APPENDIX B

CONFIDENTIAL

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Name of Recipient; Copy No.

SUPPLEMENTAL DISCLOSURE STATEMENT
FOR
UNITED STATES INVESTORS
IN

KOREA INTERNATIONAL INVESTMENT FUND LTD.

A British Virgin Islands International Business Company

Korea International Investment Fund Ltd. (the "Fund") is a British Virgin Islands International Business Company organized to provide certain investors the opportunity to invest in a portfolio of equity and equity-related securities of Korean issuers listed on the Korea Stock Exchange and KOSDAQ or of government entities ("Korean Securities"). The Fund's investments are held through Korea International Investments Holdings (L) Pte. Ltd. (the "Subsidiary"), a subsidiary of the Fund organized in Malaysia, which is entitled to the benefits of the Republic of Korea ("Korea")-Malaysia tax treaty. The Fund may also invest directly or through the Subsidiary, as a non-Korean entity, and at a premium (if applicable), in Korean Securities in over-the-counter markets and/or non-Korean stock exchanges where Korean Securities are listed (such as the London Stock Exchange); provided that any premium of greater than 5% of the purchase price of the relevant Korean Securities will be subject to the approval of the Board.

Offering of Additional Class A Shares of Common Stock

Initial Offering Price: Net Asset Value per Share

Minimum Investment For New Investors: U.S.$100,000

June __, 2005

Fund Adviser

International Investment Advisers, L.L.C.

NOTICE

THE SHARES OF COMMON STOCK (THE "FUND SHARES") OF THE KOREA INTERNATIONAL INVESTMENT FUND LTD. (THE "FUND"), WHICH ARE DESCRIBED IN THE CURRENT AMENDED PRIVATE PLACEMENT MEMORANDUM OF THE FUND (THE "AMENDED MEMORANDUM") AND THIS SUPPLEMENTAL DISCLOSURE STATEMENT FOR U.S. INVESTORS (THE "SUPPLEMENT"), HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OF THE STATES OF THE UNITED STATES. THE FUND HAS NOT BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE OFFERINGS CONTEMPLATED BY THE AMENDED MEMORANDUM AND THIS SUPPLEMENT WILL BE MADE IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT FOR OFFERS AND SALES OF SECURITIES WHICH DO NOT INVOLVE ANY PUBLIC OFFERING AND UPON ANALOGOUS EXEMPTIONS UNDER STATE SECURITIES LAWS.

THE SHARES OF THE FUND ARE BEING OFFERED WITHIN THE UNITED STATES ONLY TO "ACCREDITED INVESTORS" AS DEFINED IN RULE 501(A) OF REGULATION D ("REGULATION D") UNDER THE SECURITIES ACT, IN RELIANCE ON SECTION 4(2) OF THE SECURITIES ACT AND ON THE EXEMPTION PROVIDED BY RULE 506 OF REGULATION D. THE SHARES OF THE FUND ARE BEING OFFERED OUTSIDE THE UNITED STATES IN TRANSACTIONS THAT HAVE NOT BEEN REGISTERED WITH OR OTHERWISE AUTHORIZED BY ANY AGENCY OR OTHER REGULATORY AUTHORITY FOR SALE TO THE PUBLIC.

THE AMENDED MEMORANDUM AND THIS SUPPLEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF SHARES OF THE FUND IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS CONCERNING THE FUND WHICH ARE INCONSISTENT WITH THOSE CONTAINED IN THE AMENDED MEMORANDUM AND THIS SUPPLEMENT. PROSPECTIVE INVESTORS SHOULD NOT RELY ON ANY INFORMATION NOT CONTAINED IN THE AMENDED MEMORANDUM OR THIS SUPPLEMENT.

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

THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THE AMENDED MEMORANDUM OR THIS SUPPLEMENT AS LEGAL, TAX OR FINANCIAL ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OWN PROFESSIONAL ADVISERS AS TO THE LEGAL, TAX, FINANCIAL OR OTHER MATTERS RELEVANT TO THE SUITABILITY OF AN INVESTMENT IN THE FUND FOR SUCH INVESTOR.

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

THE AMENDED MEMORANDUM AND THIS SUPPLEMENT ARE INTENDED SOLELY FOR THE USE OF THE PERSON TO WHOM IT HAS BEEN DELIVERED FOR THE PURPOSE OF EVALUATING A POSSIBLE INVESTMENT BY THE RECIPIENT IN THE SHARES OF THE FUND DESCRIBED HEREIN AND IS NOT TO BE REPRODUCED OR DISTRIBUTED TO ANY OTHER PERSONS (OTHER THAN PROFESSIONAL ADVISERS OF THE PROSPECTIVE INVESTOR RECEIVING THIS DOCUMENT).

