
STEELWOOD CAPITAL, LLC

A Florida Limited Liability Company

PRIVATE PLACEMENT MEMORANDUM

April 18, 2018

Memorandum No: _____

Recipient's Name: _____

This Private Placement Memorandum is confidential and is provided to specific qualified prospective investors for the purpose of assisting them and their professional advisers in evaluating the securities offered. It does not constitute an offer to sell or the solicitation of an offer to buy the Interests in any state or jurisdiction in which the offer or the sale of Interests would be prohibited or to any entity or individual not possessing the qualification described in this memorandum.

The investment vehicles and strategies to be employed and effectuated, as described in this Private Placement Memorandum, by the Company involve a high degree of risk and only persons who can afford to sustain a total loss of their investment should consider making a capital contribution to the Company.

STEELWOOD MANAGEMENT, LLC

Manager

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Steelwood Capital, LLC

A FLORIDA LIMITED LIABILITY COMPANY

Steelwood Capital, LLC, a Florida Limited Liability Company (the “Fund” or “Company”), was organized to invest in the equity and debt securities markets. This Private Placement Memorandum informs investors about the information they should know before investing in the Fund. Investors should read and retain this Private Placement Memorandum for future reference.

The minimum investment is \$100,000 USD for an LLC Membership Interest unless the Manager, in its discretion, elects to permit a smaller investment. The offering is limited only to “qualified clients” and “accredited investors.” (See “Who Should Invest”). The investment vehicles and strategies to be employed and effectuated, as described in this Private Placement Memorandum, by the Company involve a high degree of risk and only persons who can afford to sustain a total loss of their investment should consider making a capital contribution to the Company.

This offering involves a high degree of risk. See “Risk Factors.” Purchase of a Membership Interest in the Fund (hereinafter a “Membership Interest” or “Interest”) should be considered a highly speculative investment and is not intended as a complete diversified investment program. Investment in the Fund is designed only for sophisticated persons who are able to bear a substantial loss of their capital contributions in the Fund.

These securities have not been approved or disapproved by the Securities and Exchange Commission or the securities administrator of any state, nor has the Commission, the Florida Division of Securities, or any other state securities administrator reviewed or passed on the accuracy or adequacy of this Private Placement Memorandum. Any representation to the contrary is unlawful.

The securities offered hereby have not been registered under the Securities Act of 1933, as amended. They will be offered to a limited number of qualified investors. It is anticipated that they will be exempt from the registration provisions of this Act. The Interests are offered in a private placement pursuant to exemptions from registration contained in Section 3(c)(1) of the Securities Act and promulgated pursuant to Rule 506 of Regulation D. The Interests are subject to significant restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities 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.

This Private Placement Memorandum shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Prospective investors should not construe the contents of this memorandum as legal or tax advice. Each investor should consult his, her or its’ own counsel, financial advisor, accountant, and other advisors as to legal, tax, and related matters concerning the investment. Any reproduction or distribution of this memorandum, in whole or in part, or the divulgence of any of its contents, to any person other than the person named on the cover page or his, her or its purchaser representative without the prior written consent of the Manager is prohibited.

No person has been authorized to make representations or give any information with respect to the LLC Membership Interests. No offering literature or advertising in whatever form shall be employed in this offering except for this memorandum and any information supplied by the Manager or the Fund upon request. Only those representations expressly set forth in this memorandum and contained in documents furnished by the Fund upon request may be relied upon in connection with this offering.

This memorandum contains an accurate summary of certain provisions of the Limited Liability Company Agreement; however a copy is attached for complete information concerning the rights and obligations of the Members. Other information contained herein has been obtained from the Manager and from other

sources deemed reliable. Such information necessarily incorporates significant assumptions as well as factual matters. All Fund documents relating to this investment will be made available to the person named on the cover page and his, her or its advisors upon request. Any representations other than those contained in documents furnished by the Fund upon request must not be relied upon.

During the course of the offering of the LLC Membership Interests and prior to the sale, each offeree and his, her or its representative(s), if any, are invited to ask questions of, and obtain additional information from the Manager of the Fund regarding the plan of operation and any other relevant matters (including but not limited to, additional information to verify the accuracy of the information set forth herein). Such information will be provided to the extent the Manager possesses such information or can acquire it without unreasonable effort or expense. Please contact: Steelwood Capital, LLC, c/o Steelwood Management, LLC, 12276 San Jose Blvd. Suite 519, Jacksonville, FL 32223, (251) 583 -9040 for additional information.

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I. SUMMARY

This Memorandum sets forth the investment objectives and method of operation of Steelwood Capital, LLC (the "Fund" or "Company"), the principal terms of the Limited Liability Company Agreement (the "LLC Agreement") and certain other pertinent information. However, this Memorandum does not set forth all the provisions and distinctions of the LLC Agreement that may be significant to a particular prospective Member. Each prospective Member should carefully examine this Memorandum, the LLC Agreement and the Subscription Agreement in order to assure that the terms of the LLC Agreement and the Fund's investment objectives and method of operation are satisfactory to him or her.

A. Fund and Manager.

Steelwood Capital, LLC, is a Florida Limited Liability Company formed on April 18, 2018. The Manager and Investment Adviser of the Fund is *Steelwood Management, LLC*, a Florida Limited Liability Company, which will oversee all management functions for the Company. The principals of Steelwood Management, LLC, Morgan Busby and Tom Busby will manage the Fund's investment portfolio. See "The Fund and Its Management."

B. Fund Purpose.

The Fund is a Limited Liability Company formed under the laws of the State of Florida for the purpose of investing its assets in accordance with the proposed investment objectives and restrictions set forth in this Memorandum and the LLC Agreement. Admission as a Member in the Fund is not open to the general public. It is a private investment partnership.

C. Investment Objective and Strategy.

Steelwood Capital, LLC's investment objective is to produce above-average capital appreciation by investing in a concentrated portfolio of equity/debt securities and/or derivative instruments. The prime focus will be on investment vehicles as indicated by the proprietary investment/trading model utilized by Steelwood Management, LLC. In addition to producing high returns, the Fund has a secondary goal of preservation of capital and will attempt to do so by raising cash when appropriate, utilizing short-term day trading, option positions, and/or short selling. The fund will not invest or trade commodities, futures, or forex (foreign exchange) and cannot or will not be classified as a commodity pool. The Manager emphasizes its investment philosophy of achieving long-term growth with the preservation of capital, through a strategy targeting continuous compounding of short-term investment returns which will include day trading, swing trading, and position trading and investing strategies. Although the Fund's investment objective is to produce above-average capital appreciation, there can be no assurance that the Fund's investment objective will be achieved or that investors will not lose money. The investment vehicles and strategies to be employed and effectuated by Steelwood Management, LLC involve a high degree of risk and only persons who can afford to sustain a total loss of their investment should consider making a capital contribution to the Fund.

While the foregoing describes the Manager's current intentions as to the management of the Fund's portfolio, the LLC Agreement does not restrict the Fund's investment program, and the Fund could invest in securities other than options, ETF's (Exchange Traded Funds) and common stocks, and could engage in a wide range of investment and trading activities, including short selling and margin borrowing. See "The Investment Objective and Policies."

D. Initial Investment and Additional Capital Contributions.

The Fund is offering LLC Membership Interests to "accredited investors." The minimum investment is \$100,000 USD per LLC Interest. The Manager has discretion to waive or reduce these requirements in particular cases and may change them as to new investors in the future. Additional capital contributions may be made by Members with the consent of the Manager. Capital contributions will be accepted and applied as of the first day of each month, and applied to the investors' capital account so long as the funds are received before the 1st of that

month. Proration of monthly returns will not be necessary since money invested will be credited for full monthly periods only, so as to match the funds monthly reported returns to investors. The Manager in its sole discretion has the right to admit new Members and to accept additional funds from existing Members at any time.

The Fund will pay no sales commissions in connection with sales of Interests. However, the Manager has discretion to direct a portion of the Fund's brokerage business to broker-dealers who introduce Members to the Company, and the Manager may pay finders' fees at its own expense to such persons. Such compensation, if any, shall be in amounts which the Manager deems reasonable and appropriate. In no case shall such compensation be charged against a Member's capital account. *See* "Who Should Invest, Investment and Withdrawal – Initial Investment and Additional Capital Contributions."

E. Withdrawals.

A Member may request partial or full withdrawals of their Capital Account. The Member shall give at least thirty (30) days' written notice (email is acceptable) to the Manager of the requested withdrawal, and the withdrawal will be made at the end of the calendar month based upon the funds' monthly reported returns. However, any withdrawal made which is less than ninety (90) days after the date of the Member's initial capital contribution will be charged a 5% early withdrawal fee. Except in the sole discretion of the Manager, no partial withdrawal request which would reduce a Member's Capital Account below \$100,000 USD will be accepted by the Manager. The Manager may, in its sole discretion, can satisfy requests for withdrawals at other times if doing so will not adversely affect the Fund. Such consent is in the sole discretion of the Manager. *See* "Who Should Invest, Investment and Withdrawal – Withdrawals."

F. Management Fee.

For managing the Fund as a whole, the Manager will receive an assets under management fee (the "Management Fee"). The Management Fee is calculated at a rate of 2.0% per annum of each Member's capital account balance. This fee will be paid monthly (1/12 of 2.0% or 0.167% per month) in arrears based on the Member's capital balance as of the end of each month. *See* "Management Fee, Performance-Based Fee and Expenses."

G. Fund Expenses.

The Company will bear, or reimburse the Manager for, all the direct costs not required to be borne by the Management Fee, including, without limitation, brokerage commissions, custodial fees, transfer and other taxes, legal, research, bookkeeping, administration, and due diligence fees and costs, auditing, accounting and tax preparation fees and expenses, and interest on borrowings.

The Manager provides the Fund with office space, utilities, office equipment, and certain clerical and administrative services. To the extent those facilities and services comprise part of the Manager's own operating, general administrative and overhead costs, the Manager is not entitled to direct reimbursement from the Fund. However, although it does not currently intend to do so, the Manager may use "soft dollars" to pay for services and research that Steelwood Management, LLC uses in making investment decisions for client accounts.

The Company will bear, or reimburse the Manager for, all business expenses incurred in the organization of the Fund. The Fund will be responsible for all expenses of offering Interests after the initial funding of the Company, or will reimburse the Manager for any such expenses advanced by the Manager. *See* "Management Fee, Performance-Based Fee and Expenses – Fund Expenses."

H. Performance-Based Fee.

Steelwood Management, LLC shall receive a share of capital gains upon the Fund's investment portfolio. The Manager charges a performance-based compensation (Profit Participation Sharing Allocation - "Performance-Based Fee") at a rate of 25% at the end of each calendar month of the Fund's capital account balance.

The Performance-Based Fee is settled at the end of each calendar month equal to 25% of the Net New Profit above the previous monthly “high watermark” level allocated to each Member for that calendar month. Net Profits and Net Losses are calculated by combining the aggregate net realized and unrealized changes in the value of the Fund net assets with all other income and expenses, to include the Management Fee. (Mark-To-Market balances - Net Liquidating Value) Allocations of Net Profits and Net Losses are made to Members’ capital accounts at the close of each calendar month. Once made, a Performance-Based Fee will not be reduced by losses incurred in subsequent periods.

To ensure that the Performance-Based Fees are based on the long-term performance of a Member’s investment in the Fund, those allocations are subject to a “high watermark” procedure in which the Manager receives a Performance-Based Fee from a Member only to the extent Net Profits allocated to that Member exceed any Net Losses allocated to him or her that have not been recovered. In the event Members have unrecovered Net Losses, the Manager shall not be allocated such Performance-Based Fee until Members have first recovered such Net Losses. Steelwood Management, LLC’s Performance-Based Fee, pursuant to a high watermark procedure, provides for no compensation to the Manager if the Fund’s investment portfolio fails to produce a positive return. See “Management Fee, Performance-Based Fee and Expenses – Performance-Based Fee.”

I. Reports to Members.

Each Member will receive the following: (i) annual financial statements, (ii) monthly summaries of the Fund’s performance, (iii) copies of his, her or its Schedule K-1 to the Fund’s tax return, and (iv) other reports as determined by the Manager in its sole discretion. The Fund shall bear all fees incurred in providing such tax returns and annual reports. See “Summary of the LLC Agreement – Reports to Members.”

THE FOREGOING SUMMARY OF THE PRIVATE PLACEMENT MEMORANDUM DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE MEMORANDUM. EACH PROSPECTIVE MEMBER SHOULD READ THE MEMORANDUM IN ITS ENTIRETY IN ADDITION TO CONSULTING APPROPRIATE LEGAL AND TAX COUNSELORS.

II. THE FUND AND ITS MANAGEMENT

A. The Fund.

Steelwood Capital, LLC, is a Limited Liability Company formed and organized under the laws of the State of Florida on April 18, 2018. The Fund is not an investment company subject to registration under the provisions of the Investment Company Act of 1940 (the “Act”). The Manager will restrict the number of Members to 100 or fewer and will offer the Membership Interests only through nonpublic transactions in order to maintain the Fund’s exemption from “investment company” status under the Act.

