Valent Contracts

EXHIBIT 2

Copy No. ______

____
(Offeree Name)

VALENT VENTURE & GROWTH FUND, L.P.

PRIVATE OFFERING MEMORANDUM

FOR

OFFERING OF LIMITED PARTNERSHIP INTERESTS

$1,000,000 Minimum Investment

THIS MEMORANDUM IS SUBMITTED TO YOU ON A CONFIDENTIAL BASIS SOLELY IN CONNECTION WITH YOUR CONSIDERATION OF AN INVESTMENT IN THE LIMITED PARTNERSHIP INTERESTS OF VALENT VENTURE & GROWTH FUND, L.P., A DELAWARE LIMITED PARTNERSHIP ORGANIZED ON DECEMBER 15, 1995. DUE TO THE CONFIDENTIAL NATURE OF THIS MEMORANDUM, ITS USE FOR ANY OTHER PURPOSE MIGHT INVOLVE SERIOUS LEGAL CONSEQUENCES. AS A RESULT, THIS MEMORANDUM MAY NOT BE REPRODUCED IN WHOLE OR IN PART OR DELIVERED TO ANY PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE GENERAL PARTNER.

THE INVESTMENT APPROACH AND TRADING TECHNIQUES USED BY THE PARTNERSHIP INVOLVE A HIGHER DEGREE OF RISK THAN THAT ASSOCIATED WITH LESS AGGRESSIVE INVESTMENT ALTERNATIVES. AN INVESTMENT IN THE PARTNERSHIP IS THEREFORE NOT AN APPROPRIATE INVESTMENT FOR ANYONE UNABLE TO BEAR SUBSTANTIAL RISK OR REQUIRING LIQUIDITY, AND SHOULD NOT BE VIEWED AS A COMPLETE INVESTMENT PROGRAM. SEE "CERTAIN RISKS."

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

THE PARTNERSHIP INTERESTS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND ARE OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND SUCH LAWS. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER *JURISDICTION* IN WHICH AN OFFER OR SOLICITATION IS NOT AUTHORIZED.

The date of this Private Offering Memorandum is January 2, 1996.

THE PARTNERSHIP INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE *SECURITIES* LAWS OR 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. THERE ARE ALSO FURTHER SUBSTANTIAL RESTRICTIONS ON THE TRANSFERABILITY OF THE PARTNERSHIP INTERESTS.

NO REPRESENTATIONS OR WARRANTIES OF ANY KIND ARE INTENDED OR SHOULD BE INFERRED WITH RESPECT TO THE ECONOMIC RETURN OR THE TAX CONSEQUENCES FROM AN INVESTMENT IN THE PARTNERSHIP. NO ASSURANCE CAN BE GIVEN THAT EXISTING LAWS WILL NOT BE CHANGED OR INTERPRETED ADVERSELY. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THIS MEMORANDUM AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS OWN COUNSEL AND ACCOUNTANT FOR ADVICE CONCERNING THE VARIOUS LEGAL, TAX AND ECONOMIC CONSIDERATIONS RELATING TO HIS INVESTMENT. EACH INVESTOR IS RESPONSIBLE FOR THE FEES OF HIS PERSONAL COUNSEL, ACCOUNTANTS AND OTHER ADVISERS.

NO OFFERING LITERATURE OR ADVERTISING IN ANY FORM OTHER THAN THIS MEMORANDUM AND THE AGREEMENTS REFERRED TO HEREIN SHALL BE CONSIDERED TO CONSTITUTE AN OFFERING OF *PARTNERSHIP* INTERESTS. NO PERSON OTHER THAN THE GENERAL PARTNER AND ITS EXECUTIVE OFFICERS HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS, OR GIVE ANY INFORMATION, WITH RESPECT TO THE PARTNERSHIP INTERESTS, AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED HEREIN OR OTHERWISE SUPPLIED BY THE GENERAL PARTNER OR ITS EXECUTIVE OFFICERS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PARTNERSHIP OR ANY OF ITS PARTNERS.

THE PARTNERSHIP WILL MAKE AVAILABLE TO EACH INVESTOR OR HIS AGENT, PRIOR TO THE SALE OF ANY INTERESTS TO SUCH INVESTOR, THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM REPRESENTATIVES OF THE GENERAL PARTNER CONCERNING ANY ASPECT OF THE PARTNERSHIP AND ITS PROPOSED BUSINESS AND TO OBTAIN ANY ADDITIONAL RELATED INFORMATION TO THE EXTENT THAT THE PARTNERSHIP POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

A PROSPECTIVE INVESTOR SHOULD NOT SUBSCRIBE FOR LIMITED PARTNERSHIP *INTERESTS* UNLESS SATISFIED THAT HE OR HE AND HIS INVESTMENT REPRESENTATIVE HAVE ASKED FOR AND RECEIVED *ALL INFORMATION* WHICH WOULD ENABLE HIM OR BOTH OF THEM TO EVALUATE THE MERITS AND RISKS OF THE PROPOSED INVESTMENT.

TO FLORIDA RESIDENTS:

PURSUANT TO THE PROVISIONS OF THE FLORIDA SECURITIES ACT, IF YOU ARE A FLORIDA RESIDENT YOU HAVE THE RIGHT TO RESCIND YOUR SUBSCRIPTION AND TO RECEIVE A FULL REFUND OF YOUR SUBSCRIPTION PAYMENT BY GIVING MR. DAVID B. WELLIVER, 332 MINNESOTA STREET - W1072, ST. PAUL, MINNESOTA 55101, TELEPHONE (612)-225-9262, NOTICE OF SUCH RESCISSION BY TELEPHONE, TELEGRAPH OR LETTER WITHIN THREE BUSINESS DAYS OF ENTERING INTO YOUR SUBSCRIPTION AGREEMENT.

Table of Contents

		Page
1.	Summary	4
2.	Summary of Currently Expected Expenses	5
3.	Investment Objectives, Authority and Strategies	6
4.	Certain Risks	9
5.	Reasons to Consider an Investment	15
6.	Prospective Investors	16
7.	Management	17
8.	Administrative Fees and Allocation of Net Profits and Losses	17
9.	Other Provisions of the Partnership Agreement	19
10.	Brokerage and Custody	23
11.	Reports to Partners	24
12.	Plan of Distribution	24
13.	Federal Income Taxation	24
14.	Other Taxes	26
15.	Fiscal Years and Interim Periods	27
16.	Procedure for Becoming a Limited Partner	27
17.	Available Materials	27
APPENDIX A:	Agreement of Limited Partnership	A-1
APPENDIX B:	Accredited Investor Definition Per Section 501(a) of Regulation D	B-1

1. Summary

The Partnership. Valent Venture & Growth Fund, L.P. (the "Partnership") is a Delaware limited partnership organized on December 15, 1995 and which received its initial capital contributions and began operation on December 15, 1995. The general partner of the Partnership (the "General Partner") is Valent Investment Advisers, Inc., a Minnesota corporation.

Purpose and Investment Strategies. The primary purpose of the Partnership is to generate significant capital appreciation by investing amounts contributed to the Partnership by its partners in a securities portfolio managed by the General Partner. The General Partner will manage the Partnership investment portfolio in accordance with the investment objectives, strategies and restrictions set forth in this memorandum. See "Investment Objectives, Authority and Strategies" below. There can be no assurance that the Partnership will achieve its investment objectives. See "Certain Risks" below.

Management. The General Partner has sole responsibility for management of the business and investments of the Partnership. Mr. David B. Welliver, the President and Chief Executive Officer of the General Partner is currently the General Partner's sole officer, director and shareholder. The General Partner is registered as an investment adviser (RIA) under the federal Investment Advisers Act of 1940, as amended. The General Partner was incorporated on March 1, 1982.

Available Information. This memorandum sets forth the investment objectives, method of operation and certain other pertinent information relating to the Partnership. However, this memorandum does not set forth all the provisions and distinctions of the Agreement of Limited Partnership of the Partnership (the "Partnership Agreement") that may be significant to a particular prospective limited partner. A copy of the Partnership Agreement is attached as Appendix A to this memorandum.

Each prospective limited partner should examine this memorandum, the Partnership Agreement and the Subscription Agreement contained in the Subscription Package delivered with or after delivery of this memorandum in order to assure himself that the terms of the Partnership Agreement and the Partnership's investment objectives and method of operation are satisfactory to him. Prospective limited partners are invited to review any materials available to this memorandum. All such materials will be made available at the offices of the General Partner, located at 332 Minnesota Street - W1072, St. Paul Minnesota 55101, (612)-225-9262, Attention: David B. Welliver, or at some other mutually convenient location at any reasonable hour after reasonable prior notice. The General Partner will afford prospective limited partners the opportunity to ask questions of and receive answers from its officers concerning the terms and conditions of the offering and to obtain any additional information to the extent that the General Partner or the Partnership possesses such information or can acquire it without unreasonable effort or expense.