Korea International Investment Fund Ltd.

Supplemental Disclosure Statement

For

U.S. Investors

June 2005

This Supplemental Disclosure Statement provides additional information of particular relevance to prospective United States investors contemplating subscribing for Class A Shares of Common Stock (the "Fund Shares") of Korea International Investment Fund Ltd. (the "Fund"), a British Virgin Islands International Business Company. The principal objective of the Fund is to provide certain investors the opportunity to invest in a portfolio of equity and equity-related securities of Korean issuers listed on the Korea Stock Exchange and KOSDAQ or of government entities ("Korean Securities"). The Fund's investments are held through Korea International Investments Holdings (L) Pte. Ltd. (the "Subsidiary"), a subsidiary of the Fund organized in Malaysia, which is entitled to the benefits of the Republic of Korea ("Korea")-Malaysia tax treaty. The Fund may also invest directly or through the Subsidiary, as a non-Korean entity, and at a premium (if applicable), in Korean Securities in over-the-counter markets and/or non-Korean stock exchanges where Korean Securities are listed (such as the London Stock Exchange); provided that any premium of greater than 5% of the purchase price of the relevant Korean Securities will be subject to the approval of the Board. The current Amended Memorandum and this Supplemental Disclosure Statement (the "Supplement") should be reviewed carefully by any U.S. investor intending to subscribe for Fund Shares. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Amended Memorandum.

OFFER AND SALE OF FUND SHARES

The Fund is not registered under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"). Moreover, the Fund Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or under any state "blue sky" laws. Shares of the Fund may not be offered or sold in the United States of America, its territories or possessions or areas subject to its jurisdiction (the "United States"), or to or for the benefit of a U.S. Person, as defined in Regulation S under the Securities Act, except with the consent of the Fund, as applicable, in a transaction which does not require the registration of the Fund or the Fund Shares under applicable U.S. Federal or state securities laws. Fund Shares may only be acquired by eligible investors who are sophisticated individual or institutional investors. If resident in the United States, such investors must qualify as "accredited investors" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act. Fund Shares acquired by

a U.S. Person may not be resold unless they are registered under the Securities Act or unless an exemption from registration is available, and may not be resold or transferred without the consent of the Fund, as applicable. The Fund may redeem Fund Shares, under various circumstances, including Fund Shares which have been sold or acquired in contravention of these prohibitions.

In order to qualify for an exemption from registration under the Investment Company Act, the Fund will not permit the Fund Shares to be held by more than 100 persons, counting for such purposes the holders of beneficial interests of certain shareholders of the Fund which are organized as a corporation or other entity. In addition, the Fund will not permit the Fund Shares to be held by any person if, as a result, the Fund Shares would be deemed to be held by more than 100 persons. The Fund may refuse to accept any subscription for Fund Shares, and may require the redemption by any shareholder, if as a result of such shareholder holding Fund Shares, either the Fund and the Subsidiary would be subject to registration as an investment company under the Investment Company Act.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain United States federal income tax consequences of an investment in the Fund. It is not intended as a complete analysis of all possible tax considerations in acquiring, holding and disposing of an investment in the Fund and, therefore, is not a substitute for careful tax planning by each investor, particularly since the U.S. federal, state and local income tax consequences of an investment in entities taxable as partnerships, like the Fund, may not be the same for all taxpayers. Except as otherwise discussed herein, this discussion has been prepared on the assumption that the investor will be an individual who is a citizen or resident of the United States. No ruling has been or will be sought from the IRS, and no legal opinion is being rendered, as to any matter discussed below.

THIS DISCUSSION IS NOT INTENDED TO BE AND CANNOT BE USED FOR THE PURPOSE OF AVOIDING PENALTIES. THIS DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OF THIS OFFERING. PROSPECTIVE INVESTORS MUST CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES (INCLUDING STATE AND LOCAL AND ESTATE TAX CONSEQUENCES) OF AN INVESTMENT IN THE FUND IN LIGHT OF THEIR PERSONAL CIRCUMSTANCES.

This discussion of the U.S. federal income tax consequences of an investment in the Fund is based upon existing law, contained in the Internal Revenue Code of 1986, as amended ("Code"), the Treasury regulations promulgated under the Code ("Treasury Regulations"), administrative rulings and other pronouncements, and court decisions as of the date hereof. The existing law, as currently interpreted, is subject to change by either new legislation, or by differing interpretations of existing law in regulations, administrative pronouncements or court decisions, any of which could, by retroactive application or otherwise, adversely affect an investment in the Fund.