B. The Manager and Investment Adviser.

Overview

The Manager and Investment Adviser of the Fund is *Steelwood Management, LLC*, a Florida Limited Liability Company that was organized on April 12, 2018. *Steelwood Management, LLC*, will have the primary responsibility in managing the Fund. The principals of Steelwood Management, LLC, Tom Busby and Morgan Busby will manage the Fund. However, the Manager will have discretion to change or engage other investment advisory firms, traders, consultants, or personnel. The independent administrator for the Fund is Hedge Fund Guardian, LLC. Besides independently verifying the results of the fund and running the back office operations, Hedge Fund Guardian, LLC (HFG) has put into effect a banking procedure for the fund through BBVA Compass Bank which provides for investor protection of funds by insuring that funds can only be transferred from the bank account on an “initiate only” basis from an outside consultant to HFG with an email copy to the manager of Steelwood Management, LLC, and the Manager of HFG Attorney Gary Sinclair is the only one that can approve transactions. Therefore, a check and balance system has been put into effect to where one party can only initiate a

transaction, and the other party which is an attorney can only approve the transaction. The fund manager isn't involved in making these transactions, however is emailed when the transaction is initiated.

Capital contributions by the Manager (and its employees) will generally be on the same basis as capital contributions made by Members. The LLC Agreement does not require the Manager to maintain any particular capital account balance.

The Manager, its principals, or an affiliate(s), may also perform investment management and advisory services for other individuals or entities, including other funds with the same or similar investment objectives as the Company. The Manager, its principals or an affiliate(s) are not required to refrain from any other activity, to disgorge any profits from any such activity or to devote all or any particular part of their time and effort to the Fund and its affairs. The Manager may serve as an investment manager to other private investment funds, including some that may have investment objectives similar to the Company's. To the extent that there are other conflicts of interest on the part of the Manager between the Fund and any other account, Fund or venture with which they may now be or later may become affiliated, they will endeavor to treat all such entities equitably.

Authorized Members

Tom Busby is an Authorized Member and co-founder of *Steelwood Management, LLC*.

Tom Busby, Authorized Member — Tom Busby is a co-founder and Authorized Member of *Steelwood Management, LLC*, the Manager of the Fund. In his capacity as Authorized Member and as the Investment Officer, Tom Busby's responsibilities include the development, organization, compliance, and implementation of investment objectives and strategies to be employed on behalf of Steelwood Capital, LLC. Tom Busby has developed many investment and trading strategies from his over 38 years of investment and trading experience.

A native born and currently living in Mobile, Alabama; Tom Busby Graduated from the University of Georgia with a BBA degree in 1973. From 1973 to 1979 Tom Busby was an officer in the US Air Force. In 1980 Tom Busby attended OCU Law School. From 1980 to 1984 Tom Busby was a securities broker with Merrill Lynch. From 1984 to 1988 Tom Busby was the Vice President of Smith Barney. As a professional trader, Tom Busby Developed Diversified Trading Institute in 1996.

Tom Busby's trading career dates back to the late 1970's. Quoted and published in *Futures* magazine and *Active Trader* Magazine, he actively trades and invests in futures, stocks, options and currencies. Guest appearances include CNN, First Business News, MoneyShow.com and Steve Crowley's American Scene Radio. Recognized as one of the first educators to trade live in front of an audience, Tom authored *Winning the Day Trading Game*, *The Markets Never Sleep*, and *Trade to Win*. Tom founded DTI in 1996 and with his more than 38+ years of trading experience has helped thousands of students become better traders.

Over the years, Tom Busby came to realize the crucial importance of understanding the 24-hour global markets. In order to be a long-term successful trader Tom Busby developed his proprietary DTI Method upon a foundation comprised of 3 key components: (1) trading only at certain times of the day, week, or month; (2) paying close attention to particular key numbers; and (3) utilizing certain indicators to try to tell the true trend of the market.

Tom Busby's proprietary *diversified* trading method can be applied to trade any market, but will only focus and trade securities (Stocks, Options, Indices, ETF's) for the fund. Tom has taught thousands of students over the years and has put together personalized educational programs to help his students meet their trading goals through education, classes, workshops, and trading rooms. Authorized Member Tom Busby brings extensive experience and financial business acumen in the overall management of Steelwood Capital, LLC's investment portfolio.

Married for over 35 years with 2 children, his son Morgan continues to carry on his father's legacy in the niche that he carved in the financial industry.

Morgan Busby is an Authorized Member and co-founder of Steelwood Management, LLC.

Morgan Busby, Authorized Member — Morgan Busby is a co-founder and Authorized Member of *Steelwood Management, LLC*, the Manager of the Fund. In his capacity as Authorized Member, Morgan Busby's responsibilities will be solely administrative and non-trading.

Morgan Busby, a native of Mobile, Alabama and currently living in Ponte Vedra Beach, Florida; graduated from Auburn University in 2005 with a major in finance and a minor in economics. Morgan Busby has served as the CFO of 3T Trade Group from 2011-2018, and will serve Steelwood Capital, LLC in an administrative non-trading role.

III. INVESTMENT OBJECTIVE AND POLICIES

A. Investment Objective.

The Fund's investment objective is to produce above-average capital appreciation by investing in a concentrated portfolio of equity/debt securities and/or derivative instruments. The Fund will attempt to identify opportunities in which the market evaluation of a specific investment security is inconsistent with the Manager's analysis. An investment position may be made for short- or long-term objectives; therefore, the Fund will not be restricted with regard to holding periods. The Manager emphasizes its investment philosophy of achieving long-term growth with the preservation of capital, through a strategy targeting continuous compounding of short-term investment returns. Day trading strategies can and will be executed at times in a single security. At times the Fund may not observe conventional concentration limits, and a substantial amount of the assets of the Fund may be invested in a single security or exchange traded fund. (ETF)

B. Investment Strategy.

The Fund will attempt to identify opportunities in which the market evaluations of a specific investment security is consistent with the Manager's analysis of the security or derivative investment utilizing its' proprietary system which has satisfied all parameters. Criteria for determining the selection of stock or option picks do include several factors such as: seasonality cycles and the market timing of the cycle, valuation levels within ranges and the market timing of their relationship to current earnings growth and projected earnings growth, and extreme overbought and oversold levels in relationship to the past movements in the security and the market timing when these levels are reached.

The Fund's authorized members/investment adviser (i.e., the Manager) makes investment decisions based principally on statistical analysis available to the firm through proprietary research and modeling systems, as well as information gleaned from multiple investment research services, advanced charting software and historical information. The Manager will primarily utilize a proprietary day trading, swing trading, and position trading program strategy.

The Manager believes that markets follow a cycle whereby the values of investment securities tend to swing within broad ranges from overvalued to undervalued and back again. In the long-term, the advisor believes that companies and their securities tend to be fairly valued based on the expectation of future prospects. The Manager will attempt to take advantage of these valuation movements which it believes it can identify in specific industries. By way of example, transactions by the Fund may involve an outright purchase or sale of an individual company's security, exchange traded fund (ETF), a purchase or sale of securities matched with the purchase or sale of call and/or put options, or a market neutral transaction such as a "pair trade" in which securities of different issuers are simultaneously bought and sold to attempt to take advantage of market anomalies involving different companies or industries.

Investment Process

The Manager and the Fund have identified six crucial investment elements which are considered to form the platform of the Fund's investment philosophy:

- Superior returns require that the investor concentrate its investments among the opportunities presenting the greatest potential return. By contrast, excessive diversification among issuers, geographic regions, industries, capitalization size and other such common criteria tend to converge the returns on investment achieved by most investors upon the mean or average investment return;
- The investor's ability to garner superior investment returns in a particular security is directly related to the investor's familiarity and understanding of the industry or company in which he or she invests. Because the capacity of any investor to be fully informed on any investment is finite, a successful investment strategy will be limited by necessity to a few, fully analyzed and clearly understood securities;
- Effective investment philosophies stress consistency and adherence to a stated procedure.
- The Manager's primary obligation is to select fundamentally sound and prosperous companies (or industries, in the case of index investing) which are temporarily undervalued, or fundamentally unsound companies which are overvalued, and then to position the Fund's investment accordingly. In contrast, the Manager will avoid both long positions in high-risk companies with no proven record of performance or financial strength and short positions in strong companies which appear to be temporarily overvalued.
- Markets are driven by both facts and emotions. Maximizing opportunity combines selecting the appropriate investment vehicle with a sense of the overall market conditions, market buying and selling patterns (often referred to as "momentum") and the technical aspects of market evaluations.
- Superior investment returns require patience. The Fund's operations will primarily be driven by short-term day trading, swing trading, and position trading, and it will not invest with a concern for federal or state income tax considerations. Moreover, the Fund will not be compelled to maintain a fully invested position, and at times, may hold a significant portion of its assets in cash or other short-term investments.

The Fund will invest primarily in securities of established companies or exchange traded funds (ETF's) that the Manager identifies as having the potential for superior total investment return. The Fund will typically concentrate its investments in a limited number of securities, and the portfolio may not always be fully diversified in the conventional sense. The Manager is a proponent of the widely held view among investment professionals that diversification beyond 20-30 positions does not materially reduce risk, and the dilution of effort caused by monitoring a large amount of positions outweighs the benefits of excess diversification. The amount of portfolio concentration will be correlated to the Fund's conviction with regard to the available investment opportunities. The Manager may purchase securities of companies of any size, provided that there exists a market for the subject security. It will evaluate individual companies and sectors looking for either extreme over- or undervalued pricing based on the Manager's own research consisting of fundamental and technical analysis. After identifying these areas or companies, the Manager will attempt to find the best vehicle for taking advantage of a move toward fair valuation. The Fund may also invest in Initial Public Offerings ("hot issues") in companies of any size.

Where the Manager determines an investment position should be taken, the Manager will identify, in advance, to the Fund the following:

- Maximum exposure to the position.
- Initial investment exposure.
- Derivative tactics to be employed, if any.
- Stop loss strategy.
- Exit strategy.
- Expected investment return.

On the approval of the investment committee, the Manager will be directed to implement the investment plan, as approved. Investments will be made in a wide variety of categories, consistent with the search for

temporarily over- or undervalued securities. The Manager will be attentive to issues of liquidity in cases of investments made on small capitalization companies, and the availability of liquid markets may deter the Manager from acquiring (or selling short) the issues of a particular company. In selecting stock investments, the Manager begins with a list of 20 to 30 companies of which the Manager has a thorough knowledge, both technically and fundamentally. Additions and deletions to this list must be approved by the Manager's investment committee. The Manager will establish and document what he believes to be a fair valuation for these companies. From this list, the Manager will establish what he believes to be the best positions to benefit from changes in market sentiment toward the Manager's fair valuation.

The companies on the prospective list are to be established companies traded on a national exchange, with a history of SEC documentation. There is no defined holding period for these investments and the Manager does not want long-term or short-term taxation rates to be a part of the investment decisions. This portion of the account is designed to limit risk of loss through a strict attention to the underlying fundamental valuation of the companies. Valuation, at the time positions are established will be made with careful attention to historical comparisons (i.e., P/E and book value-to-price ratios, etc.). From time-to-time, any portion of these assets may be held in cash or invested in interest bearing instruments including government or corporate notes and bonds, preferred stocks, or money market assets.

The Manager may concentrate the account in one security.

The Manager will generally sell a security when it no longer meets the Manager's investment criterion or when it has met the Manager's expectations for appreciation. The Manager may sell a portfolio of stocks quickly to respond to short-term market price movements and expects to actively trade the portfolio in pursuit of the Fund's investment goal. Due to this and the Fund's relatively small number of holdings, the Fund's annual portfolio turnover rate may be relatively high.

Short Selling

Short selling is an investment technique that the Manager believes offers opportunities in all market conditions, and therefore will be used in pursuing the Fund's objectives. Since most investors are unable or unwilling to sell securities "short" (that is, borrowing securities to sell), this is generally a more inefficient market segment. As a result, over-valuations may be prevalent, which the Fund can take advantage of through short sales. Identifying overvalued situations is only a small part of successful short selling. In addition to lofty valuations, the best short sale candidates generally have faulty business models, marginal management teams, inappropriate capital structure, negative free cash flow, or deteriorating underlying fundamentals. The Fund will apply its fundamental research process on the short side using these criteria as the investment thesis for the short sale. The Manager intends to effect short sales primarily by selling short common stock. The Manager may also utilize options on individual common stocks or market indexes to create short exposure when so desired.

Derivative Securities

The Fund will invest and trade in derivative securities that are related to an underlying security or index and the price of which will fluctuate based on the price movement of the underlying investment. The Manager will predominantly utilize equity options which are the most popular form of these derivatives. Options may also be based on securities, such as the S&P 500 Index. Options positions may be initiated to hedge part or all of the Fund's market exposure. Options may be used as a stand-alone instrument for various strategies. Among other things, options activity may also include: (i) using options as a substitute for long or short stock when the Manager believes the technique would imitate the upside potential of an equivalent long or short stock with less risk; and (ii) creating "market neutral" strategies where an option may be bought or sold versus the purchase or sale of the underlying stock. "Market neutral" strategies are designed without a bullish or bearish opinion; they are often initiated to benefit from price volatility or price stability.