The Offering. The Partnership is currently offering up to $100,000,000 of limited partnership interests. No minimum amount of interests must be subscribed prior to limited partnership interests being sold.

Suitability. Purchase of a limited partnership interest in the Partnership should be deemed to be a speculative investment and is not intended as a complete investment program. Investment in the Partnership is designed primarily for sophisticated persons and entities that have a net worth of at least $1,000,000 or otherwise qualify as "accredited investors" as defined in Regulation D under the Act (see Appendix B to this memorandum) ("Accredited Partners"), although the General Partner may determine to accept up to 35 limited partners who do not qualify as accredited investors ("Non-Accredited Partners") but who, alone or with their advisers, are capable of evaluating the risks involved in investing in the

Partnership and have sufficient net worth and net income to make such invesunent. All investors must also have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from the Partnership, must be financially able to maintain their investment and must be able to afford the loss of a substantial portion of their invesunent. Admission as a limited partner in the Partnership is not open to the general public.

2. Summary of Currently Expected Expenses

Limited Partner Transaction Expenses

Maximum sales load imposed on purchases (as a percentage of offering price)	None
Maximum sales load imposed on reinvested dividends (as a percentage of offering price)	None
Deferred sales load (as a percentage of original purchase price or redemption proceeds, as applicable)	None
Redemption fee (as a percentage of amount redeemed, if applicable)	None
Exchange fee	None

Expenses in the following tables are estimated based on annualized average expenses expected to be incurred during the fiscal year ending December 31, 1996. During the course of this period, expenses may be more or less than the amount shown.

Annual Accredited Partner Operating Expenses[1]
(As a percentage of average net assets)

Management fee[2]	0.1875%
12b-1 fees	None
Other expenses[3]	None
Total Operating Expenses	0.1875%

Annual Non-Accredited Partner Operating Expenses[1]
(As a percentage of average net assets)

Management fee[2]	0.1875%
12b-1 fees	None
Other expenses[3]	None
Total Operating Expenses	0.1875%

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[1] Expenses in these tables are estimated based on annualized average expenses to be incurred during the fiscal year ending December 31, 1996. During the course of this period expenses may be more or less than the amounts shown.

[2] Not reflected are contingent, performance-based allocations that may be made to the General Partner. See "Administrative Fees and Allocation of Net Profits and Losses".

[3] "Other expenses" does not include non-recurring account fees, brokerage commissions, offering expenses and other items that are charged to all Partnership accounts.

The purpose of these tables is to assist an investor in understanding the sum total of the various fees that Accredited Partners and Non-Accredited Partners will bear, either directly or indirectly, assuming equal rates of return on all Partnership securities. For more complete descriptions of the various fees and expenses, see "Administrative Fees and Allocation of Net Profits and Losses", "Other Provisions of the Partnership Agreement -- Expenses" and "Brokerage and Custody."

Accredited Partner Example	1 Year	3 Years	5 Years	10 Years
An Accredited Partner would pay the following fees on an investment of $1,000 assuming redemption at the end of each time period, and				
(1) a 5% annual return:	$ 1.93	$ 6.09	$ 10.66	$ 24.20
(2) a 15% annual return:	$ 5.09	$ 17.74	$ 34.57	$ 105.14
(3) a 30% annual return:	$ 8.08	$ 33.05	$ 77.02	$ 394.13
As noted above, the Partnership charges no redemption fee.				

Non-Accredited Partner Example	1 Year	3 Years	5 Years	10 Years
A Non-Accredited Partner would pay the following fees on an investment of $1,000 assuming redemption at the end of each time period, and				
(1) a 5% annual return:	$ 1.93	$ 6.09	$ 10.66	$ 24.20
(2) a 15% annual return:	$ 5.09	$ 17.74	$ 34.57	$ 105.14
(3) a 30% annual return:	$ 8.08	$ 33.05	$ 77.02	$ 394.13
As noted above, the Partnership charges no redemption fee.				

3. Investment Objectives, Authority and Strategies

Objectives. The objective of the Partnership is to achieve significant capital appreciation on a consistent basis. However, management of Partnership funds will be strongly influenced by a priority on preservation of principal and aversion to uncontrolled risk. There can be no assurance that the Partnership will achieve these objectives. It is also possible that the aforementioned concern for preservation of principal will produce results which outperform the general market (e.g. Standard & Poor's 500 Index) during market downturns but underperform the market during strong "bull" markets.

Authority. The Partnership has broad authority under the Partnership Agreement to invest, hold, sell, trade, on margin or otherwise, and otherwise deal in foreign and domestic securities, currencies and other intangible investment instruments including, but not necessarily limited to, stocks, bonds, notes, options, warrants, mutual funds, rights and other government, agency and privately issued securities and instruments. The Partnership has the power to sell securities "short" (selling them without owning them) by borrowing securities from a securities brokerage firm for delivery on sale and subsequently covering the short positions (that is, returning the borrowed securities) when and as the General Partner considers appropriate, by purchasing a like number of such securities in the market.

The Partnership will not invest in real estate or in commodities, commodity futures contracts or financial futures contracts unless the investment in such contracts represent a hedge against the Partnership's primary portfolio positions and are incidental to the overall trading activity and strategies adopted by the General Partner. See "Strategies" below. The Partnership may, from time to time, invest in securities of a company that would constitute more than 5% of a class of the outstanding stock of that company. The Partnership Agreement also limits the amount of "restricted" securities and other investments that are not readily marketable that may be made by the Partnership to 50% of the Partnership's net asset value at the time of the investment.

Strategies. In pursuit of the Partnership's investment objectives, the General Partner currently anticipates using a number of investment vehicles and strategies including the purchase and sale of common and preferred stock, mutual funds, corporate bonds, stock options and index options. It is anticipated that the Partnership will at times take short as well as long positions, including simultaneous short and long positions, in stock and option trades. The Partnership may also invest from time to time in securities offered in public and private offerings.[4] The Partnership will also make use of margin borrowing to leverage its holdings at such times and in such amounts as the General Partner determines appropriate, although the General Partner does not anticipate that the Partnership will use more than 30% of its available margin borrowing capacity *except in unusual* market circumstances in order to avoid forced asset liquidation and to maintain investment power in the event of a general market advance or decline.

The Partnership's actual portfolio mix at any given time will be driven by current market conditions and relative risk/reward characteristics. The primary strategy to be utilized by the General Partner will be two-fold:

(a) To invest in an Index Fund with full replication of the Standard and Poors 500 Stock Index ("S&P 500"); and

(b) To invest in stocks of small, large and mid-cap domestic, multinational and foreign companies.

Investment in a mutual fund which fully replicates the S&P 500 allows the Partnership to participate in the overall movement of the index without the necessity and related cost of purchasing and maintaining shares of all 500 companies in amounts equal to the relative weighting of each company within the index. A fully replicating index fund automatically adjusts its holdings to correct for capitalization fluctuations. In addition, investment in an index fund effectively spreads the investment over the entire

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[4] Any investors in the Partnership who are associated with a securities broker-dealer, a senior officer of a registered investment advisory firm, bank, savings association or insurance company, or otherwise fall within the prohibitions of the "Free-Riding and Withholding" Interpretation of the Rules of Fair Practice of the National Association of Securities Dealers, Inc. will not participate in "hot issue" investments made by the Partnership.

index, minimizing the average trade amount in each security and reducing bid-offer spread and market impact costs. The General Partner intends to target approximately 65% of the Partnership's net asset value for this investment strategy.

The General Partner intends to compliment its Index Fund strategy by investing in stocks of small, large and mid-cap domestic, multinational and foreign companies which the General Partner deems to be undervalued. Such companies may include start-ups and new ventures offering restricted securities, turn-around situations, and out-of-favor companies which the General Partner believes have the highest potential for growth. A sizeable percentage of the Partnership's assets allocated for this strategy will likely be invested from time to time in securities of issuers in foreign countries, and in particular, developing countries. Securities of foreign issuers are generally listed on national exchanges, regional exchanges or in over-the-counter markets. See "Certain Risks - Risks Relating to Foreign Securities". The General Partner believes that there often exists a greater number of over-the-counter and regional securities which trade at lower premiums to book value than securities of similar companies listed on major exchanges, and therefore provide greater opportunities for investment. In addition, the General Partner will at times invest in call and put options in an effort to increase investment returns. The General Partner intends to target approximately 5% of the Partnership's net asset value for this strategy.