Classification as a Partnership

It is expected that, under current tax law, each of the Fund and the Subsidiary will be treated as a partnership and not as an association taxable as a corporation for federal income tax purposes. The Fund and the Subsidiary expect to come within the "private placement" safe harbor for avoiding treatment as a publicly-traded partnership, which requires that the number of investors does not exceed 100. Treatment of the Fund or the Subsidiary as a corporation for U.S. federal income tax purposes would materially reduce the anticipated benefits of an investment in the Fund. The discussion below assumes the Fund and the Subsidiary will be treated as a partnership for federal income tax purposes.

Taxation of Investors on Income or Losses of the Fund

No federal income tax is payable by an entity that is treated as a partnership for federal income tax purposes. Instead, each investor must report on its federal income tax return for each year its distributive share of the items of income, gain, loss, deduction and credit of the Fund, whether or not cash is distributed to that investor during the taxable year. Because investors will be required to include Fund taxable income in their respective income tax returns without regard to whether there are distributions attributable to that income, investors may be liable for federal and state income taxes on that income even though they have not received any distributions from the Fund. The Fund is not required to make distributions to investors to cover their tax liability and, in fact, has no present intention of making any distributions. Accordingly, each investor will be required to find other sources from which to pay the federal, state and local taxes arising out of the investment in the Fund.

Transactions in Securities

The Fund expects to generate capital gains and losses, as well as ordinary income, from its investments. To the extent the Fund's taxable income is characterized as capital gain or loss, an investor's share of that gain or loss will be combined with the investor's own net long-term or short-term capital gain or loss in computing its federal income tax liability. The maximum rate of federal income tax on net long-term capital gains realized by individuals is 15%, while short-term capital gains realized by individuals are taxed at the same rates as ordinary income. An investor's allocable share of dividends received by the Fund may qualify for taxation at long-term capital gains rates (generally, 15%).

An investor generally will be unable to deduct its share of any capital losses of the Fund except to the extent that such investor has capital gains from the Fund or other sources in the same or subsequent years. The Fund may generate both ordinary income and net capital losses. Because capital losses generally cannot offset ordinary income, investors will be taxable on their allocable share of the Fund's ordinary income, but, unless they have capital gains from other sources, may be unable to currently deduct their allocable share of the Fund's net capital losses. Unused capital losses may be carried forward to future years, but generally may not carry back capital losses.

Generally, the Fund will not recognize gain or loss for tax purposes with respect to its investments in securities until the Fund actually sells or otherwise disposes of the securities in a closed and completed transaction. Subject to certain "tolling" and recharacterization rules applicable to short sales and straddle transactions, capital gain or loss generally is treated as

long-term capital gain or loss if the securities disposed of were held for more than 12 months, and otherwise as short-term capital gain or loss. The Fund's short sale transactions generally will result in short-term characterization of any gains resulting from such transactions.

The Code also contains a so-called "wash sale" rule under which losses incurred by the Fund from the sale or other disposition of stock or securities, or contracts or options to sell or acquire stock or securities, will not be deductible (but instead, must be added to the Fund's basis in the newly acquired stock or securities), if, within 30 days either before or after the date of such sale or exchange, the Fund acquires or enters into a contract or option to acquire substantially identical stock or securities. (Other rules could affect the deductibility of losses incurred on short sales of stock or securities if, within 30 days before or after such short sale, the Fund sells, or enters into a short sale of, substantially identical stock or securities.) The application of the wash sale rules to the Fund's transactions would preclude an investor from currently deducting all or a significant portion of his share of the Fund's losses, if any, from such transactions.

Basis of an Interest

An investor's tax basis in its investment will include the amount of money that the investor paid for the Fund Shares, increased principally by the investor's allocable share of any Fund taxable income and gain, and decreased, but not below zero, principally by distributions from the Fund to the investor and by the investor's allocable share of Fund tax losses and deductions. An investor will be treated as having only one aggregate tax basis in the Fund, even if the investor acquires Fund Shares at different times and for different amounts.

Distributions; Redemptions

Generally, a cash distribution to an investor, including upon a redemption of Fund Shares, is taxable only to the extent the distribution exceeds the investor's tax basis in its Fund Shares. The amount of that excess (if any) generally would be taxable as capital gain. An economic loss realized by an investor upon a redemption can be recognized only upon a complete redemption of its investment in the Fund.