Although the emphasis will be on common stocks and options traded in the U.S. equity markets, the Fund may invest or trade in any type of investment instrument of domestic or foreign issuers including, but not limited to, preferred stocks, convertible securities, bonds, notes, warrants, rights and money market instruments. The Fund may invest in closed-end investment companies, although the Investment Company Act of 1940 imposes limits on

such investments. Further, depending on conditions and trends in securities markets, the Manager may pursue other strategies or employ other techniques it considers appropriate and in the Fund's best interests. The Fund's assets may at times be fully invested in securities and at other times be held primarily in cash or cash equivalents.

C. Use of Leverage (Margin).

In an effort to maximize returns, the Fund may leverage its assets through the use of leverage from banks or brokerage firms. The Fund believes that leverage will allow the Company to take advantage of attractive investment opportunities. Leverage will be employed to the extent that the Fund believes it can substantially exceed the costs of leverage. If the Fund is unable to identify value-added investment ideas, then leverage will not be employed.

D. Procedures With Respect To "New Issues."

From time to time, the Fund may purchase securities which are part of a public distribution of new securities being sold by an issuing company. Such securities offerings are commonly known as "Initial Public Offerings" ("IPOs") or "New Issues."

The Financial Industry Regulatory Authority, Inc. ("FINRA"), in its Rules of Fair Practice, prevents persons involved in the securities industry ("restricted persons") from owning "hot issues," i.e., new issues which trade in the secondary market at a premium after the distribution process has commenced. If the Fund has Members who are "restricted persons," and because it is unknown at the time of a purchase whether a new issue will be "hot," the LLC Agreement provides an accounting measure which allows the Fund to purchase securities in a public distribution without presenting a problem to a Member who is a "restricted person."

If any Member falls into the category of a restricted person, then the Fund may 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 Member that is a restricted person would be prejudiced in that assets of the Fund would be used for an investment that such Member does not benefit from. Any gain or loss realized in the New Issues Account will be allocated only among Members who are non-restricted persons.

E. Not a "Tax Shelter."

The investment objectives of the Fund do not include the production of tax deductions and tax credits which would reduce an investor's income from other sources for tax purposes. See "Federal Income Tax Considerations" and "Risk Factors – Tax Risks."

IV. MANAGEMENT FEE, PERFORMANCE-BASED FEE AND EXPENSES

The following summarizes the amounts and types of fees, reimbursements, and share of Fund income, losses and distributions, and other benefits the Manager will receive in connection with the operation of the Fund.

A. Management Fee.

For Managing the Fund as a whole, the Manager will receive an assets under management fee (the "Management Fee"). The fee is calculated at a rate of 2.0% per annum of each Member's capital account balance. This fee will be paid monthly (1/12 of 2.0% or 0.167%) in arrears based on the Member's capital balance as of the end of each month. The Manager will have discretion to amend this fee arrangement as it deems necessary and to the best interest of the Fund. Any fee increase pertaining to this Section IV, Item A, will require the Members' notification and consent. The Manager may vary the Management Fee, respectively, as to particular Members by agreement with those Members.

B. Performance-Based Fee.

As compensation for its investment advisory services to the Fund, Steelwood Management, LLC shall receive a share of capital gains (profit participation sharing allocation) upon the Fund's portfolio pursuant to the provisions and limitations on investment adviser performance-based compensation contracts delineated in state and federal law. The Manager charges a Performance-Based Fee at a rate of 25% at the end of each calendar month of the Fund's capital account balance. The Performance-Based Fee is settled at the end of each calendar month equal to 25% of the Net New Profit above the previous "high watermark" level allocated to each Member for that calendar month. Except that, with respect to the account of a Member making a capital withdrawal, a Performance-Based Fee will be made at the time of the interim withdrawal. Once made, a Performance-Based Fee will not be reduced by losses incurred in subsequent periods.

To ensure that the Performance-Based Fees are based on the long-term performance of a Member's investment in the Fund, those allocations are subject to a "high watermark" procedure in which the Manager receives a Performance-Based Fee from a Member only to the extent Net Profits allocated to that Member exceed any Net Losses allocated to him or her that have not been recovered. In the event Members have unrecovered Net Losses, the Manager shall not be allocated such Performance-Based Fee until Members have first recovered such Net Losses. The Steelwood Management's Performance-Based Fee, pursuant to a high watermark procedure, provides for no compensation to the Manager if the Fund's investment portfolio fails to produce a positive return.

The calculation of the Performance-Based Fee, including the "high watermark," will be conducted by means of a "Loss Recovery Account" for each Member that tracks any unrecovered loss allocated to that Member over the duration of his, her or its investment in the Fund. The Loss Recovery Account will be established for each Member upon admission to the Fund, the opening balance of which is zero. On each date that a Performance-Based Fee is to be determined, the balance in each Member's Loss Recovery Account will be increased by the amount of any Net Loss and decreased (but not below zero) by the amount of any Net Profits since the last date of which a calculation of the Performance-Based Fee was made.

Net Profits and Net Losses are calculated by combining the aggregate net realized and unrealized changes in the value of the Fund net assets with all other income and expenses, to include the Management Fee. Allocations of Net Profits and Net Losses are made to Members' capital accounts at the close of each month; however, interim profit and loss allocations will be made at the time any capital contributions and withdrawals are made during a calendar month. The Manager's Performance-Based Fee shall be made at the end of each calendar month based on the aggregate of all such interim allocations, except that, with respect to the account of a Member making a capital withdrawal, a performance-based compensation will be made at the time of the interim withdrawal. If a Member makes a partial withdrawal or receives a distribution at a time when unrecovered losses are reflected in his, her or its Loss Recovery Account, his, her or its Loss Recovery Account will be reduced in the proportion to the withdrawal. Once made, a Performance-Based Fee will not be reduced by losses incurred in subsequent periods.

The Manager believes the use of incentive-based compensation provides a strong incentive to manage and administer the Fund successfully. However, the Performance-Based Fee may also create an incentive for the Manager to engage in activities that are riskier or more speculative than would be the case if it did not receive a performance-based compensation. One factor contributing to that potential incentive is the fact that the Performance-Based Fee is payable based on the Fund's monthly profits and the Manager need not return any portion of its Performance-Based Fee if investors experience losses in subsequent months. Another factor is the fact that, if the Fund has incurred losses in prior periods, under the "high watermark" provisions, the Manager has a prospect of receiving its Performance-Based Fees only if and to the extent subsequent Net Profits exceed those cumulative losses. See "Potential Conflicts of Interest."

The Manager may vary the Performance-Based Fee as to particular Members by agreement with those Members. The Performance-Based Fee is in addition to the Manager's proportionate share of Net Profits and Net Losses based on its Capital Account balance.

Should performance-based compensation be unlawful in other states, the Manager reserves the right to modify its compensation arrangement so as to be compliant with those states' laws.

C. Fund Expenses.

The Fund will bear, or reimburse the Manager for, all the direct costs not required to be borne by the Management Fee, including without limitation: brokerage commissions, custodial fees, transfer and other taxes, legal, research, bookkeeping, administration, and due diligence fees and costs, auditing, accounting and tax preparation fees and expenses, and interest on borrowings.

The Manager provides the Fund with office space, utilities, office equipment, and certain clerical services. To the extent those facilities and services comprise part of the Manager's own operating, general administrative and overhead costs, the Manager is not entitled to direct reimbursement from the Fund. However, although it does not currently intend to do so, the Manager may use "soft dollars" to pay for services and research that Steelwood Management, LLC uses in making investment decisions for client accounts.

The Company will bear, or reimburse the Manager for, all business expenses incurred in the organization of the Fund. The Company will be responsible for all expenses of offering Interests after the initial funding of the Fund, or will reimburse the Manager for any such expenses advanced by the Manager.

V. RISK FACTORS

An investment in the Fund is highly speculative and involves a high degree of risk due to the nature of the Fund's investments and the strategies to be employed. There can be no assurance that the Fund's investment objectives will be achieved. Accordingly, an investment in the Fund is suitable only for persons of adequate financial means who have no need for liquidity with respect to their investment and who can bear the economic risk, including the possible complete loss of their investment. An investment in the Fund should not itself be considered a balanced investment program but rather is intended to provide diversification in a more complete investment portfolio. Prospective investors should carefully consider the risks involved in an investment in the Fund, including but not limited to those discussed below. Prospective investors should consult their own legal, tax, and financial advisers as to all these risks and as to an investment in the Fund generally.

A. Business Risks.

General Economic Conditions. The success of any investment activity is necessarily affected by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equities and interest sensitive securities. Unexpected volatility or illiquidity in the markets in which the Fund holds positions could impair the Company's ability to carry on its business or cause it to incur losses.

Market Risks. The Fund's portfolio will be subject to a significant degree of market risk. Market risk is the risk that the Fund's portfolio of stocks may be adversely affected by general market movements in addition to fluctuations of individual stocks. Because market movements are not always consistent with the changes in general economic conditions, the Fund could experience negative results even in cases where the Manager has anticipated correctly the changes in the relevant economies of the world.

Competition. The securities industry and the varied strategies and techniques to be engaged in by the Manager are extremely competitive and each involves a degree of risk. The Fund will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

Market Volatility. The profitability of the Fund substantially depends upon the Manager correctly assessing the future price movements of stocks, bonds, options on stocks and other securities and the movements of interest rates. The Manager cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

Fund's Investment Activities. The Fund's investment activities will 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 Manager. 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 Fund to realize profits. As a result of the nature of the Fund's investing activities, it is possible that the Company's financial performance may fluctuate substantially from period to period.

Accuracy of Public Information. The Manager selects investments for the Fund, in part, on the basis on information and data filed by issuers with various government regulators or made directly available to the Managers by the issuers or through sources other than the issuers. Although the Manager evaluates all such information and data and ordinarily seeks independent corroboration when the Manager considers it is appropriate and when it is reasonably available, the Manager is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

Leverage. The Fund may employ leverage, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. Such leverage increases both the possibilities for profit and the risk of loss. By using leverage, the Manager is able to purchase a larger portfolio using a smaller amount of capital. Thus, a relatively small price movement in an investment may result in substantial losses to the Fund.

Borrowings will typically be secured by the Fund's securities and other assets. Under certain circumstances, a lender may demand an increase in the collateral that secures the Fund's obligations, and if the Company were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the Fund's obligation. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the Fund's borrowings and the interest rates on those borrowings could have a significant effect on the Company's profitability.

Liquidity. Some of the investments made by the Fund may lack liquidity. Though the Fund intends that substantially all of its investments will be in publicly traded securities 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).

Institutional Risk. There is the possibility that the institutions, including brokerage firms and banks, with which the Fund does business, or to which securities have been entrusted for custodial purposes, will encounter financial difficulties that may impair the operational capabilities or the capital position of the Company. The Fund intends to limit its transactions with such institutions to well capitalized and established banks and brokerage firms in an effort to mitigate such risks.

Short Sales. The Manager may engage in "short sales" when it believes a security is overvalued, including for hedging purposes. The Fund will incur a loss on a short sale if the price of the security has increased prior to the time the Manager purchases the security to replace the borrowed security. The Manager will realize a gain if the security declines in price by such time. A short sale may present greater risk than purchasing a security since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

Foreign Securities. The Fund may from time to time acquire investments in securities of non-U.S. issuers, and emerging market debt securities. Investments in foreign securities may be less liquid and subject to greater price volatility than investments in securities of U.S. issuers. Investing in foreign securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, foreign currency risk, changes in governmental administration or economic or monetary policy or changed circumstances in dealings between nations. Dividends and interest paid by foreign issuers may be subject to withholding and other foreign taxes. In addition, there may be higher brokerage, custody

and other transactional costs and less governmental regulation of the securities markets including less publicly available information.

Derivatives. The Fund expects to trade and invest in a variety of derivative instruments, including but not limited to options, as an activity. Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets (such as stocks), reference rates or indices. They generally provide a form of “leverage” in that they permit the Fund to speculate on fluctuations in the prices of securities, securities indices or other assets, while investing only a small percentage of the value of the underlying securities, or other assets. However, trading and investing in derivatives is highly speculative and may entail greater risks than those of investing in other securities. The Fund’s ability to profit or avoid risk through trading or investing in derivatives will depend in part on the Manager’s ability to anticipate changes in the prices of underlying assets, reference rates, or indices. Prices of options and other equity derivatives are generally more volatile than prices of other securities. A change in the market price of the underlying securities, indices, or other assets or rates will cause a much greater change in the price of the derivative.

Risk Arbitrage Transactions. The Manager may seek to purchase securities for the Fund at prices below their anticipated value following the occurrence of a predicted event, including proposed mergers, tender offers or similar transactions. The purchase price of such securities may be in excess of the market price of the securities immediately prior to the announcement of the proposed transaction. If the proposed transaction is not consummated or is delayed, the market price of the security may decline and result in losses to the Fund. In certain transactions, the Fund may not be hedged against market fluctuations unrelated to the anticipated transaction but which may affect the value of the consideration to be received. This may result in losses, even if the proposed transaction is consummated.