As a hedge against its primary portfolio positions, the Partnership will from time to time employ the use of various strategies involving stock options, index options, futures contracts and futures options. Such strategies may include the purchase and sale of covered and uncovered stock, index and futures options, as well as combinations and spread positions. However, the Partnership will not invest in any instrument, future, option, commitment or other contract, investment or commodity interest that would cause the General Partner to be considered a commodity pool operator required to register as such, unless and until the effectiveness of appropriate registration or otherwise upon compliance with applicable regulations of the Commodity Futures Trading Commission.

The purpose of this table is to assist an investor in understanding the various investment strategies, range of portfolio allocations and target allocations to be utilized by the General Partner. For more complete descriptions of the various strategies and allocations to be utilized by the General Partner, see "Strategies" above.

Investment Strategies	Range	Target
S&P 500 Index Fund	50% - 100%	65%
Venture Capital	0% - 50%	25%
Growth & Hedging	0% - 5%	5%
Cash & Cash Equivalents	0% - 5%	5%

Selection. The General Partner intends to utilize on a continuing basis the recommendations of a number of established market consultants and advisers to assist in its primary investment decisions. Such consultants and advisers use fundamental and/or technical analyses as bases for their recommendations. Fundamental analysis generally includes comparisons of price-to-earnings ratios versus anticipated growth rates, current capitalizations versus book values, and insider buying and selling trends. Technical analysis generally involves the monitoring of moving averages, trendlines, support and resistance areas, and break-out points. The General Partner intends to combine market timer recommendations together with its own

computer-assisted bottom-up analysis of securities and derivatives to determine break-out points and turning points of individual stocks and options. Such analysis will include trend identification via the monitoring of a large number of factors including price, volume and momentum, as well as underlying macro-economic conditions that exist at such time. The General Partner will at times apply the major portion of the Partnership's assets to short-term holdings with the objective of trading in and out of established trading ranges, with the result that the Partnership may experience high levels of portfolio turnover from time to time and resulting higher trading expenses. The General Partner may choose, in order to limit the Partnership's exposure, to place only a portion, if any part at all, of its assets in long-term positions at any given time.

Cash Positions. The Partnership's funds (other than those required for immediate operating expenses) may be invested fully in securities and other investment instruments, may be held fully in cash or cash equivalents, may be partially invested and partially held in cash, or may be fully or partly committed to short positions in securities and similar positions in other investment instruments, as the General Partner believes the circumstances warrant. The General Partner intends to target approximately 5% of the Partnership's net asset value to investments in cash and cash equivalents, and the General Partner does not anticipate that the Partnership's cash position will exceed 50% of its net asset value under most circumstances in order that the Partnership may stay as fully invested as possible under most market situations.

Diversification and Concentration. The General Partner expects diversification of the Partnership's securities positions, although the General Partner may determine not to seek broad diversification from time to time. The General Partner may also determine at times to concentrate Partnership investments in securities relating to companies engaged in the same industry or group of industries, however the Partnership Agreement limits the amount of investments in any one non-restricted issue or restricted issue that may be made by the Partnership to 20% and 25% respectively, of the Partnership's net asset value at the time of the investment.

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

The General Partner reserves the right to alter any Partnership investment policy or strategy as deemed appropriate from time to time in his discretion without required limited partner approval and without notice.

4. Certain Risks

Margin Trading; Short Sales; Options; Futures. The General Partner expects to employ leverage, write (sell) and purchase options with respect to individual stocks and market indices, and purchase and sell futures contracts and futures options on commodities and financial instruments. While the use of borrowed funds can substantially improve the return on invested capital, their use may also increase any adverse impact to which the Partnership's investment may be subject. The writing or purchasing of an option, futures contract or futures option runs the risk of causing significant losses to the Partnership's investment in a relatively short period of time. Options, futures contracts and futures options utilized as a hedge also run the risk of causing significant losses to the Partnership, as imperfect correlations between movements in the prices of options, futures contracts and futures options, and

movements in the prices of the underlying securities or indices often occur.

The Partnership is required to deposit cash, government securities or other securities as margin against its margin purchases of securities. Adverse moves in the market price of a security may increase the margin requirement. Margin calls, as a result of such events, decrease the Partnership's liquidity available for other investments, and should the Partnership be unable to meet a margin call, other positions would have to be liquidated to meet the obligation, possibly at a loss.

Illiquidity. Limited partner withdrawals of greater than 10% of their initial investment may not be made for a period of one full calendar year following such partner's initial investment, and thereafter may be made only as of the end of a calendar quarter. But see "Other Provisions... – Withdrawals of Capital and Retirement of Partners" below. The amount of a withdrawal may also be limited or delayed under certain circumstances. In addition, the transferability of limited partnership interests will be restricted by provisions of federal and state securities laws, and transfers are prohibited except with the prior approval of the General Partner. There is no public market for the limited partnership interests, and none will develop.

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

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

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

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

There may also be a possibility of nationalization or expropriation of assets, imposition of currency exchange controls, confiscatory taxation, political or financial instability, and diplomatic developments that

could affect the value of the Partnership's investments in certain foreign countries. Legal remedies available to investors in foreign countries may be more limited than those available with respect to investments in the U.S. or in other foreign countries. In the case of securities issued by a foreign governmental entity, the issuer may in certain circumstances be unable or unwilling to meet its obligations on the securities in accordance with its terms, and the Partnership may have limited recourse, if any, available to it in the event of default. The laws of certain foreign countries may limit the Partnership's ability to invest in certain issuers located in such foreign countries. Special tax considerations may also apply to investments in foreign securities.

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

Lack of Diversification; Industry Concentration. As the Partnership's investments may not be diversified at times and may be concentrated from time to time in a particular industry or group of industries, the investment portfolio of the Partnership may be subject to more rapid decreases in value than would be the case if the Partnership were required to maintain a wide diversification among companies, industries and types of securities.

Reliance on General Partner and David B. Welliver. The General Partner, which will act through those persons who are its officers, employees and agents from time to time, has full discretionary authority to identify, structure, execute, administer, monitor and liquidate Partnership investments. In exercising their authority, such persons have no responsibility to consult with any limited partner or any other person. Many other decisions with respect to the management of the Partnership's affairs are also made exclusively by the General Partner (although it may also delegate investment management and administrative responsibilities from time to time). Limited partners have no right or power to take part in the management of the Partnership. Accordingly, no person should purchase a limited partnership interest unless such person is willing to entrust all aspects of the management and all investment decisions of the Partnership to the General Partner, David B. Welliver and any other officers, employees and agents designated by the General Partner in the future.

For the foreseeable future, it is expected that David B. Welliver will be the only person retained by the General Partner to act on its behalf with respect to management of the Partnership. As a result, the Partnership's potential for success is expected to be completely dependent on Mr. Welliver's ability to manage the Partnership's investments, and the Partnership would be severely adversely affected and would probably be liquidated in the event the General Partner lost Mr. Welliver's services for any reason.

Negotiation of the Partnership Agreement. The General Partner has generally determined the terms of the Partnership Agreement, which were not negotiated on an arm's-length basis. In addition, legal counsel for the General Partner has not acted as counsel for or represented the interests of the limited partners. Potential investors should consult with their own legal counsel with respect to the Partnership.

No Assurance of Profit or Cash Distribution. There is no assurance that future Partnership investments will be profitable or that any future distribution will be made to the limited partners, and any prior successful investment management by Mr. Welliver, and any future successful Partnership performance, cannot be relied upon as assuring further successful performance. Any future return on investment to the limited partners will depend upon successful investments made by the Partnership at the direction of the General Partner and Mr. Welliver. The value of any such investments will depend upon many factors beyond the control of the Partnership, the General Partner and Mr. Welliver. The expenses

of the Partnership may also exceed its income.

Performance-Based Profit Allocations. The fees paid and profit-based allocations made to the General Partner include annual performance-based allocations in an amount equal to (a) 0.75% of the non-index fund portion of the balance in each limited partner's capital account providing net profits (including net unrealized gains, if any) represent an annualized return of greater than 10% but less than 25%, or (b) 1.25% of the non-index fund portion of the balance in each limited partner's capital account providing net profits (including net unrealized gains, if any) exceed an annualized 25% return, subject to loss carry-forward provisions, generated in the accounts of limited partners. These allocations of net profits ("Extraordinary Profit Allocations") may create an incentive for the General Partner to make Partnership investments that are riskier or more speculative than would be the case in the absence of such performance-based profit allocation arrangements in order to generate net profits subject to the Extraordinary Profit Allocations.

Investment and Management Expenses. The Partnership will use aggressive trading techniques that cause portfolio turnover of securities holdings and generate brokerage commissions and expenses that significantly exceed those of less aggressive investment alternatives. The fees payable by the Partnership to the General Partner and Extraordinary Profit Allocations to the General Partner are also higher than those found in many other investment vehicles. See "Administrative Fees and Allocation of Net Profits and Net Losses."

