hoenig. The Fund relies totally on the active and continued participation of Capitalistpig Asset Management, LLC (“CPAM”), its Manager and the Fund Manager, and in particular Jonathan Hoenig, the sole member, officer and director of CPAM. For the foreseeable future, it is expected that Mr. Hoenig will be the only person involved in the management of CPAM and the Fund. As a result, the Fund’s potential for success is expected to be completely dependent on Mr. Hoenig’s abilities to manage the Fund’s investments, and the Fund would be severely, and adversely affected and would probably be liquidated in the event the Fund lost Mr. Hoenig’s services for any reason. The Fund does not maintain a “key man” life insurance policy on Mr. Hoenig, although the Fund may purchase such insurance on Mr. Hoenig in the future. Although the Fund’s Operating Agreement places certain limitations on the ability of the Manager to resign from the Fund, there are no similar limitations on Mr. Hoenig. Neither the Fund nor the Fund Manager have a written agreement with Mr. Hoenig.

The decisions with respect to the management of the Fund’s affairs are made exclusively by the Manager/Fund Manager of which Mr. Hoenig is the sole member, officer and director. Members have no right or power to take part in the management of the Fund or the Fund’s investments. Accordingly, no person should purchase Interests unless such person is willing to entrust all aspects of the management and all investment decisions of the Fund to Mr. Hoenig and any other officers, employees and agents designated by the Manager in the future. CPAM is not registered as an “investment adviser” under the Investment Advisers Act of 1940, by virtue of an exemption from such registration.

Risks Associated with Strategies and Methodologies. Generally every fund manager has its own strategies and methodologies for trading securities and conducting trades. If the Fund Manager’s strategies and methodologies are flawed or become flawed or outdated, there is an increased risk that the use of such strategies and/or methodologies will result in a loss to the Fund. The Fund Manager, based on its strategies and methodologies, may misjudge the entry point into the market of a certain security. In such event, the Fund Manager may choose to initiate the position in a particular security by inaccurately assessing the entry point, which is critical to ensure that there is price movement between purchase and sale. If the Fund Manager does not effectively use stop loss placement, which triggers the highest or lowest price at which the Fund will buy or sell the securities in question, then this poses a risk of loss to the Fund. There is a further risk of loss to the Fund if the Fund Manager does not optimally manage profitable securities transactions by failing to invest enough of the Fund’s assets in those types of successful transactions or poorly invests the proceeds from profitable trades. See also “Lack of Operating History.”

Lack of Opportunity for Investors to Evaluate Investments. The proceeds from this Offering and any reinvested Fund assets will be invested in securities and investments that have not yet been selected by the Fund Manager. Therefore, prospective Investors will not have an opportunity to evaluate for themselves the relevant economic, financial, and other factors regarding investments and will have to rely completely on the ability of the Fund Manager with respect to the selection of investments. Accordingly, the uncertainty and risk of an investment in the Fund will be increased since Investors are unable to evaluate the economic merit of any investments that the Fund may make.

Effects of Larger Positions in any Investment. To the extent the Fund takes larger positions in the securities of particular companies, it may experience difficulty in making and liquidating its investment without adversely affecting the prices at which it buys and sells the securities.

Conflicts of Interest. Certain inherent conflicts of interest are likely to arise as a result of the Manager, Mr. Hoenig and their Affiliates (see “Management”) carrying on similar investment activities both for themselves and for clients and investment funds other than the Fund. The Manager, Mr. Hoenig or such Affiliates may also engage in other business activities, including activities which generate consulting fees, advisory fees or finder’s fees for the raising of capital and other investment related services provided by the Manager, Mr. Hoenig or such Affiliates. The Manager, Mr. Hoenig and such Affiliates will not be required to refrain from any other activity or to disgorge any profits or fees from any such activity, and Mr. Hoenig will not be required to devote all of his time and efforts to the Fund and its affairs. See “Conflicts of Interest.”

The Fund, other entities in which the Manager, Mr. Hoenig and their Affiliates may participate in same capacity and other investment management clients that Mr. Hoenig or his Affiliates may have from time to time may share administrative offices and use common services, facilities, investment research and management. The Fund Manager may also determine from time to time that some investment opportunities are appropriate for certain investment management clients and not others, including the Fund, due to differing objectives, time horizons, liquidity needs or availability, tax consequences and assessments of general market conditions and of individual securities. It may also occasionally be necessary to allocate limited investment opportunities among the Fund and others on a basis deemed appropriate by the Fund Manager, which may mean that the Fund Manager or other accounts managed by the Fund Manager achieve profits and the Fund does not, or avoid losses that the Fund suffers.

The Fund Manager has complete discretion regarding the selection of those registered securities brokers that execute and clear transactions on behalf of the Fund and the commissions and fees payable to such brokers. The commissions paid by the Fund are set by rates negotiated between the Fund Manager and the broker. Although such rates will likely be at a discount to retail rates, the commission rates will not necessarily be less than either institutional rates or rates available from discount brokers.

Negotiation of the Operating Agreement. The Manager has generally determined the terms of the Fund’s Operating Agreement, which were not negotiated on an arm’s length basis. In addition, legal counsel for the Manager has not acted as counsel for or represented the interests of the Members. Potential Investors should consult with their own legal counsel with respect to the Fund.

Financial Statements. The Fund retains an independent accounting firm to audit the Fund’s financial statements for each fiscal year ending December 31. Financial statements for the last completed year of the Fund’s operation, fiscal year ending December 31, 2006, are included with this Memorandum.

Withdrawals and Illiquidity of the Investment in the Units. Member withdrawals may not be made for one calendar year after investment, and thereafter may be made only on the 1st day of a calendar month. See “Repayment of Distributions” and “Summary of the Operating Agreement”. The amount of a withdrawal may also be limited or delayed under certain circumstances and the minimum withdrawal amount is \$10,000. In addition, the transferability of Units (and Interests) is restricted by provisions of federal and state securities laws, and transfers are prohibited except with the prior approval of the Manager. There is no public market for the Interests, and none will develop.

Each Investor will be required to represent that he/she/it is purchasing Units for his/hers/its own account for investment purposes and not with a view to resale or distribution. Units and Interests will not be registered under

the Securities Act, the Investment Company Act of 1940 or under state securities laws, and are being sold pursuant to specific exemptions under the provisions of such securities laws, which exemptions depend, in part, upon the investment intent of each Investor. A Member may not transfer his/hers/its Units if the transfer violates federal or state securities laws or affects the status of the Fund for federal income tax purposes by terminating the Fund or causing it to be classified as a corporation or association taxable as a corporation.

Because of the limitations on withdrawal rights and the fact that the Units are not freely tradable, an investment in the Fund is a relatively illiquid investment and involves a high degree of risk. A subscription for Units should be considered only by Investors who have adequate means of providing for their needs and contingencies without expecting distributions or making withdrawals from the Fund, who are financially able to maintain their investment and who can afford a loss of all of such investment.

No Assurance of Profit or Cash Distribution. There is no assurance that future Fund investments will be profitable or that any future distribution will be made to the Members or that Members will earn a positive return on their investment or that Members will receive a return of any or all of their initial investment. Any prior successful investment management by Mr. Hoenig and/or his Affiliates, and any future successful Fund performance, cannot be relied upon as assuring further successful performance. Any future return on investment to the Members will depend upon successful investments made for the Fund at the direction of the Fund Manager and Mr. Hoenig. The value of any such investments will depend upon many factors beyond the control of the Fund, the Fund Manager, and Mr. Hoenig. The expenses of the Fund may also exceed its income. The business of actively trading in securities involves high risk and is subject to losses on a daily basis. **Prospective Investors are urged to read this Memorandum and all exhibits hereto carefully and to consult with their personal attorney, accountant and/or business advisor before making an investment decision.**

Compensation and Fees to the CPAM. Capitalistpig Asset Management LLC, will receive compensation and fees as follows: (i) a Management Fee (payable and calculated monthly) for managing the Fund and its investments equal to 1/6 of 1% per month of the month end net asset value of the Fund; and (ii) a Performance Fee (payable and calculated monthly) equal to 20% of the amount that trading profits (including net unrealized gains, if any, generated in the accounts of Members) exceed the percentage change of the performance fee benchmark index selected by CPAM (currently, the Consumer Price Index, which benchmark index may be changed quarterly by the Fund Manager without Investor approval; however, written notification of such change will be provided to Members by the Fund Manager). Although the Performance Fee is payable only if the Fund's performance exceeds the applicable benchmark index, the Management Fee will be payable regardless of the performance of the Fund and regardless of whether any distributions are made to the Members. The Performance Fee may create an incentive for the Fund Manager to make Fund investments that are riskier or more speculative than would be the case in the absence of such a performance based fee in order to generate net profits subject to such fee. See "Compensation and Fees to Manager/Fund Manager."

Investment Expenses. The Fund expects to use aggressive trading techniques that cause turnovers of its Portfolio Investments holdings and generate brokerage commissions and expenses that significantly exceed those of less aggressive investment alternatives. The commissions and expenses payable by the Fund to the broker selected by the Fund Manager will be an expense of the Fund.

Effects of Withdrawals. Withdrawals by Members could require the Fund to liquidate or close out positions more rapidly than would otherwise be desirable, which could reduce the value of the Fund's assets and cause a resulting reduction in the value of the Units (i.e., Interests).

Repayment of Distributions. Members are not personally liable for any debts or losses of the Fund beyond the amount of their capital contribution and profits attributable thereto (if any) if the Fund is otherwise unable to meet its obligations. However, Members might be required to repay with interest Fund cash or in-kind distributions (including distributions on partial or complete redemption of Member Interests and distributions deemed a return of capital) received by them to the extent of overpayments, if the Fund is insolvent at the time of the payments or if such distributions render the Fund insolvent.

Investment Company Act of 1940. The Fund intends to avoid becoming subject to the federal Investment Company Act of 1940, as amended. However, it cannot assure Investors that under certain conditions, changing circumstances

or changes in the law, it may not become subject to the Investment Company Act of 1940 in the future. Becoming subject to that Act could have a material adverse effect on the Fund. It is also probable that the Fund would be terminated and liquidated due to the cost of registration and operation under the Act.

Tax Risks. The Federal Income Taxation section, discussed later, describes the Manager's view with regard to certain tax issues that may arise in connection with the Fund. The Fund cannot guarantee that the Internal Revenue Service ("IRS") will not take a contrary view with respect to any of such issues. In this section, the Fund sets forth certain issues for which the Internal Revenue Service may take a contrary view and the impact on Members of the Fund of such a contrary view. **This discussion is not meant to be a discussion of all tax risks facing the Fund, and Members should consult their own tax advisors concerning tax risks involving their own tax situation. In addition, the Fund has not received, and does not propose to seek, an opinion of counsel or a ruling from the IRS on any matter set forth herein.**

The Manager believes that the Fund should be classified as a partnership for federal income tax purposes and not as a publicly traded partnership or an association taxable as a corporation, and each Member will be treated as a partner in the Fund for federal income tax purposes. See "Federal Income Taxation."

The IRS may challenge the Fund's status as a partnership for federal income tax purposes and contend that the Fund should be deemed an association taxable as a corporation for federal income tax purposes, or that the publicly traded partnership provisions of Section 7704 of the Internal Revenue Code, as amended (the "Code") apply to the Fund, causing it to be taxable as a corporation. In either case, the Fund would be subject to federal income taxation at the Fund level and the Fund's income, gains, losses, deductions and credits would not be allocated to the Members. The Members would no longer report their share of such items on their personal tax returns. If the Fund were deemed a publicly traded partnership under Section 7704 of the Code, Members may incur other detrimental tax consequences.

Members will be subject to income taxation on their distributive shares of this Fund's net taxable income. [It is probable that a Member's share of the Fund's taxable income, and attendant income tax liabilities, will exceed cash distributions from the Fund (since distributions are not currently contemplated)]. Accordingly, a Member should not rely on or anticipate distributions of cash from the Fund to cover income tax liabilities associated with his investment in the Fund. In addition, Members will not be permitted to withdraw funds from their capital accounts until one full calendar month after becoming Members even if they have income tax liability associated with an investment in the Fund during that period. It is also possible that the Fund's net taxable income may occur in a year when the net asset value of the Fund has fallen. Further, to the extent that the Manager is unable to satisfy requests for withdrawals with available funds, the Fund may be required to sell appreciated securities, causing accelerated recognition of gains allocable to both the withdrawing and non withdrawing Members.

Potential Investors should also be aware that the Fund is not a so-called "tax shelter" investment intended to generate net losses that could be used to offset income from other sources. Temporary Treasury Regulations provide that the activity of trading personal property, such as securities, for the account of owners of interests in the activity is not considered a passive activity that generates "passive" income. It is, therefore, expected that the net income generated from the Fund's activities will not be classified by the IRS as "passive" income, notwithstanding the general rule that income derived by a Member is passive in nature. As a result, it is expected that a Member will not be able to use passive losses from other sources to offset Fund net income.

Under Temporary Treasury Regulations, it is also likely that Fund income derived by a Member that would otherwise be considered passive income will be deemed to be "portfolio" income. If the income generated by the Fund is characterized as portfolio income, then certain expenses incurred by the Fund could be characterized by the IRS as investment advisory fees or other expenses incurred in connection with the production of income. In such event, each non corporate Member's pro rata share of expenses so characterized would be deductible to such Member only to the extent such amount, when added to the Member's other miscellaneous itemized deductions, exceeded two percent (2%) of such member's adjusted gross income for the year in question. In addition, miscellaneous itemized deductions in excess of two percent (2%) of adjusted gross income of high income individual Members may only be deducted to the extent such excess expenses (along with most other itemized deductions) exceed the lesser of (i) three percent (3%) of the excess of the individual's adjusted gross income over a

specified amount (for 1999, the amounts were \$126,600 or \$63,300 for a married person filing a separate return) or (ii) eighty percent (80%) of the amount of such itemized deductions otherwise allowable for the taxable year.

The Fund may also take a more aggressive tax position than a Member might. Should the IRS disallow any such position, Members could be audited and required to pay back taxes, interest and perhaps penalties. Under the Code, neither interest nor any penalties incurred in such circumstances would be deductible. Further, the Code provides for centralized resolution of tax disputes where limited liability companies are involved. As a result, the resolution of tax disputes affecting Members' returns may ultimately be controlled by the Manager. Any audit activity at the Fund level could also result in the audit of individual Members' returns with respect to items unrelated to the Fund's activities.

Federal and state tax laws are changing continuously as a result of new legislation, new regulations, and new administrative and judicial pronouncements. These changes may affect the Fund and its Members. All tax matters affecting the Fund and, through it, its Members, are and will be subject to such change. **Potential Investors should discuss the particular tax implications for them of any investment in the Fund with their tax advisors.** See "Federal Income Taxation."

Qualified Plan Investors. Fiduciaries of qualified plans, in consultation with their tax and legal advisers, should carefully consider whether an investment in Interests is consistent with their fiduciary responsibilities, particularly the responsibilities outlined in Part 4 of Title 1 of ERISA, the effect of the possible treatment of assets of the Fund as "plan assets," and certain tax risks such as, but not limited to, the probability of a portion of the Fund's net taxable income being taxed to them as "unrelated business taxable income." Furthermore, the Manager reserves the right to require immediate withdrawals by ERISA investors should at any time ERISA plan assets comprise twenty-five percent (25%) or more of, the Fund's net asset value.

USE OF PROCEEDS

The gross offering proceeds received from the sale of the Units will be used to purchase Portfolio Investments and to pay for the expenses of such trades. No selling commissions will be paid for or on account of any subscriptions and the Fund Manager will bear the costs and expenses relating to this Offering.

CONFLICTS OF INTEREST

The structure and proposed method of operation of the Fund will create certain inherent conflicts of interest between the Fund and CPAM and its Affiliates, including Mr. Hoenig. Such conflicts include, but are not limited to, the following:

Conflicts with Respect to Investment Opportunities

The CPAM or its Affiliates may serve as directors or officers of or perform investment advisory services for other investment entities with investment objectives and policies similar to those of the Fund, such as other funds that, in the future, may be sponsored or managed by CPAM or its Affiliates. Such entities may compete with the Fund for investment opportunities. Furthermore, CPAM and its Affiliates may invest directly in investments that would be appropriate investments for the Fund. In the case of competing funds controlled by CPAM or its Affiliates, suitable investment opportunities will be allocated among the Fund and such competing funds in proportion to their uncommitted capital. The Fund may be a co investor in Portfolio Investments with CPAM or its Affiliates. CPAM will endeavor to resolve conflicts with respect to investment opportunities in a manner deemed equitable to all to the extent possible under the prevailing facts and circumstances.

Other Activities

The Fund will not have independent management or advisors and will rely on CPAM and Mr. Hoenig for managing and operating the Fund and making the Fund's investment decisions. CPAM and Mr. Hoenig, however, will engage in substantial other activities apart from the Fund, including the establishment and operation of other investment vehicles. In addition, various key personnel of CPAM, and in particular, Mr. Hoenig, will be engaged in substantial

business activities apart from the Fund. See “Management.” Accordingly, CPAM and its key personnel will devote only so much of their time to the business and affairs of the Fund as is reasonably required in their judgment. CPAM and its personnel will have conflicts of interest in allocating management time, services, and functions among the Fund on the one hand and any other investment vehicles that they may organize or operate in the future, as well as, any other business ventures in which they are or may become involved. CPAM, however, believes that it and its personnel will have sufficient time to discharge fully their responsibilities to the Fund and to other business activities (including other investment vehicles) in which they are or may become involved.

Timing of Disposition of Fund Investments

CPAM will have an interest in the profits and losses and distributions of the Fund as set forth under “Compensation and Fees to Manager/Fund Manager.” CPAM’s interests in some cases may be inconsistent with the interests of the Members with respect to the timing of disposition of Fund investments. However, the acts of CPAM will be subject to a fiduciary duty to the Fund in evaluating decisions as to the retention and disposition of the Fund’s investments.

Compensation and Reimbursements Regardless of Fund Distributions

CPAM will receive certain compensation from the Fund for services rendered regardless of whether any sums are distributed to the Members. See “Compensation and Fees to Manager/Fund Manager-Management Fee.”

Legal Representation

Legal counsel to CPAM and its Affiliates also will serve as legal counsel to the Fund. In the event that any controversy arises following the termination of the Offering in which the interests of the Fund appear to be in conflict with those of CPAM or any of its Affiliates, it may be necessary to retain other counsel for one or both of these parties.

Non-Arms’-Length Agreements

Certain agreements and arrangements, including those relating to the management of the Fund and the compensation between the Fund and CPAM and its Affiliates, have been established by CPAM and are not the result of arms’ length negotiations.

FIDUCIARY RESPONSIBILITY OF THE MANAGER

CPAM, as the Manager, is accountable to the Fund as a fiduciary and consequently must exercise good faith and integrity in handling Fund affairs. A Member may institute legal action on behalf of himself and other similarly situated Members (a class action) to recover damages for breach by the Manager of its fiduciary duty on behalf of the Fund (a derivative action) to recover damages from third parties.

Members may have the right, subject to procedural and jurisdictional requirements, to bring class actions in federal courts to enforce their rights under the federal securities laws. Furthermore, Members who have suffered losses in connection with the purchase or sale of Units may be able to recover such losses from the Manager where the losses result from a violation by the Manager of the anti fraud provisions of the federal securities laws. Since the foregoing summary involves a rapidly developing and changing area of law, Members who believe that a breach of fiduciary duty by the Manager has occurred should consult with their own counsel.

The Operating Agreement of the Fund indemnifies the Manager, its Affiliates and any agent or employees thereof against liability (including attorneys’ fees) from any loss incurred by them or by the Fund resulting from errors in judgment or omissions, unless the acts of the Manager, its Affiliates and any agent or employees thereof involve fraud or willful misconduct. As a result of these provisions, Members may be entitled to a more limited right of action than they would otherwise have received absent such provisions in the Operating Agreement of the Fund. Members should note that a successful indemnification of the Manager or its Affiliates and principals could deplete the assets of the Fund.

In the opinion of the Securities and Exchange Commission, indemnification for liabilities arising under the Securities Act of 1933, as amended, is against public policy and therefore unenforceable.

COMPENSATION AND FEES TO MANAGER/FUND MANAGER

CPAM, as Manager and Fund Manager, will receive compensation and fees for management of and services provided to the Fund as follows:

Management Fee. Pursuant to the Fund's Operating Agreement, CPAM will receive a Management Fee, payable and calculated monthly, for managing the Fund and its investments, regardless of the performance of the Fund, and regardless of whether any distributions were made to the Members, equal to 1/6 of 1% of the month-end net asset value of the Fund, payable in cash within three (3) business days of the end of said month, and is calculated after allocations of the net profits or losses of the Fund for that month;

Performance Fee. Pursuant to the Fund Management Agreement, CPAM as Fund Manager will receive a Performance Fee, payable and calculated monthly, equal to twenty percent (20%) of the amount that trading profits (including net unrealized gains, if any, generated in the accounts of Members) exceed the percentage change of the performance fee benchmark index selected by CPAM (currently, the Consumer Price Index, which benchmark index may be changed quarterly by the Fund Manager without Investor approval; however, written notification of such change will be provided to Members by the Fund Manager). The Performance Fee may create an incentive for the Fund Manager to make Fund investments that are riskier or more speculative than would be the case in the absence of such performance-based fee in order to generate net profits subject to such fee; and

Certain administrative and overhead expenses (other than those operating expenses included in calculations of Fund profits and losses, such as brokerage commissions) incurred by the Manager on behalf of the Fund, including, but not limited to, rent, the cost of computer equipment, telephone service, financial manuals, news services and periodical subscriptions, employee salaries, secretarial services and office supplies and equipment, may also be paid through "soft dollar" arrangements with brokerage firms selected by the Manager and used by the Fund in executing and clearing Fund securities transactions. See "Brokerage and Custody" below. CPAM or its Affiliates have paid certain expenses related to this Offering.

INVESTMENT OBJECTIVES, AUTHORITY AND STRATEGIES

The Fund was formed to engage in the business of actively trading securities of other companies and other intangible investment instruments (respectively, "Portfolio Investments") and to employ various investment strategies to achieve capital appreciation on a consistent basis, preserve principal and avert uncontrolled risk. There can be no assurance that the Fund will achieve any or all of these objectives. Upon the sale of any Portfolio Investments, the Fund Manager, in its sole discretion, may, and intends to, reinvest the proceeds therefrom in other securities and/or investments, rather than distribute the proceeds to the Members of the Fund.

Investment Objectives

The Fund will strive to satisfy the following investment objectives: (i) to buy and sell securities and investments so that the Fund derives a profit rather than a loss from the transaction; (ii) to reinvest the funds from the sales of Portfolio Investments into other securities or investments (which will then also be deemed Portfolio Investments); and (iii) pool Investors' funds so that an Investor may participate in a portfolio of common stocks, options, futures contracts and other investment vehicles and techniques. The Fund will also provide Members with services designed to reduce the administrative details involved in engaging in the types of investment transactions made by the Fund. The Fund may in its sole discretion apply any profits to further enhance the Members' Capital Accounts or to distribute such funds to the Member. The Fund and the Fund Manager provide no assurances that the Fund will satisfy such objectives because the Fund's investments will be subject to various business and market risks including those risks set forth in this Memorandum. See "Risk Factors."