Small and Mid-Cap Risks. Under current market conditions, the Manager expects that pursuit of the Fund’s investment strategy may result in the Fund’s assets investing in securities of small-cap and mid-cap issuers. While in the Manager’s opinion the securities of a small and mid-cap issuer may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small-cap issuers may also present greater risks. For example, small and mid-cap issuers often have limited product lines, markets, or financial resources. They may have no or only a limited history of profitable operation and may be subject to high volatility in revenues, expenses and earnings. They may be dependent for management on one or a few key persons, and can be more susceptible to losses and risks of bankruptcy. Their securities may be thinly traded (and therefore have to be sold at discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. In addition, small and mid-cap issuers may not be well known to the investment public and may have only limited institutional ownership. The market prices of securities of small and mid cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small and mid-cap issuers may be higher than in those of large-cap issuers.

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 suspension or limits could render certain strategies difficult to complete or continue and subject the Fund to loss.

B. Fund Risks.

All securities investing and trading activities risk the loss of capital. While the Manager will attempt to moderate these risks, there can be no assurance that the Fund’s investment and trading activities will be successful or that Members will not suffer losses. The following discussion sets forth some of the more significant risks associated with the Fund’s proposed activities.

Limited Liquidity. Because of the limitations on redemptions and the fact that Interests are not tradable, an investment in the Fund is relatively illiquid and involves a high degree of risk. A subscription for Interests should be considered only by sophisticated investors financially able to maintain their investment for a long period of time

and who can afford to lose all or a substantial part of such investment. An investment in the Fund is relatively illiquid and is not suitable for an investor who needs liquidity.

Withdrawal of Capital. Rights to withdraw funds from the Fund are subject to several limitations. No withdrawals are permitted until a Member has been admitted to the Fund for at least ninety (90) days. Thereafter, a Member may withdraw funds only at the end of each calendar month and then only after giving thirty (30) days' written notice unless the Manager consents to a deviation from one or more of these procedures or limitations. The Manager has the discretion to deliver amounts withdrawn in securities rather than cash. In addition, transfers of Interests will be permitted only in limited circumstances at the discretion of the Manager.

Effect of Substantial Withdrawals. Substantial withdrawals by Members within a short period of time could require the Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's assets and/or disrupting the Manager's investment strategy. Reduction in the size of the Fund could make it more difficult to generate a positive return or to recover losses due to, among other things, reductions in the Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

Potential Mandatory Withdrawal. The Manager may, in its sole discretion at any time, require any Member to withdraw all or a portion of his, her or its capital from the Fund on written notice. Such mandatory withdrawal may create adverse tax and/or economic consequences to that Member.

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

Concentration of Investments. The LLC Agreement does not limit the amount of the Fund's capital that may be committed to any single investment, issuer, industry, sector, or geographic region. The Manager attempts to spread the Fund's capital among a number of positions, but at times the Fund may hold a relatively small number of securities positions, each representing a relatively large portion of the Fund's capital. Losses incurred in such positions could have a materially adverse effect on the Fund's overall financial condition.

Investment Expenses. The investment expenses (e.g., expenses related to the investment and custody of the Fund's assets, such as brokerage commissions, custodial fees and other trading and investment charges and fees) as well as other fees in connection with making an investment in other investment companies (e.g. mutual funds), may, in the aggregate, constitute a high percentage relative to other investment entities.

Operating Deficits. The expenses of operating the Fund (including Management Fees) could exceed its income, requiring that the difference be paid out of the Fund's capital, reducing the Fund's investments and potential for profitability. See "Management Fee, Performance-Based Fee and Expenses."

Performance-Based Fee. The Manager's Performance-Based Fee may: (i) create an incentive for the Manager to effect transactions in securities that are riskier or more speculative than would be the case in the absence of such an allocation; (ii) result in the Manager receiving an allocation with respect to unrealized appreciation as well as realized gains by the Fund. Since the Performance-Based Fee is calculated on a basis which includes unrealized appreciation of the Fund's assets, such allocation may be greater than if it were based solely on realized gains. The Manager may receive increased compensation from unrealized and realized gains in the Members' capital accounts, but will not be similarly penalized for realized losses or decreases in the Members' capital accounts.

No Participation in Management. The management of the Fund's operations is vested solely in the Manager and the Members will have no right to take part in the conduct or control of the business of the Fund. In connection with the management of the Fund's business, the Manager will contribute services to the Fund and devote thereto such time in its discretion as it deems appropriate.

Discretion of Manager. Subject only to its own guidelines, the Manager has discretion to invest any amount of the assets of the Fund in any security it deems appropriate at any time. The Manager cannot guarantee the performance of the investments chosen. Accordingly, no person should invest in the Fund unless that person is willing to entrust all aspects of the management of the Fund and its investments to the Manager.

Limited Operating History. The Fund, under the current Manager, commenced operations in 2018 and has a limited operating history. Therefore, there is limited performance history of the Fund or the Manager for prospective investors to evaluate prior to making an investment in the Company.

Reliance Upon the Manager. The success of the Fund is dependent, in large part, on the efforts of *Steelwood Management, LLC*, and its principals, Tom Busby and Morgan Busby. Although Authorized Members Tom Busby and Morgan Busby have experience investing in securities the Fund does not have any independent operating history upon which a prospective investor may base his/her/its investment decision. Although Tom Busby and Morgan Busby may devote significant time to the interests of the Fund they may be engaged in other business activities including certain activities which are similar to those of the Company. The death or disability of Tom Busby or Morgan Busby, or their failure to remain or perform as the Fund's portfolio manager or as its principals (Authorized Members) of the Manager, may have a material adverse effect on the investments of the Fund.

No Minimum Size of Fund. The Fund may begin operations without attaining any particular level of capitalization. At low asset levels, the Fund may be unable to diversify its investments as fully as would otherwise be desirable or to take advantage of potential economies of scale, including the ability to obtain the most timely and valuable research and trading information from securities brokers. It is possible that even if the Fund operates for a period with substantial capital, Members' withdrawals could diminish the Company's assets to a level that does not permit the most efficient and effective implementation of the Fund's investment program.

Investment Company Exemption. The Fund intends to rely on Section 3(c)(1) of the Federal Investment Company Act of 1940 (the "ICA") to achieve exemption from registration as an "investment company" under, and comply with the substantive provisions of the ICA. If the Fund were registered as an investment company, the ICA would require, among other things, that the Fund have a board of directors some of whom were unrelated to the Manager, compel certain custodial arrangements, and regulate the relationship and transactions between the Fund and the Manager. Compliance with some of those provisions could possibly reduce certain risks of loss by the Fund or Members, although it could significantly increase the Fund's operating expenses and limit the Fund's investment and trading activities. Interpretations of Section 3(c)(1) are complex and uncertain in several respects and, as a result, there can be no assurance that the Fund will remain entitled to rely on that Section. If the Fund were found not to have been entitled to rely on that Section, it and the Manager could be subject to legal actions by the SEC and others and the Fund could be forced to terminate its business under adverse circumstances.

Private Offering Exemption. The Fund intends to offer Interests on a continuing basis without registration under any securities laws. It will rely on an exemption from such registration for "transactions by an issuer not involving any public offering." While the Manager believes that reliance is justified, there can be no assurance it is or will remain correct. Factors such as the manner in which offers and sales are made, the scope of disclosure provided, failures to make notice filings, or changes in applicable laws, regulations, or interpretations could cause the Fund to fail to qualify for those exemptions. Failure to qualify could result in the rescission of sales of Interests at prices higher than the current value of those Interests, potentially materially and adversely affecting the Fund's performance and business. Further, even non meritorious claims that offers and sales of Interests were not made in compliance with applicable securities laws could subject the Fund and the Manager to expenses and materially and adversely affect the Manager's ability to conduct the Fund's business.

No Independent Counsel. No independent counsel has been retained to represent the interests of the Members. The LLC Agreement has not been reviewed by any attorney on behalf of the Members. Each investor is therefore urged to consult his, her or its own counsel as to the terms and provisions of the LLC Agreement and in all other documents related thereto.

Absence of Recourse to the Manager. There are very limited circumstances under which the Manager can be held liable to the Fund. Generally, the Manager, including any director, officer, member, affiliate or employee of

the Manager, is not liable to the Fund provided that its acts or failure to act with respect to the Fund's business and affairs do not constitute fraud, bad faith, willful misconduct, gross negligence or an intentional breach of the LLC Agreement, as determined in a final non-appealable judgment or order. Pursuant to the LLC Agreement, the Manager is also entitled to advancement of expenses from the Fund prior to a final determination upon a written undertaking to repay such advance if it is ultimately determined that the Manager has not met the standard for exclusion from liability. Accordingly, it may be very difficult for the Fund or any Member to pursue any form of action against the Manager.

C. Tax Risks.

Classification of the Company. A partnership is not itself subject to federal income taxes; rather, its partners take into account their share of the partnership's taxable income, losses, deductions, and credits in computing their federal income taxes. Accordingly, the tax consequences to Members of an investment in the Company will depend upon the federal income tax classification of the Company as a "partnership," and not as an association taxable as a corporation. The Company has not requested a ruling from the Internal Revenue Service (the "IRS") as to any tax matters, including whether the Company will be treated as a partnership (and not as an association taxable as a corporation) for federal income tax purposes. If the Company were to be treated as a corporation rather than as a partnership for federal income tax purposes, the Company itself would be taxed on its taxable income at corporate tax rates, there would be no flow-through of items of Company income, gain, loss or deductions to the Members, and Company distributions generally would be taxable as dividends. Under present laws and regulations and judicial interpretations thereof, the Manager believes the Company will be classified and treated as a partnership for federal income tax purposes, and not as an association taxable as a corporation.

Tax Liability Without Distributions. The federal income tax consequences to the Members in the Fund depend, in large part, on the particular strategies employed and on the length of time assets are owned, as well as the IRS Code, which changes frequently. While the Manager will attempt to optimize the Fund's tax results, its primary objective is to achieve an economic gain. Assuming that the Fund is treated as a partnership, each Member will be liable to pay taxes on their allocable ownership interests of the Fund's taxable income. The Manager does not intend to make distributions to the Members, but instead intends to reinvest substantially all of the Fund's income and gains for the foreseeable future. To avoid the possible pitfalls of solely being taxed on realized gains and losses, the Fund will declare "active trader status" under Section 475 of the Internal Revenue Service Code. The Fund and its Members will be taxed on a "mark-to-market" basis. The Fund will primarily perform short-term trades which will be considered as ordinary income. Taxable income will not differ from the Net Profit to the Member at the end of the calendar year. Net profits will be computed in the following manner: account balance minus cost basis equals taxable gain. The advantage of a 475 election insures that if a loss occurs to the Member, the Member can claim the full extent of the loss immediately and offset any ordinary gains from other sources of income. Under a 475 election, if the loss for the Member is greater than other sources of income for that Member, a loss "carry back" provision of up to 5 previous years is allowed by amending previous tax returns, thus reducing net taxable income. If net taxable income is reduced, a tax refund may occur for the tax year of the amended return. If all exhaustible losses "carried back" to the previous allowable 5 years for the Member had resulted in a zero taxable income on the amended tax returns, the remainder of the loss can be "carried forward" into the next taxable years. Regarding gains, it will be necessary for Members to pay such tax liabilities out of separate accounts or withdrawals from Steelwood Capital, LLC, if needed. Members can combine ordinary gains from the Fund with other sources of income or losses, which may be of benefit to the Member. There are limitations on a Member's right to withdraw capital from the Fund.

Limitations on Deductions. Tax laws in certain cases may limit a Member's ability to deduct certain losses and expenditures allocated to that Member. If the Company's tax return is audited, it is possible that the deduction of some or all of such expenses could be challenged by the IRS. If any such challenge is made, it could result in materially reduced tax deductions or an increase in taxable income to an investor in the years with respect to which such deductions are disallowed.

Limitation on Deductibility of Investment Interest. Because of the limitations under the Code on the deductibility of interest incurred for investment purposes, it is possible that a Member would not be able to deduct his, her or its entire pro rata share of any margin interest paid or incurred during the taxable year.

Tax Exempt Entities. Tax-exempt entities may be subject to tax on a part of their share of Company income, depending upon the extent to which such income is characterized as “unrelated business taxable income” (“UBTI”). See “Federal Income Tax Considerations – Unrelated Business Taxable Income.”

Delayed Schedule K-Is. The Manager will endeavor to provide a final Schedule K-1 to each Member 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 Member 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.

Future Federal Income Tax Legislation or Changes in Regulations. The federal income tax laws are the subject of continuing scrutiny and proposals for amendment. Any new legislation may affect the tax treatment of income to Members. An assessment of the effect of any tax law changes must await the enactment of such legislation. Even without new legislation, the IRS might issue new regulations, possibly with retroactive effect, which could result in a loss of “partnership” status for tax purposes.