Effects of Withdrawals. Withdrawals by limited partners could require the Partnership to liquidate or close out positions more rapidly than would otherwise be desirable, which could reduce the value of Partnership assets and cause a resulting reduction in the value of limited partnership interests.

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

Lack of Operating History. The Partnership has no prior operating history upon which investors may evaluate the potential performance of the Partnership. Prospective limited partners should also consider that the General Partner and Mr. Welliver have not previously operated an investment fund. See "Management" below.

Effects of Partnership Growth. To the extent the Partnership grows and/or takes larger positions in the securities of particular companies, it may experience difficulty in making and liquidating investments without adversely affecting the prices at which it buys and sells the securities.

Conflicts of Interest. Certain inherent conflicts of interest are likely to arise as a result of the General Partner, Mr. Welliver and affiliated persons carrying on similar investment activities both for themselves and for clients other than the Partnership. The General Partner, Mr. Welliver or such other persons may also engage in other business activities. The General Partner and such persons will not be required to refrain from any other activity or to disgorge any profits from any such activity, and will not be required to devote all of their time and efforts to the Partnership and its affairs. See "Other Provisions of the Partnership Agreement" below.

The Partnership, other partnerships in which the General Partner, Mr. Welliver and their affiliates may participate as a partner or serve as a manager and other investment management clients that the General Partner, Mr. Welliver or their affiliates may have from time to time may share administrative offices and utilize common services, facilities, investment research and management. The General Partner and Mr. Welliver may also determine from time to time that some investment opportunities are appropriate for certain investment management clients and not others, including the Partnership, due to differing objectives, time horizons, liquidity needs or availability, tax consequences and assessments of general market conditions and of individual securities. It may also occasionally be necessary to allocate limited investment opportunities among the Partnership and others on a basis deemed appropriate by the General Partner or Mr. Welliver, which may mean that the General Partner, Mr. Welliver or other accounts managed by them achieve profits that the Partnership does not or avoid losses that the Partnership suffers.

The General Partner has complete discretion regarding the selection of those registered securities brokers which execute and clear transactions on behalf of the partnership and the commissions and fees payable to such brokers. It is expected that the General Partner will allocate brokerage business generally on the basis of best available execution, but the General Partner may also allocate Partnership brokerage business based in part on the provision of or payment for other products or services (including but not limited to investment research) to the Partnership, the General Partner, Mr. Welliver or affiliated persons. Such products or services may not be used for the exclusive benefit of the Partnership and may reduce the overhead and administrative expenses otherwise payable to the General Partner under the terms of the Partnership Agreement. The General Partner also expects from time to time to allocate brokerage business to brokerage firms who refer investors to the Partnership and other investment funds and accounts managed by the General Partner, Mr. Welliver, or other affiliated persons. The General Partner or any of such persons may also determine in the future to establish or become affiliated with a securities broker-dealer and to execute transactions for the Partnership through such affiliated broker-dealer. See also "Brokerage and Custody" and "Plan of Distribution" below.

Tax Risks. Limited partners will be subject to income taxation on their distributive shares of Partnership net taxable income. In this regard, there are several risk factors of which potential investors should be aware. In addition, the Partnership has not received, and does not propose to seek, an opinion of counsel or ruling from the Internal Revenue Service ("Service") on any matter set forth herein. Investors are expected to seek and rely upon the advice of their own tax advisors.

It is probable that a partner's share of the Partnership's taxable income, and attendant income tax liabilities, will exceed cash distributions from the Partnership (since distributions are not currently contemplated). Accordingly, a limited partner should not rely on or anticipate distributions of cash from the partnership to cover income tax liabilities associated with his investment in the Partnership. In addition, limited partners will not be permitted to withdraw funds in amount greater than 10% of their initial investment from their capital accounts until one full calendar year after becoming partners even if they have income tax liability associated with an investment in the Partnership during that period. It is also possible that Partnership net taxable income may occur in a year when the net asset value of the Partnership is falling. Further, to the extent that the General Partner is unable to satisfy requests for withdrawals through distributions of securities in kind, the Partnership may be required to sell appreciated securities, causing accelerated recognition of gains allocable to both the withdrawing and non-withdrawing Partners.

The Partnership also anticipates, based upon certain matters of fact and state law, and based upon the Code and Treasury Regulations thereunder ("Regulations"), as currently in effect and as currently construed by recent authorities, that the Partnership is more likely than not to be characterized, for federal income tax purposes, as a partnership, rather than an association taxable as a corporation. No opinion of counsel has been obtained and no tax ruling will be sought from the Service as to the status of the

Partnership as a partnership. This position of the Partnership may be challenged and, while the Partnership will expect to prevail in any such dispute, there can be no certainty of that result.

Potential investors should also be aware that the Partnership is not a so-called "tax shelter" investment intended to generate net losses that could be used to offset income from other sources. Temporary Treasury Regulations also provide that the activity of trading personal property (such as securities) for the account of owners of interests in the activity is not considered a passive activity that generates "passive" income, without regard to whether such activity is a non-passive trade or business activity. It is therefore not expected that the net income generated from the Partnership's activities will be classified by the Service as "passive" income, notwithstanding the general rule that income derived by a limited partner is passive in nature. As a result, it is expected that a limited partner will not be able to use passive losses from other sources to offset Partnership net income.

Under Temporary Treasury Regulations, it is also likely that Partnership income derived by a limited partner that would otherwise be considered passive income will be deemed to be "portfolio" income. If the income generated by the Partnership is characterized as portfolio income, then certain expenses incurred by the Partnership could be characterized by the Service as investment advisory fees or other expenses incurred in connection with the production of income. In such event, each non-corporate partner's pro rata share of expenses so characterized would be deductible to such partner only to the extent such amount, when added to the partner's other miscellaneous itemized deductions, exceeded 2% of such partner's adjusted gross income for the year in question.

If the Partnership's activities are deemed to constitute trading activity, it will then be deemed to generate "non-passive" income, which would allow non-corporate partners to deduct expenses incurred in connection with the Partnership's trading without regard to the 2% threshold described above. However, no assurances can be given that the activities of the Partnership will be interpreted by the Service to be non-passive in nature or that the Temporary Treasury Regulations will not be modified or withdrawn in the future. Investors are urged and expected to rely on the advice of their own tax advisors with respect to the characterization of the Partnership's income as non-passive or portfolio income, and as to whether their distributive share of certain Partnership expenses will be fully deductible to them individually.

The Partnership may also take a more aggressive tax position than a partner might. Should the Service disallow any such position, partners could be audited and required to pay back taxes, interest and perhaps penalties. Under the Internal Revenue Code of 1986, as amended (the "Code"), neither interest nor any penalties incurred in such circumstances would be deductible. Further, the Code provides for centralized resolution of tax disputes where partnerships are involved. As a result, the resolution of tax disputes affecting partners' returns may ultimately be controlled by the General Partner. Any audit activity at the partnership level could also result in the audit of individual partners' returns with respect to items unrelated to the Partnership's activities.

Any tax-exempt entities that invest in the Partnership should also consider that the Partnership will likely generate "unrelated business taxable income." As a result, such entities may become subject to taxation of such income.

Finally, it should be noted that states have different rules regarding the income tax treatment of partners in an investment partnership. Investors who are not residents of Minnesota may nevertheless be subject at some future date to Minnesota income taxes with respect to their Partnership net income, and such limited partners would generally be subject to a Minnesota income tax equal to a maximum of 8.5% of the non-resident partner's share of the Partnership's Minnesota taxable income distributed or credited to such limited partners, except to the extent such a distribution represents a return of contributed capital

or a withdrawal of previously taxed income. Out-of-state limited partners would generally be able to receive a credit for Minnesota income taxes paid against income taxes, if any, owed to their state of residence, but it is also possible that such a partner's state of residence imposes no state income tax, or otherwise would not tax non-resident partners of a similar partnership located in such state, and would therefore not allow a credit for Minnesota taxes paid. Accordingly, in the latter case, double state taxation of income attributable to the Partnership could result.

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

Qualified Plan Investors. Fiduciaries of qualified plans, in consultation with their tax and legal advisers, should carefully consider whether an investment in interests is consistent with their fiduciary responsibilities, particularly the responsibilities outlined in Part 4 of Title 1 of ERISA, the effect of the possible treatment of assets of the Partnership as "plan assets," and certain tax risks such as, but not limited to, the probability of a portion of the Partnership's net taxable income being taxed to them as "unrelated business taxable income."

