

of the total amount of capital contributions and irrevocable commitments received from the Regulation D Investors) of all Fund investments and other authorized expenditures for each Series will at any time be paid for out of money contributed to the Fund by rule 701 Investors.

10. The terms of a Fund will be fully disclosed in the private offering memorandum of the Fund, and each Eligible Investor will receive a private offering memorandum and the Fund's limited liability company agreement (or other organizational documents) prior to his or her investment in the Fund. Each Fund will send its Fund Investors annual reports, which will contain audited financial statements with respect to those Series in which the Fund Investor has Interests, as soon as practicable after the end of each fiscal year. In addition, as soon as practicable after the end of each fiscal year, the Funds will send a report to each Fund Investor setting forth such tax information as shall be necessary for the preparation by the Fund Investor of his or her federal and state tax returns.

11. Fund Investors will be permitted to transfer their Interests only with the express consent of the Manager. Any such transfer must be to another Eligible Investor. No fee of any kind will be charged in connection with the sale of Interests.

12. If any Fund Investor leaves the Firm during the Investment Period for a Series, the Manager may, in its sole discretion, repurchase his or her Interests in that Series as follows:

a. If a Fund Investor leaves the Firm less than one year following the date that Fund Investor's investment is accepted, the Manager will have 90 days to repurchase such Fund Investor's Interests (or cancel indebtedness) at the paid-in investment amount (less distributions) and without interest.

b. If a Fund Investor leaves the Firm one year or more following the date that Fund Investor's investment is accepted, the Manager will repurchase the Fund Investor's Interests (or cancel indebtedness) at fair value determined either (1) as of the Fund Investor's last date of association or employment with the Firm, or (2) as of the next date of valuation of the Series. Payment will be made within 90 days of the date on which the fair value of the Fund Investor's Interests is determined.

13. The Manager may require a Fund Investor to withdraw from a Fund if: (a) A Fund Investor ceases to be an Eligible Investor; (b) a Fund Investor is no longer deemed to be able to bear the economic risk of investment in a Fund; (c) adverse

tax consequences were to inure to the Fund were a particular Fund Investor to remain; (d) the continued membership of the Fund Investor would violate applicable law or regulations; or (e) the Manager, in its sole discretion, deems such withdrawal in the best interest of the Fund. These withdrawal policies apply (a) during the Investment Period, with respect to Fund Investors who have not left the Firm, and (b) after the Investment Period, with respect to any Fund Investor.

14. The Firm reserves the right to impose vesting provisions on a Fund Investor's investments in a Fund. In an investment program that provides for vesting provisions, all or a portion of a Fund Investor's Interests will be treated as unvested, and vesting will occur through the passage of a specified period of time or may be based on certain performance milestones (such as admission of an associate lawyer as a Partner of the Firm). During the Investment Period, vested and unvested Interests will be subject to the provisions discussed above governing Fund Investors who leave the Firm during the Investment Period. Thereafter, a Fund Investor's Interests that are or become vested will not be subject to repurchase except to the extent that the Manager determines to require the withdrawal of that Fund Investor as discussed above. It is anticipated that the Manager rarely will require such withdrawal. Following the Investment Period, any portion of a Fund Investor's Interests that are unvested at the time of termination of a Fund Investor's employment with the Firm (or at the time of that Fund Investor's failure to achieve the relevant performance milestone) are subject to repurchase or cancellation. The decision to repurchase a Fund Investor's Interests will be made on a case-by-case basis by the Manager.

15. Upon any repurchase or cancellation of all or a portion of a Fund Investor's Interests, a Fund will at a minimum pay to the Fund Investor the lesser of (a) the amount actually paid by the Fund Investor to acquire the Interests less the amount of any distributions received by that Fund Investor from the Fund (plus interest at or above the prime rate, as determined by the Manager) and (b) the fair value of the Interests determined at the time of repurchase or cancellation, as determined in good faith by the Manager. Any interest owed to a Fund Investor pursuant to (a) above will begin to accrue at the end of the Investment Period.

16. The Firm may be reimbursed by a Fund for reasonable and necessary

out-of-pocket costs directly associated with the organization and operation of the Funds, including administrative and overhead expenses. There will be no allocation of any of the Firm's operating expenses to a Fund. In addition, the Firm may allocate to a Series any out-of-pocket expenses specifically attributable to the organization and operation of that Series. No separate management fee will be charged to a Fund by the Manager, and no compensation will be paid by a Fund or by Fund Investors currently employed by Pillsbury Group to the Manager for its services. The Manager may impose a fixed fee or a management fee, in either case not to exceed one percent of the value of the Interests held by any Fund Investor. Such a fee will be charged only to a person who becomes a former employee or Partner of Pillsbury Group and any Qualified Investment Vehicle associated with that Fund Investor.

17. The Funds may borrow from Pillsbury Group, a Partner, or a bank or other financial institution, provided that a Fund will not borrow from any person if the borrowing would cause any person not named in section 2(a)(13) of the Act to own outstanding securities of the Fund (other than short-term paper). Any borrowings by a Fund will be non-recourse other than to the Pillsbury Group. If a Pillsbury Entity or a Partner makes a loan to the Funds, the interest rate on the loan will be no less favorable to the Funds than the rate that could be obtained on an arm's length basis.

18. No Fund will acquire any security issued by a registered investment company if immediately after the acquisition the Fund would own more than 3% of the outstanding voting stock of the registered investment company.

Applicants' Legal Analysis

1. Section 6(b) of the Act provides, in part, that the Commission will exempt employees' securities companies from the provisions of the Act to the extent that the exemption is consistent with the protection of investors. Section 6(b) provides that the Commission will consider, in determining the provisions of the Act from which the company should be exempt, the company's form of organization and capital structure, the persons owning and controlling its securities, the price of the company's securities and the amount of any sales load, how the company's funds are invested, and the relationship between the company and the issuers of the securities in which it invests. Section 2(a)(13) defines an employees' securities company as any investment company all of whose securities (other than short-term paper) are beneficially owned (a)