Capital gain or loss on a redemption (or other disposition) of Fund Shares generally will be long-term capital gain or loss to the extent of the portion of the investor's Fund Shares that were held for more than 12 months, and short-term capital gain or loss to the extent of the portion of the investor's Fund Shares (redeemed and retained) that were held for 12 months or less. An investor will begin a new holding period each time the investor makes an additional investment in the Fund as to the portion of its Fund Shares that were received in consideration for such additional subscription. Making an additional capital contribution to the Fund within 12 months of a sale or redemption will cause a portion of an investor's capital gain (or loss) recognized on such sale or redemption to be short-term.

Limitations on Deduction of Losses

The deduction of Fund losses, if any, by an investor is subject to numerous limitations. An investor's share of Fund losses and deductions in any taxable year generally may be deducted only to the extent of the investor's tax basis in its Fund Shares at the end of that taxable year, limited to the amount the investor is considered to have "at risk" (generally, the sum of the

investor's cash investment plus any borrowed amounts for which the investor is personally liable or which are secured by personal assets other than an Interest).

Under Section 67(c) of the Code, an individual's miscellaneous itemized deductions, including investment advisory expenses, are deductible in any year for regular income tax purposes only to the extent that they exceed 2% of such individual's adjusted gross income, and are not deductible at all for alternative minimum tax purposes. The deductible portion, if any, of such expenses is further reduced by an amount equal to the lesser of 3% of an individual's adjusted gross income in excess of $100,000 (indexed for inflation), or 80% of the individual's otherwise allowable miscellaneous itemized deductions. The Fund may report its expenses as investment expenses that are subject to these limitations. (Similar issues might be raised with respect to the Performance Allocation.) Accordingly, prospective investors who are individuals should consider the possibility that their ability to deduct Fund expenses (other than interest) might be substantially limited.

Under Section 469 of the Code, non-corporate taxpayers and personal service corporations deriving net losses from "passive" activities are permitted to deduct such losses only to the extent of their income from "passive" activities, and closely held corporations may not offset passive activity losses against "portfolio" income. Passive activity income, against which passive activity losses may be offset, does not include salaries and other compensation, or "portfolio income," such as interest income, dividends and net capital gains not incurred in the ordinary conduct of a trade or business or not treated as passive activity income even though incurred in connection with a trade or business. Any losses that are not currently deductible under this provision may be carried forward and deducted in subsequent years to the extent of the taxpayer's passive activity income in such years. The Fund's income, gains and losses will be non-passive activity income and losses. Accordingly, for most investors, taxable income allocated to them will not be permitted to be offset by passive activity losses from other investments, and tax losses and deductions allocated to them will not be subject to this limitation based on the Treasury Regulations currently in effect.

Taxation of Tax-Exempt Investors

Any U.S. qualified pension or profit sharing plan, individual retirement account, charitable organization or other tax-exempt organization, although generally exempt from United States Federal income taxation, may be taxable on its "unrelated business taxable income" ("UBTI") in excess of $10,000 for the taxable year. The tax on a tax-exempt entity's UBTI generally is imposed at the rates applicable to entities that are not tax-exempt. UBTI is generally the excess of gross income from any unrelated trade or business conducted by a tax-exempt entity over the deductions attributable to such trade or business, with certain modifications. These modifications provide that UBTI generally does not include interest, dividends or gains from the sale of securities not held as either inventory or primarily for sale to customers in the ordinary course of business, except to the extent that any such item of income is deemed to constitute "debt-financed income" within the meaning of Section 514 of the Code, and certain other requirements are met.

The Fund and Subsidiary are prohibited from borrowing and thus will not derive debt-financed income. The Fund and Subsidiary intend to avoid making any investment, incurring

any liability, or otherwise taking any action which would result in the realization of UBTI by any U.S. Shareholder which is a tax-exempt organization.

Fund Tax Returns; Audits

The tax returns of the Fund is subject to review by the IRS and other taxing authorities. There can be no assurance that these authorities will not make adjustments in the tax figures reported on the Fund's returns. Any adjustments resulting from an audit may require each investor to file an amended tax return, pay additional income taxes and interest, which generally is not deductible, and might result in an audit of the investor's own return. Any audit of an investor's return could result in adjustments of non-Fund, as well as Fund, income and deductions. Generally, upon an IRS audit, the tax treatment of Fund items will be determined at the Fund level, and such treatment generally will be binding on the investors.

If the tax returns of the Fund were audited, the Fund would probably incur legal and accounting expenses in seeking to sustain its position. The payment of these expenses would reduce cash otherwise available for distribution. In addition, the investors might incur personal legal and accounting expenses in connection with any amendment or audit of their returns.

State and Local Taxes; Foreign Taxes Generally

Each investor may be required to file returns and pay state and local tax on its share of Fund income in the jurisdiction in which it is a resident and/or other jurisdictions in which income is earned by the Fund. Each investor is advised to consult its own tax adviser regarding state and local taxes which may be payable in connection with an investment in the Fund.