No Audited Financial Statements. The Partnership and the General Partner have not obtained the opinion of an independent certified public accountant with respect to any Partnership or General Partner financial statements due to the expense of obtaining audited financial statements and the General Partner's belief, based on the start-up nature of the Partnership, that such statements would not be material to a prospective investor's consideration of an investment in the Partnership. The Partnership will obtain annual audited financial statements beginning with the period ending December 31, 1996.

Investment Company Act of 1940. The Partnership intends to avoid becoming subject to the federal Investment Company Act of 1940, as amended. However, it cannot absolutely assure investors that under certain conditions, changing circumstances or changes in the law, it may not become subject to the Investment Company Act of 1940 in the future. Becoming subject to that Act could have a material adverse effect on the Partnership. It is also probable that the Partnership would be terminated and liquidated due to the cost of registration under that Act.

5. Reasons to Consider an Investment

Limited partners in the Partnership will obtain certain advantages (see, however, "Certain Risks" above) which may otherwise be unavailable to them if they were to invest in a mutual fund or to engage directly in the investment and trading activities which the Partnership employs. Among these are the following:

Management and Attention. All day-to-day investment decisions will be made by David B. Welliver (and such other investment professionals as the General Partner may retain in the future, if any). Mr. Welliver has substantial securities investment experience, and will dedicate a substantial portion of his working time to management of the Partnership's investments.

Management Participation in the Investment. The General Partner and Mr. Welliver have invested considerable monies in the Partnership. These investments are subject to the same risks of loss as an investment by a limited partner.

Investment Diversification. By pooling investors' funds, the Partnership may allow an investor to participate in a portfolio of common stocks, options and other investment vehicles and techniques that are more diversified than those that the investor could maintain in an individual account. But see "Certain Risks -- Lack of Diversification; Industry Concentration" above.

Profit Potential in Declining Markets. In contrast to most registered mutual funds, the Partnership has the potential to be profitable during periods that stock prices are generally declining due to its ability to sell securities "short" and to trade in options and futures. But see "Certain Risks -- Margin Trading; Short Sales; Options; Futures" above.

Access to Asset Manager. Unlike most investors in large registered mutual funds, investors in the Partnership will have direct access to the Partnership asset managers.

Other Advantages Over Mutual Funds. The Partnership will generally be able to use margin borrowing to a greater extent than most registered mutual funds, which has the potential to increase Partnership returns during periods that stock prices are generally rising. The Partnership is also likely to be smaller in asset size than most registered mutual funds. As a result, the Partnership may be better able to take or liquidate a proportionately large position in particular stock without adversely affecting the market price of that stock. But see "Certain Risks -- Margin Trading; Short Sales; Options; Futures" and "--Effects of Partnership Growth" above. The Partnership should also be more nimble than such larger mutual funds in moving to an aggressive or defensive posture as market conditions change.

Limited Liability. A limited partner cannot be required to make additional contributions to capital, will not be personally liable for Partnership debts and will not be subject to margin calls.

Administrative Convenience. The General Partner provides the limited partners with services designed to reduce the administrative details involved in engaging in the types of investment transactions made by the Partnership.

6. Prospective Investors

The Partnership is currently offering up to $100,000,000 of limited partnership interests to up to 99 investors. The amount of limited partnership interests offered may also be increased in the discretion of the General Partner. No minimum amount of interests must be subscribed before interests will be sold.

Admission as a limited partner in the Partnership is not open to the general public and is generally limited to persons and entities with a net worth of at least $1,000,000 or that otherwise qualify as accredited investors (as defined in Appendix B of this memorandum). However, the General Partner may accept up to 35 persons who do not qualify as accredited investors in its discretion. If an investor is a private investment company (that is, a company that would be defined as an investment company under the Investment Company Act of 1940, but for the exception from that definition provided by section 3(d)(1) of that Act), an investment company registered under the Investment Company Act of 1940 or a business development company (as defined in section 202(a)(22) of the Investment Advisers Act of 1940), then each equity owner of that investor must have a net worth of at least $1,000,000.

The Partnership is not intended as a complete investment program and is designed only for persons and entities that are able to bear the economic risk of the investment and either are sophisticated regarding financial and business matters or are represented by such a person in connection with their investment in the Partnership. Prospective investors who are not accredited investors must have a net worth of at least $500,000 exclusive of their home, home furnishings and automobiles. Additional or higher requirements may be imposed for residents of certain states, and the amount of an investor's contribution to the

Partnership may also be limited to a percentage of the investor's net worth.

Prospective investors should read carefully this entire memorandum, the Partnership Agreement attached to this memorandum as Appendix A and the Subscription Agreement included in the Subscription Package delivered with or after delivery of this memorandum. The Partnership Agreement sets forth the specific provisions relating to the operation of the Partnership.

7. Management

Valent Investment Advisers, Inc. The Partnership and its investments will be managed by the General Partner, Valent Investment Advisers, Inc., as described below and elsewhere in this memorandum. Valent Investment Advisers, Inc. is a Minnesota corporation organized by Mr. David B. Welliver on March 1, 1982 and of which Mr. Welliver is the President, Chief Executive Officer and sole shareholder. Valent Investment Advisers, Inc. does not currently have any other officers or directors and Mr. Welliver does not currently anticipate that the General Partner will add any other officers or directors. The General Partner is registered as an investment adviser under the federal Investment Advisers Act of 1940, as amended.

David B. Welliver. Mr. Welliver graduated with honors from the College of St. Scholastica with a Bachelor of Business Management and Computer Information Systems Degree. He is currently pursuing a Master of International Management Degree from the University of St. Thomas. Mr. Welliver has more than twelve years of experience in the investment industry, and his responsibilities have included the monitoring of institutional money managers with greater than $500 billion under management, recruiting and overseeing other fund managers, and managing and upgrading performance databases. Mr. Welliver has worked with and provided services to a large number of public and private pension accounts for more than eight years. Mr. Welliver is currently President and founder of D.B. Welliver & Company, Inc., which holds a 100% ownership in two subsidiaries: Valent Investment Advisers, Inc., and Rothschild Capital Corp. Valent Investment Advisers, Inc., the General Partner, is a Registered Money Management Firm with more than $40 million presently under management.

Other Activities. The General Partner and Mr. Welliver intend to devote a significant portion of their business time to Partnership activities. However, the Partnership Agreement recognizes that the General Partner, Mr. Welliver and their affiliates and other officers, directors and employees may conduct any other business including any business with respect to securities. Without limiting the generality of the foregoing, the General Partner and such other persons may act as an investment adviser or investment manager for others, may manage funds or capital for others, may have, make and maintain investments in their own names or through other entities, and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. The Partnership Agreement also recognizes that it may not always be possible or consistent with the investment objectives of the various persons described above and of the Partnership for the same investment positions to be taken or liquidated at the same time or at the same price.

8. Administrative Fees and Allocation of Net Profits and Losses

The following is a brief description of the fees payable to the General Partner and its assignees for management of and services provided to the Partnership and the method by which the profits and losses resulting from operation of the Partnership will be allocated among the partners. The following description is qualified by reference to the full text of the Partnership Agreement attached as Appendix A.

Administrative Fee. The Partnership Agreement provides for the assessment of a quarterly fee

(the "Administrative Fee") in an amount equal to 0.025% of the index fund portion of limited partner capital accounts and 0.0875% of the balance of limited partner accounts as of the end of each calendar quarter.[5] All Administrative Fees are payable in cash. The Administrative Fee is calculated after allocations of the net profits or losses of the Partnership for that quarter, but before any Extraordinary Profit Allocations.

The Administrative Fee is paid in lieu of reimbursement for administrative and overhead expenses (other than those operating expenses included in calculations of Partnership profits and losses) incurred by the General Partner on behalf of the Partnership, including rent, the cost of computer equipment, telephone service, financial manuals, news services and periodical subscriptions, employee salaries, secretarial services and office supplies and equipment. Certain of such administrative and overhead expenses are also paid through "soft dollar" arrangements with brokerage firms selected by the General Partner and used by the Partnership in executing and clearing Partnership securities transactions. See "Brokerage and Custody" below. The amount of the Administrative Fee paid may be less or more than the total amount of such costs and expenses actually borne by the General Partner.

Determination and Allocation of Profit and Loss Generally. The net profits or net losses of the Partnership as of the end of each fiscal period are generally allocated to each partner in the proportion that his capital account bore to the aggregate of all the capital accounts as of the beginning of such fiscal period (generally, each calendar month). Net profits and net losses of the Partnership are determined on the accrual basis of accounting in accordance with generally accepted accounting principles consistently applied and are deemed to include net unrealized profits or losses on securities positions as of the end of each fiscal period. See also "Other Provisions of the Partnership Agreement -- Determination of Net Asset Value," "-- Partnership Asset Valuation" and "--Capital Accounts" below.

Extraordinary Profit Allocations. An amount equal to the following percentage of the non-index fund portion of each limited partner's capital account, providing his share of net profits, if any, during any fiscal year in excess of any cumulative net losses experienced by that limited partner over all prior years (subject to adjustment on withdrawal as described below) ("Extraordinary Profits") exceeds an annualized return of 10%, shall be allocated to the capital accounts of the General Partner (and any Special Partners designated by the General Partner) from the capital accounts of the limited partners, as per the following schedule:

(a) 0.75% of the non-index fund balances in the capital accounts of limited partners whose share of extraordinary profits represents an annualized return of greater than 10% but less than 25%; or

(b) 1.25% of the non-index fund balances in the capital accounts of limited partners whose share of extraordinary profits represents an annualized return of greater than 25%.

In the event that a limited partner retires, is required to retire or makes a substantial withdrawal from the Partnership at any time other than at the end of a fiscal year, an Extraordinary Profit Allocation is made from that limited partner's account at the time of his retirement or substantial withdrawal as though it were being made at the end of a fiscal year. Extraordinary Profit Allocations do not apply at all to Related Partners and Special Partners except as directed by the General Partner. The Partnership's first Extraordinary Profit Allocation will be made with respect to the year ending December 31, 1996.

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[5] The capital accounts of any related partners and entities controlled by such persons or the General Partner (collectively, "Related Partners") or who are otherwise designated by the General Partner ("Special Partners") will not be assessed the Administrative Fee or be subject to Extraordinary Profit Allocations except as directed by the General Partner.

A memorandum account is maintained for each limited partner to determine any cumulative net losses over all prior years that would reduce the amount of the Extraordinary Profit Allocation from the limited partner's capital account. Any net losses in a limited partner's account are offset by subsequent net profits allocable to that limited partner (after adjustments for Administrative Fees paid). The balance in the account is also subject to proportionate reduction upon withdrawals from a limited partner's capital account.

The Extraordinary Profit Allocations may create an incentive for the General Partner to make investments that are riskier or more speculative than would be the case in the absence of Extraordinary Profit Allocations.

9. Other Provisions of the Partnership Agreement

The following is a brief description of certain provisions of the Partnership and is qualified by reference to the full text of the Partnership Agreement attached as Appendix A.

Terms of the Partnership. The Partnership will continue until December 31, 2020, unless earlier dissolved as provided in the Partnership Agreement.

Withdrawal of Capital and Retirement of Partners. Upon giving 30 days' written notice, Limited Partners shall be entitled to make withdrawals of up to 10% of their initial contributions from their Capital Accounts on the first day of any calendar quarter prior to the completion of the fourth full calendar quarter after their admission to the Partnership. Beginning after completion of the fourth full calendar quarter after joining the Partnership and upon giving 30 days' written notice, a limited partner may make a withdrawal in excess of 10% of his initial contribution from his capital account balance as of the first day of any calendar quarter. Such notice must state the amount to be withdrawn or the basis on which such amount is to be determined, with a minimum withdrawal of $100,000 unless otherwise permitted by the General Partner. However, the amount of a limited partner's withdrawal in excess of 25% of his capital account may be limited on a pro rata basis to the extent that aggregate withdrawals by all limited partners as of any date exceed 50% of the Partnership's net asset value. Amounts not subject to withdrawal due to this limitation will be treated as though no withdrawal notice had been given with respect to that amount. Furthermore, if a limited partner requests or is deemed to have requested during any year withdrawals exceeding 90% of his capital account, the General Partner may withhold from distribution an amount or value of up to 10% of that limited partner's capital account until 30 days after the completion of annual audit of the Partnership's books. Withdrawals may also be delayed during a state of emergency, if securities markets have been closed or under other extraordinary circumstances as determined in good faith by the General Partner. A partner who properly elects to withdraw all of his capital account as of the first day of any calendar quarter will be deemed to have retired as of that date. The General Partner may also withdraw all or any portion of its capital account on a quarterly basis.

In its sole discretion, and without any advance notice, the General Partner may require any limited partner to retire from the Partnership at any time. Corporations, partnerships, trusts and other entities are also subject to automatic withdrawals to the extent their capital accounts exceed ten percent of the value of all limited partner accounts.

Amounts withdrawn and payable to a limited partner as of the first day of any calendar quarter that have not been paid by wire transfer or the mailing of a check within 10 days will accrue interest from such tenth day through the date of actual wire transfer or mailing at a rate equal to that payable on 30-day United States Treasury bills as of the respective tenth day, without compounding.

Payment on Retirement or Substantial Withdrawal. A partner retiring in accordance with the Partnership Agreement will be entitled to receive an amount equal to the value of his capital account as of the date of his retirement. A minimum of 90% of the estimate of such amount will be paid within 30 days after the date of such partner's retirement, and the remainder will be paid promptly after the Partnership's independent public accountants have completed their examination of the Partnership's year-end financial statements. If the examination indicates that the payment of 90% or greater exceeded the value of the retiring partner's account, the partner will be obligated to repay to the Partnership the amount of the excess. Any limited partner seeking a withdrawal of more than 90% but less than his entire capital account balance will also be subject to such procedures. The retained amount owed to a retiring limited partner or limited partner withdrawing over 90% of his capital account balance will bear interest at a rate equal to that then payable on 90-day United States Treasury bills. Any overpayment upon a withdrawal will bear interest at a rate equal to the prime rate announced by Citibank, N.A., New York, New York or its successor, as of the date of proper notice of the overpayment, plus two percent (2%), if the overpayment has not been repaid within 30 days after notice of the withdrawing partner.

Distributions in Cash or in Kind. Withdrawals of capital and the payment of the value of a partner's capital account to him on retirement will be made in cash or, as determined by the General Partner, in securities selected by the General Partner, or partly in cash and partly in securities selected by the General Partner. The General Partner would then normally sell the assets so distributed for the account of the withdrawing partner and distribute the cash proceeds to that partner in the same manner as though the Partnership has sold the assets and distributed cash, but could distribute the assets themselves if the partner so prefers. While these alternative means of effecting a withdrawal may not change the total amount of gain or loss recognized by the withdrawing partner, the choice of method may affect the character of the gain and loss or the tax year in which recognition occurs. The General Partner is not obligated to use one method or the other in effecting withdrawals, but it is anticipated that distributions in kind will be made only under circumstances that would not produce unfavorable tax results for the retiring partner.

Determination of Net Asset Value. The net asset value of the Partnership is determined as of the close of business on the last business day prior to the close of each calendar month and each other date that the partnership accepts capital contributions or that a withdrawal or distribution is made ("Valuation Dates"). The net asset value of the Partnership is to be determined as of each Valuation Date by:

(a) Adding to the aggregate value of the investments of the Partnership (determined as described below in "Partnership Asset Valuation") the uninvested cash balances of the Partnership (as adjusted), such assets as would generally be considered pre-payments of expenses to be amortized over future periods and such other assets of the Partnership as should be considered assets in accordance with the account methods prescribed in the Partnership Agreement; and

(b) Deducting from that total any liabilities due (other than Administrative Fees payable) in accordance with the accounting methods employed and, in the discretion of the General Partner, such proportionate part as it deems proper of all charges, expenses or other liabilities accrued or anticipated to be applicable to any period prior to the Valuation Date, which amounts, so far as such liability is unliquidated, are to be fixed by the General Partner in its discretion.

The net amount remaining is deemed to be the net asset value of the Partnership on that Valuation Date. The net profit or net loss of any period shall be the difference between the net asset value of the Partnership at the beginning of the period and the net asset value of the Partnership at the close of the same period, such net asset value in each case determined before calculation and payment of the Administrative Fee for the period and before giving effect to capital contributions and withdrawals. Any increase in net

asset value over the period (other than as a result of capital contributions) is then treated as a net profit and any decrease in net asset value (other than as a result of distributions or withdrawals) is treated as a net loss. Capital contributions, distributions and withdrawals are then made and any Administrative Fees then due paid, with the net resulting amount constituting the opening net asset value of the Partnership for the subsequent fiscal period.

Partnership Asset Valuation. The Partnership's assets are valued in the following manner:

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

(2) Securities traded in the over-the-counter market for which no sales quotations are generally available are valued at the closing bid price if held long or closing ask price if sold short on the Valuation Date (or last preceding business day if securities markets were closed).

(3) Securities generally traded in an established securities market but for which there is no recorded sales information or quotations of bid and asked prices on the Valuation Date (or, if applicable, last preceding business day) are valued by the General Partner in good faith with reference to (i) the most recently reported sales or bid and asked prices, (ii) bid and asked price information as of the Valuation Date not generally reported but secured from a reputable broker or investment banker, and (iii) such other information as the General Partner believes in good faith is relevant.

(4) Puts, calls and other contracts and derivative securities are valued in a manner comparable to the method for valuing other securities.

(5) Securities not listed or traded on any exchange or in the over-the-counter market are considered as having no ascertainable market value and are valued at cost or at fair value based on information available to the General Partner regarding the value or worthlessness of such securities.

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

Capital Accounts. An individual capital account is maintained for each limited partner to which is added (i) the limited partner's initial capital contribution, (ii) any additional capital contribution by the limited partner, and (iii) any net profits allocable to the limited partner and from which is deducted (i) any distribution made to the limited partner (whether or not at his request), (ii) any net loss allocable to the limited partner, (iii) any Administrative Fee then payable from the limited partner's capital account, and (iv) any Extraordinary Profit Allocation from the limited partner's capital account that is to be allocated to the General Partner. See also "Administrative Fees and Allocation of Net Profits and Losses — Determination and Allocation of Profit and Loss Generally" and "— Extraordinary Profit Allocation" above.

Other General Partner and Management Activities. The Partnership Agreement recognizes that the General Partner, Mr. Welliver and their affiliates and associates invest for their own accounts, may be associated with other investment entities, engage in investment management for others and engage in other business enterprises. The General Partner and such other persons are not limited or restricted from

engaging in or devoting time and attention to the management of any other business, whether of a similar or dissimilar nature, taking advantage of investment and business opportunities without offering the Partnership an opportunity to participate, or rendering services of any kind to any other corporation, partner, firm, individual or association. In no event may the General Partner or any such other persons be required to account to the Partnership or a limited partner for the profits generated by any such business, opportunity or service or through their own investments. The General Partner, such other persons and clients hold positions in securities from time to time both that the Partnership owns and that it does not own.

Admission of Partners and Additional Capital Contributions. The General Partner may admit additional limited partners to the Partnership, or accept additional capital contributions from existing limited partners, on any date or dates selected by the General Partner. A person or entity may be added as an additional general partner with the approval of the existing General Partner and a majority in interest of limited partners. Capital contributions must be made in cash or, as permitted by the General Partner, readily marketable securities.

Liability of Partners and Indemnification of the General Partner and Others. The General Partner is personally liable to creditors for the debts of the Partnership. The General Partner will not be liable for honest mistakes in judgment or for losses due to such mistakes or for the negligence of employees, brokers or other agents of the Partnership. The General Partner, Mr. Welliver and their affiliates and associates will also not be liable to the Partnership or any limited partner and will not be required to account for any profits or benefits generated from outside business activities, transactions with the Partnership or the allocation of Partnership brokerage business other than for the exclusive benefit of the Partnership. See in particular Section 3.1 of the Partnership Agreement attached as Appendix A.

The Partnership will, to the fullest extent legally permissible under the laws of the State of Delaware, indemnify the General Partner and any persons designated to wind up the affairs of the Partnership pursuant to the Partnership Agreement against any loss, liability or expense reasonably incurred or suffered in connection with the performance by the General Partner or other persons of their responsibilities to the Partnership.

A limited partner will not be personally liable for any debt or obligation of the partnership. However, limited partners might be required to repay with interest Partnership cash or in kind distributions (including *distributions on partial or complete redemption* of limited partnership interests and distributions deemed a return of capital) received by them to the extent of overpayments, if the *Partnership is insolvent* at the time of the payments or if such distributions render the Partnership insolvent.

Expenses. The General Partner is authorized to incur all operating expenses on behalf of the Partnership, which expenses are borne by the Partnership. Partnership overhead and administrative expenses are paid by or on behalf of the General Partner in exchange for the Administrative Fee paid by the Partnership to the General Partner. See "Administrative Fees and Allocation of Net Profits and Losses." Expenses of operating the business borne by the Partnership include, but are not limited to: fees of attorneys, accountants, brokers, transfer agents, custodians, registrars and disbursing agents; other costs of effecting portfolio investments and portfolio transactions; taxes; insurance premiums; and interest.

Amendment of the Partnership Agreement. The Partnership Agreement may be amended by the General Partner acting alone in any manner that does not adversely affect any limited partner and under certain other circumstances. The Partnership Agreement may also be amended by action of the General Partner and limited partners owning a majority in interest in the capital accounts of all the limited partners as to other designated matters, however, amendments to the Partnership Agreement with regard to

increases in fees charged to limited partners by the General Partner shall require approval by the General Partner and limited partners owning a minimum 75% interest in the capital accounts of all limited partners. See Article 13 of the Partnership Agreement attached as Appendix A.

Dissolution of the Partnership. The Partnership Agreement provides that the Partnership may be dissolved at any time by the General Partner with the approval of a majority in interest of the limited partners, whereupon its affairs shall be wound up by the General Partner.

The dissolution, death, retirement, bankruptcy, permanent disability or another event of withdrawal of the sole remaining General Partner would dissolve the Partnership, and the business of the Partnership would thereupon terminate and be wound up unless the limited partners act unanimously to continue the business of the Partnership and appoint a new General Partner. If the Partnership is dissolved, the General Partner, its designee or another person or entity designated by a majority in interest of the limited partners could take all steps necessary or appropriate to wind up the affairs of the Partnership.

Neither the admission of partners nor the withdrawal, retirement, bankruptcy, death or insanity of any limited partner will dissolve the Partnership.

Assignability of Limited Partnership Interests. Neither the interest of any limited partner in the Partnership nor any beneficial interest therein is assignable, in whole or in part, without the consent of the General Partner.

Power of Attorney. The General Partner is authorized to sign Partnership documents on behalf of each limited partner so long as no personal liability is imposed by any such document on any limited partner.

10. Brokerage and Custody

The Partnership pays brokerage commissions and fees to registered securities brokers for executing and clearing transactions on behalf of the Partnership. The General Partner has complete discretion regarding the selection of brokers and the amount of brokerage commissions and fees paid to such brokers, none of whom are currently affiliated with the General Partner but many or all of whom may refer prospective limited partners for investment in the Partnership or other funds or accounts managed by the General Partner, Mr. Welliver or their affiliates and associates. See "Plan of Distribution" below. The General Partner or such other persons may also establish or acquire an interest in a securities brokerage firm in the future and execute Partnership securities transactions through that firm.

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

The Partnership also enters into so-called "soft dollar" arrangements with brokerage firms from time to time. Under these arrangements, the brokerage firms provide or pay the costs of certain services, equipment or other items for the benefit of the Partnership, the General Partner, Mr. Welliver or one or

more of their affiliates in consideration of the allocation to the firm of brokerage transactions (with resulting commission income) made on behalf of the Partnership. The services, equipment and other items provided or for which payment is otherwise made using such soft dollar arrangements may include, among others, research services, computer and other office equipment, office supplies, consulting fees, salaries, employee benefits, telephone, news wire, data processing and other charges, attorneys' and accountants' fees, office rent, travel and entertainment expenses, quotation services, periodical subscription fees, and custody, record keeping and similar charges. Any of these soft dollar arrangements may benefit the General Partner, Mr. Welliver or one or more of their affiliates without any direct benefit to the Partnership. The General Partner believes, however, that its allocations of brokerage business and soft dollar arrangements generally enhance the Partnership ability to obtain research and optimal execution, as well as other benefits to the Partnership.

Custody of the Partnership's investments will be maintained at one or more financial institutions or brokerage firms selected by the General Partner. Custody of the Partnership's investments is currently maintained at Bear Stearns Securities Corp.

The Partnership has also entered into certain arrangements with American Bank N.A. intended to assure that the General Partner will not be deemed to have custody of Partnership funds or securities for purposes of the federal Investment Advisers Act of 1940 or under the Minnesota Securities Act. However, such arrangements do not assure that Partnership assets will be secure against any fraudulent activities of General Partner personnel.

11. Reports to Partners

The partners will be advised as of the end of each fiscal month as to the operation of the Partnership. The books and records of the Partnership will be audited as of the end of each fiscal year by a firm of certified public accountants selected by the General Partner, and the partners will be furnished with audited year-end financial statements, including a statement of profit or loss for such fiscal year and of the status of such partners' capital account at such time. McGladrey & Pullen, currently serves as the Partnership's independent public accountants.

12. Plan of Distribution

Interests are being offered and sold directly by the General Partner on behalf of the Partnership through David B. Welliver, its President and Chief Executive Officer. The address and telephone number of the General Partner is 1st National Bank Bldg., 332 Minnesota Street - W1072, St. Paul, Minnesota 55101. (612)-225-9262. Neither Mr. Welliver nor the General Partner or any other directors, officers or employees that it may have from time to time will be entitled to any compensation from the Partnership for their services in offering and selling interests. However, the General Partner may direct or allocate Partnership brokerage business to brokers who refer prospective investors to the Partnership or otherwise assist the Partnership in raising capital. See "Brokerage and Custody" above. The General Partner may also determine in the future to pay cash referral fees or to allow participation in Administrative Fees or Extraordinary Profit Allocations for limited partner referrals, subject to compliance with applicable laws and regulations and disclosure of such compensation arrangements to the particular prospective limited partners.