Authority

The Fund and CPAM (as the Manager and the Fund Manager) have broad authority under the Operating Agreement and the Fund Management Agreement to invest, hold, sell, trade on margin or otherwise, and otherwise deal in domestic and foreign securities, currencies and other intangible investment instruments including, but not limited to, stocks, bonds, notes, futures contracts, options, warrants, mutual funds, rights and other government agency securities and instruments. The foregoing notwithstanding, the Fund's investment in futures contracts at any time may not exceed 5% of the Fund's net asset value at the time of said investment. The Fund and CPAM have the power to and intend to actively sell "short" by borrowing securities from a securities brokerage firm for delivery on sale and subsequently covering the "short" positions by purchasing a like number of such securities in the market.

The Fund Manager has the authority to lend money or securities, or to borrow money or securities, and to give security therefor upon such terms as the Fund Manager deems proper, for the benefit of the Fund. The Fund Manager may also hold, mortgage, pledge, sell, exchange or otherwise dispose of the Fund's securities or cash.

The Fund may, from time to time, invest in securities of a company that would constitute more than 5% of a class of the outstanding stock of that company. The Fund will not invest in real estate, private placements (i.e., restricted securities) or any instrument, future, option, commitment or other contract, investment or interest that would cause the Fund Manager to be considered a commodity pool operator required to register as such, unless and until the effectiveness of appropriate registration or otherwise upon compliance with applicable regulations of the Commodities Futures Trading Commission.

The Fund's Investment Strategies

General. All investment decisions for the Fund will be made by the Fund Manager. In pursuit of the Fund's investment objectives, the Fund Manager currently anticipates using a number of investment strategies, methodologies and vehicles. The Fund's actual portfolio mix at any given time will be driven by current market conditions and relative risk/reward characteristics of the particular investments. The primary strategy to be utilized by the Fund Manager will be based upon multiple methodologies. The Fund Manager will employ computer-assisted fundamental, technical and behavioral analyses of securities and derivatives to create charts regarding various securities and to predict the fluctuations in the market and to determine potential price movement and turning points of individual stocks, market sectors and broad-based indices. Based on this compilation and analysis of technical information, the Fund Manager will make decisions about which securities to purchase and sell and the timing of those transactions. The Fund Manager at any one time may be tracking approximately 30 markets and 300 stocks and their price movements using various computer programs.

The Fund Manager may from time to time use the recommendations of a number of established market analysts and advisers to assist it in its primary investment decisions. Such analysts and advisers use fundamental and/or technical and/or behavioral analyses as the bases for their recommendations. Fundamental analysis generally includes comparisons of price-to earnings ratios versus anticipated growth rates, current capitalizations versus book values, and insider buying and selling trends. Technical analysis generally involves the monitoring of moving averages, trend lines, support and resistance areas, and break-out points. The Fund Manager intends to combine any market advisory assistance together with its own computer assisted revenue and earnings analyses of the overall market, industry sectors and individual securities to determine short-term and intermediate-term growth potential and trends.

The strategies that the Fund Manager intends to use include the following:

- (i) trading (i.e., purchasing and selling) common and preferred stock, mutual fund shares, stock options (see Appendix B for a description of "put" and "call" options), index options, futures contracts, bonds, fixed income and related derivatives;
- (ii) taking "long" positions in securities of large and medium (mid-cap) companies, which the Fund Manager deems to be undervalued relative to the securities of other companies within the same industry or sector and which the Fund Manager anticipates will go up in comparison to the purchase price and that a purchaser will be located in time to take advantage of the higher

securities price; and selling such securities. The Fund Manager may also from time to time invest in the securities of micro cap companies, if the Fund Manager believes such companies fit its overall investment profile;

- (iii) selling “short” (i.e., selling securities that the Fund does not own) the shares of the companies in sectors and industries which the Fund Manager considers to be substantially overvalued on a relative basis and which the Fund Manager anticipates the price of which will decline, and the Fund will be able to buy the securities at a lower price in the future to close out the transaction. For the Fund to sell the securities “short,” the Fund must borrow the equivalent securities to deliver them to the purchaser at the time of the short sale. The Fund will generally borrow the securities on margin from brokerage firms at which the Fund has established accounts. To finish the transaction or to “cover” the transaction, the Fund will have to purchase the securities on the market so that the stock previously borrowed may be returned. This is known as “closing the short position;”
- (iv) taking simultaneous “short” and “long” positions, in stocks, options and index futures trades;
- (v) using various strategies involving stock options and index options to enhance investment returns, as well as hedge the Fund’s primary portfolio positions. Such strategies may include the purchase and sale of covered stock and index options, as well as combinations and spread positions and selling uncovered (naked) options;
- (vi) selling “put” options (see Appendix B for a description of “put” and “call” options);
- (vii) the Fund Manager intends to limit the Fund’s short position exposure to 50% of the Fund’s net asset value at the time of investment, limit the Fund’s position in uncovered (naked) options to 50% of the Fund’s net asset value at the time of investment and limit the Fund’s total investment in stock options and index options to 50 % of the Fund’s net asset value at the time of investment;
- (viii) the Fund Manager may apply the major portion of the Fund’s assets to short term holdings with the objective of trading in and out of established trading ranges, with the result that the Fund may experience high levels of portfolio turnover from time to time and resulting in higher trading expenses. The Fund Manager, in order to limit the Fund’s exposure, may place a portion of the Fund’s assets in long term positions at any given time;
- (ix) the Fund may invest from time to time in securities offered in public offerings;¹
- (x) the Fund Manager may complement its short-term trading strategy by investing on an intermediate term basis in the securities of companies it deems to have the best potential for continued high growth. Such companies will generally possess strong earnings momentum, high value relative to the companies within the same sector, unique products, proven management and/or strong institutional sponsorship. Such companies may also include turn-around situations and out-of-favor companies which the Fund Manager believes have the highest potential for rebound growth; and
- (xi) a percentage of the Fund’s assets may be invested from time to time in securities of issuers in foreign countries, although the Fund Manager does not anticipate that the Fund’s investments in foreign-traded securities will exceed 50% of the Fund’s net asset value except in unusual market

¹ Any Investors in the Fund who are associated with a securities broker-dealer, a senior officer of a registered investment advisory firm, bank, saving association or insurance fund, or otherwise fall within the prohibitions of the “Free-Riding and Withholding” Interpretation of the Rules of Fair Practice of the National Association of Securities Dealers, Inc. will not participate in “hot issue” investment mad by the Fund.

circumstances. Securities of foreign issuers are generally listed on national foreign exchanges, regional exchanges or in over the counter foreign markets. See "Risk Factors - Risks Relating to Foreign Securities."

The Fund Manager reserves the right to alter any Fund investment policy or strategy as it deems appropriate from time to time in its discretion without requiring Member approval. However, written notification of such alteration of investment policy or strategy will be provided to Members by the Fund Manager so as to allow Members the opportunity to effect withdrawals from their Capital Accounts in advance of such alteration.

Margin Accounts. The Fund will maintain one or more margin accounts through its clearing broker, which would allow the Fund to borrow money on marginable securities in the Fund's account using credit extended by the clearing broker. Margin is the amount the Fund pays when using the clearing broker's credit to purchase a security. The Fund intends to make use of margin borrowing to leverage the Fund's holdings at such times and in such amounts as the Fund Manager determines appropriate, although the Fund Manager will likely not use 100% of its available margin borrowing capacity in order to avoid forced asset liquidation and to maintain investment power in the event of a general market advance or decline. Moreover, a Member will not be required to make additional contributions to capital, will not be personally liable for Fund debts (see, "Risk Factors - Repayment of Distributions") and will not be subject to margin calls.

Margin requirements are twofold. First, there is an initial margin requirement at the time of purchase; and second, a minimum margin equity must be maintained in the Fund's account.

In most cases, the minimum amount due for initial purposes is established by the Federal Reserve Board in accordance with Regulation T. This requirement is expressed as a percentage of the purchase price and it may change from time to time. For example, if the margin requirement is 50%, and you purchase a stock costing \$5,000.00 plus commission, the Fund is only required to deposit 50% of the purchase into the account by the settlement date. The settlement date for purchases and sales of most securities made in margin accounts is three business days from the date of the transaction. The balance due on the purchase will be loaned to the Fund by the clearing broker, and the Fund's account will be debited this amount. The Fund is required to pay interest on the amount advanced, as the Fund would on any other loan. The clearing broker holds the securities the Fund buys on margin as collateral for the Fund's debt.

In addition to the initial margin requirements of the Federal Reserve Board, the New York Stock Exchange ("NYSE") requires a customer opening a margin account to have minimum initial equity of \$2,000 in his account. For example, if your initial purchase of stock costs \$2,400, you will have to deposit \$2,000 rather than \$1,200 which would be required by the Federal Reserve Board (assuming the Regulation T requirement is 50%).

The NYSE also sets minimum margin maintenance requirements. Under present NYSE rules, the margin, which must be maintained in an account, is 25% of the market value of all securities "long" in the account. The Fund's clearing broker maintenance requirement is 35%.

If the Fund's equity falls below the maintenance requirement established by the clearing broker, the Fund will usually, but not always, receive a margin call informing it of the additional collateral required to bring its account up to the minimum level. If the Fund fails to meet a margin call or if the broker clearing house must act without a margin call, sufficient securities may be sold to meet the Fund's obligations to the clearing broker.

There are special margin requirements on a "short" sale. NYSE rules presently require maintenance margin on short sales: (i) \$2.50 per share or 100% of the current market value, whichever is greater, of each stock short in the account selling at less than \$5 per share; or (ii) \$5 per share or 30% of the current market value, whichever is greater, of each stock short in the account selling at \$5 per share or above.

All transactions that go through the clearing broker and the money and securities that the clearing broker holds for the Fund will be transactions that are deemed to be insured under the Securities Investor Protection Corporation ("SIPC"). SIPC is a non-profit membership corporation that Congress established to afford financial protection against loss to customers from broker dealers that fail.

The Fund Manager intends to maintain, at any give time, accounts with several brokerage firms (which are not affiliated with either the Fund or the Fund Manager), to execute trades on behalf of the Fund at negotiated discount rates. The Fund currently maintains accounts with Merrill Lynch, Oanda Corporation, OptionsXpress and other broker-dealers, with whom the Fund has negotiated brokerage commissions.

Profit Potential in Declining Markets. In contrast to many registered mutual funds, the Fund has the potential to be profitable during periods that stock prices are generally declining due to its ability to sell securities “short” and to trade in options. But see “Risk Factors B Risks Relating to Short Sales; Options; Margin Trading.” For example, the Fund will generally be able to use margin borrowing to a greater extent than many registered mutual funds, which has the potential to increase Fund returns during periods that stock prices are generally rising. The Fund is also likely to be smaller in asset size than most registered mutual funds. As a result, the Fund may be better able to take or liquidate a proportionately large position in a particular security without adversely affecting the market price of that security. But see “Risk Factors B Risks Relating to Short Sales; Options; Margin Trading.” The Fund should also be more nimble than such larger mutual funds in moving to an aggressive or defensive posture as market conditions change.

Cash Positions. The Fund’s funds (other than those required for immediate operating expenses) may be invested fully in securities and other investment instruments, may be held fully in cash or cash equivalents, may be partially invested and partially held in cash, or may be fully or partly committed to short positions in securities and similar positions in other investment instruments, as the Fund Manager believes the circumstances warrant.

Moderate Diversification and Concentration. The Fund Manager expects moderate diversification of the Fund’s securities positions, although the Fund Manager may determine not to seek moderate diversification from time to time. The Fund Manager may also determine at times to concentrate Fund investments in securities relating to companies engaged in the same industry or group of industries. See “Risk Factors - Possible Lack of Diversification; Industry Concentration.”

Trading on any Exchange. Except as set forth in this Memorandum, the Fund Manager, in its sole and independent discretion, may trade in any securities and investments it chooses and which are traded on any exchange including, but not limited to, the NYSE, any of the NASDAQ markets (i.e., National Market, SmallCap Market, Electronic Bulletin Board, “Pink Sheets”, etc.), the American Stock Exchange, the Chicago Board Options Exchange, the Chicago Board of Trade, and the Chicago Mercantile Exchange. The Fund Manager will use the Fund’s funds to purchase and sell securities through various trading accounts. The Fund may also trade stock that has just been listed on a market through an initial public offering.

Fund Management Agreement

On August 1, 2000, the Fund entered into a Fund Management Agreement with CPAM pursuant to which, among other things, CPAM will provide asset management services, investment advise and will use various trading strategies and methodologies as described above and the Fund will pay CPAM the Performance Fee (as previously described herein, see “Compensation and Fees to Manager/Fund Manager”). This agreement provided for an initial term of three (3) years and automatically renews for successive one (1) year periods, unless otherwise terminated.

MANAGEMENT

Capitalistpig Asset Management, LLC. The Fund is managed by its Manager, Capitalistpig Asset Management, LLC, a Illinois limited liability company (“CPAM”). The Manager also serves as the Fund Manager. The Manager was organized by Mr. Jonathan Hoenig in November, 1999. Mr. Hoenig is the sole member, officer and director of the CPAM. Mr. Hoenig does not currently anticipate that the Manager will add any other Manager.

Jonathan Hoenig. Mr. Hoenig attended Northwestern University until becoming a member of the Chicago Board of Trade in 1997. His insight and market commentary has been featured in numerous industry publications, including *Technical Analysis of Stocks and Commodities*, *TheStreet.com*, *Wired*, *Maxim* and the Fox Television Network. He wrote sections of a recently published Irwin/McGraw Hill textbook, as well as the forward of Robert Koppel’s book, *Money Talks: Candid Conversations about Wealth in America*. Mr. Hoenig’s first book, *Greed is*

Good: The Capitalistpig Guide to Investing, was recently published by HarperCollins. Mr. Hoenig has consulted with financial service providers such as Charles Schwab, VISA and Van Kampen Funds, as well as speaking at industry conferences across the country. Mr. Hoenig has studied trading technique at the Chicago Mercantile Exchange and Chicago Board Options Exchange. He is a member of the Economic Club of Chicago.

Other Activities. Mr. Hoenig intends to devote as large a portion of his business time to Fund activities, as he deems necessary. However, the Operating Agreement recognizes that the Manager, Mr. Hoenig and his Affiliates and other officers, directors and employees may conduct any other business, including any business with respect to securities. Without limiting the generality of the foregoing, the Manager and such other persons may act as an investment adviser or investment manager or fund manager for others, including other funds, may act as a “finder” in the raising of capital for others, may manage funds or capital for others, may have, make and maintain investments in their own names or through other entities, and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. The Operating Agreement also recognizes that it may not always be possible or consistent with the investment objectives of the various persons described above and of the Fund for the same investment positions to be taken or liquidated at the same time or at the same price.

SUMMARY OF THE OPERATING AGREEMENT

The following is a brief description of certain provisions of the Operating Agreement of the Fund and is qualified by reference to the full text of the Amended and Restated Operating Agreement, attached as Appendix A. See also “Compensation and Fees to Manager/Fund Manager.”

Limited Voting Rights of Members. Investors, as Members in the Fund, will have the right to vote only on certain significant matters affecting the Fund. In particular, the removal of the Fund Manager for “cause” requires a vote of the owners of seventy-five percent (75%) or more of the outstanding Percentage Interests in the Fund. A person or entity may be added as an Additional Manager with the approval of the existing Manager and a vote of the owners of seventy-five percent (75%) or more of the outstanding Percentage Interests in the Fund.

Assignability of Member Interests. Neither the interest of any Member in the Fund nor any beneficial interest therein is assignable, in whole or in part, without the consent of the Manager.

Other Manager and Management Activities. The Operating Agreement recognizes that the Manager, Mr. Hoenig and his Affiliates and associates invest for their own accounts, may be associated with other investment entities, engage in investment management for others, engage in the finding of capital for third parties and engage in other business enterprises. The Manager and such other persons are not limited or restricted from engaging in or devoting time and attention to the management of any other business, whether of a similar or dissimilar nature, taking advantage of investment and business opportunities without offering the Fund an opportunity to participate, or rendering services of any kind to any other corporation, partner, firm, individual or association. In no event shall the Manager or any such other persons be required to account to the Fund or a Member for the profits generated by any such business, opportunity or service or through their own investments. The Manager, such other persons and clients may hold positions in securities from time to time both that the Fund owns and that it does not own.

Limited Liability of the Members. Investors, as Members in the Fund, will not be liable for any debts of the Fund beyond the amount of their respective Capital Contributions and, in certain circumstances, Distributions. See, “Risk Factors - Repayment of Distributions.”

Liability and Indemnification of the Manager and Others. The Manager is not liable, responsible or accountable in damages or otherwise to the Fund or any of the Members for any acts performed or omitted within the scope of his/her/its authority, including the results of any investment made by the Manager on behalf of the Fund, provided that the Manager shall have acted in good faith. The Fund will, to the fullest extent legally permissible under the laws of the State of Illinois, indemnify the Manager and any persons designated to wind up the affairs of the Fund pursuant to the Operating Agreement against any loss, liability, damage, cost or expense reasonably incurred or suffered in connection with the performance by the Manager or other persons having responsibilities for the Fund.

Admission of Members and Additional Capital Contributions. The Manager may admit Additional Members to the Fund, or accept additional capital contributions from existing Members, on the first (1st) business day of any month, provided that such additional capital contribution be delivered five (5) business days prior to the end of the preceding month. Capital contributions must be made only in cash. See “Withdrawal of Funds and Purchase of Additional Units.”

Capital Accounts. An individual Capital Account is maintained for each Member to which is added (i) the Member’s initial capital contribution, (ii) any additional capital contribution by the Member, and (iii) any net profits allocable to the Member and from which is deducted (a) any distribution made to the Member (whether or not at his request), (b) any net loss allocable to the Member, and (c) any Management Fee and Performance Fee then payable from the Member’s Capital Account. No Member shall have any liability or obligation to restore a negative or deficit balance in such Member’s Capital Account, nor shall any negative balance in a Member’s Capital Account create any liability on the part of the Member to any third party.

Compensation to CPAM. Pursuant to the Operating Agreement, Capitalistpig Asset Management, LLC, will receive a Management Fee. See “Compensation and Fees to Manager/Fund Manager.” In addition, CPAM will receive a Performance Fee in its capacity as an advisor to the Fund.

Expenses. The Manager is authorized to incur all operating expenses on behalf of Fund, which expenses are borne by the Fund. See “Compensation and Fees to Manager/Fund Manager.”

Determination of Net Asset Value. The Net Asset Value of the Fund is determined as of the close of business at the close of business on the last business day of each calendar month and at such other date(s) that the Manager designates as a special opening date(s) (the “Special Opening Date”) (collectively, the “Valuation Dates”). The net asset value of the Fund is to be determined as of each Valuation Date by:

- (a) Adding the following to the aggregate value of the investments of the Fund (determined as described below in “Fund Asset Valuation”): the uninvested cash balances of the Fund (as adjusted); such assets as would generally be considered pre-payments of expenses to be amortized over future periods; and such other assets of the Fund as should be considered assets in accordance with the accounting methods prescribed in the Operating Agreement.
- (b) Deducting from that total any liabilities due in accordance with the accounting methods employed and, in the discretion of the Manager, such proportionate part as it deems proper of all charges, expenses or other liabilities accrued or anticipated to be applicable to any period prior to the Valuation Date, which amounts, so far as such liability is unliquidated, are to be fixed by the Manager in its discretion.

The net amount remaining is deemed to be the Net Asset Value of the Fund on that Valuation Date. The net profit or net loss of any period shall be the difference between the net asset value of the Fund at the beginning of the period and the net asset value of the Fund at the close of the same period, such net asset value in each case determined before giving effect to capital contributions and withdrawals. Any increase in Net Asset Value over the period (other than as a result of capital contributions) is then treated as a net profit and any decrease in Net Asset Value (other than as a result of distributions or withdrawals) is treated as a net loss. Distributions and withdrawals are then made, as of the Valuation Date. Contributions are then booked on the Regular or Special Opening Date, with the net resulting amount constituting the opening Net Asset Value of the Fund for the subsequent fiscal period.

Fund Asset Valuation. The Fund assets are valued in the following manner:

- (a) Securities for which market quotations are available are valued at their closing sale price on the primary market on the Valuation Date or, if on such date securities markets were closed, then the last preceding business day on which they were open).

- (b) Securities traded in the over-the-counter market for which no sales quotations are generally available are valued at the closing bid price if held long or closing ask price if sold short on the Valuation Date (or last preceding business day if securities markets were closed).
- (c) Securities generally traded on an established securities market but for which there is no recorded sales information or quotations of bid and asked prices on the Valuation Date (or, if applicable, last preceding business day) are valued by the Manager in good faith with reference to (i) the most recently reported sales or bid and asked prices, (ii) bid and asked price information as of the Valuation Date not generally reported but secured from a reputable broker or investment banker, and (iii) such other information as the Manager believes in good faith is relevant.
- (d) Puts, calls and other contracts and derivative securities are valued in a manner comparable to the method for valuing other securities.
- (e) Securities not listed or traded on any exchange or in the over the counter market are considered as having no ascertainable market value and are valued at cost or at fair value based on information available to the Manager regarding the value of such securities.

An investment purchased, and awaiting receipt against payment, is included for valuation purposes as an asset held, and cash accounts are adjusted by the deduction of the purchase price, including brokers' commissions or other expenses of the purchase. An investment sold but not delivered pending receipt of proceeds shall be valued at the net sales price. For the purpose of valuation of an investment, except an investment sold but not delivered, no deduction is made from the value determined above for brokers' commissions or other expenses that would be incurred upon a sale thereof.

Allocation of Profits, Losses and Distributions. The Fund will maintain a Capital Account for each Member (a "Capital Account"). Each Member will receive a credit for his/her/its Capital Contribution (i.e., the amount the Member paid for the Interests purchased) to the Member's Capital Account. The Member's Capital Account will be increased or decreased on a daily basis, depending on the Member's pro rata share of cash profits or losses from the Fund's daily trading activity and from time to time as the Fund expends funds for its operating expenses. See "Summary of the Offering."

Withdrawal of Funds and Purchase of Additional Interests. The Operating Agreement allows Members to withdraw all or any portion of the Member's Capital Account (with a minimum withdrawal of \$10,000); however, Member withdrawals may not be made for one calendar month after investment. Any Member who withdraws his/her/its Member Capital Account balance within the first twelve (12) months from the date of his/her/its investment in the Fund, will be assessed a withdrawal fee (payable to the Fund) equal to six percent (6%) of the net asset value of the amount withdrawn. Because the securities and investments held by the Fund will regularly fluctuate in value, it is possible that a Member's request to withdraw his/her/its investment may ultimately be processed at a different net asset value than the value at the time the request was originally received by the Fund.

A Member may purchase additional Interests and new investors may purchase Interests in the Fund as follows. The minimum subscription amount for new subscribers is three hundred thousand dollars (\$300,000) and in increments of \$10,000, but additional subscriptions from existing Members may be in lesser amounts, provided that they must be in increments of ten thousand dollars (\$10,000), and must be received at least five (5) business days before the end of the month. The foregoing notwithstanding, the Manager reserves the right, in its sole and exclusive discretion, to accept new and additional subscriptions for lesser amounts. Either subscription will be accepted effective as of the close of business on the last business day of the month in which the subscription is received. The subscription amount will be disbursed to the Fund on the first (1st) business day of the month. The number of Units and fractional Units (i.e., Interests rounded to four decimal places) purchased by the subscription shall be determined based on the Fund's Net Asset Value as of the close of business on the last business day of the month in which the subscription is received divided by the total number of Interests outstanding. See also "Plan of Placement."

Dissolution of the Fund. The Operating Agreement provides that the Fund may be dissolved at any time by the Manager with the approval of a majority in interest of the Members, whereupon the Fund's affairs shall be wound

up by the Manager. The Operating Agreement also provides that, the Manager has the right, in its sole discretion, to dissolve the Fund if the value of an original investment ever declines by fifty percent (50%) or more based on a calculation of a Member's Capital Account. Further the dissolution, death, retirement, bankruptcy, permanent disability or another event of withdrawal of the sole remaining Manager would dissolve the Fund, and the business of the Fund would thereupon terminate and be wound up unless the Members act unanimously to continue the business of the Fund and appoint a new Manager. If the Fund is dissolved, the Manager, its designee or another person or entity designated by a majority in interest of the Member will take all steps necessary or appropriate to wind up the affairs of the Fund.

Term of the Fund. The Operating Agreement provides that the Fund will continue in perpetuity, or until an event set forth in the Operating Agreement which causes a termination of the Fund. See "Dissolution of the Fund."

Amendment of the Operating Agreement. The Operating Agreement may be amended by the Manager acting alone in any manner that does not adversely affect any Member and under certain other circumstances. The Operating Agreement may also be amended by unanimous approval of the Members as to other designated matters. However, amendments to the Operating Agreement with regard to increases in fees charged to Members by the Manager shall require approval by the Manager and Members owning a majority in interest in the Capital Accounts of all Members.

Power of Attorney. The Manager is authorized to sign Fund documents on behalf of each Member so long as no personal liability is imposed by any such document on any Member.

See also, "Summary of Offering - Resale Restrictions," "Risk Factor - Withdrawals and Illiquidity of the Investment in Units" and "Conflicts of Interest."

BROKERAGE AND CUSTODY

The Fund will pay brokerage commissions and fees to registered securities broker/dealers for executing and clearing transactions on behalf of the Fund. The Manager has complete discretion regarding the selection of brokers and the amount of brokerage commissions and fees paid to such brokers.

Brokerage fees paid by the Fund may vary and may be greater than those typical for investment funds similar to the Fund if the Member referrals and services rendered or items paid for pursuant to "soft dollar" arrangements (see below) of a particular broker merit greater than typical fees. Fund brokerage transactions may also be made from time to time on an aggregate basis in conjunction with transactions on behalf of the Manager individually and other accounts managed by it, Mr. Hoenig or their Affiliates or associates. In those cases, the Fund may bear a pro rata share of brokerage commission expenses that sometimes exceeds the commission expense that the Fund would have incurred if it had traded independently.

The Fund may also enter into so called "soft dollar" arrangements with brokerage firms from time to time. Under these arrangements, the brokerage firms provide or pay the costs of certain services, equipment or other items for the benefit of the Fund, the Manager, Mr. Hoenig, or one or more of their Affiliates in consideration of the allocation to the firm of brokerage transactions (with resulting commission income) made on behalf of the Fund. The services, equipment and other items provided or for which payment is otherwise made using such soft dollar arrangements may include, among others, research services, computer and other office equipment, office supplies, consulting fees, salaries, employee benefits, telephone, news wire, data processing and other charges, attorneys' and accountants' fees, office rent, travel and entertainment expenses, quotation services, periodical subscription fees, and custody, record keeping and similar charges. Any of these soft dollar arrangements may benefit the Manager, Mr. Hoenig or one or more of their Affiliates without any direct benefit to the Fund. The Manager believes, however, that its allocations of brokerage business and soft dollar arrangements generally enhance the Fund's ability to obtain research and optimal execution, as well as other benefits to the Fund.

Custody of the Fund investments will be maintained at one or more financial institutions or brokerage firms selected by the Manager. Such arrangements are intended to assure that the Manager will not be deemed to have custody of Fund funds or securities for purposes of the federal Investment Advisers Act of 1940. However, such arrangements

do not assure that Fund assets will be secure against any fraudulent activities of Manager personnel. Furthermore, SIPC insurance protection on the cumulative balances of the Fund accounts at each broker/dealer is limited to \$500,000 including \$100,000 cash, in the event of the broker/dealer's bankruptcy.

REPORTS TO MEMBERS

The Manager will distribute a written report to the Members as of the end of each calendar quarter as to the operation of the Fund. The books and records of the Fund will be audited as of the end of each fiscal year by an independent firm of certified public accountants selected by the Fund, and the Members will be furnished with audited year-end financial statements, including a statement of profit or loss for such fiscal year and a statement of the status of such Members' Capital Account at such time.

PLAN OF PLACEMENT

Interests are being offered and sold directly by the Manager (through Mr. Hoenig, the Manager's sole member, officer and manager) on behalf of the Fund. The address and telephone number of the Manager is 531 South Plymouth Court, Chicago IL 60605. Neither Mr. Hoenig, the Manager nor any other officers, directors or employees that it may have from time to time will be entitled to any compensation from the Fund for their services in offering and selling interests. However, the Manager may direct or allocate Fund brokerage business to brokers who refer prospective Investors to the Fund or otherwise assist the Fund in raising capital. See "Brokerage and Custody" above. The Manager may also determine in the future to pay cash commissions or referral fees for Member referrals, subject to compliance with applicable securities laws.

The Interests may never be held by more than 99 Investors comprised of "accredited investors" as that term is defined in Regulation D of the Securities Act, and not more than 35 other Investors who satisfy all of the criteria for Qualified Non Accredited investors set forth in this Memorandum. See "Investor Suitability Standards."

The minimum subscription amount for new subscribers is \$300,000, and in increments of \$10,000, and additional subscriptions from existing Members may be in lesser amounts but shall be in increments of \$10,000. The foregoing notwithstanding, the Manager reserves the right, in its sole and exclusive discretion, to accept new and additional subscriptions for lesser amounts. Both new and additional subscriptions must be received at least five (5) business days before the end of the month. Either subscription will be accepted effective as of the close of business on the last business day of the month in which the subscription is received.. The number of Units and fractional Units (i.e., Interests rounded to four decimal places) purchased by the subscription shall be determined based on the Fund's Net Asset Value as of the close of business on the last business day of the month in which the subscription is received divided by the total number of Interests outstanding.

The Manager and its Affiliates reserve the right to purchase any amount of Interests for their own accounts. Any such purchases by the Manager or its Affiliates shall be for the same price and subject to the same terms and conditions as all of the Interests sold by the Fund pursuant to this Memorandum. As an owner of Interests, the Manager or its Affiliates shall be entitled to all allocations of Profits, Losses, distributions and voting rights attributable to any such Interests.

In addition, the Manager may, in its sole discretion, establish an arrangement with one or more securities broker dealer firms to assist in the offer and sale of the Units for which services such firm(s) would be paid , by the Fund Manager, commissions and/or receive other compensation.

RESTRICTIONS ON TRANSFER

The Units and Interests being offered hereunder are being offered pursuant to exemptions from the registration requirements under the Securities Act, as amended, and applicable state securities laws. Further, the Units and Interests are not transferable or assignable by their express terms. As a consequence, Investors in the Units (Interests) will not be able to subsequently sell their Units or Interests. Accordingly, any purchaser of Units and Interests must bear the economic risk of his investment in the Units and Interests for an indefinite period of time.

Specifically, a legend will be placed on any certificate(s) which may be issued representing Units (and Interests) sold hereunder that states:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS. THESE SECURITIES ARE NOT TRANSFERABLE, AND PURCHASERS WILL BE UNABLE TO RESELL THESE SECURITIES UNLESS SUCH SECURITIES ARE REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE LAWS OR AN EXEMPTION THEREFROM IS AVAILABLE.

FEDERAL INCOME TAXATION CONSIDERATIONS

IMPORTANT NOTE RESPECTING TAX CONSIDERATIONS:

THE INFORMATION WHICH FOLLOWS IN THE SECTIONS ENTITLED "FEDERAL INCOME TAXATION CONSIDERATIONS AND STATE AND LOCAL TAX CONSIDERATIONS (PAGE 33, BELOW) WERE PREPARED AND INCLUDED IN THE FUND'S ORIGINAL OFFERING MEMORANDUM IN 2002. IN THE INTERIM, THERE HAVE BEEN CHANGES IN THE APPLICABLE TAX LAWS AND REGULATIONS. ACCORDINGLY, THE INFORMATION WHICH FOLLOWS MAY WELL BE OUTDATED. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS ON ANY FEDERAL AND STATE TAX CONSIDERATIONS ATTENDANT TO AN INVESTMENT IN THE FUND.

The following is a summary of certain federal income tax consequences of an investment in the Fund. This summary is limited to the consequences to a Member that is a U.S. Person (as defined below) and focuses primarily on the consequences to Members that are individuals or trusts. The summary does not address all aspects of taxation that may be relevant to a particular Member in light of the Member's particular tax circumstances or to certain types of investors subject to special rules under the federal income tax laws, such as regulated investment companies, banks, insurance companies, personal holding companies, tax exempt entities, charitable remainder trusts, charitable lead trusts, and dealers in securities. Each prospective Member should consult such person's own tax advisor as to the specific tax consequences of an investment in the Fund, including the application and effect of state and local income and other tax laws.

A "U.S. Person" means a Member who or that is, for federal income tax purposes, a citizen or resident of the United States, a corporation organized in or under the laws of the United States, any state or the District of Columbia, or any other person subject to federal income taxation on a net basis with respect to Interests of the Fund.

The following summary is based on existing provisions of the Internal Revenue Code ("Code"), existing and proposed Treasury Regulations, and existing administrative interpretations and court decisions. Future legislation, Treasury Regulations, administrative interpretations or court decisions could significantly change the treatment of the items discussed. Any such change could have retroactive application and, therefore, could alter the tax consequences to a Member of his or her investment in the Fund.

The Code contains a number of ambiguities that will be resolved only by future legislative, administrative or court action. In addition, on certain questions there are no relevant Treasury Regulations, administrative interpretations or controlling court decisions. Accordingly, no assurance can be given that the Internal Revenue Service (the "IRS") will not challenge the tax treatment of certain matters discussed herein or, if it does, that it will not be successful. No rulings have been requested or received from the IRS as to any of the matters discussed herein.

THIS SUMMARY IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. NONE OF THE MANAGER, THE FUND, OR ANY OF THEIR COUNSEL OR CONSULTANTS ASSUMES ANY RESPONSIBILITY FOR THE TAX CONSEQUENCES OF THIS TRANSACTION TO ANY MEMBER. EACH SUBSCRIBER WILL BE REQUIRED TO REPRESENT IN THE SUBSCRIBER'S SUBSCRIPTION AGREEMENT THAT SUCH SUBSCRIBER HAS RELIED ONLY ON THE SUBSCRIBER'S OWN TAX

ADVISOR WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES ARISING FROM THE PURCHASE.

Classification as a Partnership

The Manager believes the Fund will be classified as a partnership for federal income tax purposes and not as a publicly traded partnership or an association taxable as a corporation, and each Member will be treated as a partner in the Fund for federal income tax purposes. This conclusion is based on certain assumptions of the Manager, including that ninety percent (90%) or more of the Fund's gross income during each taxable year will consist of "qualifying income" within the meaning of Section 7704(d) of the Code. Qualifying income includes, among other items, interest, dividends, real property rents, income from notional principal contracts (if the property, income, or cash flow that measures the amounts to which the Fund is entitled under the contract would give rise to qualifying income if held or received directly), payments with respect to securities loans, gain from the disposition of stock, securities, foreign currencies or real properties and other income (including, but not limited to gains from options, futures or forward contracts) derived with respect to investments. For this purpose, Treasury Regulations provide that notional principal contracts include interest rate swaps, currency swaps, basis swaps, interest rate caps, interest rate floors, commodity swaps, equity swaps, equity index swaps and similar arrangements.

If the Fund was classified or treated for federal income tax purposes as a publicly traded partnership or an association taxable as a corporation, such entity would be required to pay federal income tax at corporate rates currently ranging to a maximum of thirty-five percent (35%) on its taxable income. This would substantially reduce the amount of cash available for distribution to the Members. Moreover, losses of the Fund would only be allowed to offset income of the Fund and could not be passed through to the Members for use on their own federal income tax returns. Furthermore, distributions of cash or other property made by the Fund would, to the extent of its current or accumulated earnings and profits, be taxable to the Members as dividends at federal income tax rates, currently ranging to a maximum of thirty-nine point six percent (39.6%).

Anti-abuse Regulation

Section 1.701-2 of the Treasury Regulations provides that if a partnership is "formed or availed of in connection with a transaction a principal purpose of which is to reduce substantially the present value of the partners' aggregate federal tax liability in a manner that is inconsistent with the intent" of the partnership provisions of the Code, the IRS has the authority to recast the transaction so as to achieve tax results consistent with the intent of the partnership provisions, taking into account all the facts and circumstances. The Manager believes that the Treasury Regulation will not apply to the offering of Interests in the Fund.

Capital Accounts; Tax Basis in the Interests

The Fund will maintain a Capital Account for each Member. The initial balance of each Capital Account will equal the amount of cash the Member contributes to the Fund. Thereafter, each Member's Capital Account will be (i) increased to reflect the amount of such Member's share of the Fund's income or the amount of any additional cash contributed by such Member, and (ii) decreased to reflect the amount of any cash distributed to such Member and such Member's share of the Fund's losses and expenses.

A Member's initial tax basis in his or her Interests will equal the cash contributed by such Member to the Fund, plus the Member's share of the Fund's nonrecourse liabilities, if any. A Member's tax basis in his or her Interests will be increased by (i) the Member's share of the Fund's taxable income, including capital gain, (ii) the Member's share of the Fund's income, if any, that is exempt from tax, and (iii) any increase in the Member's share of the Fund's nonrecourse liabilities. A Member's tax basis in his or her Interests will be decreased (but not below zero) by (i) the amount of any cash of the Fund that is distributed to the Member, (ii) the Member's share of the Fund's losses and deductions, (iii) any decrease in the Member's share of the Fund's nonrecourse liabilities, and (iv) the Member's share of the Fund's expenditures that are neither deductible nor properly chargeable to the Capital Account.

Allocation of Taxable Income or Loss from Securities

Generally, all items of taxable income or loss of the Fund will be allocated to the Members pro rata in accordance with the number of Interests they own. Gains or losses on the sale of securities would be capital gains or losses. Long term capital gains and losses allocated to non-corporate Members with respect to sales of securities will be subject to a maximum federal income tax rate of twenty percent (20%) for securities held longer than twelve (12) months, while other income allocated to such Members in connection with the Fund's holding of securities may be subject to a maximum federal rate of thirty nine point six percent (39.6%).

Members' Distributive Shares

Under Section 704(b) of the Code, a Member's distributive share of income, gain, loss, deduction or credit (or any item thereof) of the Fund will be determined in accordance with the Operating Agreement only if that allocation under the Agreement has "substantial economic effect."

In determining whether an allocation has substantial economic effect, the principal considerations are (i) whether the allocation actually affects the eventual amount of money or other property allocable to a Member (i.e., it has economic effect), without regard to tax consequences, and (ii) whether the effect described in (i) is substantial. If an allocation under the Operating Agreement does not have substantial economic effect, the IRS will reallocate profits and losses among the Members in accordance with their interests in the Fund, determined by taking into consideration all facts and circumstances. The allocations of profits and losses under the Operating Agreement should have economic effect and that effect should be "substantial" as that term is defined in the Regulations. The allocations should have economic effect under the alternative test for economic effect set forth in the Regulations because (i) capital accounts will be maintained in accordance with the standards as set forth in Regulations and (ii) distributions upon liquidation will be made in accordance with positive Capital Account balances, as required by Regulations.

Although an allocation of losses attributable to nonrecourse liabilities cannot technically have economic effect because no Member bears the actual risk of economic loss, an allocation of such losses is deemed to have economic effect if four requirements are met:

- (i) the economic effect requirements listed above are satisfied throughout the full term of the entity;
- (ii) the allocation of nonrecourse deductions among the taxpayers is reasonably consistent with allocations of other significant entity items;
- (iii) a "minimum gain charge-back" (as defined in the Regulations) is provided for in the Operating Agreement; and
- (iv) all other material allocations and capital account adjustments under the Operating Agreement are recognized under the Regulations.

If the Fund incurs a nonrecourse liability, those requirements should be satisfied under the terms of the Operating Agreement.

Distributions and Withdrawals

Pursuant to Section 731 of the Code, distributions of cash with respect to a Member's Interests are taxable only to the extent the amount of cash exceeds the Member's tax basis in his or her Interests. A Member's adjusted tax basis in his or her Interests is determined as described above in "Capital Accounts; Tax Basis in the Interests." Gain, if any, resulting from cash distributions will be treated as a gain from the sale or exchange of the Member's Interests.

A reduction in a Member's share of the Fund's nonrecourse debt will be treated as a cash distribution to the Member to the extent of such reduction. If a constructive distribution to a Member exceeds the Member's adjusted basis in his or her Interests at that time, the Member will recognize gain, as described above.

The tax rate on the withdrawal of an Interest will depend on several factors. If a Member withdraws his Interest more than one year after its purchase, generally that should result in long term capital gain or loss. The amount of gain which the Member must recognize on the withdrawal of an Interest will be the cash the Member receives plus his or her allocable share of Fund debt relieved, less the adjusted tax basis in the Interest. Such taxable gain is characterized by allocating the gain among the assets of the Fund. Generally, gain or loss recognized by the Member on the withdrawal of an Interest will be taxable as capital gain or loss.

Currently, the holding period required for long term capital gain treatment is more than twelve (12) months in order to qualify a gain for an effective maximum tax rate of twenty percent (20%). For Interests acquired after 1999 and held more than five (5) years, an even lower capital gains rate may apply. Capital assets sold at a profit within twelve (12) months of purchase would result in short term capital gain, which is taxed at ordinary income rates. Any gain or loss, however, will be separately computed and may be taxed as ordinary income or loss under Section 751 of the Code, which applies to any assets of the Fund which generate ordinary income upon withdrawal and any unrealized receivables of the Fund. It is possible that a portion of the gain from the withdrawal of a Member's Interests may be characterized as ordinary income rather than capital gain. Any loss recognized on the withdrawal of Interests will generally be a capital loss. Net capital loss may offset no more than \$3,000 of ordinary income in the case of individuals and may only be used to offset capital gain in the case of a corporation.

Termination of Fund

If fifty percent (50%) or more of the total Interests of the Fund are sold or exchanged within any consecutive twelve (12) month period, the Fund could potentially be considered terminated for federal income tax purposes. A termination of the Fund for federal income tax purposes will cause the Fund's taxable year to end. All Members could have potentially adverse federal income tax consequences including a change in the adjusted basis of the Fund's property and a bunching of more than one year's taxable income from the Fund within a single taxable year of any Member whose taxable year does not coincide with the Fund's calendar taxable year. A risk exists that such a sale or exchange might take place and that such a sale or exchange would be deemed to terminate the Fund.

Fund's Liquidation

Upon the Fund's liquidation, any gain or loss recognized from a distribution to the Members generally will be considered as gain or loss from the sale or exchange of a capital asset, except to the extent Section 751 of the Code applies. A Member must recognize gain on any distribution to the extent that any money received, together with any reduction in the Member's share of Fund debt, exceeds the Member's adjusted basis in his or her Interests. A Member will not recognize a loss unless he or she receives no property in the distribution other than money, unrealized receivables or inventory items and then only to the extent that the money and the basis to the Member of the unrealized receivables and inventory are less than the Member's adjusted in his or her Interests.

Gift of an Interest

Generally, no gain or loss is recognized for income tax purposes as a result of a gift of an Interest. If a Member makes a gift of an Interest at a time when his or her allocable share of the Fund's indebtedness exceeds the Member's adjusted basis of the Interest, however, a Member may realize gain for income tax purposes to the extent of such excess. Such gain generally should be treated as capital gain, except to the extent it is attributable to any unrealized receivables or inventory items of the Fund which generally will be treated as ordinary income. Gifts of Interests also may be subject to a gift tax.

Transfers of Interests at Death

The estate or heirs of a deceased Member will have a tax basis in the Interests owned by the deceased Member equal to the value of such Interests on the date of death (or the alternate valuation date in the event an alternate valuation date election is made under Section 2032 of the Code). Because the Fund does not intend to make an election under Section 754 of the Code, the death of a Member generally will have no effect on the Fund's tax basis for its assets. Thus, an estate or heir of a deceased Member which holds the Interests would be allocated gain, loss and similar items based on the Fund's actual basis in its assets, rather than on the basis which the Fund's assets would have if, as

a result of an election made under Section 754 of the Code, they were adjusted upward or downward to correspond to the estate tax value of the Interests.

Portfolio Management Strategies

As described above, the Manager may employ various investment techniques intended to enhance the Fund's returns and to protect against the risk of decline with respect to one or more securities or positions in the portfolios of the Fund. The Fund is generally required to recognize gain in connection with a constructive sale transaction entered into with respect to an appreciated financial position held by the Fund. Transactions treated as constructive sales include covered short sales of, offsetting notional principal contracts with respect to, or futures or forward contracts to deliver, the same or substantially identical property. Other types of transactions that have substantially the same effect as a transaction described in the preceding sentence may also be treated as constructive sales pursuant to Treasury Regulations to be issued.

Except as described in the following sentence, if the Fund were to enter into a constructive sale, the Fund would recognize gain as if the appreciated financial position were sold and immediately repurchased, with an appropriate increase in the position's basis and the start of a new holding period. If the Fund closes out a transaction treated as a constructive sale within thirty (30) days after the end of its taxable year, gain would not be recognized on the underlying appreciated financial position if (i) the appreciated financial position is held for at least the next sixty (60) days after the constructive sale is closed and (ii) at no time during such sixty (60) day period is the Fund's risk of loss with respect to such position reduced by holding certain other positions.

The tax consequences of the Fund's investment techniques will depend upon its particular terms, and such transactions may result in gain, loss or other income or deductions to the Fund at various times. The character of income, gain or loss as ordinary or capital may vary with the type of transaction. In general, periodic amounts payable by the Fund in connection with interest rate swaps, caps, floors and collars, and certain other investment techniques likely would be considered "miscellaneous itemized deductions" which, for a noncorporate Member, will be subject to restrictions on their deductibility. See "Deductibility of the Fund's Expenses" below. In some cases, the tax rules applicable to portfolio management transactions that may be employed by the Fund are uncertain and such transactions might, under certain circumstances, affect the tax treatment of a Member's unrelated securities transactions.

Passive Activity Income and Loss; At-Risk Rules

Noncorporate taxpayers and certain corporations are subject to restrictions on the utilization of "passive activity losses" under Section 469 of the Code. The Manager believes that the income or loss from the Fund will not be treated as income or loss from a passive activity under the "passive activity loss" rules. Therefore, in the case of Members who are subject to these rules, such non-passive losses from the Fund will not be subject to the limitations on utilization of "passive activity losses," and losses from passive activities cannot be used to offset such non-passive income from the Fund, including portfolio income (e.g., interest, dividends, gains in investments).

Generally, under Section 469 of the Code, losses from a passive activity held through a "publicly traded partnership" may not be used to offset income derived from any source other than passive activities held through such entity. Losses that cannot be currently used under this rule may be carried forward indefinitely and will be deductible in a future year either to offset passive activity income of such entity in such year or in a year which there is a complete disposition of the interest in such entity. The Fund may be treated as a "publicly traded partnership" for purposes of application of the rules of Section 469 of the Code.

For noncorporate taxpayers and certain corporate taxpayers, the ability to utilize any tax losses generated by the Fund may be limited under the "at risk" limitations in Section 465 of the Code. Losses that are disallowed in any year because of the at-risk limitations are carried over to succeeding years and can be used in those years to the extent that the Member's at-risk amount has increased.

The amount for which a Member is "at risk" with respect to his or her Interests in the Fund is generally equal to the Member's tax basis for such Interests, less: (i) amounts for which the Member is not personally liable and for which

the Member has pledged no property other than his or her Interests; (ii) any amounts borrowed from persons who have a proprietary interest in the Fund; and (iii) any amounts borrowed for which the Member is protected against loss through guarantees or similar arrangements. The Member's at-risk amount is increased by profits earned in the activity and decreased by losses occurring in the activity.

Interest Expense

Should the Fund incur any interest expense in connection with its activities, or should a Member incur interest expense in borrowing funds to make an investment in the Fund, Members who do not materially participate in the Fund's activities will have the ability to deduct such interest limited to the Member's net investment income.

It is likely that the Fund's interest expense will need to be separately stated to such Members. Any investment interest disallowed as a deduction in a taxable year of a Member solely by reason of the limitation above is treated as investment interest paid or accrued in the succeeding taxable year.

As stated above, the deductibility of a Member's investment interest expense generally is limited to the amount of his or her net investment income. Investment interest expense does not include any interest expense which is taken into account in determining the income or loss from a passive activity, but does include (i) interest on indebtedness incurred or continued to purchase or carry property held for investment, (ii) the portion of interest expense incurred or continued to purchase or carry an interest in a passive activity to the extent attributable to portfolio income (within the meaning of the passive loss rules), and (iii) the Fund's interest expense from non passive activities in which you do not materially participate. Under the Regulations, debt of a taxpayer generally is allocated among the taxpayer's activities by tracing the proceeds of such debt. A detailed discussion of the tracing rules contained in the Regulations is beyond the scope of this discussion. Consequently, if a Member intends to finance the purchase or his or her Interests with borrowed funds, the Member should consult his or her own tax advisors before borrowing such funds and should maintain careful records of any debt the Manager incurs to carry or acquire the Interests because the interest on such debt may be investment interest to the extent the Fund does not engage in a passive activity or to the extent of any portfolio income received from the Fund.

Net investment income includes gross income from property held for investment, gain attributable to the disposition of property held for investment, and amounts treated as gross portfolio income pursuant to the passive loss rules less deductible expenses (other than interest) directly connected with the production of investment income. Net capital gain attributable to the disposition of property held for investment is excluded from investment income for purposes of computing the investment income limitation, although the Member may elect to include the net capital gain in investment income if he or she reduces the net capital gain (eligible for the applicable capital gains tax rate) by the same amount.

Organization and Syndication Expenses

Generally, when investor capital contributions are used to pay the expenses of organizing and promoting the sale of interests in an investment fund, such as this Fund, such expenditures must be capitalized by the fund. With respect to this Fund, however, the Manager will absorb all the costs of organizing and promoting this Fund, and the Manager will not be reimbursed by the Fund for such costs. Thus, the expenses of organizing and promoting this Fund should not be reflected in the Fund's operations.

Tax Treatment of Fund Operations

The Fund will report its operations on a calendar year basis and the Manager will have the discretion to determine the accounting method. Under the Code, the Fund will be required to report its operations on a taxable year corresponding to the tax year of its Members owning a majority of the Fund's profits and capital.

Regarding the method of accounting for the Fund, the books and records of the Fund will be kept on either the accrual or cash method of accounting, as determined by the Manager and under the Code and Regulations. Under the accrual method of accounting, an item of expense or income is recognized for tax purposes not when it is paid, but when all the events necessary to determine the amount of such expense or income have occurred and when

economic performance has occurred (the “all events test”). Economic performance with respect to an item is deemed to occur no sooner than the time at which the property, services, etc., giving rise to such item is actually provided to a taxpayer claiming a deduction, or provided by a taxpayer recognizing income. The general objective of the accrual method of accounting is to allocate income and expenses to the appropriate accounting periods to which they relate. By comparison, under the cash method of accounting, an item of expense or income is recognized when it is paid or incurred.

The accounting method chosen governs the timing of income and deductions (e.g., when an item of income is included or expense deducted). The characterization of income items as capital or ordinary and the deductibility of expenses or losses are determined under other provisions of the Code, which are discussed through this Memorandum. A Member’s share of the income or losses will be recognized by the Member regardless of whether the Fund distributes any cash to the Member.

Deductibility of the Fund’s Expenses

The Fund intends to report the Management Fee and Performance Fee as deductible expenses. However, it is possible that the IRS may disallow a deduction for all or a portion of such fees on the ground that the expenditure is capital in nature.

Certain costs incurred by the Fund, including the Management Fee, Performance Fee, audit and accounting expenses, and certain losses and expenses relating to portfolio management techniques utilized by the Fund, will be “miscellaneous itemized deductions.” These expenses can be deducted by a noncorporate Member only to the extent they exceed two percent (2%) of his or her adjusted gross income. In addition, the Code further restricts the ability of an individual with an adjusted gross income in excess of a specified amount (for 1999, \$126,600 or \$63,300 for a married person filing a separate return) to deduct such investment expenses. Under such provision, investment expenses in excess of two percent (2%) of adjusted gross income may only be deducted to the extent such excess expenses (along with certain other itemized deductions) exceed the lesser of (i) three percent (3%) of the excess of the individual’s adjusted gross income over the specified amount or (ii) eighty percent (80%) of the amount of certain itemized deductions otherwise allowable for the taxable year. In addition, “miscellaneous itemized deductions” are not deductible at all for purposes of determining the alternative minimum taxable income of an individual Member.

For noncorporate taxpayers, Section 163(d) of the Code limits the deduction for “investment interest.” The Fund’s deductible interest will be treated as investment interest deductions subject to the limitation. A noncorporate Member’s investment interest (from the Fund and from other sources) is not deductible for any year to the extent that it exceeds the Member’s “investment income,” consisting of net gain and ordinary income derived from investments in the year. For this purpose, any long-term capital gain is excluded from investment income unless the Member elects to pay tax on such amount at ordinary income tax rates. The deduction of interest expense is further described above in “Interest Expense.”

The Fund will report such fees and expenses separately to the Members, and each Member will determine separately to what extent they are deductible on his or her own return.

Foreign Taxes

It is possible that certain income received by the Fund from sources within foreign countries will be subject to withholding taxes imposed by such countries. In addition, the Fund may also be subject to capital gains taxes in some of the foreign countries where it purchases and sells securities. The Members will be informed by the Fund as to their proportionate share of the foreign taxes paid by the Fund, which they will be required to include in their income. The Members generally will be entitled to claim either a credit (subject, however, to various limitations on foreign tax credits) or, if they itemize their deductions, a deduction (subject to the limitations generally applicable to deductions) for their share of such foreign taxes in computing their federal income taxes.

Tax Reporting by the Fund

The Fund will file annually a federal partnership information return, but will not be subject to federal income tax liability. Each Member will be required to report on his or her own federal income tax return his or her allocable share of the Fund's income, gains, losses, deductions and other tax items as well as any gain that the Member may be required to recognize in respect of cash distributions. Each Member will include his or her share of the Fund's taxable income for the Fund's full taxable year that ends within or with the Member's taxable year, even if no cash is distributed to such Member. Thus, a Member's share of taxable income of the Fund for any year may exceed the cash actually distributed to such Member in such year. It is expected that each Fund's taxable year will be the calendar year.

The Fund will furnish annually to each Member a report of such Member's distributive share for such year of taxable income or loss and other tax items for use in the preparation of the Member's own federal income tax return.

Federal and state estimated income tax payments may be required by a Member subject to taxation on the Fund's allocations and distributions attributable to his or her Interests. Each Member will be responsible for ensuring that the said estimated tax payments are properly made. Each Member should consult with his or her tax advisor concerning the computation and timing of such payments.

Audits and Adjustments to Tax Liability

A federal income tax audit of the information returns of the Fund may result in an audit of the returns of the Members, which, in turn, could result in adjustments of items that are unrelated to the Fund as well as to related items. In particular, there can be no assurance that the IRS, upon an audit of an information return of the Fund or of an income tax return of a Member, might not take a position that differs from the treatment thereof claimed by the Fund, as the case may be. A Member would be liable for interest on any deficiencies that resulted from any adjustments. Prospective investors should also recognize that they might be forced to incur substantial legal and accounting costs in resisting any challenge by the IRS to any items in their individual returns, even if the challenge by the IRS should prove unsuccessful.

A challenge by the IRS to a limited liability company's (which is treated as a partnership for federal income tax purposes) tax treatment of any item is conducted at the limited liability company level. The Operating Agreement provides for the Manager to be designated, and delegates to the Manager the power and authority to act, as "tax matters partner." The Manager, which is required by the Operating Agreement to notify all Members of any federal income tax audit of the Fund, will have the authority to extend the statute of limitations of the Fund. The Manager will also have the authority under the Agreement to settle disputes with the IRS. Such a settlement, however, generally will not be binding on a Member who does not consent to the settlement or who timely elects not to be bound. The Manager generally will elect to litigate a contested tax matter in a manner that would not require prepayment of such contested tax, unless the Manager believes that the best interests of the Fund would be furthered by litigating only after a payment of such contested tax. The decision in any litigation proceeding initiated by the tax matters partner will be binding on all Members.

Understatement of Tax Penalty

If a Member is an individual, he or she is subject to an understatement penalty if the Member's actual federal income tax liability is understated by the greater of \$5,000 or ten percent (10%) of the tax shown on the return. If applicable, the penalty is equal to twenty percent (20%) of the understatement. There are broad exceptions to this penalty provision, which apply different standards based on whether the item giving rise to the tax understatement resulted from a "tax shelter." The term "tax shelter" is defined to include a partnership if a significant purpose of such partnership is the avoidance or evasion of federal income tax. Although a significant purpose of an entity is a question of fact, the Manager believes that a significant purpose of the Fund is not the avoidance or evasion of federal income tax. Therefore, the Fund should not be classified as a tax shelter for purposes of the understatement penalty.

Generally, if a tax shelter does not exist, the understatement penalty may be reduced by an amount attributable to the tax treatment of an item if (i) “substantial authority” supports such treatment or (ii) the relevant facts affecting the item’s tax treatment are adequately disclosed in the tax return and a reasonable basis for such tax treatment exists. The Code does not contain a definition of “substantial authority.” The Treasury Regulations provide that the standard of “substantial authority” is less stringent than “more likely than not” and more stringent than a “reasonable basis” standard. The position must be supported by authorities supporting the treatment that “is substantial in relation to the weight of authorities supporting contrary treatment.” The Manager could take legal positions in filing the Fund’s federal income tax information return that authority for a particular legal position is substantial authority for purposes of the penalty. The IRS could challenge such a position. No assurance can be given that the Manager’s judgment in such matters would be sustained if tested in court.

If a tax shelter does exist, the understatement penalty will not be reduced even with adequate disclosure of the relevant facts on the tax return. Rather, an understatement with respect to a tax shelter will be reduced only if, in addition to being supported by substantial authority, the Member reasonably believed that treatment of such items on his or her return was “more likely than not” the proper treatment.

The Fund or the Member may also be liable for several other penalties. For example, the Code contains penalties for failing to include correct information on the entity’s information return and for failing to report on the Member’s income tax return any amount reported on the Fund’s information return (which is considered negligence in the absence of clear and convincing evidence to the contrary).

Tax Exempt Organizations

Organizations generally exempt from federal income taxation under Section 501(a) of the Code (including qualified pension, profit sharing and stock bonus plans, Keogh plans and individual retirement accounts (“**IRAs**”) may, nevertheless, be taxable on their allocable share of income to the extent such income constitutes “unrelated business taxable income” (“**UBTI**”). A charitable remainder trust, although not a tax exempt organization, is also subject to income taxation on UBTI.

A tax-exempt organization will be required to recognize UBTI based on its unrelated business income, which generally is equal to the gross income derived by the tax-exempt organization from all trades or businesses not related to the organization’s tax-exempt purpose (including income derived through ownership by the tax-exempt entity of an Interest in the Fund), less deductions directly connected with such gross income.

Generally, interest and dividend income of the Fund allocated to Members whom are subject to the UBTI rules should not be subject to such tax. The gains the Fund recognizes from selling stock or securities allocated to Members whom are subject to the UBTI rules may be subject to such tax.

An exception to the exclusion from the UBTI rules for interest and dividends would apply if the Fund were to purchase stock or securities with borrowed funds. The Fund is entitled to engage in such leveraged purchases. In that event, a portion of the Fund’s income allocated to Members whom are subject to the UBTI rules would be subject to the tax. Such investors should see “ERISA ASPECTS.”

STATE AND LOCAL TAX CONSIDERATIONS

The Fund and Members will be subject to state and local income, estate, gift, inheritance and other taxes, the consequences of which may differ significantly from federal taxes. The impact of such laws, as well as the impact of federal, state, local and foreign estate or inheritance tax laws, should be discussed with each Member’s own tax counsel or other advisor.

The State of Illinois imposes a one point five percent (1.5%) tax upon the net income of an Illinois limited liability company that is treated as partnership for Federal income tax purposes, to which the Fund will be subject. A Member’s distributive shares of the realized profits of the Fund may be required to be included in determining his or her reportable income for state and local tax purposes.

THE FOREGOING ANALYSIS OF THE FEDERAL AND STATE CONSIDERATIONS IS NOT INTENDED AS A SUBSTITUTE FOR INDIVIDUAL TAX PLANNING. PERSONS CONTEMPLATING AN INVESTMENT IN THE FUND SHOULD CONSULT THEIR TAX COUNSEL OR OTHER ADVISORS WITH SPECIFIC REFERENCE TO THEIR OWN TAX SITUATIONS. NEITHER THE FUND NOR THE MANAGER ARE RESPONSIBLE FOR ANY TAX CONSEQUENCES OF A MEMBER.

ERISA ASPECTS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary and prohibited transaction restrictions on fiduciaries and other “parties in interest” to employee pension and welfare benefit plans subject to ERISA (“ERISA Plans”). Section 4975 of the Code imposes similar prohibited transaction restrictions for tax qualified retirement or annuity plans described in Section 401(a) or 403(a) of the Code and on individual retirement accounts described in Section 408 of the Code (“Code Plans”; collectively, Code Plans and ERISA Plans are hereafter referred to as “Qualified Plans”).

Generally, any person who has discretionary authority or control respecting the management or disposition of “plan assets” of any Qualified Plan, and any person who provides investment advice with respect to such assets for a fee, is a fiduciary of the Qualified Plan involved. A “party in interest” is generally a person or entity who is related to the Qualified Plan fiduciary or the Qualified Plan’s sponsoring employer or a person or entity that provides services to the Qualified Plan.

A discussion of the general duties and restrictions imposed by ERISA such as the duties of investment prudence, diversifying the investments of a Qualified Plan, and investing Qualified Plan assets in accordance with the documents governing the Qualified Plan, is beyond the scope of this discussion, this material being limited to those prohibited transaction rules under ERISA and the Code which most likely would bear upon the holding of Interests by Qualified Plans. Therefore, trustees or other fiduciaries of Qualified Plans, before purchasing Interests, should seek legal counsel regarding ERISA and Code considerations applicable to the investment by a Qualified Plan.

FISCAL YEARS AND INTERIM PERIODS

The Fund has adopted a fiscal year ending on December 31. As Members may be admitted or may withdraw and additional capital contributions may be made during the course of a fiscal year, the Operating Agreement provides for interim fiscal periods that are portions of a fiscal year for the purpose of allocating net profits and net losses due to changes occurring in Capital Accounts at such times.

SUBSCRIPTION PROCEDURES

In order to become a Member, a prospective Investor should follow the instructions set forth in the Subscription Documents included as Appendix D to this Memorandum.

AVAILABLE INFORMATION

In addition to all other materials referred to in this Memorandum, prospective Investors are invited to review prior to investing, any materials available to the Manager relating to the Fund, the operations of the Fund, including, but not limited to the Fund’s Certificate of Formation, as filed with the Secretary of State of Illinois on November 3, 1999, and any other matters relating to this Memorandum. All such materials will be made available at the offices of the Manager, located at 531 South Plymouth Court, Chicago IL 60605, Attention: Jonathan Hoenig, (or at some other mutually convenient location) at any reasonable hour after reasonable prior notice.

The Manager will also afford prospective Members the opportunity to ask questions of and receive answers from its officers concerning the terms and conditions of the offering and to obtain any additional information to the extent that the Manager or the Fund possesses such information or can acquire it without unreasonable effort or expense.

This Memorandum sets forth the investment objectives, method of operation and certain other pertinent information relating to the Fund. However, this Memorandum does not set forth all of the terms and provisions of the Fund’s

Operating Agreement that may be significant to a particular prospective Member. A copy of the Operating Agreement is attached as Appendix A to this Memorandum. Each prospective Member should examine this Memorandum, the Operating Agreement and the Subscription Agreement contained in the Subscription Documents included as Appendix D to this Memorandum in order to assure himself or herself that the terms of the Operating Agreement of the Fund's investment objectives and method of operation are satisfactory to him or her.

INVESTOR SUITABILITY STANDARDS

The purchase of Units in the Fund should be deemed to be a speculative investment and is not intended as a complete investment program and admission as a Member in the Fund is not open to the general public. Investment in the Fund is designed for sophisticated persons and entities that: have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from the Fund; are financially able to maintain their investment; are able to afford the loss of all or a substantial portion of their investment; and either are sophisticated regarding financial and business matters or are represented by such a person in connection with their investment in the Fund.

The Units may never be held by more than 99 Investors, comprised of the following:

- (v) "accredited investors," as that term is defined in Regulation D of the Securities Act (see Appendix C to this Memorandum); and
- (vi) not more than 35 "Qualified Non-Accredited" Investors, who (either alone or together with their spouse) meet all of the following criteria: (a) have a minimum net worth of at least \$500,000 (exclusive of home, home furnishings and automobiles); and (b) are able to bear the economic risk of the investment in the Fund; (c) are either sophisticated regarding financial and business matters or are represented by such a person in connection with their investment in the Fund; (d) have no need for liquidity with respect to their investment in the Fund; and (e) the total proposed investment in the Units does NOT represent more than 35% of their net worth. Additional or higher requirements may be imposed for residents of certain states, and the amount of an Investor's contribution to the Fund may also be limited to a percentage of the Investor's net worth.

Prospective Investors should read carefully this entire Memorandum, the Operating Agreement attached to this Memorandum as Appendix A and the Subscription Agreement included in the Subscription Documents included as Appendix D to this Memorandum. The Operating Agreement sets forth the specific provisions relating to the operation of the Fund.

APPENDIX A

Amended and Restated Operating Agreement of Capitalistpig Hedge Fund, LLC

APPENDIX B

Put and Call Options

A “call” option gives the buyer the right, but not the obligation, to buy from the seller of the call option (the “writer”) the specified number of shares of the designated underlying security at a fixed price (the “exercise price”) before a specified expiration date (the “expiration date”) in the future (usually three, six or nine months). For this right, the call option buyer pays the writer a fee (the “premium”) which is forfeited if the buyer does not exercise the call option before the expiration date. A buyer of a call option thus speculates that before the expiration date, the market price of the underlying shares will rise above the exercise price plus the premium, and that the call option buyer can exercise the option to buy the underlying security (at the exercise price plus the premium) which can then be sold in the market at such higher market price. The call option buyer would then realize a profit equal to the difference between the (higher) market price and the (lower) exercise price plus the premium. However, if the call option buyer does not exercise the call option before the expiration date (e.g., because the market price of the underlying security does not rise above or falls below the exercise price plus the premium), the call option will expire and the writer will retain the premium.

The opposite of a call option is a “put” option, which gives its buyer the right, but not the obligation, to sell to the seller of the put option (the “writer”) a specified number of shares of the designated underlying security at a specified price (the “exercise price”) before the specified expiration date in the future (the “expiration date”). For this right, the put option buyer pays the writer a fee (the “premium”) which is forfeited if the buyer does not exercise the put option before the expiration date. A buyer of a put option thus speculates that before the expiration date, the market price of the underlying stock will fall below the exercise price plus the premium, and that the put option buyer can buy the specified number of shares of the underlying stock in the market at such lower price which can then be sold to the writer at the exercise price pursuant to the put option. The put option buyer would then realize a profit equal to the difference between the (higher) exercise price plus the premium and the (lower) market price. However, if the put option buyer does not exercise the put option before the expiration date (e.g., because the market price of the underlying security does not fall below the exercise price plus the premium), the put option will expire and the writer will retain the premium.

Generally, most call and put options are rarely exercised. Instead, Investors buy and sell options before expiration, trading on the rise and fall of the premium prices. Options traders can either buy or sell (“write”) options which can be either covered options, in which they own the underlying security, or naked options, in which they do not own the underlying security.

APPENDIX C
Definition of Accredited Investor
(Rule 501 of Regulation D
of the Securities Act of 1933, as Amended)

Accredited Investor is defined in Rule 501 of Regulation D as follows:

(1) Any bank (as defined in Section 3(a)(2) of the Securities Act of 1933) or a savings and loan association or other institution (as defined in Section 3(a)(5)(A) of the Act) whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company (as defined in Section 2(13) of the Securities Act of 1933); any investment company registered under the Investment Company Act of 1940 or a business development company (as defined in Section 2(a)(48) of the Investment Company Act of 1940); any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, with total assets in excess of \$5,000,000; any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 (“ERISA”) if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, a savings and loan association, an insurance company, or a registered investment advisor, or if the employee benefit plan within the meaning of Title I of ERISA has total assets in excess of \$5,000,000, or if a self directed employee benefit plan within the meaning of Title I of ERISA with investment decisions made solely by persons that are accredited investors;

(2) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(3) Any organization described in Section 501(c)(3) of the Internal Revenue Code (tax exempt organization), corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, having total assets in excess of \$5,000,000.

(4) Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

(5) Any natural person whose individual net worth, or joint net worth with that person’s spouse, at the time of his purchase exceeds \$1,000,000;

(6) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(7) Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a person who either alone or with his purchaser representative(s), has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of an investment in the securities offered;

(8) Any entity in which all the equity owners are accredited investors. Any entity in which all the equity owners are accredited investors.