The Fund may be subject to foreign taxes, including withholding taxes, on its investments in foreign securities. Such taxes may be deductible or creditable in determining an investor's U.S. federal income tax liability (if any), subject to applicable tax law limitations.

Tax Shelter Regulations; Disclosure

Treasury Regulations directed at abusive tax shelter activity (the "Tax Shelter Regulations") apply to transactions not conventionally regarded as tax shelters. Among other things, the Tax Shelter Regulations require certain disclosures by certain persons who directly or indirectly participate in a "reportable transaction," as defined. Any transaction involving an actual or deemed acquisition of an asset generally is a reportable transaction if it generates gross tax losses (whether or not offset by income or gains) in excess of specified amounts, unless the transaction comes within one of several exclusions. While the exclusions generally cover most customary trading activity, they do not cover certain types of foreign currency and arbitrage transactions, among others. Accordingly, it is possible that the Fund may participate in one or more reportable transactions. In that event, the Fund would be required to file an IRS Form 8886 with its tax return and maintain a list identifying those investors, if any, who were allocated tax losses from the reportable transaction(s) in excess of the specified thresholds. (The thresholds are, for taxpayers other than C corporations, $2 million from one or more reportable transactions in any taxable year, $4 million from one or more reportable transactions over any six-year period, or $50,000 of ordinary loss from any foreign currency transaction that is not otherwise excluded from the application of these rules.) An investor that is allocated tax losses from

reportable transactions equal to or greater than the specified amounts must file an IRS Form 8886 with its own tax return for each year the investor reports tax losses from the reportable transaction(s).

Investors should consult their own tax advisers concerning the foregoing aspects of the Tax Shelter Regulations as applied to this investment.

The foregoing discussion is not intended as a substitute for careful tax planning, particularly since certain of the income tax consequences of an investment in the Fund may not be the same for all taxpayers. Accordingly, prospective investors in the Fund are urged to consult their tax advisers with specific reference to their own tax situation under federal law and the provisions of applicable state, local and other laws before subscribing for Interests.

CERTAIN ERISA CONSIDERATIONS

The Fund may, subject to the limitations below and the other limitations herein, accept subscriptions from Employee Benefit Plans subject to ERISA ("**ERISA Plans**"), from IRAs, Keogh Plans which cover only self-employed persons and their spouses and other employee benefit plans which cover only the owners of a business and which are not subject to ERISA (collectively, "**Individual Retirement Funds**"), from government plans, church plans, foreign plans and any other employee benefit plans which are not subject to ERISA (collectively, "**Non-ERISA Plans**") and from other entities the assets of which are "plan assets" due to direct or indirect investments in such entities by ERISA Plans, Individual Retirement Funds, and Non-ERISA Plans (collectively, "**Plan Assets Entities**"). Individual Retirement Funds, ERISA Plans, Non-ERISA Plans and Plan Assets Entities are hereafter called "**Plans**".

Section 404(a)(1) of ERISA and the regulations promulgated thereunder by the United States Department of Labor (the "**DOL**") provide as a general rule that a fiduciary with respect to a Plan subject to ERISA must discharge his duties with respect to the Plan in a prudent manner and must consider several factors in determining whether to subscribe for Shares of the Fund. If a fiduciary with respect to any such Plan acts imprudently with regard to subscribing for Shares of the Fund, the fiduciary may be held personally liable for losses incurred by the Plan as a result of such imprudence. Among the factors that should be considered are (i) the diversification and liquidity of the Plan's portfolio; (ii) the potential returns on the proposed investment taking into account the risk of loss and opportunity for gain; (iii) the place the proposed investment would occupy in the Plan's portfolio taken as a whole; and (iv) whether the proposed investment is permitted under the documents and instruments governing the Plan.

The acceptance of a subscription by the Fund from a Plan does not constitute a representation or judgment by the Fund or the Advisor/Manager that an investment in the Fund is an appropriate investment for that entity or that such an investment meets the legal requirements applicable to such entity. Those considering the purchase of Shares on behalf of a Plan remain responsible for the Plan's compliance with the legal requirements applicable to such entity. If the purchase of Shares is not prohibited under the governing documents of the entity or otherwise, the Plan fiduciary who decides to do so or who is instructed to do so can subscribe for Shares.