13. Federal Income Taxation

Except as described below, none of this memorandum, the Partnership, the General Partner or counsel to the Partnership makes or has made any representations to any potential purchaser of the

partnership interests as to the federal or state income tax consequences of participating in the Partnership or the operation of the Partnership itself. The Partnership has not requested, and accordingly will not receive, an opinion of counsel regarding any tax matter, nor has any Service ruling been sought with respect to any tax matter. **Federal and state tax laws are subject to constant change and the Partnership cannot project how such changes would affect this investment.**

The Partnership anticipates, based upon certain matters of fact and state law, and based upon the Code and Treasury Regulations thereunder ("Regulations"), as currently in effect and as currently construed by recent authorities, that the Partnership is more likely than not to be characterized, for federal income tax purposes, as a partnership, rather than an association taxable as a corporation. No opinion of counsel has been obtained and no tax ruling will be sought from the Service as to the status of the Partnership as a partnership, and therefore this position of the Partnership may be challenged and, while the Partnership will expect to prevail in any such dispute, there can be no certainty of that result.

Based on its assumption that the Partnership is properly characterized as a partnership for federal income tax purposes, the Partnership will file annually a partnership income tax information return, but will not be subject, as an entity, to federal income taxes. Each partner will be required to report on his own personal federal income tax return his distributive share of the Partnership's income, gains, losses, deductions and credits for the taxable year, whether or not actual distributions of cash or other property are made to him. Each partner's distributive share of such items is determined pursuant to the Partnership Agreement or otherwise in accordance with the partners' respective interests in the Partnership.

Potential investors should also be aware that the Partnership is not a so-called "tax shelter" investment intended to generate net losses that could be used to offset income from other sources. Further, it is likely the Service will take the position, based on applicable Regulations, that the Partnership will generate income against which losses from "passive investments" may not be offset, even though the Partnership anticipates that it will operate such that its net income will not be considered "portfolio income" under the Regulations. In some instances, losses generated by the Partnership may not be fully deductible to non-corporate partners. See "Certain Risks – Tax Risks." No assurances can be given in this regard, and investors are expected to seek and rely upon the advice of their own tax advisors as to the characterization to investors of any net income derived from the Partnership's activities and as to any limitations on the deductibility of certain Partnership expenses.

The Partnership will provide annually to each partner a report of its operations and his share of the Partnership's taxable income for use in the preparation of such partner's personal income tax return. The filing of such personal returns will be the responsibility of each partner. The Partnership is not required to supply, and does not anticipate supplying, tax or accounting information to assignees of limited partners who do not become substituted limited partners.

Any tax-exempt entities that invest in the Partnership should also consider that the Partnership will likely generate "unrelated business taxable income." As a result, such entities may become subject to taxation of such income.

Partners should be aware that at any particular point in time the tax consequences of an investment in the Partnership may vary significantly, and even inversely, from the performance of the Partnership as reflected in a partner's capital account. For example, while the overall performance of the Partnership may reflect losses, sales may be primarily of securities which have appreciated, therefore generating tax liabilities. In addition, dividends and interest can accrue and be taxable to partners in periods when the net asset value of the Partnership is falling (though such income will in part be offset by Partnership operating expenses). Partners may also have tax liability during a period when they are not permitted to make

withdrawals from their Partnership accounts.

It will be the responsibility of each prospective limited partner to satisfy himself as to, among other things, the consequences of any federal taxes, including income and estate taxes, to which he is or he or his estate may be subject due to his participation in the Partnership by obtaining advice from his own tax counsel or advisor. The General Partner will give each prospective limited partner and his counsel or advisor, upon request, full access to all materials available to the General Partner relating to the projected operations of the Partnership.

14. Other Taxes

A limited partner's participation in the Partnership will probably affect his income tax liability in the jurisdiction in which he is a resident, and may also subject him to income taxation and the obligation to file income tax returns in Minnesota (or other states to which the Partnership may be relocated or in which it may hold assets or conduct business). Minnesota currently imposes a graduated income tax on individuals and trusts with a maximum rate of eight and one half percent (8.5%). Partnerships are not subject to the Minnesota income tax, but partners are taxed on their respective shares of a partnership's net profits, whether or not distributed, as under federal law. With respect to partners not residing in Minnesota, it is possible that they could be subject to income tax liability not only in their state of residence, but also in Minnesota. Specifically, non-resident partners who own their interest in the Partnership pursuant to the conduct of a trade or business in which they are regularly engaged in Minnesota will be subject to Minnesota income tax on all income derived pursuant to such trade or business, including their share of the Partnership's income. In addition, it is possible that non-resident partners not regularly engaging in a trade or business in Minnesota would be subject to Minnesota income tax if investment in the Partnership were itself considered to be doing business in Minnesota.

It is the current position of the Minnesota Department of Revenue's Income Tax Division (the "Department") that non-resident partners are not subject to Minnesota income taxes on their proportionate share of the Partnership's taxable net income. The Department takes this position with respect to limited partners who hold their limited partnership interests as an investment, and have neither acquired nor used such limited partnership interest in connection with a business conducted by them within the State of Minnesota.

Should any portion of the Partnership's net income be deemed taxable by the Department, out-of-state limited partners will generally be able to receive credit for Minnesota income taxes paid against income taxes, if any, owed to their state of residence. However, it is also possible that such a partner's state of residence imposes no income tax, or otherwise would not tax non-resident partners of a similar partnership located in such state, and would therefore not allow a credit for Minnesota taxes paid. Accordingly, double state taxation of income attributable to the Partnership could result.

In addition, partners of the Partnership may be subjected to other types of state or local taxes, such as intangible, franchise, estate, inheritance, gift, personal property, or other taxes, and the obligation to file additional returns, in Minnesota (or any jurisdiction in which the Partnership owns property or does business), as well as in their states or localities of residence or domicile.

Prospective limited partners are urged to consult their tax advisors with respect to possible state and local tax consequences of an investment in the Partnership. It will be the responsibility of each limited partner to satisfy himself as to the state and local tax consequences of his participation in the Partnership, and to prepare and file all tax returns required in connection herewith.

15. Fiscal Years and Interim Periods

The Partnership has adopted a fiscal year ending on December 31. As limited partners may be admitted or required to retire, and additional capital contributions may be made, during the course of a fiscal year, the Partnership Agreement provides for interim fiscal periods that are portions of a fiscal year for the purpose of allocating net profits and net losses due to changes occurring in capital accounts at such times.

16. Procedure for Becoming a Limited Partner

In order to become a limited partner, a prospective investor should follow the instructions set forth in the Subscription Package copies delivered with or subsequent to delivery of this memorandum.

17. Available Materials

In addition to the other materials referred to in this memorandum, prospective investors are invited to review prior to investing the following materials at the offices of the General Partner, located at 332 Minnesota Street - W1072, St. Paul, Minnesota 55101, (612)-225-9262, Attention: David B. Welliver, or at some other mutually convenient location at any reasonable hour after reasonable prior notice:

1. The Partnership's Certificate of Limited Partnership, as filed with the Secretary of State of Delaware on December 15, 1995.

2. The agreement dated as of February 1, 1996 among the Partnership and American Bank N.A. with respect to custody of Partnership funds and assets.

3. The Partnership's brokerage account agreements dated as of February 1, 1996 with Bear Stearns Securities Corp.

APPENDIX A

VALENT VENTURE & GROWTH FUND, L.P.

AGREEMENT OF LIMITED PARTNERSHIP

TABLE OF CONTENTS

Article		Page
1.	PARTIES TO THE AGREEMENT; DEFINITIONS	1
2.	BUSINESS	4
3.	MANAGEMENT OF PARTNERSHIP	5
4.	CAPITAL CONTRIBUTIONS	8
5.	CAPITAL ACCOUNTS - ACCOUNTING	9
6.	TAX ACCOUNTING	12
7.	LIMITED PARTNERS	14
8.	WITHDRAWALS AND DISTRIBUTIONS FROM PARTNERSHIP ACCOUNTS	16
9.	TRANSFERS OF PARTNERSHIP INTERESTS	19
10.	WITHDRAWAL OF GENERAL PARTNER; SUCCESSOR GENERAL PARTNER	21
11.	DISSOLUTION	22
12.	BOOKS; BANKING AND BROKERAGE	23
13.	AMENDMENTS	24
14.	IRREVOCABLE POWER OF ATTORNEY	25
15.	INDEMNITY	25
16.	MISCELLANEOUS	26

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