D. Regulatory Risks.

As a result of highly publicized financial scandals and the market turmoil resulting from the recent global credit and financial crisis, it is speculative to determine the scope and extent of the impact of any additional new laws, regulations and initiatives that may be proposed with respect to the regulation of the financial markets and the securities industries, including regulations that may affect the operation of the Fund, the Fund’s investment activities, or both. The Fund is not required to register with the SEC as an investment company by virtue of an exemption provided in Section 3(c)(1) of the Investment Company Act of 1940, as amended (the “1940 Act”). In the absence of such regulation, Members will not be able to rely on certain protective provisions of the 1940 Act, such as the requirement that a registered investment company engage a board of disinterested directors to approve certain Fund matters, as well as other compliance, supervision, examination, reporting, record-keeping and other requirements under the 1940 Act. Similarly, the Manager will not be required to register as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940.

Continued compliance with the Dodd-Frank Act and other new laws that may be applicable to the Fund or its investment activity could make continued compliance more difficult and expensive and affect the manner in which the Fund, the Manager or the Authorized Members operate the Fund. If, for example, the Fund were to be required to register as an investment company, or if the Manager were to be required to register as an investment adviser with the SEC, such compliance could impose significant costs on the Fund or the way in which it conducts its Portfolio Company investments. Moreover, there may be additional calls for regulation, including the elimination or limitation of the current exemptions which the Fund and the Manager are claiming. Failure by the Fund or the Manager to comply with any new or existing federal or state securities regulations could subject the Fund to significant fines and penalties.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE RISKS INVOLVED IN THE OFFERING. POTENTIAL INVESTORS SHOULD READ THIS MEMORANDUM IN ITS ENTIRETY AND SHOULD CONSULT WITH AN APPROPRIATE TAX CONSULTANT BEFORE DETERMINING WHETHER TO SUBSCRIBE FOR MEMBERSHIP INTERESTS.

VI. POTENTIAL CONFLICTS OF INTEREST

In the conduct of the Fund’s business, conflicts may arise between the interests of the Manager and those of Members. While the Manager is accountable to the Fund as a fiduciary and, consequently, must exercise good faith and integrity in handling the Company’s business, prospective investors should be aware of the potential for such conflicts of interest.

Competing Ventures. The Manager will devote as much of its time and resources to the activities of the Fund as it deems necessary and appropriate. The LLC Agreement does not restrict the Manager or its principal(s) from entering into other investment advisory relationships or engaging in other business activities, even though

those activities may be in competition with the Fund and/or may involve substantial amounts of the Manager's time and resources. The Manager may serve as investment manager to other private investment funds, including some that may have investment objectives similar to the Company's. These activities could be viewed as creating a conflict of interest in that the resources of the Manager and the time and effort of its personnel are not devoted exclusively to the Fund's business but must be allocated between that business and the other activities.

Investment Opportunities. Conflicts of interest could arise in connection with investments for the accounts of the Fund, other investment vehicles in which the Manager and/or its personnel are involved, any other advisory clients the Manager may have, and the Manager or its members themselves. These investments could differ in substance, timing, and amount, due to, among other things, differences in investment objectives or other factors affecting the appropriateness or suitability of particular investment activities to the Fund or other clients, or to limitations on the availability of particular investment opportunities. The Manager will allocate investment opportunities among its various accounts in a manner it believes to be as equitable as possible, considering each account's objectives, programs, limitations, and capital available for investment, but all accounts may not necessarily invest in the same securities. Further, neither the Manager nor its personnel have any obligation to provide the Fund or any other account with any particular investment opportunity or to refrain from taking advantage of an investment opportunity that could be beneficial to the Fund.

Performance-Based Fee. The Performance-Based Fee to the Manager will be based, in part, on unrealized investment gains which may never be realized in the event of adverse changes in the value of such investments. The structure of the Performance-Based Fee may involve a conflict of interest because it may create an incentive for the Manager to cause the Fund to make riskier or more speculative investments than it otherwise would. However, such risks may be reduced since the High Watermark requires recovery of losses before payment of the Manager's Performance-Based Fee.

Directed Brokerage and Soft-Dollars. While it is the Manager's policy not to accept "soft-dollar" arrangements, the Manager has the discretion to direct commissions to certain broker/dealers which may furnish other products or services to the Fund or the Manager. Although the Manager believes the Company will benefit from many of the services obtained with commissions generated by Fund trades, the Fund will not benefit exclusively. The Manager will also derive direct or indirect benefits from some or all of these services, particularly to the extent that the Manager uses "soft-dollars" to pay for certain services and research that it may receive when making investment decisions on client accounts. The Manager's use of "soft-dollars" to defer its own expenses may create an incentive for the Manager to trade more frequently than necessary. Such benefits could also create an incentive for the Manager to select brokers or dealers to perform transactional services for the Fund on the basis of the benefits provided to the Manager rather than solely the quality of the transactional services and the price charged the Fund.

VII. WHO SHOULD INVEST, INVESTMENT AND WITHDRAWAL

Investment in the Membership Interests offered hereby involves a high degree of risk. The investment will have limited liquidity, there will not be any public market for the Interests, and the sale or transfer of Interests is severely restricted. Interests in the Fund are offered in reliance upon state and federal exemptions from registration for nonpublic offerings, and the Fund will not be registered under the Investment Company Act of 1940. Each prospective investor will be required to satisfy the suitability standards referred to below and to represent that he or she:

- (1) is investing in the Fund for his or her own account, for investment purposes only, and not with a view to distribution;
- (2) is a sophisticated investor (or has a qualified purchaser representative) capable of evaluating the risks and merits of an investment in the Fund;
- (3) has had access to sufficient information needed to make an investment decision about the Fund; and

- (4) can tolerate the high risk and illiquidity which is characteristic of Membership Interests in general and this investment in particular.

Additional requirements or restrictions on investment may be applicable under the laws of certain states in which the LLC Interests may be offered.

The Fund will follow extremely concentrated, highly speculative and aggressive investment strategies which, if unsuccessful, could result in significant losses. Investment in the Interests is suitable only for persons of adequate financial means who have no need for liquidity with respect to this investment and who are capable of evaluating the risks involved and, at worst, of losing all or a significant portion of their investment. An investment in the Fund will entail substantial market risk and may not be appropriate for certain investors.

A. Eligible Qualified Client – Accredited Investors.

The Membership Interests will be privately offered and sold to “qualified clients – accredited investors” who must make certain representations, in a Subscription Agreement, relating to securities law compliance and must provide their taxpayer identification number(s) as proof of U.S. residence or citizenship. In essence, potential investors who meet accredited investor status (described below) must also meet qualified client status as defined by the federal securities laws:

(1) The term “qualified client” means:

- (a) A natural person who or a company that immediately after entering into the contract has at least \$750,000 under the management of the investment adviser; or
- (b) A natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:
 - (i) Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$1,000,000 at the time the contract is entered into; or
 - (ii) Is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(51)(A)) at the time the contract is entered into; or
- (c) A natural person who immediately prior to entering into the contract is:
 - (i) An executive officer, director, trustee, Manager, or person serving in a similar capacity, of the investment adviser; or
 - (ii) An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

There is no limitation on the number of “qualified client - accredited investors” except that the total number of Members must be 100 or less to qualify for an exemption from the Investment Company Act of 1940.

B. Eligible Accredited Investors.

The Interests will be privately offered and sold to “accredited investors” who must also make certain representations, in a Subscription Agreement, relating to securities law compliance and must provide their taxpayer identification number(s) as proof of U.S. residence or citizenship.

There is no limitation on the number of “accredited investors” except that the total number of Members must be 100 or less to qualify for an exemption from the Investment Company Act of 1940. “Accredited investors” are defined as follows:

- (1) Any bank as defined in section 3(a)(2) of the Securities Act of 1933 (the “1933 Act”) or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Act whether acting in its individual or fiduciary capacity; any broker/dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; insurance company as defined in section 2(13) of the 1933 Act; investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000; or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (2) Any private business development company as defined in section 202(a)(22) of the Investment Advisers Act of 1940;
- (3) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business Trust, or Fund, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;
- (4) Any director, executive officer, or Manager of the issuer of the securities being offered or sold, or any director, executive officer, or Manager of a Manager of that issuer;
- (5) Any natural person whose individual net worth or joint net worth with that person’s spouse, at the time of his or her purchase exceeds \$1,000,000;
- (6) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- (7) Any trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment; or
- (8) Any entity in which all of the equity owners are accredited investors.

The above restrictions conform to regulations promulgated by the Securities and Exchange Commission and the Florida Office of Financial Regulation and the securities administrators in most states. Offers or sales may be required to conform to different standards in particular states, and in such event the suitability standards to be applied may differ among the states.

Any investor having any question regarding suitability standards or any other aspect of the offering should contact *Steelwood Management, LLC*, at (251) 583-9040, or by mail at 12276 San Jose Blvd. Suite 519, Jacksonville, FL 32223. The Manager reserves the right to accept or reject any subscription, in its sole discretion.

C. Suitability.

The Membership Interests are suitable for investment only for qualified individuals and institutions which do not need liquidity with respect to their investment and are capable of assuming the risks associated with the Fund's investment program. The Fund's investment practices, by their nature, should be considered highly speculative and to involve a high degree of risk.

Satisfaction of the standards for "qualified clients" and "accredited investors" status, and the ability to make the other representations in the Subscription Agreement, do not necessarily mean that Interests are a suitable investment for a prospective investor. Prospective investors should carefully evaluate whether an investment in the Fund is suitable for their particular circumstances and investment needs. In doing so, they should consult with such legal, tax, and financial advisors as they consider appropriate, and should avail themselves of the opportunity to ask questions of the Manager.

Each investor must, either alone or with the assistance of a "purchaser representative," have sufficient knowledge and experience in financial and business matters generally and in securities investment in particular to allow him or her to evaluate the merits and risks of investing in the Fund. In addition, each investor should have sufficient funds, beyond those he or she intends to invest in the Company, to meet personal needs and contingencies. Investors should expect that they will not have access to the funds invested in the Company for extended periods and should be capable of absorbing a loss or reduction in the value of their investments. Investors who are subject to income tax should be aware that, if the Company's investment activities are successful, an investment in the Fund is likely to create taxable income or gains but that the Fund does not intend to make distributions of cash with which to pay the resulting tax liabilities.

Interests may be a suitable investment for certain qualified retirement plans. However, such prospective investors should carefully consider the appropriateness of such an investment, including the fact that the Fund may use leverage in connection with its investment program and may, as a result, have "unrelated business taxable income" that is not exempt from taxation under the Internal Revenue Code of 1986, as amended. See the discussion under the heading "ERISA Considerations for Qualified Plans" for additional discussion of legal issues to be considered by qualified retirement plan investors.

D. Initial Investment and Additional Capital Contributions

Subscriptions for Interests will be accepted at the discretion of the Manager from time to time, generally as of the first business day of any calendar month. Subscriptions for Interests in the Fund are being solicited on a "best efforts" basis by the Manager, who will receive no commission for its services. The Membership Interests being offered pursuant to this Memorandum have not been registered with the Securities and Exchange Commission or the securities administrator of any state, but are offered pursuant to federal and state exemptions for nonpublic offerings.

The minimum investment is \$100,000 USD per Interest. The Manager may waive or reduce these requirements in particular cases and may change them as to new investors in the future. There is no minimum or maximum aggregate amount of funds which may be contributed to the Fund. Members are not required to make any additional capital contributions to the Fund. The Manager, in its sole discretion, can accept or reject any initial subscriptions from prospective Members and any additional capital contributions from existing Members. Capital contributions generally will be accepted as of the first business day of any calendar month, although the Manager in its sole discretion has the right to admit new Members and to accept additional funds from existing Members at any time. All funds invested in the Company by Members will be held in the Company's name and the Company will not commingle its funds with any other party.

The Company may compensate authorized agents and brokers in connection with sales of Interests. Additionally, the Manager may direct a portion of the Fund's brokerage business to broker-dealers who introduce Members to the Fund and may pay finders' fees at its own expense to such persons. Such compensation, if any, shall be in amounts which the Manager deems reasonable and appropriate. In no case shall such compensation be charged against an existing Member's capital account.

E. Side Letters.

The Fund, by consent of the Manager, may from time to time seek to induce investment in the Fund by offering investment terms to certain prospective investors which are not available to existing investors in the Fund. In such cases, the parties may enter into a written side arrangement varying the terms of the LLC Agreement. Such variations may include, without limitation, variations to the Management Fee and/or the Manager's Profit Participation percentage or calculation, changes to the minimum investment requirement or the granting to a prospective investor most favored nations rights concerning side letter agreements entered into with other investors.