Plan Assets

Depending upon the relative Net Asset Value of Shares purchased by Plans, relative to purchases by other investors, the underlying assets of the Fund may be considered to be assets of the Plans investing in the Fund for regulatory compliance purposes. Under DOL regulations, when an ERISA Plan, Individual Retirement Fund or Plan Assets Entity acquires an equity interest in an entity such as the Fund, which interest is not a publicly offered security, as is the case with the Shares, the underlying assets of the entity will not be deemed "plan assets" if the "25% Ownership Limitation" is met. The 25% Ownership Limitation will be met if less than 25% of the aggregate equity interests in each class of equity of the entity are held by Plans (excluding equity interests held by any person with discretionary authority or control with respect to the entity, or affiliates of any such person). If the 25% Ownership Limitation is not met and Plans own Shares representing 25% or more of the aggregate Net Asset Value of all Shares (excluding any Shares held by the Advisor/Manager or any of its affiliates), the underlying assets of the Fund will constitute "plan assets" of the investing ERISA Plans, Individual Retirement Funds and Plan Assets Entities. The 25% Ownership Limitation is applied when a person acquires or disposes of an equity interest in an entity. The Advisor/Manager has sole discretion to allow the Fund to exceed the 25% Ownership Limitation. Currently, the Advisor/Manager believes that the 25% Ownership Limitation has not been exceeded. There can be no assurances, however, that the 25% Ownership Limitation will not be exceeded prior the Advisor/Manager making the determination to allow the fund to so. For example, the limit could be unintentionally exceed if a Plan investor misrepresents its status as a Plan.

At such time as the assets of the Fund are deemed to be plan assets, the Advisor/Manager will be a fiduciary with respect to each Plan subject to ERISA which holds Shares. As a result, the general prudence and fiduciary responsibility provisions of ERISA will be applicable to the Advisor/Manager with respect to each investment made by the Fund, and certain transactions entered into by the Fund may be prohibited transactions. In the event that any transaction would or might constitute a prohibited transaction under ERISA or the Code and no exemption for such transaction or transactions is readily available, the Advisor/Manager reserves the right, upon notice to, but without the consent of, any Shareholder, mandatorily to redeem the Shares of any Shareholder which is an ERISA Plan, Individual Retirement Fund, or Plan Assets Entity.

ERISA Investment Manager Status

Where (i) a fiduciary of a Plan subject to ERISA is a "named fiduciary," (ii) the fiduciary appoints an investment adviser to manage the assets of the Plan, and (iii) the investment adviser is a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (or under similar state law provisions) which acknowledges in writing that it is a fiduciary with respect to the Plan, the investment adviser can meet the requirements of an "investment manager" under Section 3(38) of ERISA and the fiduciary's liabilities can be partially limited with respect to the investment adviser's management of the Plan's assets. Thus, while the Plan fiduciary will remain responsible for the prudence of selecting the investment adviser, and for monitoring the investment adviser's actions, the fiduciary need not be responsible for any failure of the investment adviser to comply with ERISA's fiduciary standards or otherwise have any obligation to manage or invest any assets which are subject to the management of the adviser (unless the Plan fiduciary has actual knowledge of a breach of the investment adviser's fiduciary

duties). In connection with the offering of the Shares, to the extent the Fund's assets are ERISA plan assets, the Plan fiduciary will have appointed the Advisor/Manager as an investment adviser of the Plan's undivided interest in the Fund. However, if the Advisor/Manager is not appointed as an ERISA investment manager, including if any of the conditions described above are not satisfied, the fiduciary of a Plan subject to ERISA will be responsible for both the selection and monitoring of the Advisor/Manager *as well as* the Advisor/Manager's compliance with the fiduciary standards and prohibited transaction rules of ERISA and the related provisions of the Code.

In the event of a breach of ERISA or the Code, a fiduciary of a Plan subject to ERISA can be personally liable for losses incurred by the Plan resulting from the fiduciary's breach of fiduciary duties (including lost profits) and a civil penalty imposed by the DOL, as well as significant excise taxes and other negative consequences.

Management of the Fund

As a fiduciary under ERISA, the Advisor/Manager will be subject to ERISA's prohibited transaction provisions (and the generally mirror provisions of Section 4975 of the Code) in connection with the management of the Fund to the extent the Funds assets are treated as "plan assets" of investing ERISA Plans, Individual Retirement Funds and Plan Assets Entities. Thus, unless an exception or exemption applies, the Advisor/Manager is prohibited from allowing the Fund to engage in any transaction (including the buying or selling of securities or other property or any extension of credit) which it knows or should know is with a "party in interest," regardless of the reasonableness or fairness of the transaction. As a general matter, this would require the Advisor/Manager to determine whether each transaction involving the assets of the Fund would give rise to a non-exempt prohibited transaction under ERISA. While blind open market trades should not cause prohibited transaction concerns, transactions such as over-the-counter, principal, foreign currency or derivatives transactions, and investments in other investment entities, will need to be considered in light of the available exemptions. A party in interest, for these purposes, includes, without limitation: any fiduciary, administrator or service provider of the Fund or any of the Plan investors in the Fund; an employer whose employees are covered by any of the Plans; and a union any of whose members are covered by any of the Plans. In addition, certain affiliates of the foregoing entities are also classified as parties in interest.

To the extent the Funds assets are treated as "plan assets" of investing ERISA Plans, Individual Retirement Funds and Plan Assets Entities such that the prohibited transaction provisions of ERISA and Section 4975 of the Code are applicable to the Fund, one available exemption might include the Department of Labor's Prohibited Transaction Class Exemption 84-14 ("**PTCE 84-14**"). Under PTCE 84-14, transactions entered into by the Advisor/Manager involving unrelated parties in interest will be exempt, if the conditions of the exemption are met. Certain significant conditions of PTCE 84-14 include: (i) the Advisor/Manager must be a "qualified professional asset manager" as defined in Part V(a) of PTCE 84-14, (ii) the party in interest must not be the Advisor/Manager or any of its affiliates, or any person that has, or has exercised, the authority to appoint or terminate the Advisor/Manager as a fiduciary over the plan's assets or any person that exercises fiduciary authority in connection with the plan's decision to invest in, or maintain its investments in, the Fund. The result of these conditions are that the Advisor/Manager will need to obtain representations, warranties and covenants from

Plans that are subject to ERISA or the prohibited transaction provisions of the Code to facilitate compliance with these conditions. The relief provided by PTCE 84-14 would not be available, however, for any Plan which, when combined with the assets of other Plans established or maintained by the same employer (or an affiliate of such employer) or employee organization, and managed by the Advisor/Manager, represents more than twenty percent (20%) of the total client assets managed by the Advisor/Manager. To the extent the Advisor/Manager intends to rely on PTCE 84-14, the result of these conditions are that the Advisor/Manager may need to obtain representations, warranties and covenants from Plans that are subject to ERISA or the prohibited transaction provisions of the Code to facilitate compliance with these conditions.

To the extent the Funds assets are treated as "plan assets" of investing ERISA Plans, Individual Retirement Funds and Plan Assets Entities, if the relief provided by PTCE 84-14 is not available with respect to any Plan investor, then it is possible that Prohibited Transaction Class Exemption 75-1 ("**PTCE 75-1**") may apply to certain types of transaction entered into by the Advisor/Manager. Under Part II of PTCE 75-1, a broker-dealer registered under the Securities Exchange Act of 1934, as amended, a reporting dealer who makes primary markets in securities of the United States Government and reports daily to the Federal Reserve Bank of New York its positions with respect to such securities and borrowings thereon, or a bank supervised by the United States or a State may purchase or sell a security to a Plan if the conditions stated therein are satisfied, including that it is a party in interest only by reason of being a service provider to the plan and is not a discretionary fiduciary to a Plan investor, among other conditions.

To the extent the Funds assets are treated as "plan assets" of investing ERISA Plans, Individual Retirement Funds and Plan Assets Entities, Section 407 of ERISA limits the amount and type of "employer securities" that may be held by certain types of employee benefit plans. Employer securities are securities issued by an employer of employees covered by such plan, or by an affiliate of such employer. Accordingly, in order to avoid the burden of monitoring compliance with the Section 407 limitations, and to avoid the possibility of an inadvertent violation of Section 407, Plans subject to ERISA with publicly traded affiliates or parent companies incorporated outside of the U.S. and whose investment in the Fund could cause a violation of Section 407 should notify the Advisor/Manager in writing of any such concern.

While the Advisor/Manager will endeavor to comply with ERISA's fiduciary standards and the prohibited transaction rules to the extent the Funds assets are treated as "plan assets" of investing ERISA Plans, Individual Retirement Funds and Plan Assets Entities, there can be no guarantee that the good faith actions of the Advisor/Manager will not result in a breach of fiduciary duty under ERISA. In this regard, the plan fiduciary is therefore urged to consult with its own legal counsel concerning these issues. Moreover, there can be no absolute assurance that the Advisor/Manager will be able to determine whether a nonexempt prohibited transaction has occurred or might occur.

ERISA Fidelity Bond

The Advisor/Manager has purchased a fidelity bond satisfying the requirements of Section 412 of ERISA with respect to the assets of the Fund owned by ERISA Plans.

Additional Fiduciary Considerations

Certain prospective Plan investors may currently maintain relationships with the Advisor/Manager or any of its affiliates under which the Advisor/Manager or any such affiliate provides investment advisory and/or management services to such entity. These relationships may cause the Advisor/Manager or its affiliates to be deemed to be a fiduciary with respect to such Plan. As a result, an investment in the Fund by a Plan for which the Advisor/Manager or any of its affiliates provide investment advisory and/or management services could possibly be interpreted to constitute a prohibited use of the plan assets of such entity because it has the effect of benefiting them. The Advisor/Manager has determined that neither it nor any affiliate will recommend investment of any Plan assets in Shares with respect to which assets the Advisor/Manager or any such affiliate may be a fiduciary, nor will the Advisor/Manager or any affiliate allocate any such assets over which they have discretionary control to the Fund. Plan fiduciaries should make their own determination regarding whether any relationship the Plan investor (or its fiduciaries) maintains with the Advisor/Manager or any of its affiliates would constitute a prohibited use of plan assets.

ERISA Plan Custody Requirement

Regardless of whether the Fund is treated as a plan asset (and in any event), Shares of the Fund held by a Plan subject to ERISA will be considered plan assets. For Plans subject to ERISA, ERISA requires that the indicia of ownership of its plan assets be held within the jurisdiction of the U.S. district courts. ERISA Plan fiduciaries thus need to ensure compliance with the requirement to maintain the indicia of ownership of their Shares within the jurisdiction of the U.S. district courts, as required by ERISA.

The indicia of ownership requirement will also apply to the assets of the Fund, to the extent the assets of the Fund are treated as plan assets subject to ERISA. Thus, in that instance, the assets of the Fund would also need to be maintained within the jurisdiction of the United States district courts**.** Through custody arrangements entered into by the Advisor/Manager, the Advisor/Manager intends to comply with ERISA's custody requirements.

Reporting and Disclosure

Plan fiduciaries are responsible for complying with any reporting and disclosure requirements under ERISA or the Code resulting from an investment in the Fund. A Form 5500 (Annual Return/Report) is required to be filed by certain Plans investing in the Fund. Pursuant to DOL regulations, ERISA Plans investing in the Fund would need to include on their Form 5500 information relating to the fair market value of the Plan's investment in the Fund as of the close of the Plan's fiscal year, and the Plan's acquisition or disposition of any Shares. Moreover, to the extent the assets of the Fund are treated as plan assets, detailed information regarding the Fund's assets and liabilities and even the Fund's investment transactions may need to be reported on the Plan's Form 5500, unless the Advisor/Manager elects to make an alternative filing directly with the DOL. Presently, the Advisor/Manager does not intend to make an alternative filing directly with the DOL. If the Plan's fiscal year differs from the Fund's fiscal year, the Plan investor may not be able to obtain valuation information on its Shares or on the underlying assets of the Fund as of the last day of the Plan's fiscal year. Filing each Plan's Form 5500 is the

responsibility of the Plan sponsor. Sponsors should contact the Advisor/Manager if they need assistance in obtaining any information to complete their filings.

Special Rules for Individual Retirement Funds

Individual Retirement Fund fiduciaries should consider the unique rules applicable to their Individual Retirement Fund before making an investment in the Fund. Although Individual Retirement Funds are subject to the prohibited transaction rules of the Code, Individual Retirement Funds are not subject to ERISA's fiduciary standards, but may be subject to additional rules and regulations that could impact a decision to invest in the Fund. For example, IRAs are subject to special custody rules and are prohibited from investing in certain commingled investments. A violation of these custody rules or a prohibited commingling of the assets of an IRA in other than a common trust fund or common investment fund could result in the disqualification of the IRA and a deemed distribution of the IRA's assets to the beneficiary of the IRA.

Exempt Plans

Certain Plans may include the assets of governmental plans which are not subject to ERISA and church plans which often will not be subject to ERISA. Also, the above-described prohibited transaction provisions do not apply to governmental plans or church plans. However, such Plans are subject to prohibitions against certain related-party transactions under Section 503 of the Code, which prohibitions operate similar to the above-described prohibited transaction rules. In addition, the fiduciary of any governmental or church plan must consider applicable state or local laws, if any, and the restrictions and duties of common law, if any, imposed upon such plan before making an investment in the Fund.

Information Request

The Advisor/Manager reserves the right to request from any investor or potential investor in the Fund such information as the Advisor/Manager deems necessary to monitor Fund investments relating to Plans or potential Plan-related compliance concerns.

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Plan fiduciaries that are prospective investors should consult with their own counsel concerning the appropriateness of an investment in the Fund, and the consequences under ERISA or other applicable law of an investment in the Fund, including all compensation arrangements.