NAME OF OFFEREE _____ **NO.** _____

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

LANCER PARTNERS, LIMITED PARTNERSHIP

(A Connecticut Limited Partnership)

May 8, 2001

THIS IS NOT AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY THE INTERESTS DESCRIBED HEREIN IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SALE.

LANCER PARTNERS, LIMITED PARTNERSHIP
A CONNECTICUT LIMITED PARTNERSHIP
CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
FOR THE SALE OF LIMITED PARTNERSHIP INTERESTS ("INTERESTS")
FOR A MINIMUM INVESTMENT OF $1,000,000

The Interests offered herein of Lancer Partners, Limited Partnership, a Connecticut limited partnership (the "Partnership"), represent Interests in the Partnership which was formed to pool investment funds of its investors (each a "Limited Partner" and collectively, "Limited Partners"), for the purpose of investing, trading and dealing in securities, domestic and foreign, of all kinds and descriptions, including but not limited to equity, debt, convertible securities, preferred stock, options, warrants, trade claims and monetary instruments, all as determined by Lancer Management Group II, LLC, a Connecticut limited liability company, the sole general partner of the Partnership ("General Partner"; which together with Limited Partners shall be referred to as "Partners"). Michael Lauer is the sole manager and principal owner of the General Partner and he is solely responsible for its operations and activities. The General Partner believes that in the small to middle capitalized financial markets, its bottom-up value approach combined with its contrarian bias and emphasis on anticipatory timing of future corporate developments will enable the Partnership to achieve significantly above average capital returns while exposing the Partnership to what the General Partner believes will be reasonable risks as compared to potential rewards. See *"BUSINESS OF THE PARTNERSHIP"*.

PURCHASE OF THESE SECURITIES INVOLVES CERTAIN RISKS. SEE *"RISK FACTORS"*.

THERE IS NO PUBLIC MARKET FOR THE INTERESTS OFFERED PURSUANT TO THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM ("MEMORANDUM"). A LIMITED PARTNER MAY, HOWEVER, WITHDRAW FROM THE PARTNERSHIP AND RECEIVE PAYMENT FOR THE LIMITED PARTNER'S INTERESTS AS SPECIFIED IN THE LIMITED PARTNERSHIP AGREEMENT OF THE PARTNERSHIP ("PARTNERSHIP AGREEMENT"), A COPY OF WHICH IS ANNEXED HERETO AS EXHIBIT B, SEE *"SUMMARY OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT-Withdrawals"*.

The business address, telephone and facsimile numbers of the Partnership and the General Partner are:

350 Bedford Street
Stamford, CT 06901
Telephone: (203) 977-7700
Facsimile: (203) 977-8360

CONFLICTS OF INTEREST BETWEEN THE GENERAL PARTNER AND THE PARTNERSHIP MAY ARISE IN VARIOUS CIRCUMSTANCES. SEE *"CONFLICTS OF INTEREST"*.

THE SECURITIES AND EXCHANGE COMMISSION ("SEC") HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN THE PARTNERSHIP NOR HAS THE SEC PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IT IS ANTICIPATED THAT THE OFFERING AND SALE WILL BE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("1933 ACT") AND THE VARIOUS STATE SECURITIES LAWS AND THAT THE PARTNERSHIP WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") PURSUANT TO AN EXEMPTION PROVIDED BY SECTION 3(c)(1) THEREUNDER.

NO RULINGS HAVE BEEN SOUGHT FROM THE INTERNAL REVENUE SERVICE ("SERVICE") WITH RESPECT TO ANY TAX MATTERS DISCUSSED IN THIS MEMORANDUM. PERSONS AND ENTITIES TO WHICH THIS MEMORANDUM IS DELIVERED ("OFFEREES") ARE CAUTIONED THAT THE VIEWS CONTAINED HEREIN ARE SUBJECT TO MATERIAL QUALIFICATIONS AND SUBJECT TO POSSIBLE CHANGES IN REGULATIONS BY THE SERVICE OR BY CONGRESS IN EXISTING TAX STATUTES OR IN THE INTERPRETATION OF EXISTING STATUTES AND REGULATIONS.

OFFEREES ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX OR INVESTMENT ADVICE. OFFEREES SHOULD REVIEW THE PROPOSED TRANSACTIONS WITH THEIR OWN COUNSEL, ACCOUNTANT, BUSINESS AND TAX ADVISOR ON WHOSE OPINIONS THEY SHOULD RELY. A REPRESENTATION TO THAT EFFECT IS REQUIRED TO BE MADE BY EACH OFFEREE ACQUIRING AN INTEREST.

THIS IS A PRIVATE PLACEMENT MADE ONLY BY DELIVERY OF A COPY OF THIS MEMORANDUM TO THE OFFEREE WHOSE NAME APPEARS HEREON. THE OFFERING IS MADE ONLY TO OFFEREES THAT ARE GENERALLY SUBJECT TO FEDERAL INCOME TAXATION AND THAT ARE ACCREDITED INVESTORS (AS SUCH TERM IS DEFINED IN RULE 501 OF REGULATION D PROMULGATED BY THE SEC UNDER THE 1933 ACT).

THE GENERAL PARTNER RESERVES THE RIGHT TO REFUSE ANY SUBSCRIPTION ON THE BASIS OF ANY OFFEREE'S FAILURE TO MEET THE SUITABILITY CRITERIA DESCRIBED HEREIN OR FOR ANY OTHER REASON. EACH OFFEREE WILL BE REQUIRED TO REPRESENT THAT THE OFFEREE IS ACQUIRING

THE INTEREST FOR THE OFFEREE'S OWN ACCOUNT, FOR INVESTMENT PURPOSES ONLY, AND NOT WITH ANY INTENTION OF DISTRIBUTION, RESALE OR TRANSFER OF THE INTEREST, EITHER IN WHOLE OR IN PART, AND NO DISTRIBUTION, RESALE OR TRANSFER OF THE INTEREST WILL BE PERMITTED EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF THE 1933 ACT, THE RULES AND REGULATIONS THEREUNDER, ANY APPLICABLE STATE SECURITIES LAWS AND THE TERMS AND CONDITIONS OF THE PARTNERSHIP AGREEMENT. FURTHER, EACH OFFEREE MUST REPRESENT AND WARRANT THAT THE OFFEREE HAS READ THIS MEMORANDUM AND IS AWARE OF AND CAN AFFORD THE RISKS OF AN INVESTMENT IN THE PARTNERSHIP FOR AN INDEFINITE PERIOD OF TIME. THIS INVESTMENT IS SUITABLE ONLY FOR OFFEREES WHO HAVE ADEQUATE MEANS OF PROVIDING FOR THEIR CURRENT AND FUTURE NEEDS AND CONTINGENCIES, AND HAVE NO NEED FOR LIQUIDITY IN THIS INVESTMENT. SEE *"SUITABILITY REQUIREMENTS"*.

THIS MEMORANDUM IS SUBMITTED IN CONNECTION WITH THE PRIVATE PLACEMENT OF INTERESTS AND MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE. ANY DISTRIBUTION OF THIS MEMORANDUM IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, IS UNAUTHORIZED. THE OFFEREE, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO RETURN THIS MEMORANDUM AND ALL ENCLOSED DOCUMENTS TO THE GENERAL PARTNER IF THE OFFEREE DOES NOT PURCHASE ANY INTERESTS.

NO OFFERING LITERATURE OR ADVERTISING IN WHATEVER FORM SHALL BE EMPLOYED IN THE OFFERING OF INTERESTS EXCEPT FOR THIS MEMORANDUM.

EACH OFFEREE AND REPRESENTATIVES OF EACH OFFEREE, IF ANY, ARE INVITED TO ASK QUESTIONS AND OBTAIN ADDITIONAL INFORMATION FROM THE GENERAL PARTNER CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING, THE PARTNERSHIP, AND ANY OTHER RELEVANT MATTERS (INCLUDING BUT NOT LIMITED TO, ADDITIONAL INFORMATION TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH HEREIN) TO THE EXTENT THE GENERAL PARTNER POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE. OFFEREES OR THEIR REPRESENTATIVES HAVING QUESTIONS OR DESIRING ADDITIONAL INFORMATION SHOULD CONTACT THE GENERAL PARTNER.

THIS MEMORANDUM CONTAINS SUMMARIES, BELIEVED BY THE GENERAL PARTNER TO BE ACCURATE, OF CERTAIN TERMS OF CERTAIN DOCUMENTS, BUT REFERENCE IS HEREBY MADE TO THE ACTUAL DOCUMENTS (COPIES OF WHICH ARE ATTACHED HERETO OR ARE AVAILABLE FROM THE GENERAL PARTNER) FOR COMPLETE INFORMATION CONCERNING THE RIGHTS

AND OBLIGATIONS OF THE PARTIES THERETO, AND ALL SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY THIS REFERENCE. ALL DOCUMENTS RELATING TO THIS PRIVATE PLACEMENT WILL BE MADE AVAILABLE TO THE OFFEREE AND THE OFFEREE'S REPRESENTATIVES UPON REQUEST. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS OR FURNISH ANY INFORMATION WITH RESPECT TO THE PARTNERSHIP OR THE INTERESTS, OTHER THAN THE REPRESENTATIONS AND INFORMATION SET FORTH IN THIS MEMORANDUM OR OTHER DOCUMENTS OR INFORMATION FURNISHED BY THE GENERAL PARTNER UPON REQUEST, AS DESCRIBED ABOVE.

THE INFORMATION CONTAINED HEREIN IS GIVEN AS OF THE DATE HEREOF AND THIS MEMORANDUM DOES NOT PURPORT TO GIVE INFORMATION AS OF ANY OTHER DATE. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE MATTERS DISCUSSED HEREIN SINCE THE DATE HEREOF.

FOR RESIDENTS OF ALL STATES:

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

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

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EXHIBITS

SUMMARY OF THE OFFERING

The following is only a summary of the information contained in this Memorandum and is qualified in its entirety by other information contained in this Memorandum and by the Partnership Agreement. Offerees should read the entire Memorandum and the Partnership Agreement carefully before making any investment decision regarding the Partnership and should pay particular attention to the information under the headings "*RISK FACTORS*" and "*CONFLICTS OF INTEREST*". In addition, Offerees should consult their own advisors in order to understand fully the consequences of an investment in the Partnership.

The Partnership	Lancer Partners, Limited Partnership is a Connecticut limited partnership formed in November 1997 to succeed by merger to, and carry on the business of, Lancer Partners, L.P., a New York limited partnership formed in December 1994.
Investment Objective	The Partnership's objective is to seek high economic return primarily through capital appreciation while attempting to control risk. The General Partner believes that in the small to middle capitalized financial markets, its bottom-up value approach combined with its contrarian bias and emphasis on anticipatory timing of future corporate developments will enable the Partnership to achieve its objective. There is no assurance that the objective of the Partnership will be achieved. See *"BUSINESS OF THE PARTNERSHIP"*.
General Partner	The General Partner is Lancer Management Group II, LLC, a Connecticut limited liability company. Michael Lauer is the sole manager and principal owner of the General Partner. The General Partner has sole and complete authority to manage the Partnership's activities. See "*MANAGEMENT OF THE PARTNERSHIP*".
Eligible Investors	Interests will be sold solely to Accredited Investors that are generally subject to Federal income taxation. See "*SUITABILITY REQUIREMENTS*".
Minimum Investment and Admission of Limited Partners	The required minimum initial capital contribution to purchase an Interest is $1,000,000 (although the General Partner, in its sole and absolute discretion, may accept lesser amounts) and additional capital contributions from existing Limited Partners must be of $100,000 or more (although the General Partner, in its sole and absolute discretion, may accept lesser amounts).

The General Partner expects that additional Limited Partners will be admitted, and additional capital contributions from existing Limited Partners will be accepted, throughout the term of the Partnership. Capital contributions generally will be accepted as of the first day of any Fiscal Period (as defined in this Memorandum), although the General Partner can accept capital contributions at any time in its sole and absolute discretion. There is no minimum or maximum aggregate amount of funds which may be invested in the Partnership. Generally, on a monthly basis, changes in the Partnership's net worth ("Net Worth") (e.g., realized and unrealized gain or loss as to Partnership assets) will be credited to existing Partners and the respective percentage interests of existing and any new Limited Partners will be adjusted accordingly. As a result, new Limited Partners will not share in items of income, gain, loss (whether or not realized), or deductions arising (or otherwise allocable to periods) before the date of their admission. See "*SUMMARY OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT - Profits, Losses and Interest in Partnership's Net Worth*".

Withdrawals of Capital

A Limited Partner may withdraw part or all of the value of the Limited Partner's capital account after one (1) year from the date of the Limited Partner's original capital contribution as of January 1 and July 1 of each calendar year (each a "Withdrawal Date"), upon at least ninety (90) days' prior written notice. Withdrawals may be made at such other times as determined by the General Partner in its sole discretion. The Partnership currently expects to pay to a withdrawing Limited Partner an amount equal to approximately ninety-five (95%) percent of the value in such Limited Partner's capital account within fifteen (15) days after the applicable Withdrawal Date. The Partnership currently expects to pay the balance of the amount remaining in a withdrawing Limited Partner's capital account, without interest, as soon as practicable after completion of the unaudited interim financial statements for the six (6) month period ending June 30 for July 1 withdrawals or December 31 audited financial statements for January 1 withdrawals. The Partnership currently expects to pay a Limited Partner who makes a partial withdrawal within fifteen (15) days after the applicable Withdrawal Date. There are no withdrawal fees associated with a Limited Partner's withdrawal of capital from the Partnership. The General Partner, in its sole and absolute

discretion, may waive or reduce any notice period. The General Partner may require any Limited Partner to withdraw all or any part of the value in their capital account for any reason upon not less than three (3) days prior written notice. See "*SUMMARY OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT - Withdrawals*".

Management Fee

The General Partner will receive a quarter-annual management fee ("Management Fee") of one-quarter (0.25%) percent of each Limited Partner's share of the Partnership's Net Worth (as defined in this Memorandum) at March 31, June 30, September 30 and December 31 of each year (the period from January 1 to March 31, the period from April 1 to June 30, the period from July 1 to September 30 and the period from October 1 to December 31 of each calendar year, and such other period or periods as the General Partner shall determine, shall each be referred to herein as "Fiscal Period"). A pro rata Management Fee will be charged to Limited Partners on any amounts permitted to be invested and withdrawn during any quarter-annual Fiscal Period.

General Partner's Allocation

The General Partner shall have reallocated by credit to its capital account and debit to each Limited Partner's capital account net income of the Partnership attributable to each Limited Partner (net increase in Net Worth) equal in the aggregate to twenty (20%) percent of such net increase in Net Worth allocated to each Limited Partner during any Fiscal Year (as defined in this Memorandum) (on the accrual basis of accounting) on an annual basis ("General Partner Allocation"). The General Partner Allocation shall be in addition to the allocations of the balance of income and profits, or losses, to the General Partner based upon its capital account proportionate to the aggregate amount of the capital account of all Partners.

In any Fiscal Year in which a Limited Partner has a decrease in Net Worth, the General Partner Allocation in the succeeding Fiscal Year(s) shall be calculated on the net increase in Net Worth for such Limited Partner for each such succeeding Fiscal Year(s) reduced by an amount equal to the decrease in Net Worth in the preceding Fiscal Year(s) for such Limited Partner ("Loss Carryover") until the aggregate reductions equal the Loss Carryover. In the event, however, that a Limited Partner withdraws funds at a time in which such Limited Partner has a

Loss Carryover, the amount of such Loss Carryover at such withdrawal date applicable to such Limited Partner shall be reduced by a percentage equal to 100% multiplied by a fraction, the numerator of which is the amount to be withdrawn from the capital account, and the denominator of which is the amount in such capital account immediately prior to the withdrawal.

Allocation of Economic Profit and Loss

To determine how the economic gains and losses of the Partnership will be shared, the Partnership Agreement provides detailed procedures for allocating net income or loss (increases and decreases in Net Worth) to each Partner's capital account. Net income of the Partnership includes all portfolio gains and losses, whether realized or unrealized, plus all other Partnership items of income (such as interest) and less all Partnership expenses. Generally, net income (subject to the General Partner Allocation) and net loss for each month will be allocated to the Partners in proportion to their capital account balances as of the start of each month. Capital account balances will reflect capital contributions, previous allocations of increases and decreases in Net Worth and withdrawals.

Allocation of Taxable Income and Loss

For income tax purposes, all items of taxable income, gain, loss, deduction and credit will be allocated among the Partners annually in a manner consistent with their economic interests therein. In light of the fact that the Partnership does not intend to make distributions, to the extent the Partnership's investment activities are successful, Limited Partners should expect to incur tax liabilities from an investment in the Partnership without receiving cash distributions with which to pay those liabilities. To obtain cash from the Partnership to pay taxes, if any, Limited Partners will be required to make withdrawals. See "*SUMMARY OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT - Withdrawals*".

Expenses

The Partnership will pay all of its accounting, legal and other operating expenses, including expenses incurred in connection with the offer and sale of Interests and the admission of Limited Partners (collectively, the "Administrative Expenses") up to a maximum of one (1%) percent (or a prorated amount for the Partnership's first and last Fiscal Years and on any amounts permitted to be invested and withdrawn during any Fiscal Period) of the Partnership's Net Worth at the end of its Fiscal

	Year (the "Administrative Cap"). To the extent that the Administrative Expenses exceed the Administrative Cap in any Fiscal Year, the General Partner shall pay such excess Administrative Expenses either by charging its capital account or by making a direct payment, as determined by the General Partner in its sole discretion. The Administrative Cap, however, does not apply to brokerage commissions, custodial fees and other trading, research and investment charges, fees and expenses which shall be paid by the Partnership. The Partnership will also pay all of its organizational expenses which will be amortized over sixty (60) months. See "*FINANCIAL SUMMARY OF THE OFFERING*".
Risks	An investment in the Partnership involves significant risks. See "*RISK FACTORS*".
Reports to Limited Partners	Each Limited Partner will receive: (i) an unaudited quarterly statement of the Limited Partner's capital account and a letter from the General Partner discussing the results of the Partnership for the quarter just ended, and (ii) copies of such Limited Partner's Schedule K-1 to the Partnership's tax returns. The annual audited financial statements of the Partnership will be made available to the Limited Partners upon request. See "*CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT - Reports to Limited Partners*".
Term	The Partnership will terminate on December 31, 2044 unless earlier terminated as provided in the Partnership Agreement.
Transferability of Interests	Interests are not assignable or transferable (except by operation of law) without the prior written consent of the General Partner, which consent may be given or withheld in its sole and absolute discretion.
Partnership's Attorneys	Robinson Silverman Pearce Aronsohn & Berman LLP, New York, NY.
Partnership's Accountants	Goldstein Golub Kessler & Company, P.C.

How to Subscribe

Offerees interested in acquiring Interests are required to complete the applicable documents in the Subscription Documents Booklet and return it to the Partnership. Under the terms of the Subscription Agreement and the Partnership Agreement, an Offeree must pay 100% of the Offeree's investment at the time of subscription by wire transfer of immediately available funds, or by check, subject to collection, payable to the Partnership, in accordance with the instructions set forth in the Section of the Subscription Documents Booklet entitled "*Instructions to Subscribers*".

INTRODUCTION

Lancer Partners, Limited Partnership, a Connecticut limited partnership (the "Partnership") formed in November 1997 pursuant to the Connecticut Uniform Limited Partnership Act ("CULPA"), is an investment partnership that pools its Limited Partners' capital contributions for the purpose of investing, trading in and dealing in securities of all kinds and descriptions as determined by the General Partner. The General Partner believes that in the small to middle capitalized financial markets, its bottom-up value approach combined with its contrarian bias and emphasis on anticipatory timing of future corporate developments will enable the Partnership to achieve significantly above average capital returns while exposing the Partnership to what the General Partner believes will be reasonable risks as compared to potential rewards.

The Partnership's objective is to seek high economic return primarily through capital appreciation while attempting to control risk. The General Partner intends to follow a flexible approach so as to attempt to be in the best position to capitalize on opportunities in the financial markets. No assurance can be given, however, that the Partnership will achieve its objective.

The Limited Partners, by pooling their assets in the Partnership, will be able to invest their funds in a diversified portfolio of securities managed by the General Partner that is seeking to maximize return while controlling risk. Ordinarily, an Offeree acting alone would not be able to diversify the Offeree's assets as the Partnership will be able to do nor would an Offeree have the resources to monitor, evaluate and implement the investing and trading strategies to be engaged in by the Partnership.

The Partnership is the successor by merger to, and is carrying on the business of, Lancer Partners, L.P., a limited partnership formed in New York in December 1994. The General Partner is Lancer Management Group II, LLC, a Connecticut limited liability company. Michael Lauer ("Lauer") is the sole manager and principal owner of the General Partner. As the manager of the General Partner, Lauer controls all of its operations and activities. The principal office and telephone and facsimile numbers of the Partnership and General Partner are 350 Bedford Street, Stamford, CT 06901, Telephone No. (203) 977-7700 and Facsimile No. (203) 977-8360. The Partnership will terminate on December 31, 2044 unless sooner terminated as provided for in the Partnership Agreement. See "*SUMMARY OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT*".

The Partnership is offering the Interests in a private placement pursuant to Section 4(2) of the 1933 Act and Rule 506 of Regulation D promulgated thereunder by the SEC. The Interests will be sold by the General Partner and will be continuously offered in the sole and absolute discretion of the General Partner. No selling commission will be charged. The minimum initial capital contribution by an Offeree is $1,000,000; however, the General Partner may, in its sole and absolute discretion, waive the foregoing minimum purchase requirement. There are no minimum or maximum amounts that may be invested by all of the Limited Partners in the Partnership, in the aggregate. Existing Limited Partners may subscribe for additional Interests of any amount; however, the acceptance of any additional or new subscription is at the sole and absolute discretion of the General Partner. Interests may only be purchased by Offerees that are Accredited Investors. The General Partner expects that additional Limited Partners will be admitted and additional capital contributions from existing Limited Partners will be accepted throughout the term of the Partnership.

The Partnership's fiscal year ends December 31 (the "Fiscal Year"). As soon as practicable after the end of each Fiscal Year, audited financial statements for the year will be prepared by the Partnership, audited by the Partnership's independent certified public accountants, and made available to the Limited Partners upon request. Information as to the Limited Partner's distributive share of the Partnership's income, gains, losses and deductions for the year, for Federal income tax purposes shall be distributed to each Limited Partner as soon as it becomes available. The Limited Partners will also receive from the Partnership after the end of each calendar quarter, an unaudited statement of the Limited Partner's capital account, including such Limited Partner's opening balance, capital contributions and withdrawals, if any, net income or loss and ending balance, and a letter from the General Partner discussing the results of the Partnership for the quarter just ended.

The Partnership is not registered as an investment company and is not subject to the provisions of the Investment Company Act, in reliance upon an exemption for an entity which does not have more than one hundred (100) beneficial owners of its securities. Accordingly, the Partnership will limit the number of beneficial owners of Interests and the percentage Interests of the Partnership acquired by certain Limited Partners. The Partnership will comply with the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder to insure that the Partnership is not taxed as a publically traded partnership pursuant to Treasury Regulations ' 1.7704 of the Code. The General Partner is not registered as an investment advisor under the Investment Advisers Act of 1940, as amended ("Advisers Act") based upon an exemption for private activities. The General Partner is also not registered as a commodity pool operator under the Commodity Exchange Act based on its intention not to trade commodities on behalf of the Partnership. In the event that the General Partner determines to cause the Partnership to trade in commodities, the General Partner will first either register as a commodity pool operator or seek an exemption from registration.

BUSINESS OF THE PARTNERSHIP

Purpose

The Partnership was organized for the purpose of investing, trading in and dealing in securities, domestic and foreign, of all kinds and descriptions, including but not limited to, equity, debt, convertible securities, preferred stock, options, warrants, trade claims and monetary instruments. The Partnership may invest in arbitrage and special situations, both long and short securities positions, option arbitrage, international arbitrage and other financial instruments. The Partnership may also engage in transactions to hedge long and short securities positions. The descriptions contained in this Memorandum of the specific activities in which the Partnership may engage should not be construed to limit in any way the types of investment activities or the allocation of Partnership capital among such investments which the Partnership may make. The Partnership may engage in any investment activities not described herein which the General Partner considers appropriate and consistent with the Partnership's objectives.

Investment Objectives

The General Partner does not follow a market timing philosophy and accordingly, it is anticipated that the Partnership's assets will be fully invested at all times. The General Partner's philosophy of investing could be described as an analytical discipline concentrating on underlying corporate value with an added emphasis on anticipatory timing of future corporate developments, primarily in small and middle capitalized companies. The Partnership's goal is to achieve high economic return primarily through capital appreciation while exposing the Partnership to what the General Partner believes will be reasonable risks as compared to potential rewards. One way of controlling risk is through the diversification of Partnership assets by investing and trading in a range of securities, although the General Partner anticipates that, at any given time, it is possible that a significant percentage of the Partnership's assets may be invested in one or more securities of a single entity. The Partnership seeks to maximize its return by purchasing securities which the General Partner believes are below intrinsic value, based on the General Partner's evaluation of such factors as fundamental analysis of a company and the underlying value of its assets, or by seeking price appreciation due to a "catalyst" such as an earnings turnaround, a corporate restructuring or an accumulation of shares by outsiders. Potential investments are reviewed using fundamental, technical, financial, industry and trading analyses.

In selecting investments, the General Partner considers various criteria, and the General Partner anticipates that the securities which the Partnership has and may purchase will, in his opinion, meet one or more of the following criteria:

- Due to the near exclusive focus on corporations in the secondary and tertiary financial markets, the General Partner believes that the Partnership will enjoy a competitive advantage as to such entities versus its competitors.

- The approach will be highly anticipatory of a corporate event that will facilitate favorable evaluation of the corporation.

Similarly, the General Partner may sell or sell short securities which the General Partner believes are overvalued.

Investment Program

The following is a description of the principal types of securities in which the Partnership invests in and intends to invest in, certain trading techniques that it has and intends to employ, the investment criteria that it has and intends to apply, and the guidelines that it has established with respect to the composition of its investment portfolio. The following description, however, is merely a summary and the General Partner has broad discretion to cause the Partnership to invest in other types of securities and to follow other investment criteria and guidelines.

1. **Equity Securities.** The General Partner has and intends generally to select equity investments primarily on the basis of their potential for capital appreciation. Normally, any current income, such as dividends and interest, received from such investments will be only incidental to the objective of capital appreciation.

The majority of the common stocks in which the Partnership has and intends to invest in are traded on the New York Stock Exchange, the American Stock Exchange or in the over-the-counter market. The principal focus of the General Partner is on the common stocks of small and middle capitalized companies. The Partnership also invests in options and warrants to purchase common stock and other securities convertible into common stock.

The Partnership, from time to time, invests in privately placed common stock, preferred stock and convertible debt of public companies. These securities are not generally immediately liquid although there is frequently a registration right with respect to the common stock purchased or the common stock receivable upon conversion of the preferred stock or convertible debt.

The Partnership may purchase foreign equity securities which may be represented by American Depository Receipts listed on a United States securities exchange or traded in the over-the-counter market.

The Partnership also invests in newly-issued equity securities of both developing and fully developed public companies which the General Partner believes, based on the General Partner's analysis of offering materials and other information, offer the opportunity for capital appreciation.

The Partnership also invests in "late stage private equity", that is to say the equity securities of private companies that are expected to be public within 3 to 6 months following the Partnership's investment. The General Partner believes that from time to time there will be opportunities in this market for significant capital appreciation. As there are significant risks included in this strategy, including liquidity risks, not more than ten (10%) percent of the Partnership's assets will be committed to this strategy.

In addition to investing in equity securities which may appreciate in the medium or long term, the Partnership attempts to trade securities in a fashion intended to take advantage of what the General Partner believes are short-term market inefficiencies, particularly during periods of high market volatility.

2. **Diversity and Hedging Strategies.** The General Partner may seek to minimize the losses which may be incurred in severe market declines or in the decline of individual

securities prices by generally utilizing internal stop limits and various hedging techniques, including short sales, stock index options and stock options. There is no assurance that these stock selection or trading techniques will eliminate or reduce in any material manner the inherent risks of equity investing.

3. **Short Sales.** The General Partner may make "short sales" of securities when he believes that particular securities are overvalued and the General Partner anticipates a significant decline in their market price, including arbitrage situations in which the General Partner believes that the proposed transaction is not likely to be consummated.

Short selling of securities involves the sale of securities which the Partnership does not own. To effect a short sale, the Partnership borrows securities from a third party in order to make delivery to its purchaser. The Partnership returns the borrowed securities to the lender by purchasing the securities in the open market. A short seller must generally pledge other securities or cash with the lender in an amount equal to the market price of the borrowed securities. This deposit may be increased or decreased in response to changes in the market price of the borrowed securities.

4. **Leveraged Purchases of Securities.** The Partnership may leverage its securities positions by borrowing funds up to the maximum extent permitted by law. In general, for most equity securities the maximum initial amount that can presently be loaned by brokers and banks is 50% of the value of most securities positions.

Leverage increases the potential risk of loss on any securities position so leveraged. In addition, increases in interest rates adversely affect earnings. Furthermore, in the event of a decline in the value of the leveraged securities or a change in the percentage of the value of securities for which a margin loan may be made, the Partnership may be forced to sell securities at a substantial loss in order to generate cash to reduce the Partnership's margin loan.

5. **Equity and Stock Index Options.** The General Partner has and may purchase or sell put and call options that are traded on options exchanges at such times as he deems appropriate and consistent with the Partnership's investment objectives.

The General Partner has and may utilize stock index options, primarily as a means of hedging the Partnership's portfolio or specific securities therein (for example, to lock in gain or minimize the risk of loss), but also has and may engage in such trading as a portfolio investment or as a method of rapid implementation of an investment strategy where it is impractical to quickly purchase or sell equity securities. The General Partner has and may also purchase or sell options on a specific underlying security.

6. **Risk Arbitrage Activities.** The investment activities of the Partnership include taking positions in companies which are, or in the opinion of the General Partner, may be subject to a corporate takeover, restructuring, acquisition of securities or assets, merger, reorganization, leveraged buy out or other form of similar corporate event.

7. **High-Yield Securities; Participation in Buy-Outs; Liquidations; Bankruptcy Situations.** The General Partner may purchase high-yield speculative securities, including so-called "junk bonds." In addition, companies may propose from time to time a plan of liquidation pursuant to which all or substantially all of their assets are to be sold and the proceeds of such sales are to be distributed to their stockholders. A particular plan of liquidation

may involve several liquidating distributions. The Partnership may invest in the securities of the entity to be liquidated if the General Partner believes that the assets of the entity are worth more than the market price of the entity's publicly-traded securities and that there is a substantial likelihood that the liquidation proposal will be effected. However, the Partnership would incur a loss if the sale of the entity's assets does not produce the anticipated revenues and the liquidating distributions are less than the Partnership's cost of purchasing the securities.

The Partnership may also invest in securities of companies involved in various stages of bankruptcy or reorganization. These situations may be particularly complicated and may involve substantial uncertainty.

Because of the highly complex nature of many liquidations, bankruptcies and reorganizations, the securities involved in such transactions may have to be held for long periods of time during which time they may have limited marketability.

Portfolio Turnover

As a result of the investment policies described in this Memorandum, the Partnership has and expects to continue to engage in a substantial number of portfolio transactions. The Partnership's investment portfolio has been frequently traded and it is anticipated that the Partnership's investment portfolio will continue to be frequently traded. Accordingly, the Partnership will continue to incur substantial brokerage commissions, expenses and other transaction costs. See *"BROKERAGE COMMISSIONS"*.

General

The General Partner does not presently intend to cause the Partnership to purchase or sell real estate (although it may purchase securities of companies whose businesses involve the purchase and sale of real estate), make loans (although it may acquire publicly distributed or privately held bonds, debentures, notes and other debt securities, it may buy securities with an agreement by the vendor to repurchase them and it may lend portfolio securities), purchase participations or other direct interests in oil, gas or other minerals (except as an investor in companies in this field) or participate in the marketing of the securities of any companies.

THE PARTNERSHIP'S INVESTMENT PROGRAM ENTAILS SUBSTANTIAL RISKS AND THERE CAN BE NO ASSURANCE THAT THE INVESTMENT OBJECTIVES OF THE PARTNERSHIP WILL BE ACHIEVED. THE PRACTICES OF SHORT SELLING, LEVERAGE AND OTHER INVESTMENT TECHNIQUES WHICH THE PARTNERSHIP MAY EMPLOY FROM TIME TO TIME CAN, IN CERTAIN CIRCUMSTANCES, MAXIMIZE THE ADVERSE IMPACT TO WHICH THE PARTNERSHIP'S INVESTMENT PORTFOLIO MAY BE SUBJECT.

MANAGEMENT OF THE PARTNERSHIP

The General Partner is responsible for the management of the Partnership. The General Partner is solely responsible for researching, selecting and monitoring investments by the Partnership and making decisions on when and how much to invest with or withdraw from a particular investment. The General Partner is Lancer Management Group II, LLC, a Connecticut limited liability company formed in November 1997. Lancer Management Group II, LLC has no current business other than serving as General Partner of the Partnership. Lauer is the sole manager and principal owner of the General Partner. Two (2) individuals who work with Lauer are the other members of the General Partner.

Michael Lauer began his investment career with Oppenheimer & Co. in 1980 as a technology analyst. His other professional affiliations include: Cyrus J. Lawrence and Kidder Peabody (both as senior diversified technology and defense electronics analyst). Mr. Lauer became a portfolio manager in 1993. On numerous occasions, the annual Greenwich Associates survey of sell-side analysts distinguished Mr. Lauer as the premier source for stock purchase recommendations in his discipline of industry coverage. Likewise, Mr. Lauer was selected to the Institutional Investor's All Star analyst team for seven consecutive years. The Wall Street Journal's first ever survey also rated Mr. Lauer among the tope three analysts in his group. Mr. Lauer holds a BA degree in International Relations and an MBA in Finance. From December 1994 to December 1997, Lauer served as the general partner of Lancer Partners, L.P., a New York limited partnership ("NYLP"). On December 31, 1997, NYLP merged with and into the Partnership with the Partnership being the surviving entity and the General Partner being the surviving general partner. Prior to the merger, the Partnership did not engage in any business. From December 1995 to December 1997, Lauer served as the sole manager and principal owner of Lauer Management Group, LLC, a New York limited liability company ("LMG-NY"). LMG-NY served as the sole investment manager for Lancer Offshore, Inc., a British Virgin Islands investment company ("LOI"). On December 31, 1997, LMG-NY merged with and into Lancer Management Group, LLC, a Connecticut limited liability company ("LMG-CT") with LMG-CT being the surviving entity and LMG-CT is carrying on the business of LMG-NY. Lauer is the sole manager and principal owner of LMG-CT and LMG-CT now serves as the sole investment manager for LOI. LMG-CT also serves as the sole investment manager of The Orbiter Fund, Ltd. ("TOF") and The Viator Fund, Ltd. ("TVF"), each a British Virgin Islands investment company formed in 1999.

Lauer, as sole manager of the General Partner and, as the sole manager of LMG-CT, the investment manager of LOI, TOF and TVF, devotes a substantial amount of his time to the business of running the Partnership, LOI, TOF and TVF although, Lauer may devote such time to the General Partner and the Partnership as he determines in his sole discretion. The General Partner, LMG-CT and/or Lauer may also manage accounts for certain parties and/or provide consulting and/or advisory services to others.

There have never been any administrative, civil or criminal actions, whether pending, on appeal or concluded, against the Partnership, General Partner, Lauer or their affiliates.

CERTAIN RISK FACTORS

THE PURCHASE OF INTERESTS OFFERED HEREBY INVOLVES CERTAIN RISKS AND IS SUITABLE ONLY FOR OFFEREES OF ADEQUATE FINANCIAL MEANS WHICH HAVE NO NEED FOR LIQUIDITY IN THIS INVESTMENT. OFFEREES SHOULD BEAR IN MIND THE FOLLOWING RISK FACTORS:

Market Risks

1. Competition. The securities industry, and the varied strategies and techniques engaged in by the General Partner are extremely competitive and each involves a degree of risk. The Partnership competes with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

2. Market Volatility. The profitability of the Partnership substantially depends upon the General Partner correctly assessing the future price movements of stocks, bonds, options on stocks and other securities and the movements of interest rates. There can be no assurance that the General Partner will be successful in accurately predicting price and interest rate movements.

3. Partnership's Investment Activities. The Partnership's investment activities involve a high degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the General Partner. Such factors include a wide range of economic, political, competitive and other conditions which may affect investments in general or specific industries or companies. In recent years the securities markets have become increasingly volatile, which may adversely affect the ability of the Partnership to realize profits. As a result of the nature of the Partnership's investing activities, it is possible that the Partnership's financial performance may fluctuate substantially from period to period.

4. Leverage. The General Partner may cause the Partnership to employ leverage. This includes the use of borrowed funds and investments in options, such as puts, calls and warrants. Also, the General Partner may cause the Partnership to engage in short sales. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Partnership.

5. Liquidity. Some of the investments made by the Partnership may lack liquidity. Though it is intended that substantially all of the investments made by the Partnership will be in publicly traded investments and most on listed exchanges, some may be thinly traded. This could present a problem in realizing the prices quoted and in effectively trading the position(s). In certain situations, the Partnership may invest in illiquid investments which could result in significant loss in value should the Partnership be forced to sell the illiquid investments as a result of rapidly changing market conditions or as a result of other factors.

6. Counterparty Creditworthiness. The Partnership may engage in transactions in securities and other instruments that involve counterparties. Under certain conditions,

a counterparty to a transaction could default or the market for certain securities and/or other instruments may become illiquid.

7. Options. The Partnership may utilize options contracts in furtherance of its investment strategy. Options positions may include both long positions, where the Partnership is the holder of put or call options, as well as short positions, where the Partnership is the seller (writer) of an option. Although option techniques can increase investment return, they can also involve a relatively higher level of risk. The expiration of unexercised long options effectively results in loss of the entire cost, or premium paid for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short-selling, a theoretically unlimited risk of an increase in the Partnership's cost of selling or purchasing the underlying securities in the event of exercise of the option. The use of options thereon involve the contractual commitment to purchase or sell the underlying instrument at a future date. The eventual price of such security may be influenced by a broad variety of market, economic and issuer-specific events and risks, many of which may be difficult to predict or assess.

8. Risk Arbitrage. The Partnership may engage in risk arbitrage transactions. Risk arbitrage involves purchasing securities which are the subject of an acquisition attempt, cash tender offer, exchange offer, corporate reorganization (such as a merger), liquidation, or an offer by an issuer to repurchase or exchange some of its own securities. Risk arbitrage investments are subject to such additional risks as the failure of the transaction to close, the failure to obtain stockholders' approval and other factors. Risk arbitrage also involves selling securities, possibly by a short sale or put option, in anticipation of the failure of a transaction to close, with the risk that the proposed transaction or another transaction will close.

9. Short Sales. The Partnership may sell securities short. Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Partnership may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

10. Systemic Risk. World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in the Partnership losing substantial value caused predominantly by liquidity and counterparty issues (as noted above) which could result in the Partnership incurring substantial losses.

Regulatory Risks

1. Strategy Restrictions. Certain Offerees may be restricted from directly utilizing investment strategies of the type the Partnership may engage in. These may include sales of "naked" options (those in which there is no position in the underlying security) or purchases of put and call options on stocks. Such Offerees should consult their own advisors, counsel, and accountants.

2. Trading Limitations. For all securities, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Partnership to loss.

3. No Regulatory Oversight. The Partnership is not registered as an "investment company" under the Investment Company Act and the General Partner is not registered as an investment adviser under the Advisers Act. Consequently, the Limited Partners will not benefit from certain of the protections afforded by such statutes.

4. Tax Risk. Reference is made to *"CERTAIN FEDERAL INCOME TAX CONSIDERATIONS"* for a discussion of certain tax risks inherent in the acquisition of Interests in the Partnership.

Partnership Risks

1. Limited Liquidity. An investment in the Partnership provides limited liquidity. The Interests are not freely transferable. In connection with the purchase of an Interest, each Limited Partner must represent that the Limited Partner has acquired the Interest for investment purposes only and not with a view to or for resale, distribution or fractionalization of the Interest. The Interests have neither been registered under the 1933 Act nor under the securities or "blue sky" laws of any state and, therefore, are subject to transfer restrictions.

2. Withdrawal of Capital. A Limited Partner may not withdraw any value of the Limited Partner's capital account for one (1) year from the date of such Limited Partner's initial capital contribution. Thereafter, a Limited Partner may withdraw all or any amount of value of the Limited Partner's capital account as of January 1 and July 1 of each calendar year. All withdrawals must be upon at least ninety (90) days' prior written notice.

3. Frequency of Trading. Some of the strategies and techniques to be employed by the General Partner requires frequent trades to take place and, as a consequence, portfolio turnover and brokerage commissions may be greater than for other investment entities of similar size.

4. Concentration of Investments. While the General Partner intends to allocate the Partnership's equity among a number of different securities of a number of different companies, it is possible that a significant amount of the Partnership's equity could be invested in the securities of only a few companies.

5. Fees, Expenses and General Partner Allocation. The operating expenses of the Partnership, including, but not limited to, fees paid to accountants, attorneys, the Management Fee and the General Partner Allocation may, in the aggregate, constitute a high percentage relative to other investment entities.

6. No Participation in Management. The management of the Partnership's operations is vested solely in the General Partner, and the Limited Partners will have no right to take part in the conduct or control of the business of the Partnership. In connection with the management of the Partnership's business, the General Partner will contribute services

to the Partnership and devote thereto such time in its discretion as it deems appropriate. See *"CONFLICTS OF INTEREST"*.

7. Limitation of General Partner's Liability and Indemnification of the General Partner. Under the CULPA, a general partner is accountable to the limited partners as a fiduciary and, consequently, is required to exercise good faith and integrity in handling partnership affairs. The Partnership Agreement provides that the General Partner shall be indemnified against and shall not be liable for, any loss or liability incurred in connection with the affairs of the Partnership, so long as such loss or liability arose from acts performed in good faith and not involving any fraud, malfeasance or gross negligence. Therefore, a Limited Partner may have a more limited right of action against the General Partner than a Limited Partner would have had absent these provisions in the Partnership Agreement. See *"FIDUCIARY RESPONSIBILITIES OF THE GENERAL PARTNER"*.

8. Liability of a Limited Partner for the Return of Capital Distributions. Limited Partners will not be liable under Connecticut law for the Partnership's debts, except that a Limited Partner which has received a distribution from the Partnership representing, in whole or in part, a return of such Limited Partner's capital contribution may be liable to the Partnership for an amount equal to such returned contribution, without interest, if such distribution was made in violation of the Partnership Agreement or the CULPA, or, under certain circumstances, to the extent necessary to discharge the Partnership's liabilities to creditors who extended credit to the Partnership prior to such distribution.

9. Delayed Schedule K-1s. The General Partner will endeavor to provide a final Schedule K-1 to each Limited Partner for any given calendar year prior to April 15 of the following year. In the event that the final Schedule K-1 is not available by such date, a Limited Partner will either have to file for an extension or pay taxes based on an estimated amount and file an amended return once the final Schedule K-1 is received.

General Risks

1. Limited Operating History; Experience of General Partner. The Partnership was formed in 1997 and is the successor to NYLP which was formed in December 1994 and has a limited operating history. The success of the Partnership depends on the ability and experience of the General Partner, which was also formed in 1997 and has a limited operating history. There can be no assurance that the General Partner will generate any gains for the Partnership.

2. Lack of Separate Representation. Neither the Partnership Agreement nor any of the agreements, contracts and arrangements between the Partnership, on the one hand, and the General Partner, or their respective affiliates, on the other hand, were or will be the result of arm's-length negotiations. The attorneys, accountants and others who have performed services for the Partnership in connection with this offering, and who will perform services for the Partnership in the future, have been and will be selected by the General Partner.

FINANCIAL SUMMARY OF THE OFFERING

This summary is qualified in its entirety by the detailed information (including *"RISK FACTORS"* and *"CERTAIN FEDERAL INCOME TAX CONSIDERATIONS"*), appearing in this Memorandum, and the Exhibits hereto and the documents referred to herein. All documents referred to herein and not attached hereto are available for inspection during normal business hours at the office of the General Partner, 475 Steamboat Road, Greenwich, CT 06930, upon request by an Offeree.

The Partnership

The Interests in the Partnership offered herein each represent a percentage interest in the Partnership proportionate to the amount invested by each Partner as related to the aggregate amount invested by all Partners. See *"SUMMARY OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT - Profits, Losses and Interest in Partnership's Net Worth"*.

General Partner

The General Partner of the Partnership is Lancer Management Group II, LLC, a Connecticut limited liability company. Lauer is the sole manager and principal owner of the General Partner and he is solely responsible for its operations and activities. See *"MANAGEMENT OF THE PARTNERSHIP"*.

Terms Of Offering

Each Limited Partner must invest a minimum of $1,000,000 (however, the General Partner reserves the right, in its sole and absolute discretion, to admit Limited Partners with less than such minimum investment). There is no minimum or maximum aggregate amount of funds which may be contributed to the Partnership. The General Partner, in its sole and absolute discretion, can accept or reject any capital contributions from existing Limited Partners or Offerees.

The General Partner reserves the right to sell Interests through banks and registered broker-dealers and to pay a fee or commission thereon. Any such fee or commission will be paid solely by the General Partner, and no portion thereof will be paid by the Partnership.

Offerees and existing Limited Partners may invest funds in the Partnership as of the beginning of each Fiscal Period, although the General Partner in its sole and absolute discretion has the right to admit new Limited Partners and to accept additional funds from existing Limited Partners at any time. All funds invested in the Partnership by Limited Partners will be held in the Partnership's name and the Partnership will not commingle its funds with any other party.

A copy of the subscription documents and instructions for subscribing are attached as Exhibit "A". Each Offeree desiring to acquire an Interest will be required to execute a subscription agreement and other subscription documents to be accompanied by a check made payable to the Partnership representing the Offeree's capital contribution for their Interest. Offerees may alternatively wire transfer to a bank account in the name of the Partnership their capital contribution for their respective Interests in accordance with the Instructions to Subscribers in Exhibit "A" hereto. Existing Limited Partners making additional capital

contributions will be required to execute a one page form confirming certain information previously provided to the Partnership.

Withdrawals

A Limited Partner may withdraw part or all of the value of the Limited Partner's capital account after one (1) year from the date of the Limited Partner's original capital contribution as of January 1 and July 1 of each calendar year (each a "Withdrawal Date") upon at least ninety (90) days' prior written notice. Withdrawals may be made at such other times as determined by the General Partner in its sole and absolute discretion. The Partnership currently expects to pay to a withdrawing Limited Partner an amount equal to approximately ninety-five (95%) percent of the value in such Limited Partner's capital account within fifteen (15) days after the applicable Withdrawal Date. The Partnership currently expects to pay the balance of the amount remaining in a withdrawing Limited Partner's capital account, without interest, as soon as practicable after completion of the unaudited interim financial statements for the six (6) month period ending June 30 for July 1 withdrawals or December 31 audited financial statements for January 1 withdrawals. The Partnership currently expects to pay a Limited Partner who makes a partial withdrawal within fifteen (15) days after the applicable Withdrawal Date. There are no withdrawal fees associated with a Limited Partner's withdrawal of capital from the Partnership. The General Partner, in its sole and absolute discretion, may waive any notice period. The General Partner may require any Limited Partner to withdraw all or any part of the value in their capital account for any reason upon not less than three (3) days prior written notice. The Partnership has the right to pay cash or marketable securities, or both, to a Limited Partner that makes a withdrawal from such Limited Partner's capital account.

Distributions From Profits or Capital

The Partnership does not expect to make any distributions from profits or capital, except pursuant to requests for withdrawals and upon termination of the Partnership. See "*SUMMARY OF CERTAIN TERMS OF THE PARTNERSHIP AGREEMENT-Distributions When Partnership Terminated*" and "*Withdrawals*".

Management Fee

The General Partner will receive a quarter-annual management fee ("Management Fee") of one-quarter (0.25%) percent of each Limited Partner's share of the Partnership's Net Worth (as defined in this Memorandum) at March 31, June 30, September 30 and December 31 of each year. A pro rata Management Fee will be charged to Limited Partners on any amounts permitted to be invested and withdrawn during any quarter-annual Fiscal Period.

General Partner Allocation

The General Partner shall have reallocated by credit to its capital account and debit to each Limited Partner's capital account net income of the Partnership attributable to each Limited Partner (net increase in Net Worth) equal in the aggregate to twenty (20%) of the net increase in Net Worth allocated to each Limited Partner during any Fiscal Year (on the accrual basis of accounting) on an annual basis ("General Partner Allocation"). The General Partner Allocation shall be in addition to the allocations of the balance of income and profits, or losses, to the General Partner based upon its capital account proportionate to the aggregate amount of the capital accounts of all Partners.

In any Fiscal Year(s) in which a Limited Partner has an existing Loss Carryover, the General Partner Allocation for such succeeding Fiscal Year(s) shall be calculated on the net increase in Net Worth for such Limited Partner reduced by the Loss Carryover for such Limited Partner until the aggregate reductions equal the Loss Carryover for such Limited Partner. In the event, however, that a Limited Partner withdraws funds at a time in which such Limited Partner has a Loss Carryover, the amount of such Loss Carryover at such withdrawal date applicable to such Limited Partner shall be reduced by a percentage equal to 100% multiplied by a fraction, the numerator of which is the amount to be withdrawn from the capital account, and the denominator of which is the amount in such capital account immediately prior to the withdrawal.

Determination of Partnership's Net Worth

As set forth in Section 9.05 of the Partnership Agreement, the Net Worth of the Partnership is determined in accordance with the following:

> "The net worth of the Partnership ("Net Worth") shall be determined on the accrual basis of accounting in accordance with generally accepted accounting principles consistently applied and, further, in accordance with the following:
>
> > (a) A determination shall be made on the last day of each Fiscal Year (or Fiscal Period, if required) as to the value of all Partnership assets and as to the amount of liabilities of the Partnership. In making such determination, securities which are listed on a national securities exchange or over-the-counter securities listed on the NASDAQ National Market System, shall be valued at their last sales price on such date, or, if no sales occurred on such date. at the mean between the "bid" and "asked" prices. Securities which are not so listed shall be valued at their last closing "bid" prices if held "long" and at their last closing "asked" prices if sold "short". Securities which have no public market shall be considered at such value as the General Partner may reasonably determine. Investment in partnerships, if any, shall be valued at their last reported value, updated by any interim valuations provided by such partnerships or by any other applicable valuation deemed reasonable by the General Partner. All such valuations shall be made as of the last trading day of the Fiscal Year (or Fiscal Period, as the case may be), and all values assigned to securities by the General Partner pursuant to this Section shall be final and conclusive as to all of the Partners.

(b) There shall be deducted the Basic Fee and properly accruable estimates of expenses for accounting, legal and other administrative services, subject to the Administrative Cap (whether performed therein or to be performed thereafter) and such reserves for contingent liabilities of the Partnership, including estimated expenses, if any, in connection therewith, as the General Partner shall determine; and

(c) The organizational expenses of the Partnership shall be amortized over a period of sixty (60) months or such shorter period as the General Partner shall select and, in computing the Net Worth of the Partnership, organizational expenses, shall be treated as an asset with a value equal to the unamortized amount thereof.

After the foregoing determinations have been made, a further calculation shall be made to determine the increase or decrease in Net Worth of the Partnership during the Fiscal Year (or Fiscal Period, as the case may be) just ended. The term "increase in Net Worth" shall be the excess of Net Worth at the end of any Fiscal Year (or Fiscal Period, as the case may be) over that of the preceding Fiscal Year (or Fiscal Period, as the case may be), after adjusting for interim capital contributions and withdrawals. The term "decrease in Net Worth" shall be the amount by which the Net Worth at the end of the Fiscal Year (or Fiscal Period, as the case may be) is less than the Net Worth of the Partnership as of the end of the preceding Fiscal Year (or Fiscal Period, as the case may be) after adjusting for interim capital contributions and withdrawals."

Expenses

The Partnership will pay all of its accounting, legal and other operating expenses, including all expenses incurred in connection with the offer and sale of Interests and the admission of Limited Partners (collectively, the Administrative Expenses") up to a maximum of one (1%) percent (or a prorated amount for the Partnership's first and last Fiscal Year and on amounts permitted to be invested and withdrawn during any Fiscal Period) of the Partnership's Net Worth at the end of its Fiscal Year (the "Administrative Cap"). To the extent that the Administrative Expenses exceed the Administrative Cap in any Fiscal Year, the General Partner shall pay such excess Administrative Expenses either by charging its capital account or by making a direct payment, as determined by the General Partner in its sole discretion. The Administrative Cap, however, does not apply to brokerage commissions, custodial fees and other trading, research and investment charges, fees and expenses which shall be paid by the Partnership. The Partnership will also pay all of its organizational expenses which will be amortized over sixty (60) months.

CONFLICTS OF INTEREST

There may be inherent and potential conflicts of interest between the General Partner (and Lauer) and the Partnership. Among the conflicts which Offerees should consider are the following:

(a) Neither the General Partner nor Lauer has any obligation to devote their full time to the business of the Partnership, but the General Partner is required to devote only such time and attention to the affairs of the Partnership as it may deem appropriate in its sole and absolute discretion. In addition, the General Partner and Lauer may manage other accounts for which they may be compensated and may provide consulting and/or advisory services to others. Lauer currently is the sole manager and principal owner of LMG-CT, which is the sole investment manager of LOI, TOF and TVF.

(b) The General Partner will determine the allocation of funds from the Partnership and such other accounts to investment strategies and techniques on whatever basis it considers appropriate or desirable in its sole and absolute discretion.

(c) The General Partner and/or Lauer may manage other accounts and provide investment advice to other parties, and the General Partner and/or Lauer may decide to invest the funds of one or more other accounts or recommend the investment of funds by other parties, rather than the Partnership's funds, in a particular security or strategy.

(d) The General Partner Allocation may create an incentive for the General Partner to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement.

(e) To the extent the Partnership's brokerage business is allocated to brokers or dealers in recognition of past or future referrals, the General Partner may have an incentive to cause the Partnership to effect more transactions than it might otherwise in order to stimulate brokers or dealers to refer more Offerees to the Partnership.

FIDUCIARY RESPONSIBILITIES OF THE GENERAL PARTNER

The General Partner is accountable to the Limited Partners as a fiduciary and consequently must exercise the utmost good faith and integrity in handling Partnership affairs. The General Partner must provide the Limited Partners (or their representatives) with timely and full information concerning matters affecting the activities of the Partnership, including its formation and liquidation, and each Limited Partner may, subject to the terms of the Partnership Agreement, inspect the Partnership's books and records at any time during normal business hours upon prior written notice to the General Partner.

Cases have been decided under the common and statutory laws of certain jurisdictions to the effect that a limited partner may institute legal action on behalf of such limited partner and all other similarly situated limited partners (a class action) to recover damages from a general partner for violations of the general partner's fiduciary duties, or on behalf of the partnership (a partnership derivative action) to recover damages from a third party where the general partner has failed or refused to enforce an obligation. Comparable relief may be available under Connecticut law, depending upon the facts.

On the basis of Federal statutes and rules and decisions by Federal courts, it appears that the limited partners of limited partnerships have the right, subject to the provisions of the Federal Rules of Civil Procedure, to bring partnership class actions in the Federal courts (to enforce the Federal rights of all similarly situated limited partners) and partnership derivative actions in the Federal courts (to enforce Federal rights of a partnership) including in each case, rights under certain rules of the SEC.

Notwithstanding the foregoing, it should be noted that the cost of litigating against the General Partner for enforcement of its contractual or fiduciary obligations may be prohibitively high and that any judgment obtained may not be collectible since the General Partner is not bonded and may lack sufficient funds to satisfy the judgment.

The foregoing summary is based on statutes, rules and decisions as of the date hereof and involves a rapidly developing and changing area of law. Therefore, if a Limited Partner believes that a breach of a fiduciary duty by the General Partner has occurred, or if a Limited Partner has any other questions concerning the duties of the General Partner, the Limited Partner should consult the Limited Partner's own counsel as to such counsel's evaluation of the status of the law and available remedies at such time.

Under the terms of the Partnership Agreement, the General Partner (provided it acts in good faith within the scope of the Partnership Agreement) not only is not liable to the Partnership or the Limited Partners for errors in judgment or other acts or omissions not amounting to gross negligence, malfeasance or fraud, but is indemnified in such circumstances by the Partnership. Therefore, purchasers of the Interests may have more limited rights of action than they would have absent the limitations in the Partnership Agreement. It should be noted, however, that it is the position of the SEC and certain states that any attempt to limit the liability of a general partner or to indemnify a general partner under the Federal securities laws or applicable state law is contrary to public policy and, therefore, unenforceable.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

General

There are risks associated with the Federal income tax aspects of an investment in the Partnership. This summary is not intended as a substitute for careful tax planning, particularly since the tax aspects of an investment in the Partnership are complex and will vary depending on the overall tax posture of each Limited Partner.

OFFEREES ARE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISERS WITH SPECIFIC REFERENCE TO THEIR TAX SITUATION PRIOR TO PURCHASING AN INTEREST.

EACH OFFEREE WILL BE REQUIRED TO REPRESENT THAT THE OFFEREE HAS RELIED UPON THE ADVICE OF THE OFFEREE'S ADVISERS AND REPRESENTATIVES, INCLUDING THE OFFEREE'S TAX AND LEGAL ADVISERS, BEFORE PURCHASING AN INTEREST. OFFEREES MUST RELY SOLELY ON THEIR ADVISERS WITH RESPECT TO THE FINANCIAL AND TAX CONSEQUENCES OF THIS INVESTMENT. NO REPRESENTATION OR WARRANTY OF ANY KIND IS MADE BY THE GENERAL PARTNER, THE PARTNERSHIP OR ANY COUNSEL OR ACCOUNTANTS TO THE PARTNERSHIP WITH RESPECT TO ANY FINANCIAL OR FOREIGN, FEDERAL, STATE OR LOCAL INCOME TAX CONSEQUENCES RELATING TO THE PARTNERSHIP OR OF AN INVESTMENT IN THE PARTNERSHIP. THE TAX AND OTHER MATTERS DESCRIBED IN THIS MEMORANDUM DO NOT CONSTITUTE, AND SHOULD NOT BE CONSIDERED AS, LEGAL OR TAX ADVICE.

The following is a summary of certain material Federal income tax aspects of acquiring Interests. It is based upon the Code, rules and regulations promulgated thereunder, published rulings and court decisions, all as in effect on the date of this Memorandum. This summary does not discuss all of the tax aspects that may be relevant to a particular Offeree. No advance rulings have been or will be sought from the Service regarding any matter discussed in this Memorandum. Counsel to the Partnership has not rendered any legal opinions with respect to any Federal income tax consequences relating to the Partnership or an investment therein. Accordingly, Offerees are urged to consult their tax advisers to determine the Federal, state, local and foreign income and other tax consequences to them of acquiring Interests.

For individual taxpayers, the maximum Federal income tax rate generally is thirty-nine and six-tenths (39.6%) percent, including short-term capital gains. Long-term capital gains are taxed for individual taxpayers at maximum rates of twenty (20%) percent (for gains from the sale of capital assets held more than one (1) year). In addition, Limited Partners will be taxed on gains on certain open positions (i.e., unrealized gains) in "Section 1256 contracts" (e.g., foreign currency contracts and non-equity options, all as defined in Section 1256 of the Code) that are "marked to market" at the end of each year for Federal income tax purposes held by any investment limited partnership, limited liability company or managed accounts in which the Partnership invests. Under this mark-to-market procedure, Limited Partners will be subject to tax on certain gains that may never be realized.

Partnership Status. Effective January 1, 1997, the Service finalized regulations that generally permit domestic unincorporated entities to be taxed as partnerships or corporations.

Under these regulations, a newly formed non-corporate domestic entity is automatically classified as a partnership if it has at least two members, unless it affirmatively elects to be classified as an association taxable as a corporation. Eligible domestic business entities that were in existence before January 1, 1997 do not have to file elections to retain their current classifications. They retain the classification claimed under preexisting regulations. The Service will not challenge the classification of an existing eligible entity for periods prior to January 1, 1997, if the entity had a reasonable basis for its claimed classification and neither the entity nor any Partner was notified in writing by May 8, 1996 that the entity's classification was under examination. The Partnership has filed its tax returns as a partnership for tax purposes since its inception and neither the Partnership nor any Partner was notified in writing that the Partnership's classification was under examination. Accordingly, the Partnership will continue to be taxed as a partnership under these regulations.

Certain entities otherwise taxable as partnerships, however, are taxed as corporations if they are "publicly traded" or deemed to be readily tradeable on a secondary market or the substantial equivalent thereof (such entities "Publicly Traded Partnerships"). Under the Treasury Regulations, certain types of transfers of interests in a partnership are disregarded in determining whether such interests are readily tradeable in a secondary market. In addition, interests in a partnership are not readily tradeable on a secondary market if (i) all interests in the partnership were issued in a transaction (or transactions) that was not required to be registered under the 1993 Act; and (ii) the partnership does not have more than one hundred (100) partners at any time. Notwithstanding the foregoing, an entity otherwise qualifying as a Publicly Traded Partnership will not be taxed as a corporation if, for all years, ninety (90%) percent or more of the entity's gross income consists of "qualifying income." Recently promulgated Treasury Regulations clarify that qualifying income includes interest, dividends, capital gain from the sale of stock and other capital assets held for the production of income (including gain on positions that are marked to market), gain characterized as ordinary income from certain foreign currency transactions, income from certain notional principal contracts and other substantially similar income to the extent determined by the IRS, provided the entity receiving such qualifying income is not acting as a broker, market maker or dealer. Special rules apply for losses and for straddles and similar transactions.

Based on the Partnership's investment objective and its strategy and expected investments, it appears that the Partnership will satisfy the 90% qualifying income test described above. If that test is satisfied, then the Partnership will not be taxed as a corporation even if it has more than one hundred (100) Partners (the Partnership, however, does not expect to have more than one hundred (100) Partners). Moreover, if the Partnership fails to meet the qualifying income test but the IRS determines that such failure was inadvertent and the Partnership makes certain adjustments and takes corrective steps to meet such test, then notwithstanding the failure, the Partnership will not be taxed as a corporation under these rules.

Taxation of Limited Partners on Partnership Profits and Losses. The Partnership, if treated as a partnership for Federal income tax purposes as discussed above, will not itself generally be subject to Federal income tax. Rather, each Limited Partner in computing its Federal income tax liability for a taxable year will be required to take into account its allocable share of all items of Partnership income, gain, loss, deduction and credit for the taxable year of the Partnership ending within or with such taxable year of such Limited Partner, regardless of whether such Limited Partner has received any distributions from the Partnership. The

characterization of an item of profit or loss usually will be determined at the Partnership (rather than at the Partner) level.

Tax Allocations of Partnership Profits and Losses. For Federal income tax purposes, a Limited Partner's allocable share of items of Partnership income, gain, loss, deduction and credit will be determined by the Partnership Agreement if such allocations either have "substantial economic effect" or are determined to be in accordance with the Limited Partner's Interest in the Partnership. If the allocations provided by the Partnership Agreement were successfully challenged by the Service, the redetermination of the allocations to a particular Limited Partner for Federal income tax purposes could be less favorable than the allocations set forth in the Partnership Agreement.

Tax allocations generally will be made proportionately to book accounting allocations. However, the amount of such tax allocations may differ significantly from book accounting allocations because book accounting allocations are made with respect to unrealized gains and losses (i.e., reflecting interim changes in the value of investments) and tax allocations are generally made with respect to recognized gains and losses (i.e., generally when they are sold).

Book Accounting Allocations. At the end of the calendar year and any other interim periods during which the General Partner, in its sole and absolute discretion, allows entry of new Partners, withdrawal (total or partial) of Partners or additional capital contributions from existing Partners, changes in the Net Worth of the Partnership's assets and investments will be allocated to each Partner. This includes an allocation based upon unrealized gains and losses (on all positions not yet sold that have appreciated or depreciated), including long and short positions, outstanding options, and the like. Since unrealized gains and losses are not taxable, except for regulated futures contracts held at the end of the Fiscal Year, the allocation for accounting purposes will differ from that for tax purposes in each year.

Adjusted Tax Basis for Interests. A Limited Partner's adjusted tax basis for its Interest generally will be equal to the amount of such Limited Partner's initial capital contribution and will be increased by (a) any additional capital contributions made by such Limited Partner and (b) such Limited Partner's allocable share of items of Partnership taxable income and gain. Such adjusted tax basis generally will be decreased, but not below zero, by such Limited Partner's allocable share of (i) items of Partnership taxable deduction and loss and (ii) withdrawals by such Limited Partner.

In general, if the recognition of a Limited Partner's distributive share of Partnership losses would reduce its adjusted tax basis for such Limited Partner's Interest below zero, the recognition of such losses by the Limited Partner would be deferred until such time as the recognition of such losses would not reduce the Limited Partner's basis below zero.

Sale of Interests. A sale of all or part of a Limited Partner's Interest will result in the recognition of gain or loss in an amount equal to the difference between the amount of the sales proceeds and the Limited Partner's allocable adjusted tax basis for its Interest. Such Limited Partner's adjusted tax basis will be adjusted for this purpose by its allocable share of the Partnership's income or loss for the year of such sale or withdrawal. Any gain or loss recognized with respect to such a sale generally will be treated as capital gain or loss.

Treatment of Cash Distributions; Withdrawals; Liquidation. Cash distributions and withdrawals, to the extent they do not exceed a Limited Partner's adjusted tax basis in such

Limited Partner's Interest, will not result in taxable income to such Limited Partner but will reduce such Limited Partner's adjusted tax basis in such Limited Partner's Interest. Distributions in excess of a Limited Partner's adjusted tax basis in such Limited Partner's Interest immediately prior thereto ("Excess Distributions") will result in the recognition of gain to the extent of such excess.

In general, any gain recognized upon an Excess Distribution in connection with a redemption or liquidation of the Partnership will be treated as capital gain or loss, except for the portion of any gain which is attributable to such Limited Partner's share of income of the Partnership up to the date of exchange, redemption or liquidation, which income will be taxed as otherwise described above. Such gain or loss will be treated as long-term capital gain or loss taxable at a maximum rate of 20% if the Interest so disposed was held for more than one (1) year, or as short-term capital gain or loss if the Interest so disposed of was held for one (1) year or less.

Limitation on Deductibility of Capital Losses. Capital losses generally are deductible by individuals only to the extent of capital gains for the taxable year plus up to $3,000 of ordinary income ($1,500 in the case of a husband and wife filing separate returns). Excess capital losses may be carried forward but not back. Capital losses generally are deductible by corporations only to the extent of capital gains for the taxable year. Corporations may carry capital losses back three years and forward five years. Prospective corporate Offerees should consult their tax advisers regarding the deductibility of capital losses.

Limitation on Deductibility of Passive Losses. In addition to the limitations on the deductibility of losses described above, the Code restricts individuals, certain personal service corporations and certain non-corporate taxpayers from using trade or business losses sustained by limited partnerships and other businesses in which the taxpayer does not materially participate to offset income from other sources. Therefore, such losses cannot be used to offset salary or other earned income, active business income or "portfolio income" (i.e., dividends, interest, royalties and nonbusiness capital gains) of the taxpayer; however, in the case of certain closely-held corporations, passive activity losses can offset other active business income. Losses and credits suspended under the limitation may be carried forward indefinitely and may be used in later years against income from passive activities. Moreover, a taxable disposition by a taxpayer of the entire interest in a passive activity will cause the recognition of any suspended losses attributable to that activity.

This so-called "passive activity loss" limitation generally will not apply, however, to limit losses sustained by the Partnership because the Partnership's investment activities are not expected to produce losses which would be characterized as "passive activity losses" under current regulations. Furthermore, a Limited Partner will not be able to use losses from its interests in passive activities to offset its share of income and capital gain from the Partnership that is not "passive activity income".

Limited Deduction for Certain Expenses. The Partnership's activities in any taxable year may vary sufficiently with regard to its status as either a trader or investor to preclude a determination at this time. If the Partnership is a trader engaged in the business of trading securities, each Limited Partner who is an individual will be entitled to deduct such Limited Partner's share of expenses of the Partnership under Section 162 of the Code as business expenses. If the Partnership is an investor engaged in an activity for its own account, each Limited Partner who is an individual will only be able to deduct such Limited Partner's share of

expenses of the Partnership to the extent that such investment expenses (excluding interest) when combined with other expenses deductible under Section 212 of the Code exceed two (2%) percent of such Limited Partner's adjusted gross income. In addition, the amount in excess of such two (2%) percent limitation will not be deductible in computing the alternative minimum tax. The deductible portion, if any, of such expenses becomes part of the Limited Partner's total itemized deductions, which total is subject to further reduction generally in amount equal to the lesser of three (3%) percent of an individual's adjusted gross income in excess of $100,000 (indexed for inflation) or eighty (80%) percent of the individual's otherwise allowable total itemized deductions. To the extent that the Partnership incurs such itemized deductions subject to the two (2%) percent floor, depending on each Limited Partner's particular circumstances, the taxable income of certain Limited Partners could exceed their true economic gain to the extent of their share of such expenses that are less than such two (2%) percent floor. The General Partner will review the Partnership's activities for each taxable year and take the position that the Partnership is either a trader or an investor based upon the facts and circumstances existing at such time.

Limitation on Deductibility of Investment Interest. Interest paid or accrued on indebtedness properly allocable to property held for investment, other than a passive activity ("investment interest"), generally is deductible by individuals and other non-corporate taxpayers only to the extent it does not exceed net investment income. Investment interest disallowed under this limitation is carried forward and treated as investment interest in succeeding taxable years. Investment income includes gross income from "property held for investment" and generally includes short-term capital gains attributable to the disposition of such property and any (long-term) capital gains attributable to the disposition of such property so long as the taxpayer has elected to have such net (long-term) capital gains taxed at ordinary income rates. For purposes of these rules, property held for investment includes property that produces "portfolio income" (see *"Limitation on Deductibility of Passive Losses"* above) and any interest in a trade or business activity which is not a passive activity and in which the holder does not materially participate. Any items of income or expense taken into account under the passive activity loss limitation is excluded from investment income and expense for purposes of computing net investment income.

Tax Elections. The Code provides for optional adjustments to the basis of Partnership property upon distributions of Partnership property to a Limited Partner and transfers of Interests, including transfers by reason of death, provided that a Partnership election has been made pursuant to Section 754 of the Code. As a result of the complexities and added expense of the tax accounting required to implement such an election, and because such election, once made, may be revoked only with the consent of the Service, it is highly unlikely that the General Partner will make such an election. Accordingly, any benefits that might be available to the Limited Partners by reason of such an election would not be available.

Taxes Withheld. The Partnership may withhold taxes attributable to any Limited Partner to the extent required under the Code of Treasury Regulations, or under any state, local or other tax law. Any taxes so withheld by the Partnership shall be deemed to be a distribution or payment to such Limited Partner and shall reduce the amount otherwise distributable to each Limited Partner pursuant to the Partnership Agreement.

Tax Audits. Under the Code, adjustments in tax liability with respect to Partnership items generally will be made at the Partnership level in a single partnership proceeding rather

than in separate proceedings with each Limited Partner. The General Partner will represent the Partnership as the "tax matters partner" during any audit and in any dispute with the Service. Each Limited Partner will be informed by the General Partner of the commencement of an audit of the Partnership. In general, the General Partner may enter into a settlement agreement with the Service on behalf of, and binding upon, the Limited Partners. Prior to settlement, however, a Limited Partner may file a statement with the Service providing that the General Partner does not have authority to settle on behalf of such Limited Partner.

The period for assessing a deficiency against a partner in a partnership, such as the Partnership, with respect to a partnership item is the later of three (3) years after the partnership files its returns or, under certain circumstances, if the name, address, and taxpayer identification number of the partner do not appear on the partnership return, one (1) year after the Service is furnished with such information. The General Partner may consent on behalf of the Partnership to an extension of the period for assessing a deficiency with respect to a Partnership item. As a result, a Limited Partner's Federal income tax return may be subject to examination and adjustment by the Service for a Partnership item more than three (3) years after such return has been filed.

If adjustments are made to items of Partnership income, gain, loss, deduction or credit as the result of an audit of the Partnership, the tax returns of the Limited Partners may be reviewed by the Service, which could result in adjustments of non-Partnership items as well as Partnership items.

Offerees should note that the Treasury Department has examined and continues to study among other things, the administrative and compliance issues related to the tax treatment of large partnerships, including the issues of imposing collection and/or withholding of tax at the partnership level and procedures for audits and assessments of partnerships and partners.

Possible Tax Law Changes. The foregoing discussion is only a summary and is based upon existing Federal income tax law. Offerees should recognize that the Federal income tax treatment of an investment in Interests may be modified at any time by legislative, judicial or administrative action. Any such changes may have retroactive effect with respect to existing transactions and investments and may modify the statement made above.

State and Local Taxes; Foreign Taxes. In addition to the Federal income tax aspects described above, various state and local tax aspects should be considered. State and local taxation resulting from the Partnership's activities may differ from the treatment for Federal income tax purposes. Offerees are urged to consult their tax advisers with respect to the state and local tax aspects of acquiring Interests. To the extent that the Partnership invests in foreign securities, the Partnership and the Limited Partners might become subject to tax in jurisdictions outside the United States on the Partnership's foreign-source income, if any. Such taxes may be creditable, in whole or in part, against the Limited Partners' respective U.S. income tax liabilities, if any. In addition, special U.S. tax rules may apply to investments in foreign entities.

* * * * *

The foregoing summary is not intended as a substitute for professional tax advice, nor does it purport to be a complete discussion of all tax consequences that could apply to this investment. For example, the foregoing does not discuss tax consequences that may be relevant to particular Limited Partners in light of their personal circumstances and tax consequences of particular investments such as "wash sales," hedging transactions, straddle or other risk reduction transactions. In addition, the foregoing does not discuss estate tax, gift tax or other estate planning aspects of this investment, nor does it specifically discuss Federal income tax rates or the alternative minimum tax or special rules that may apply to investments in foreign entities. Accordingly, prospective Limited Partners must consult their own tax advisers with respect to the tax effects of this investment, including the effects on their own tax situation.

BROKERAGE COMMISSIONS

The General Partner has the sole power and authority to determine the broker or brokers to be used for each securities transaction for the Partnership. In selecting brokers or dealers to execute transactions, the General Partner need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. In selecting brokers, the General Partner may or may not negotiate commission rates based solely on the execution of orders; thus, the Partnership may be deemed to be paying for other services provided by the broker to the Partnership or the General Partner which is included in the commission rate. In negotiating commission rates, the General Partner will take into account the financial stability and reputation of brokerage firms and the brokerage, research and other services provided by such brokers, although the Partnership may not, in any particular instance, be the direct or indirect beneficiary of the services provided. The General Partner may also direct commissions to brokers who refer clients to the Partnership. In addition, the General Partner has the sole power and authority to direct commissions to certain broker/dealers which may furnish other services to the Partnership or the General Partner, such as telephone lines, news and quotation equipment, electronic office equipment, account record keeping and clerical services, financial publications, economic consulting services, office space and facilities and travel and entertainment expenses.

Accordingly, the Partnership may be deemed to be paying for research and other services with "soft" or commission dollars. Although the General Partner believes the Partnership will benefit from many of the services obtained with soft dollars generated by Partnership trades, the Partnership will not benefit exclusively. The General Partner may also derive direct or indirect benefits from some or all of these services, particularly to the extent that the General Partner uses "soft" or commission dollars to pay for expenses it would otherwise be required to pay itself.

Section 28(e) of the 1934 Act provides a "safe harbor" to investment managers who use commission dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the manager in the performance of investment decision-making responsibilities. Conduct outside of the safe harbor afforded by Section 28(e) is subject to the traditional standards of fiduciary duty under state and Federal law. Notwithstanding a good faith determination that the amount of commissions paid is reasonable in relation to the value of brokerage research services provided, to the extent that the General Partner determines to use commission dollars to pay for products and services that provide administrative or other nonresearch assistance to the General Partner, such payments may not fall within the safe harbor of Section 28(e).

The Partnership will have a "prime brokerage" arrangement with Banc of America Securities LLC ("BAS"), which will clear (on the basis of payment against delivery) the Partnership's securities transactions which are effected through other brokerage firms. Through these arrangements, BAS will provide certain record keeping services and will perform the following functions, among others: (i) arranging for the receipt and delivery of securities purchased, sold, borrowed and loaned; (ii) making and receiving payments for securities; (iii) custody of securities; (iv) custody of all cash, dividends and exchanges, distributions and rights accruing to an account, or delivery of cash to the Partnership's banks; and (v) tendering securities in connection with cash tender offers, exchange offers, mergers or other corporate reorganizations. The General Partner also expects to allocate portions of the Partnership's brokerage business to BAS.

The Partnership is not required to pay any fee to BAS to act as Prime Broker. The Partnership is not committed to continue its "prime brokerage" relationship or its clearing relationship with BAS for any minimum period. If the Partnership uses another prime broker, it may be required to pay separate fees. To the extent that securities are purchased in non-U.S. markets, BAS will transfer funds to its sub-brokers located in the country in which the securities are purchased. Such sub-brokers will maintain custody of the securities until such time as they are sold, at which point uninvested proceeds will be transferred back to the Partnership's account at BAS.

The General Partner's investment program will emphasize active management of the Partnership's portfolio. Consequently, the Partnership's portfolio turnover and brokerage commission expenses may be greater than for other types of investment vehicles.

INVESTMENT RESTRICTIONS

A purchaser of Interests will be required to represent that the purchaser is acquiring the Interest for the purchaser's own account for investment purposes only (and is assuming the economic risk of the investment) and not with a view to the distribution thereof (that is to say, that such purchaser is not acting as an underwriter or conduit for the sale to the public or to others of unregistered securities, directly or indirectly, on behalf of the Partnership).

The Interests offered hereby have not been registered under the 1933 Act or under any state securities or "blue sky" laws ("State Securities Laws") and they may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of or encumbered, except in compliance with the requirements of the 1933 Act, applicable State Securities Laws and the Partnership Agreement. Accordingly, Limited Partners will not be able to transfer the Interests without satisfactory evidence to the effect that the Interests were originally acquired for investment purposes and not for distribution. Offerees, therefore, should not acquire any Interests in anticipation of selling them on a short-term basis upon some increase in price or to purchase some other security or for any other purpose which could reasonably be foreseen at the time of making the purchase. All instruments evidencing Interests in the Partnership will bear a legend to the foregoing effect. Registration under the 1933 Act is not anticipated nor is the Partnership required to effect any such registration. Prior to any resale of Interests to the public, other than by an effective registration statement filed with the SEC, or other applicable exemption, such securities must have been beneficially owned and fully paid for at least one year and other requirements of Rule 144 must be present.

If a Limited Partner wishes to dispose of the Limited Partner's Interest in a transaction not requiring registration under the 1933 Act, such disposition is governed by, among other things, the terms of the Partnership Agreement. See "*SUMMARY OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT - Transfer and Assignment*". The General Partner's consent shall be required for any transfers of an Interest, and consent to such transfer shall be at the absolute discretion of the General Partner. In general, an assignee must satisfy the suitability standards applicable to the transferor or assignor. In no event may a transfer of all or any part of an Interest be made, if the General Partner is informed in an opinion of counsel that such transfer (i) violates the provisions of the 1933 Act and the rules and regulations thereunder or (ii) violates any State Securities Laws, or (iii) violates the CULPA. Additionally, an Interest may not be transferred if such transfer would result in a change of ownership, by reason of sales or exchanges, of fifty (50%) percent or more of the total Interests of the Partnership (or such other percentage of interest as will result in a termination of the Partnership under Section 708(b)(1) or successor Section of the Code) during the twelve (12) month period ending on the date of such transfer.

Any violation of the foregoing limitations by the Limited Partners could have serious legal and financial consequences to the Partnership and the Limited Partners. DUE TO THESE LIMITATIONS ON TRANSFERABILITY, LIMITED PARTNERS MAY BE REQUIRED TO HOLD THEIR INTERESTS INDEFINITELY UNLESS THEY WITHDRAW FROM THE PARTNERSHIP IN ACCORDANCE WITH THE PROCEDURES SET FORTH IN THE PARTNERSHIP AGREEMENT.

SUITABILITY REQUIREMENTS

An investment in the Partnership involves a substantial degree of risk. See "*RISK FACTORS*" and "*CERTAIN FEDERAL INCOME TAX CONSIDERATIONS*". Further, transfer of the Interests is restricted by the terms of the Partnership Agreement and applicable Federal and State Securities Laws. The suitability standards referred to herein represent minimum suitability requirements for Offerees and the satisfaction of such standards by an Offeree does not necessarily mean that the Interests are a suitable investment for such Offeree.

This offering is made for purchase of Interests by Accredited Investors that are generally subject to Federal income taxation. The minimum investment amount is $1,000,000 (which may be waived by the General Partner in its sole discretion).

Annexed to this Memorandum as Exhibit A are the Subscription Documents (the "Subscription Documents") which must be completed by each Offeree. The Subscription Documents set forth in detail the definition of Accredited Investors Each Offeree must check the appropriate places in the Subscription Documents to represent to the Partnership that they are an Accredited Investor in order to be able to purchase Interests. The General Partner may reject any Offeree's subscription for any reason or for no reason.

THE DELIVERY OF THIS MEMORANDUM TO AN OFFEREE DOES NOT CONSTITUTE AN OFFER, BUT RATHER THE SOLICITATION OF AN OFFER TO BE MADE BY THE OFFEREE, SUBJECT TO ACCEPTANCE BY THE GENERAL PARTNER.

SUMMARY OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT

The rights and obligations of the Partners and the various terms and provisions governing the operation and business of the Partnership are set forth in the Partnership Agreement.

THE PARTNERSHIP AGREEMENT (ATTACHED HERETO AS EXHIBIT "B") AFFECTS THE SUBSTANTIVE RIGHTS OF PARTNERS. OFFEREES ARE URGED TO READ THE PARTNERSHIP AGREEMENT IN ITS ENTIRETY. EACH NEW LIMITED PARTNER WILL BE REQUIRED TO REPRESENT, IN WRITING, AS A CONDITION OF ACQUIRING THE INTERESTS, THAT THE NEW LIMITED PARTNER HAS READ AND UNDERSTOOD THE PROVISIONS OF THE PARTNERSHIP AGREEMENT.

THE PARTNERSHIP AGREEMENT CONTAINS PROVISIONS SEVERELY RESTRICTING THE ABILITY OF THE LIMITED PARTNERS TO TRANSFER THEIR INTERESTS. WITH LIMITED EXCEPTIONS, A TRANSFER MAY NOT BE MADE WITHOUT PRIOR WRITTEN CONSENT OF THE GENERAL PARTNER, WHICH CONSENT MAY BE GIVEN OR WITHHELD IN THE SOLE AND ABSOLUTE DISCRETION OF THE GENERAL PARTNER. THE GENERAL PARTNER WILL NOT GIVE SUCH CONSENT FOR A TRANSFER UNLESS IT RECEIVES SATISFACTORY LEGAL OPINIONS AS TO COMPLIANCE WITH ALL APPLICABLE LAWS INCLUDING THE 1933 ACT, REGULATIONS THEREUNDER, AND APPLICABLE STATE SECURITIES LAWS. TRANSFERS WHICH WOULD RESULT IN A TERMINATION OF THE PARTNERSHIP FOR FEDERAL INCOME TAX PURPOSES ARE PROHIBITED.

The following is a summary of certain of the provisions of the Partnership Agreement and is qualified in its entirety by reference to the Partnership Agreement.

Term

The term of the Partnership shall continue until December 31, 2044, provided, however, that the Partnership may be terminated prior thereto as provided in the Partnership Agreement.

Control of Operations

The General Partner has exclusive authority to control the management of the day to day business operations and all other aspects of the Partnership, other than the termination or dissolution of the Partnership upon the withdrawal of the General Partner and certain other events, which are subject to the Limited Partners' right to vote to continue the Partnership as provided in Article IV of the Partnership Agreement. In addition, the Limited Partners have the right to vote upon the appointment of an additional or substitute General Partner and substantive amendment to the Partnership's Certificate of Limited Partnership or the Partnership Agreement.

The General Partner has the right to employ investment advisors, attorneys, accountants, consultants, and other personnel on behalf of the Partnership.

The General Partner may own, operate and invest in other interests and business ventures which may result in conflicts of interest. The General Partner is required to devote only such time to the business of the Partnership as it may deem necessary in its sole and absolute discretion.

Liability of General Partner

The General Partner will be generally liable to third parties for all obligations of the Partnership to the extent such obligations are not paid by the Partnership or are not by their terms limited to recourse against specific assets. The doing of any act or the failure to do any act by the General Partner, the effect of which may cause or result in loss, liability, damage or expense to the Partnership or the Limited Partners, shall not subject the General Partner to any liability to the Partnership or to the Limited Partners, except that the General Partner may be so liable if it is grossly negligent or guilty of willful misconduct. The Partnership (but not the Limited Partners individually), shall indemnify and save harmless the General Partner from any loss, liability, damage or expense incurred by it by reason of any act or acts taken or omitted by it for and on behalf of the Partnership and in furtherance of the Partnership's best interest, if such act was taken or omitted other than in bad faith and did not constitute gross negligence or willful misconduct.

Withdrawal of General Partner

The Partnership shall terminate upon the dissolution, resignation or bankruptcy of the General Partner, provided, however, that the Partnership may be continued in accordance with the provisions of Article XIII of the Partnership Agreement. Upon the withdrawal or resignation of the General Partner, the Limited Partners shall have the right to appoint a Substitute General Partner.

Liability of Limited Partners

A Limited Partner will have no obligation at any time to make contributions to the capital of the Partnership except for the capital contributions to be made upon such Limited Partner's admission. No Limited Partner shall be personally liable for any debts and obligations of the Partnership; provided, however, that each Limited Partner, if the Limited Partner receives a return of all or any part of such Limited Partner's capital, may be liable to the Partnership for any sum, not in excess of such return of capital (without interest), if such distribution was made in violation of the Partnership Agreement or the CULPA, or, under certain circumstances, to the extent necessary to discharge the Partnership's liabilities to creditors who extended credit to the Partnership prior to such distribution.

Profits, Losses and Interest in Partnership's Net Worth

The interest of the Partners in profit, loss and increases and decreases in Net Worth after allocation to the General Partner of the General Partner Allocation, shall be allocated to each Partner in proportion to all Partners' capital accounts for such Fiscal Period.

Representations of General Partner

The General Partner has represented to the Partnership that: (i) there are no commitments or obligations binding upon the Partnership except as described in the Memorandum; (ii) to the best of its knowledge, no material default on the part of the General Partner and/or the Partnership exists with respect to any agreement affecting the Partnership; (iii) it has no actual knowledge of any claim, litigation, investigation, legal action or other proceeding with regard to liens affecting the Partnership; and (iv) that no such claim, litigation, etc., is threatened.

Distributions When Partnership Terminated

Upon the termination of the Partnership (upon the expiration of its term or the occurrence of any of the other events specified in Article XIII of the Partnership Agreement), the Partnership will be liquidated and the proceeds of liquidation will be applied and distributed in proportion to the respective capital accounts of the Partners. The Partnership Agreement does not provide for distribution to be made other than upon termination of the Partnership.

Distributions in Kind

If the Partnership is dissolved, then to the extent that the Partnership's assets have not been sold or otherwise disposed of, the Partnership's non-cash assets may be distributed in kind and each Partner shall receive an undivided interest in such assets equal to the portion of the proceeds to which the Partner would have been entitled if the assets were sold.

Accounting Period and Method

The Partnership has adopted a December 31 Fiscal Year, and shall keep its books and records based on the accrual method of accounting.

Power of Attorney

The Partnership Agreement provides for the granting by each Limited Partner of an irrevocable Special Power of Attorney in favor of the General Partner and any successor General Partner. The Special Power of Attorney, which is coupled with an interest (and accordingly cannot be revoked), will particularly cover various administrative functions, including those relating to execution of the Partnership Agreement and certificates relating thereto along with authorized amendments to the Partnership Agreement and certificates.

Reports to Limited Partners

The General Partner shall be required to keep, in accordance with generally accepted accounting principles, adequate books of account for the Partnership. Such books of account shall be kept on an accrual basis at the principal office of the Partnership and will be subject to inspection by any Limited Partner or authorized representative of a Limited Partner during reasonable business hours on advance written notice.

Transfer and Assignment

Except in the event of a transfer occurring as a result of a death of a Limited Partner or occurring by operation of law, or those transfers specifically provided for in Section 10.01 of the Partnership Agreement, sale, assignment or exchange of Interests will be permitted only with consent of the General Partner. Sale, assignment or exchange of an Interest will not be permitted if it would result in termination of the Partnership for Federal income tax purposes and transfers of Interests are subject to other restrictions as are indicated in the Partnership Agreement.

Admission of Additional Partners

The General Partner may admit additional Limited Partners as of the beginning of any Fiscal Period and, upon such admission, the Interests of the Partners will be readjusted in accordance with their capital accounts.

Additional Capital Contributions

Any Partner may make additional contributions to the capital of the Partnership with the consent of the General Partner as of the first day of any Fiscal Period of the Partnership and, upon the receipt of such additional capital contributions, the Interests of the Partners will be readjusted in accordance with their capital accounts.

Withdrawals

A Limited Partner may withdraw part or all of the value of the Limited Partner's capital account after one (1) year from the date of the Limited Partner's original capital contribution as of January 1 and July 1 of each calendar year (each a "Withdrawal Date") upon at least ninety (90) days' prior written notice. Withdrawals may be made at such other times as determined by the General Partner in its sole and absolute discretion. The Partnership currently expects to pay to a withdrawing Limited Partner an amount equal to approximately ninety-five (95%) percent of the value in such Limited Partner's capital account within fifteen (15) days after the applicable Withdrawal Date. The Partnership currently expects to pay the balance of the amount remaining in a withdrawing Limited Partner's capital account, without interest, as soon as practicable after completion of the unaudited interim financial statements for the six (6) month period ending June 30 for July 1 withdrawals or December 31 audited financial statements for January 1 withdrawals. The Partnership currently expects to pay a Limited Partner who makes a partial withdrawal within fifteen (15) days after the applicable Withdrawal Date. There are no withdrawal fees associated with a Limited Partner's withdrawal of capital from the Partnership. The General Partner, in its sole and absolute discretion, may waive any notice period. The General Partner may require any Limited Partner to withdraw all of any part of the value in their capital account for any reason upon not less than three (3) days prior written notice.

In the event a Limited Partner withdraws all of its capital account from the Partnership, the General Partner, in its sole and absolute discretion, may make a special allocation to the Limited Partner for Federal income tax purposes of the net capital gains recognized by the Partnership, in the last Fiscal Year in which the Limited Partner participates in the performance of the Partnership, in such manner as will reduce the amount, if any, by which such Limited Partner's capital account exceeds its Federal income tax basis in its interest in the Partnership before such allocation.

The Partnership has the right to pay cash or marketable securities, or both, to a Limited Partner that makes a withdrawal from such Limited Partner's capital account.

Management Fee

The General Partner will receive a quarter-annual management fee ("Management Fee") of one-quarter (0.25%) percent of each Limited Partner's share of the Partnership's Net Worth (as defined in this Memorandum) at March 31, June 30, September 30 and December 31 of each

year. A pro rata Management Fee will be charged to Limited Partners on any amounts permitted to be invested and withdrawn during any quarter-annual Fiscal Period.

General Partner Allocation

The General Partner shall have reallocated by credit to its Capital Account and debit to each Limited Partner's Capital Account net income of the Partnership attributable to each Limited Partner (net increase in Net Worth) equal in the aggregate to twenty (20%) of the net increase in Net Worth allocated to each Limited Partner during any Fiscal Year (on the accrual basis of accounting) on an annual basis ("General Partner Allocation"). The General Partner Allocation shall be in addition to the allocations of the balance of income and profits, or losses, to the General Partner based upon its capital accounts proportionate to the aggregate amount of the capital accounts of all Partners.

In any Fiscal Year(s) in which a Limited Partner has an existing Loss Carryover, the General Partner Allocation for such succeeding Fiscal Year(s) shall be calculated on the net increase in Net Worth for such Limited Partner reduced by the Loss Carryover for such Limited Partner until the aggregate reductions equal the Loss Carryover for such Limited Partner. In the event, however, that a Limited Partner withdraws funds at a time in which such Limited Partner has a Loss Carryover, the amount of such Loss Carryover at such withdrawal date applicable to such Limited Partner shall be reduced by a percentage equal to 100% multiplied by a fraction, the numerator of which is the amount to be withdrawn from the capital account, and the denominator of which is the amount in such capital account immediately prior to the withdrawal.

Expenses

The Partnership will pay all of its accounting, legal and other operating expenses, including all expenses incurred in connection with the offer and sale of Interests and the admission of Limited Partners (collectively, the Administrative Expenses") up to a maximum of one (1%) percent (or a prorated amount for the Partnership's First and last Fiscal Year and on amounts permitted to be invested and withdrawn during any Fiscal Period) of the Partnership's Net Worth at the end of its Fiscal Year (the "Administrative Cap"). To the extent that the Administrative Expenses exceed the Administrative Cap in any Fiscal Year, the General Partner shall pay such excess Administrative Expenses either by charging its capital account or by making a direct payment, as determined by the General Partner in its sole discretion. The Administrative Cap, however, does not apply to brokerage commissions, custodial fees and other trading, research and investment charges, fees and expenses which shall be paid by the Partnership. The Partnership will also pay all of its organizational expenses which will be amortized over sixty (60) months.

Hot Issues

While the Partnership has not participated in "hot issues" in the past, it may invest in "hot issues". Hot issues result when the price in the secondary market of a new offering of securities rises to a premium over the initial offering price immediately or very soon after the securities are first distributed to the public. Under rules adopted by the National Association of Securities Dealers, Inc. ("NASD"), certain persons engaged in the securities, banking or financial services industries (and members of their family) are restricted from acquiring hot issues. If any Partner falls into the category of a restricted person, then the Partnership would have to create a separate memorandum account in order to participate in hot issues, because such account would allow for

the segregation of such profits in a manner which would exclude restricted persons. In such event, a Limited Partner that is a restricted person would be prejudiced in that assets of the Partnership would be used for an investment that such Limited Partner does not benefit from. Because it is not possible to predict the amount or profitability of any "hot issue" trades that the Partnership may engage in the future, no representations can be made as to the effect of possible future hot issue trades on the Partnership's trading results allocable to restricted and non-restricted Partners, respectively.

Amendment

The Partnership Agreement is subject to amendment with consent of the General Partner and Limited Partners owning more than fifty (50%) percent in Interest, except with respect to the appointment of an additional or substitute General Partner, which requires the unanimous vote of the Limited Partners.

LANCER PARTNERS, LIMITED PARTNERSHIP

SUBSCRIPTION DOCUMENTS BOOKLET

INSTRUCTIONS
and
SUBSCRIPTION AGREEMENT

LANCER PARTNERS, LIMITED PARTNERSHIP

INSTRUCTIONS TO SUBSCRIBERS

INSTRUCTIONS TO SUBSCRIBERS

Persons and entities ("Subscribers") wishing to subscribe to Interests in LANCER PARTNERS, LIMITED PARTNERSHIP should complete and sign the Subscription Agreement and Form W-9.

Normally, Subscribers may subscribe by completing the following steps:

CAREFULLY REVIEW THE MEMORANDUM AND THE EXHIBITS THERETO.

1. SUBSCRIPTION AGREEMENT:

   Complete applicable Sections in Article IV, complete and sign **two** signature pages (9A and 9B) and have your signature notarized **twice** on the applicable pages (either 10A and 10B or 11A and 11B).

2. FORM W-9:

   Complete and sign the attached Form W-9.

Completed Subscription Agreements and Forms W-9 should be returned to:

Lancer Management Group II, LLC
350 Bedford Street
Stamford, CT
Attention: Mr. Michael Lauer

INSTRUCTIONS FOR TRANSMITTAL OF FUNDS:

Your subscription may be made by wire transfer in accordance with the following wire instructions:

Bank: Bank of America NA
ABA#: 121-000-358
A/C: Banc of America Securities LLC
A/C#: 12339-32118
Sub A/C: Lancer Partners, Limited Partnership
Sub A/C #: 118-11897

Please inform Mr. Michael Lauer, at (203) 977-7700 of the date, the amount, the bank and branch from which the funds originate. This will allow us to confirm the receipt of your funds. If you prefer to make your subscription by check, please make your check payable to "Lancer Partners, Limited Partnership" and deliver it to Lancer Management Group II, LLC with your completed documents.

We will transfer your capital contribution into Lancer Partners, Limited Partnership's account upon accepting your completed subscription agreement. You will at that time begin participating as a limited partner in Lancer Partners, Limited Partnership.