In each case, such side letter agreements would have the effect that not all investors in the Fund may have invested on the same terms and some investors may be expected to enjoy more favorable terms than others. Notwithstanding such right of the Manager, the Fund has mitigated this risk by adopting provisions in the LLC Agreement, consistent with guidelines promulgated by the SEC, which prohibit any such side letter agreement for the purpose of granting any investor more preferential liquidity terms in connection with distributions or distribution procedures contained in the LLC Agreement, provisions in the LLC Agreement concerning the allocation of profits and losses among the Members, or any term which provides to such benefitting investor enhanced reporting rights or otherwise unequal access to the books and records of the Fund or any information concerning the investment or operational performance of the Fund, each of which shall be disseminated to the Members equally.

F. Price of Interests.

A Member making a capital contribution will receive, in return, a Membership Interest (expressed as a percentage interest in the Fund) calculated by dividing the Member's capital by the sum of the capital accounts of all Members as of the date of contribution. The Member's percentage interest in the Fund may increase or decrease proportionally each month as the Fund accumulates additional equity capital or experiences withdrawals of capital.

G. To Become a Member.

To become a Member, an investor meeting the requirements set forth in this Memorandum must sign a Subscription Agreement and Special Power of Attorney in the form provided by the Company and provide funds by check or electronic funds transfer in the amount of the subscription to the Company for his, her or its capital contribution.

In order to permit the Company to comply with federal and state securities laws, prospective investors will also be required to fill out and sign a "Purchaser Questionnaire" in the form provided by the Company, and purchaser representatives of those prospective investors who utilize a purchaser representative will be required to fill out and sign a "Purchaser Representative Questionnaire." The information provided by offerees or purchaser representatives in these questionnaires will be maintained as confidential. *See* "Who Should Invest, Investment and Withdrawal."

H. Approval of Investors.

The Manager reserves the right not to admit any proposed Member. If the Manager determines, in its sole discretion, that the subscription of any person will not be accepted, all monies paid by such person will be promptly returned, without interest or discount.

Each prospective Member is invited to meet with the Manager or with a representative of the Manager to discuss, ask questions of, and receive answers concerning the terms and conditions of this offering of Interests. The prospective investor may want to obtain additional data that would verify the information contained herein. To the extent the Company possesses such information or can acquire it without unreasonable effort or expense, it will be supplied.

No offer shall be considered to have been made by the Manager until a completed set of subscription documents has been received and approved by the Manager.

I. Withdrawals

A Member may request partial or full withdrawals of their Capital Account only as of the last business day of any calendar month upon not less than thirty (30) days' written notice to the Manager. However, any withdrawal made which is less than ninety (90) days after the date of the Member's initial capital contribution will be charged a 5% early withdrawal fee. Except in the sole discretion of the Manager, no partial withdrawal request which would reduce a Member's Capital Account below \$100,000 USD will be accepted by the Manager. The Manager may, upon its discretion, satisfy requests for withdrawals at other times if doing so will not adversely affect the Fund. Such consent is the sole discretion of the Manager.

A Member's withdrawal request shall be paid within thirty (30) business days of the date of the request, or on a date as mutually agreed upon by the Member and the Manager. At the option of the Manager, the amount of the withdrawal may be made in whole in cash, or in whole in kind, or in part in cash and in part in kind. Withdrawals may be subject to reserves for contingent and other liabilities, as determined by the Manager. The Manager, upon ten (10) days' written notice, may require any Member to withdraw all or any part of his/her/its Capital Account for any reason deemed to be in the best interest of the Fund.

The Manager may, in its sole discretion, make distributions to any Member withdrawing all or any part of his, her or its Capital Account or upon dissolution of the Company wholly or in part in securities or other assets of the Company. No Member shall have the right, however, to require distributions in property other than cash.

In the event a Member withdraws all or part of his, her or its Capital Account from the Company, the Manager, in its sole discretion, may make a special allocation to such Member for federal income tax purposes of the net capital gains recognized by the Fund in such manner as will reduce the amount, if any, by which such Member's Capital Account exceeds his, her or its federal income tax basis in his, her or its Interest in the Company before such allocation.

The Manager believes that the assets of the Fund will be invested in such a manner such that the Manager does not anticipate any problem meeting any redemption requests.

J. Mandatory Withdrawals

The Manager may force a partial or complete withdrawal by any Member as of the end of any month by giving ten (10) days' written notice to such Member. Such withdrawal could occur because, among other things, the Member's Interest could be considered "beneficially owned" by more than one (1) person for the purposes of the exclusion from treatment as an "investment company" under the Investment Company Act but could be because the Manager, in its sole discretion, determines that the expulsion is in the best interest of the Fund. If a Member dies or becomes bankrupt, or incompetent, he or she may be deemed to have withdrawn effective at the end of the quarter in which the event occurred.

K. Distributions

The Company does not expect to make any distributions to Members from profits or capital, except pursuant to requests for withdrawals and upon termination of the Fund. Distributions may be in cash or other assets of the Fund, or any combination thereof, in the sole discretion of the Manager.

Each Member is required to take into account his/her/its allocable share of income, gain or loss since the Manager is not required to make any distribution of Net Profits to cover a Member's income tax liability.

VIII. FEDERAL INCOME TAX CONSIDERATIONS

The following is intended to summarize certain general principles as to the tax consequences of an investment in the Fund. These may vary with the identity and status of the investor as an individual or an entity.

PROSPECTIVE MEMBERS SHOULD NOT CONSIDER THE CONTENTS OF THIS MEMORANDUM AS LEGAL OR TAX ADVICE, BUT SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THEIR INDIVIDUAL TAX CONSEQUENCES OF INVESTING IN THE FUND.

A. Status As A Partnership.

Effective January 1, 1997, new Treasury Regulations under the Internal Revenue Code of 1986, as amended, specify whether or not an organization is classified as a partnership or an association taxed as a corporation for federal income tax purposes. An entity organized under state law after January 1, 1997, as a partnership which has two or more partners is automatically classified as a partnership for federal income tax purposes unless it affirmatively elects to be classified as an association taxable as a corporation by filing such an election with the IRS. The Manager intends for the Company to be taxed as a partnership. The Company will therefore not file an election to be classified as an association taxable as a corporation. As a result, the Manager believes that the Company will automatically be taxed as a partnership by reason of the new Treasury Regulations.

The Omnibus Budget Reconciliation Act of 1987 ("1987 Act") contains provisions that produce adverse tax consequences for publicly traded partnerships. Under the 1987 Act, publicly traded partnerships that were not in existence on December 17, 1987, will be taxed as corporations unless at least 90% of the gross income of such partnerships is "qualifying income" under Section 7704(d) of the Code. The term "publicly traded partnership" is defined for purposes of these provisions as any partnership whose Interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. "Qualifying income" includes interest, dividends, and gains from the same or other disposition of securities. The Manager believes that the Company is not a publicly traded partnership under the definition of Section 7704 of the Code, because its Interests are not traded or readily tradable on any securities market. Furthermore, even if it were determined that the Company is a publicly traded partnership, the Manager believes that at least 90% of the gross income of the Company will be qualifying income under Section 7704(d) of the Code.

B. Tax Consequences To Members.

Because the Company is taxable as a partnership, it is not subject to Federal income taxes on its income; rather, Members are required to report on their Federal income tax return their distributive shares of all items of income, gain, loss, deduction and credit of the Company for the Member's taxable year within which the Company's taxable year ends, regardless of whether the Company makes any actual distribution to the Member during that year.

The Company uses the accrual method of accounting and has adopted a taxable year ending on December 31.

Members may deduct their distributive shares of the Company's losses (ordinary or capital) only to the extent of their adjusted basis in their Company Interests at the end of the Company's taxable year and even then, if applicable, only to the extent the Member is "at risk" at the close of the taxable year.

Generally, the initial basis of a Member in such Member's Company Interests is equal to the Member's cash capital contributions to the Company and, in the case of property contributed to the Company, its adjusted basis in the property contributed. Moreover, if the Company would qualify as an investment company within the meaning of Section 721(b) of the Code were it incorporated, and if a Member contributes appreciated securities, gain will be recognized upon the contribution and will increase its basis in the Company Interests. A Member's basis will also be increased by the Member's total distributive share of Company income, gain and certain Company liabilities, and reduced by (1) the Member's total distributive share of Company losses; (2) total Company distributions made to the Member; (3) decreases in the share of Company liabilities previously included in the Member's basis; and (4) the

Member's distributive share of certain other expenditures - i.e., nondeductible Company expenditures not properly chargeable to capital account.

A Member, subject to the "at risk" rules, will be considered "at risk" to the extent of (1) that Member's actual contributions to the Company, plus (2) any other amount which that Member has actually risked in the Company (i.e., for which the Member is personally liable or has pledged as security other property not related to this activity), plus (3) the undistributed Company income allocable to a Member, less (4) losses deducted in prior years and Company distributions.

C. Alternative Minimum Tax.

In addition to the regular income tax, an alternative minimum tax is imposed on the excess of alternative minimum taxable income over an exemption amount. Alternative minimum taxable income is generally equal to taxable income determined with certain adjustments and increased by the amount of certain tax preferences. Because the Fund does expect to generate UBTI, there will likely be alternative minimum tax imposed on any tax-exempt Members.

D. Tax Allocations In General.

The LLC Agreement provides that each Member will be given an original capital account equal to the cash contributed by the Member to the Company or the fair market value of property contributed.

The LLC Agreement further provides that each item of income, gain, loss, deduction and credit of the Company will be allocated among the Members (after payment of expense reimbursement to the Manager) in the proportion that the Member's capital account bears to the total capital accounts of the Company. Each Member's capital account is appropriately increased or reduced by the Member's distributive share of Company income, gain, loss, deduction and, in certain instances, credit.

The Manager is given flexibility so that any changes in the ownership of Interests during the term of the Company, such as the entry of new Members, the withdrawal (total or partial) of Members and increases in Members' capital accounts, as well as other relevant matters, can be dealt with as fairly as possible within the limits prescribed by the Code and IRS Rulings.

A Member's opening capital account for any Fiscal Period will be reduced by its proportionate Interests in the liabilities of the Company incurred to perform under outstanding options written by the Company. For tax purposes, upon the ultimate termination of such obligations, the liabilities in excess of premiums received or proceeds from short sales (less commissions) or other short positions represent potential capital losses (short-term or long-term), depending on the nature of the particular transaction.

Although the Manager believes the allocations in the LLC Agreement, which are based on economic considerations, should be recognized, there can be no assurance that the IRS will accept these allocations. The IRS may contend that such allocations do not meet the substantial economic effect requirement, in which case the IRS may attempt to allocate the Company's profits and losses in some other manner, based on its determination of the Members' Interests in the Company.

Generally, any distribution to a Member on withdrawal, liquidation or otherwise is based entirely upon the Member's capital account or some component thereof.

E. Tax Consequences Of Contributions, Distributions, Partial And Total Withdrawal From The Company, And Sales Of Unit Interests.

Generally, the contribution of cash or property (e.g., securities) by a partner to a partnership is not a taxable event. However, if the Company is treated as an investment company within the meaning of Section 721(b) of the Code were it incorporated, a Member who contributes appreciated securities will realize a gain equal to the amount

the fair market value of the securities at the time of contribution exceeds the contributing Member's tax basis in the securities.

If a Member contributes securities to the Company and the contributed securities are inventory items in the hands of the contributing Member, any gain or loss recognized by the Company on the disposition of the securities within five years after the contribution will result in ordinary income to the Company and possibly UBTI.

In order to avoid these results, the Manager will attempt to avoid accepting capital contributions in the form of securities which could result in such adverse tax consequences to the Company and its Members.

Generally, no gain or loss will be recognized by a Member on distributions of property from the Company. However, gain will be recognized by each Member on Company distributions of money to the extent that the amount of money distributed (which includes, for these purposes, a reduction in the Member's share of Company liabilities previously included in the Member's basis) exceeds the Member's adjusted basis for the Member's Company Interests immediately before the distribution. This gain has the same character as gain realized by a Member upon a sale or exchange of a Company Interests; that is, as capital gain, except to the extent that the gain is attributable to either (1) inventory held by the Company which has a market value in excess of 120% of the Company's adjusted basis in such inventory or (2) unrealized receivables. It is unlikely, however, that the Company will own unrealized receivables. If a distribution from the Company to a Member is attributable to either inventory (as described above) or unrealized receivables, the tax impact will be governed by the complex provisions of Section 751(b) of the Code, but generally may result in ordinary income recognition to the Member or the Company. Subject to a change by Congress, Unit Interests held for more than one year will generate long-term capital gain or loss on distribution. Because the Manager does not expect the Company to have any inventory items, any gains recognized from distributions should not be subject to UBTI.

If a distribution to a Member is not in liquidation of the Company or in liquidation of the Member's Interests, the basis to the Member of the property distributed will generally be the lesser of the Company's basis in the asset or the Member's basis in the Member's Company Interests. If the property is distributed in liquidation, the Member's basis in the distributed property will be the Member's adjusted basis in the Member's Interests. The property distributed will, generally, be retained in the hands of the distributee Member in the same character as it had to the Company. Furthermore, if the distributed property constituted inventory to the Company, it will retain that character for five (5) years to the distributee Member.

When Members sell their Interests in the Company, any gain will be treated as capital gain unless the gain is attributable to unrealized receivables or substantially appreciated inventory, in which event the proceeds are taxable as ordinary income. If only a portion of the gain is attributable to substantially appreciated inventory or unrealized receivables, then only that portion of the gain would be taxed as ordinary income. The Manager does not expect the Company to have any inventory items or unrealized receivables, thus, any gains recognized due to sales or exchanges of Unit Interests should not be subject to UBTI.

The sale or exchange within a twelve (12)-month period of 50% or more of the total Interests in Company capital and profits may result in a technical termination of the Company for federal income tax purposes only, resulting in a constructive distribution to the Members, and a constructive contribution to a new Company. Such a termination would close the Company's taxable year so that each Member's distributive share for that short year would be included in its taxable year during which the termination takes place.

F. Section 754 Election.

The Company may file, at the discretion of the Manager, an election under Section 754 of the Code to adjust the basis of Company property. In such event, the basis of Company property would be adjusted to reflect certain distributions to a Member, or upon transfer of Interests in the Company by sale or exchange or on the death of a Member.

In general, under this election, if a distribution to a Member results in recognized gain to that Member, the Company would increase the basis of its remaining property by the amount of gain recognized. Conversely, if a

Member receives a distribution that terminated the Member's entire Interests at a loss, the Company would decrease the basis of its remaining property by the amount of the loss recognized by the distributee Member.

Similar rules would affect the basis of Company assets with respect to a transferee Member if the transferor were to realize a gain or loss on the transfer of the transferor's Interests.

The Manager, at present, does not intend to make the Section 754 election. If the election is made, however, it cannot be revoked without the permission of the Commissioner of the Internal Revenue Service.

G. State And Local Taxes.

Investing in the Company may subject the Members to certain state and local income or excise taxes in states in which the Company may be deemed to be doing business or own property.

H. Tax Returns.

The Company will furnish to each Member as soon as possible after the close of the Company's taxable year, information required for filing federal and state income tax returns. The Company itself will file an annual U.S. Company Return of Income and comply with all state and local reporting requirements.

The Tax Reform Act of 1984 requires that each person who transfers Interests after December 31, 1984, in a partnership possessing "unrealized receivables" or "substantially appreciated inventory items" (within the meaning of Section 751 of the Code) report such transfer to the partnership. If so notified, the Company must report the identity of the transferor and transferee to the IRS, together with other information described in regulations to be issued by the Treasury Department. Failure by a Member to report a transfer covered by this provision may result in a penalty of \$50 per occurrence.

The Company's tax returns are subject to tax audit by the IRS or state or local authorities, and the items set forth on such returns are subject to adjustment. An adjustment in the items reported on the Company's return may result in an adjustment in the tax liability of the Members.

Detailed rules relating to notice and participation in administrative and judicial proceedings concerning Company items are contained in the tax laws. Because of these rules, it is possible that some Members will be bound by action taken at the partnership level by the "Tax Matters Partner" without having received notice from the IRS. The tax law also requires that Members treat Company items on their individual returns consistent with treatment on the Company return or disclose the different treatment. Penalties are provided for failure to comply with these requirements.

The Company will not register currently as a tax shelter with the IRS because it is not currently required to do so by the Code and regulations. If at any time during the five year period after Membership Interests are first offered for sale, the Company becomes a "tax shelter" within the meaning of the tax shelter registration provisions, the Company will be required to register with the IRS and maintain a list of its investors for IRS inspection.

I. Anti-Abuse Rule.

In May of 1994, the IRS issued a draft of a proposed regulation under Section 701 that provided for an anti-abuse rule for partnerships. The proposed regulation was finalized in December of 1994 and, generally, was made effective for all transactions occurring on or after May 12, 1994. The regulation authorizes the IRS to disregard the literal provisions of the Code and Regulations and to recast a transaction in order to prevent the use of a partnership to circumvent the intended purpose of the partnership provisions of the Code. It should be noted that the Preamble to the regulation states that it is intended to affect a relatively small number of abusive large partnership transactions. The Manager believes that the anti-abuse rule will not apply to the Company or its transactions.

J. Unrelated Business Taxable Income.

Certain investors such as ERISA plans, foundations and other non-profit organizations are generally exempt from taxation except to the extent that they have "unrelated business taxable income" ("UBTI") during a fiscal year. UBTI is defined as the gross income from any trade or business unrelated to the tax-exempt business of the entity, less the allowable deductions directly related to the unrelated trade or business. If and to the extent that the unrelated business taxable income of a Member that is a Tax-Exempt Entity from all sources, less its allocable share of deductions directly connected with carrying on any such trade or business, exceeds \$1,000 in any year, such Member would incur tax liability with respect to the excess as unrelated business taxable income at tax rates that would be applicable if such organization were not otherwise exempt from taxation.

UBTI also includes income from "debt-financed" property. Since interest, dividends and capital gains are excluded from UBTI, the Managers expect that "debt-financing" (investing borrowed funds) will be the Company's sole source of potential UBTI to tax-exempt Members. The Manager anticipates that, except for a portion of income or gain from securities purchased through debt-financed means (as discussed below), all of the Company's income will be in a form excluded from the definition of unrelated business taxable income.

In general, the portion of any dividends or interest on debt-financed securities which constitute UBTI is computed by multiplying such income by the average ratio of acquisition indebtedness to the basis of the securities over the taxable year. To compute that portion of any gain on sale or other disposition of debt-financed property which constitutes UBTI, the total gain is multiplied by the highest ratio of acquisition indebtedness with respect to the property during the twelve months prior to the disposition.

The Manager anticipates that the Company will purchase some assets through debt-financed means, such as margin accounts. In such event, the receipt of income or gain from such assets would create UBTI equal to a portion of such income or gain, depending on the amount of indebtedness with respect to the asset. Prospective investors that are Tax-Exempt Entities are cautioned against financing purchases of Interests, since the acquisition financing of Interests will result in the realization of unrelated business taxable income.

In general, the receipt of unrelated trade or business income by a Qualified Plan or other Tax-Exempt Entity has no effect on that entity's tax-exempt status or on the exemption of its other income. In certain circumstances not applicable to Qualified Plans, the continued receipt of unrelated trade or business income may cause certain Tax-Exempt Entities to lose their tax exemptions, and in certain circumstances the receipt of any unrelated business income may cause all income to be taxable. Each prospective tax-exempt investor is urged to consult its tax advisers concerning possible adverse tax consequences resulting from an investment in the Company.

The foregoing discussion is intended to apply principally to Qualified Plans. The application of the unrelated business taxable income provisions may vary with respect to certain other types of Tax-Exempt Entities. Any such other Tax-Exempt Entities should consult a tax adviser before investing in Interests. Qualified Plans should also consult with their tax advisers concerning the tax effects on them of investment in Interests and the appropriateness of an investment in the Company under the "prudent man" and other fiduciary requirements dealing with the appropriateness of investments by any such Plan. *See* "ERISA Considerations for Qualified Plans."

K. Certain Consideration for Non-U.S. Investors.

The U.S. Federal income tax treatment of a nonresident alien, foreign corporation, foreign partnership, foreign estate or foreign trust ("non-U.S. investor") investing as a Member in the Fund is complex and will vary depending upon the circumstances of such Member and the activities of the Fund and the Manager. Each non-U.S. investor is urged to consult with its own tax advisers regarding the Federal, state, local and foreign tax treatment of its investment in the Fund.

In general the U.S. Federal income tax treatment of a non-U.S. investor will depend on whether the investor of the Fund is deemed to be engaged in a U.S. trade or business and whether income or gain in respect of the investor's investment in the Fund is effectively connected with such U.S. trade or business. Given the investment nature of the activities of the Fund, the Manager believes that the Fund should not be deemed to be engaged in a

U.S. trade or business. In that case, assuming that a non-U.S. investor is not otherwise engaged in a U.S. trade or business, the non-U.S. investor's allocable share of the Fund's gain from the sale of portfolio securities and "portfolio" Interests would generally not be subject to U.S. Federal income taxation and the Fund would not generally be required to withhold tax on such gain and portfolio Interests. However, the Fund would be required to withhold tax at the rate of 30% (or lower treaty rate, if applicable) on income derived from interest or dividends payable on account of any Portfolio Company securities. Even if the Fund were not otherwise engaged in a U.S. trade or business, it may nonetheless be engaged in a U.S. trade or business with respect to the activities undertaken by or on behalf of the Fund that generate customary fees which reduce the Management Fee as discussed above.

If the Fund were determined to be engaged in a U.S. trade or business, the income or gain effectively connected with such trade or business would be subject to a tax return filing requirement and U.S. Federal taxation on a net basis, and a corporate non-U.S. investor would be subject to an additional "branch profits tax." In such case, each non-U.S. investor would be obligated to file a U.S. income tax return reporting such income. To the extent that any income or gains of the Fund would be effectively connected to a U.S. trade or business, the LLC Agreement gives the Manager the authority to structure the investment of a non-U.S. Person through a U.S. blocker corporation to prevent such non-U.S. investor from having to file a Federal income tax return in the United States. The Manager is also authorized, but not required, to structure investment in the Fund by non-U.S. investors through an offshore parallel fund or offshore alternative investment vehicle.

L. Note of Caution.

THE FOREGOING DISCUSSION IS BASED UPON EXISTING INTERPRETATIONS OF LAW AND REGULATIONS WHICH ARE SUBJECT TO CHANGE. PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF AN INVESTMENT IN THE FUND, IN LIGHT OF EXISTING AND PROPOSED TAX LEGISLATION.

IX. ERISA CONSIDERATIONS FOR QUALIFIED PLANS

The Company will limit contributions from investors who are qualified pension, profit sharing and stock bonus plans, and individual retirement accounts or other tax exempt entities subject to the Employee Retirement Income Security Act of 1974 ("ERISA") ("Qualified Plans" or "ERISA Members").

In considering an investment in the Company, Qualified Plan fiduciaries should consider: (1) whether the investment is in accordance with the documents and instruments governing such Plan, (2) whether the investment satisfies the diversification requirements of section 404(a)(1)(C) of ERISA, if applicable, (3) whether the investment will result in unrelated business taxable income to the Plan, and (4) whether the investment provides sufficient liquidity and is otherwise prudent in view of the Plan's needs.

ERISA generally requires that the assets of Qualified Plans and other employee benefit plans as defined under ERISA (collectively, "Employee Benefit Plans") be held in trust and that the trustee or a duly authorized investment manager have exclusive authority and discretion to manage and control the assets of the plan. ERISA imposes certain duties on persons who are Fiduciaries of Employee Benefit Plans and prohibits certain transactions between an Employee Benefit Plan and certain parties referenced to as "parties in interest" or "disqualified persons" with respect to the plan. If an investment in the Company by an Employee Benefit Plan were to be deemed an investment by such Employee Benefit Plan in the underlying assets of the Company, the Manager would be deemed a manager of the Employee Benefit Plan's assets and hence co-fiduciaries with the Employee Benefit Plan's other fiduciaries. As such, each would have a co-fiduciary's responsibility with respect to the acts of the other. As discussed below, it is the opinion of the Manager that it is more likely than not that the assets of the Company will not be deemed to be "plan assets" under ERISA for these purposes. This opinion of the Manager is not binding, however, on the IRS or on the Department of Labor, and a differing interpretation would result in the following consequences: (1) the prudence standards and other provisions of Part 4 of Title I of ERISA applicable to investments by Employee Benefit Plans and their fiduciaries would extend to investments made by the Company, (2) certain transactions that the Company has entered into or might seek to enter into might constitute "prohibited transactions" under ERISA, subject to a requirement that such transaction be rescinded and resulting in potential

excise tax liability and other fiduciary liability of the Manager, (3) financial information concerning the Company would be required to be reported annually to the IRS, and (4) co-fiduciary responsibility would arise as between the fiduciaries of any Employee Benefit Plan Member and the Manager, because the Manager would be deemed to be a plan fiduciary.

Department of Labor regulations define what constitutes the assets of an Employee Benefit Plan (Reg. section 2510.3-101, 51 Fed. Reg. 41262). This Regulation governs the determination of whether assets of an entity in which an Employee Benefit Plan invests will be treated as assets of such Employee Benefit Plan. Under the Regulation, assets of an entity in which Employee Benefit Plans hold equity Interests will not be deemed assets of such Employee Benefit Plans if participation in the entity by Employee Benefit Plans is not "significant." Under the Regulation, participation by such plans is not "significant" on any date if, immediately after the most recent acquisition of any equity Interests in the entity, less than 25% of the value of each class of equity interests in the entity (not counting interests held by the Manager and its Affiliates in the case of the Company) are held by Employee Benefit Plans. Participation in the Company by Employee Benefit Plans has been under 25%, and the Company intends in the future to limit investments by Employee Benefit Plans so that the 25% threshold is not reached.

CONCLUSION. IN THE OPINION OF THE MANAGER, IT IS MORE LIKELY THAN NOT THAT ASSETS OF THE COMPANY WILL NOT BE DEEMED PLAN ASSETS OF ANY EMPLOYEE BENEFIT PLAN INVESTING IN THE COMPANY SO LONG AS LESS THAN 25% OF THE VALUE OF MEMBERS INTERESTS IN THE FUND ARE HELD BY EMPLOYEE BENEFIT PLANS.

X. SUMMARY OF THE LIMITED LIABILITY COMPANY AGREEMENT

A prospective investor should review carefully the Company's Articles of Organization and Limited Liability Company Agreement (the "LLC Agreement"). The rights and obligations of Members will be governed by the LLC Agreement. The following statements summarize certain provisions of the LLC Agreement, but do not purport to be a complete description and are qualified in their entirety by the text of the agreement itself. Prospective investors are urged to read the LLC Agreement in its entirety before subscribing.

A. Organization and Management.

Steelwood Capital, LLC, is a Florida Limited Liability Company formed on April 18, 2018. The Manager and Investment Adviser of the Fund is *Steelwood Management, LLC*, a Florida Limited Liability Company, which will oversee all administrative functions as Manager for Company. The principals of Steelwood Management, LLC, Morgan Busby and Tom Busby will manage and administer the Fund's investment portfolio. Morgan Busby and Tom Busby will be responsible for investment research and the management of the Fund's securities portfolio. The Manager and its principals are permitted to engage in any other business venture, whether or not such business is similar to the business of the Fund, and neither the Fund nor any other Member will have any rights in, or to, such ventures or the income or profits derived there from.

The Manager has full and complete authority with respect to the management and control of the business operations and all other aspects of the Fund. The Members have no participation in management and do not vote on any matters other than material amendments to the LLC Agreement.

Under the LLC Agreement, the Manager will act as the manager for the Fund and will manage the investment and reinvestment of its cash, securities and other properties comprising the assets of the Fund as a single account. The Manager will have the authority to:

- (1) purchase (including put and call options), hold, sell (including "write" naked and/or covered put and call options), sell short, lend, borrow, or otherwise deal in Securities and to exercise all rights, powers, privileges and other incidents of ownership;
- (2) to borrow funds on margin on behalf of the Fund;

- (3) to open, maintain, conduct and close accounts, including margin accounts, with brokers and with banks or other custodians for Fund assets, each as selected by the Manager in its sole discretion;
- (4) to issue all instructions and authorizations to brokers and with banks or other custodians for Fund assets regarding the Securities and/or money in such accounts, including the right for the Manager to have check writing privileges and to write checks against such accounts; and
- (5) to transact business through brokers and dealers and other persons (including affiliates of the Manager) selected by the Manager in its sole discretion.

B. Performance-Based Fee.

As compensation for its investment advisory services to the Fund, Steelwood Management, LLC shall receive a share of capital gains upon the Fund's portfolio pursuant to the provisions and limitations on investment adviser performance-based compensation contracts delineated in state and federal law. The Manager charges a Performance-Based Fee at a rate of 25% at the end of the calendar month of the Fund's capital account balance. The Performance-Based Fee is settled at the end of each calendar month equal to 25% of the Net New Profit allocated to each Member for that calendar month. Except that, with respect to the account of a Member making a capital withdrawal, a Performance-Based Fee will be made at the time of the interim withdrawal. Once made, a Performance-Based Fee will not be reduced by losses incurred in subsequent periods.

Performance-Based Fees are subject to a "high watermark" procedure in which the Manager receives a Performance-Based Fee from a Member only to the extent that Net New Profits allocated to that Member exceed any Net Losses allocated to him or her that have not been recovered. In the event Members have unrecovered Net Losses, the Manager shall not be allocated such Performance-Based Fee until Members have first recovered such Net Losses. Steelwood Management's Performance-Based Fee, pursuant to a high watermark procedure, provides for no compensation to the Manager if the Fund's investment portfolio fails to produce a positive return.

Should performance-based compensation be unlawful in other states, the Manager reserves the right to modify its compensation arrangement so as to be compliant with those states' laws.

C. Limited Liability.

A Member, as such, is not personally liable for any of the debts or obligations of the Fund. No Member will be subject to assessment or will otherwise be required to make any cash contribution to the Fund beyond that indicated in his or her Subscription Agreement. However, a Member who has withdrawn all or part of his or her capital may be liable to the Fund for any sum, not in excess of such withdrawal (and any interest paid at the time of withdrawal as a result of delayed payment) necessary to discharge Fund liabilities to creditors whose claims arose before the effective withdrawal date.

D. Fiscal Year.

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

E. Capital Contributions.

The minimum investment is \$100,000 USD per LLC Interest. The Manager may waive or reduce these requirements in particular cases and may change them as to new investors in the future. Additional capital contributions may be made by Members with the consent of the Manager. Capital contributions generally will be accepted as of the first business day of any calendar month, although the Manager in its sole discretion has the right to admit new Members and to accept additional funds from existing Members at any time. Capital contributions from Members shall be in cash or, when agreed to in advance by the Manager, in securities.

F. Capital Accounts.

Each Member will have a capital account established on the books of the Fund which will be credited with his, her or its capital contributions. A Company percentage will be determined for each Member for each fiscal period by dividing his, her or its capital account by the total capital accounts of all Members as of the beginning of such fiscal period. Fund percentages will be adjusted by the Manager to take into account additions of capital or the admission, withdrawal or termination of Members during a fiscal period.

G. Valuation of Investments.

Listed securities will be valued at their last sales price on the date of determination, or, if no sales occurred on such date, at the mean between the "bid" and "asked" prices at the close of trading on such date on such exchange. Securities traded over-the-counter will be valued at the mean between the "bid" and "asked" prices (except those securities which trade as National Market Issues and whose last sales price is available). Interests in other collective investment entities are valued in accordance with their governing instruments. All other securities and assets of the Fund will be assigned such value as the Manager may determine.

Liabilities are determined in accordance with generally accepted accounting principles. In addition, the Manager may establish reserves for estimated accrued expenses and for unknown or unfixed liabilities and contingencies.

H. Allocation of Profits and Losses.

The Manager will receive a Performance-Based Fee as to its share of Fund Net Profits and Net Losses. *See* "Management Fee, Performance-Based Fee and Expenses – Performance-Based Fee."

The remaining Net Profits and Net Losses of the Fund will be allocated among all the Members in proportion to their capital accounts as of the beginning of the relevant fiscal period as adjusted for any interim withdrawals or contributions or both. It is possible that different Members will have different pro rata shares in the profits and losses of certain investments as a result of having made contributions at different times. *See* "Summary of the LLC Agreement - Capital Accounts."

I. Withdrawal of Capital.

A Member may request partial or full withdrawals of their Capital Account only as of the last business day of any calendar month upon not less than thirty (30) days' written notice to the Manager. However, any withdrawal made which is less than ninety (90) days after the date of the Member's initial capital contribution will be charged a 5% early withdrawal fee. Except in the sole discretion of the Manager, no partial withdrawal request which would reduce a Member's Capital Account below \$100,000 USD will be accepted by the Manager. The Manager may, upon its discretion, satisfy requests for withdrawals at other times if doing so will not adversely affect the Fund. Such consent is the sole discretion of the Manager. The Manager may require a Member to withdraw all or a part of his, her or its capital account as of any month-end.

The LLC Agreement provides that the Fund must distribute the estimated amount to be withdrawn within thirty (30) business days of the date of the withdrawal request, or on a date as mutually agreed upon by the Member and the Manager. The Manager reserves the right to delay payments in extraordinary circumstances. For complete withdrawals a portion will be reserved pending the Fund's year-end audit, and the balance must be distributed as soon as possible after completion of the Fund's audit for the fiscal year in which said withdrawal date occurs.

J. Management Fee.

For managing the Fund as a whole, the Manager will receive an assets under management fee (the "Management Fee"). The fee is calculated at a rate of 2.0% per annum of each Member's capital account balance. This fee will be paid monthly (1/12 of 2.0% or 0.167% per month) in arrears based on the Member's capital balance

as of the end of each month. Members who are permitted to contribute capital on a date other than the first day of a month will be charged a prorated Management Fee as to that contribution.

The Manager will have discretion to amend this fee arrangement as it deems necessary and to the best interest of the Fund. Any fee increase pertaining to this Section X, Item J, will require the Members' notification and consent.

K. Expenses.

The Fund will bear all the direct costs (if any) of administering its business, including without limitation: brokerage commissions, custodial fees, transfer and other taxes, legal, research, bookkeeping and due diligence fees and costs, administration, auditing, accounting, and tax preparation fees and expenses, and interest on borrowings. Should the Manager elect, in its discretion, to advance funds to the Fund to pay such expenses, the Fund will reimburse the Manager as soon as possible thereafter on a dollar-for-dollar basis.

The Manager provides the Company with office space, utilities, office equipment, and certain clerical and administrative services. To the extent those facilities and services comprise part of the Manager's own operating, general administrative and overhead costs, the Manager is not entitled to direct reimbursement from the Fund. However, although it does not currently intend to do so, the Manager may use "soft dollars" to pay for services and research that Steelwood Management, LLC uses in making investment decisions for client accounts.

L. Transferability of LLC Interests.

Interests are not transferable without consent of the Manager, except to the limited extent permitted by the LLC Agreement. Resale of such Interests is also restricted under federal and state securities laws. These restrictions are described in the Subscription Agreement. However, a Member may make a total or partial withdrawal subject to the terms of the LLC Agreement.

M. Term of the Company, Dissolution and Liquidation.

The events that would cause the dissolution of the Company are: (1) the expiration of the term of the Company which in this case is indefinitely renewable, and at the managers' discretion to non-renew, or (2) the voluntary withdrawal, death, dissolution, bankruptcy, incapacity, or required withdrawal of a Manager unless the Members retain any other Manager(s) incumbent at such time, elect to continue the Company and elect a new Manager, or vote to amend the LLC Agreement to provide for Member Management. Upon dissolution of the Company, its assets would (as soon as practicable after an event causing early dissolution or at the end of the term of the Company) be liquidated and, after payment of the Company's debts and expenses, the Company would distribute to each Member his, her or its proportionate share of the net assets of the Company. Distributions would be made to the Members as soon as practicable after the date of dissolution and such distributions would be either in cash or in kind in the sole discretion of the Manager.

N. Amendments to Limited Liability Company Agreement.

The LLC Agreement may be amended at any time upon the consent of the Manager solely for the purpose to correct ambiguities, inconsistencies or incompleteness in the LLC Agreement, to admit one (1) or more additional classes of Members and to conform the LLC Agreement or the Company operations to federal or state tax, legal or other requirements or regulations, including amendments necessary to preserve the Company's qualification to be taxed as a partnership. Further, the Manager is empowered to make amendments to the Agreement in any manner that does not adversely affect the rights of any Member.

The LLC Agreement may also be modified or amended at any time by the consent of the Manager and of Members having in excess of 50% of the Interests of all Members in the Company. If action is proposed by the Manager, the Manager may require that responses be provided within a specified period (not less than fifteen (15) days), and provide that failures to respond within the specified period will be deemed consents.

O. Reports to Members.

Each Member will receive the following: (i) annual financial statements, (ii) monthly summaries of the Fund' performance, (iii) copies of his, her or its Schedule K-1 to the Company's tax return, and (iv) other reports as determined by the Manager in its sole discretion. The Company shall bear all fees incurred in providing such tax returns and annual reports.

THE FOREGOING SUMMARY OF THE LLC AGREEMENT DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE LLC AGEEMENT. EACH PROSPECTIVE MEMBER SHOULD READ THE FUND LLC AGREEMENT IN ITS ENTIRETY IN ADDITION TO CONSULTING APPROPRIATE LEGAL AND TAX COUNSELORS.

XI. ADDITIONAL INFORMATION

Prospective Members are invited to review any materials available to the Manager relating to the Company, the proposed operations of the Company and any other matters regarding this Memorandum. All such materials will be made available at the office of Steelwood Capital, LLC, at 12276 San Jose Blvd. Suite 519, Jacksonville, FL 32223, at any reasonable hour after reasonable prior notice. The Manager will afford prospective Members the opportunity to ask questions of and receive answers from the Manager concerning the terms and conditions of the offering and to obtain any additional information to the extent that the Manager or the Company possess such information or can acquire it without unreasonable effort or expense.

[FORM OF NOTARIZATION FOR INDIVIDUAL INVESTOR]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, _____, before me, the undersigned notary, personally appeared _____, to me known to be the person whose name is subscribed as a Member to the within instrument and acknowledgement to me that he executed the same.

Signature of Investor/Member

Printed Name of Investor/Member

My Commission Expires:

Notary Public

INDIVIDUAL NOTARY FORM:

STATE OF _____

COUNTY OF _____

I, _____, a Notary Public in and for said County, in the State aforesaid, do hereby certify that the person whose name is subscribed to above appeared before me this day in person, and acknowledged and swore that he signed, sealed, and delivered the said instrument as his respective free and voluntary act and deed for the uses and purposes therein set forth, and that the statements contained therein are true.

Signature of Investor/Member

Printed Name of Investor/Member

Given under my hand and notarial seal as of the ____ day of _____, 20 ____.

My Commission expires:
