EMERGING MARKETS RISK DISCLOSURE STATEMENT

This Risk Disclosure Statement is intended to inform investors of the uncertainties and risks associated with investments and transactions in various types of products (equities, fixed income, derivatives, currencies, commodities, loan obligations and other contracts) ("Instruments") of, or related or linked to, issuers and obligors incorporated, based or principally engaged in business in emerging markets countries. The risks of investing in Instruments linked to these countries are magnified because of, among other things, political uncertainties and the relative instability of their developing financial markets and economies. Moreover, many emerging markets countries do not have fully developed or clear legal, judicial, regulatory or settlement infrastructures. Consequently, making investments in or with respect to these markets and Instruments involves significant risks that may not be present in or with respect to more developed markets. This Risk Disclosure Statement is intended to summarize some of the investment risks present in investing in emerging markets Instruments but, of course, cannot disclose all possible risks of buying and selling such Instruments.

INVESTMENTS IN EMERGING MARKETS INSTRUMENTS SHOULD BE MADE ONLY BY SOPHISTICATED INVESTORS OR EXPERIENCED PROFESSIONALS WHO HAVE INDEPENDENT KNOWLEDGE OF THE RELEVANT MARKETS, ARE ABLE TO CONSIDER AND WEIGH THE VARIOUS RISKS PRESENTED BY SUCH INSTRUMENTS, AND HAVE THE FINANCIAL RESOURCES NECESSARY TO BEAR THE SUBSTANTIAL RISK OF LOSS OF INVESTMENT IN SUCH INSTRUMENTS.

EMERGING MARKETS

Countries with emerging markets include, but are not limited to (1) countries that have an emerging stock market in a developing economy as defined by the International Finance Corporation; (2) countries that have low to middle income economies according to the World Bank; and (3) countries listed in World Bank publications as developing. The list of emerging markets countries is subject to continuous change.

EVENT RISK

On occasion, a country or region will suffer an unforeseen catastrophic event (for example, a natural disaster) that causes disturbances in its financial markets, including rapid movements in its currency, that will affect the value of Instruments in, or which relate to, that country. Furthermore, the value of Instruments and any income derived therefrom can be adversely affected by global events, including events (political, economic or otherwise) occurring in a country other than that in which the Instruments are issued or traded.

POLITICAL RISK

Many emerging markets countries are undergoing, or have undergone in recent years, significant political change that has affected government policy, including the regulation of industry, trade, financial markets and foreign and domestic investment. The relative inexperience with such policies and instability of these political systems leaves them more vulnerable to economic hardship, public unrest or popular dissatisfaction with reform, political or diplomatic developments, social, ethnic, or religious instability or changes in government policies. Such circumstances, in turn, could lead to a reversal of some or all political reforms, a backlash against foreign investment, and possibly even a turn away from a market-oriented economy. For investors, the results may include confiscatory taxation, exchange controls, compulsory reacquisition, nationalization or expropriation of foreign-owned assets without adequate compensation or the restructuring of particular industry sectors in a way that could adversely affect

investments in those sectors. Any perceived, actual or expected disruptions or changes in government policies of a country, by elections or otherwise, can have a material impact on the value of Instruments linked to those countries.

ECONOMIC RISK

The economies of emerging markets countries are by their nature in early or intermediate states of economic development, and therefore more vulnerable to rising interest rates and inflation. In fact, in many countries, high interest and inflation rates are the norm. Rates of economic growth, corporate profits, domestic and international flows of funds, external and sovereign debt, dependence on international trade, and sensitivity to world commodity prices play key roles in economic development, yet vary greatly from country to country. Businesses and governments in these countries may have a limited history of operating under market conditions. Accordingly, when compared to more developed countries, businesses and governments of emerging markets countries are relatively inexperienced in dealing with market conditions and have a limited capital base from which to borrow funds and develop their operations and economies. Additionally, the lack of an economically feasible tax regime in certain countries poses the risk of sudden imposition of arbitrary or excessive taxes, which could adversely affect foreign investors. Furthermore, many emerging markets countries lack a strong infrastructure and banks and other financial institutions may not be well-developed or well regulated. These factors, among others, can affect the proper functioning of the economy and have a corresponding adverse effect on the performance of Instruments linked to a particular market.

CREDIT RISK

Emerging markets sovereign and corporate debt tends to be riskier than sovereign and corporate debt in established markets. Issuers and obligors of debt in these countries are more likely to be unable to make timely coupon or principal payments, thereby causing the underlying debt or loan to go into default. The sovereign debt of some countries is currently in technical default and there are no guarantees that such debt will eventually be restructured. The measure of a company's or government's ability to repay its debt can affect not only the market for that particular debt, but also the market for all Instruments related to that company or country.

Additionally, evaluating credit risk for foreign bonds involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Many debt Instruments are simply unrated and may already be in default or considered distressed. There is often less publicly available business and financial information about foreign issuers than those in developed countries. Furthermore, foreign companies are often not subject to uniform accounting, auditing and financial reporting standards. Some emerging markets countries may have accounting standards that bear little or no resemblance to, or may not even be reconcilable with, U.S. generally-accepted accounting principles ("GAAP").

CURRENCY RISK

Many emerging markets Instruments are denominated in foreign currencies. The weakening of a country's currency relative to the U.S. dollar or other benchmark currencies will negatively affect the dollar value of an Instrument denominated in that currency. Currency valuations are linked to a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. It is important to note that some countries have foreign exchange controls that may include the suspension of the ability to exchange or transfer currency, or the devaluation

of the currency. Hedging can increase or decrease the exposure to any one currency, but may not eliminate completely the exposure to changing currency values.

MARKET RISK

The emerging equity and debt markets of many emerging markets countries are in the early stages of development. These financial markets generally lack the level of transparency, liquidity, efficiency and regulation found in more developed markets. Price volatility in many of these markets can be extreme. Price discrepancies can be common. Additionally, as news about a country becomes available, the financial markets may react with dramatic upswings and/or downswings in prices during a very short period of time. These markets also might not have regulations governing manipulation and insider trading or other provisions designed to "level the playing field" with respect to the availability of information and the use or misuse thereof in such markets. It may be difficult to employ certain risk management practices for emerging markets Instruments, such as forward currency exchange contracts, stock options, currency options, stock and stock index options, futures contracts and options on futures contracts.

LIQUIDITY/GAPPING RISK

Liquidity of an Instrument is directly affected by the supply and demand for that Instrument. Generally, as the supply of potential sellers increases or demand by potential buyers decreases, or both, liquidity of the Instrument will decrease and bid/offer spreads will widen. On some Instruments, because of their structure, liquidity is affected by the costs of unwinding an imbedded transaction. Natural disasters and economic, social, and political developments in a country can cause a decrease in the liquidity of investments related to that country, thereby making it difficult to sell promptly at an acceptable price. In addition, the failure, pending failure or financial difficulties of an entity holding significant positions in certain types of Instruments may trigger a decrease in the liquidity and value of the same or similar types of Instruments. The sale of Instruments, including illiquid Instruments, could also be subject to legal restrictions in some countries.

REGULATORY/LEGAL RISK

In emerging markets countries there is generally less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers and issuers than in more developed countries. Whatever supervision is in place may be subject to manipulation or control. Developing countries might not have legal systems that are as mature as those of more developed countries. The process of regulatory and legal reform may not proceed at the same pace as market developments, which could result in confusion and uncertainty and, ultimately, increased investment risk. Legislation to safeguard the rights of private ownership may not yet be in place and there may be the risk of conflict among local, regional and national rules and regulations. In certain areas, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary application or interpretation and may be changed with retroactive effect. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Judges and courts in many countries are generally inexperienced in the areas of business and corporate law. Companies are exposed to the risk that legislatures will revise established law solely in response to economic or political pressure or popular discontent. There is no guarantee that a foreign investor would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. An investor may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in foreign courts.

TRADE SETTLEMENT, PROCESSING AND CLEARING

Many emerging markets have different clearance and settlement procedures from those in more developed countries. For many emerging markets Instruments, there is no central clearing mechanism for settling trades and no central depositary or custodian for the safe keeping of securities. Custodians can include domestic and foreign custodian banks and depositaries, among others. The registration, recordkeeping and transfer of Instruments may be carried out manually, which may cause delays in the recording of ownership. There are times when settlement dates are extended, and during the interim the market value of an Instrument may change. Moreover, certain markets have experienced times when settlements did not keep pace with the volume of transactions, resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk is more prominent than in more mature markets.

BONDHOLDER/SHAREHOLDER

Rules in emerging markets countries regulating the ownership and corporate governance of companies (for example, requiring the disclosure of large ownership positions or governing tender offers by majority shareholders) may not exist or may provide little protection to bondholders and shareholders. Disclosure and reporting requirements in general, from annual and quarterly reports to prospectus content and delivery, may be minimal or non-existent. Antifraud and insider trading law is generally not very well developed in many emerging markets countries. There may be no prohibitions or restrictions under local law on the ability of management to terminate existing business operations, sell or dispose of assets, or otherwise materially affect the value of the company without the consent of its shareholders. Antidilution protection may also be very limited. There may be no fiduciary duty, or a limited concept of fiduciary duty, on the part of management or the directors to the company or to the shareholders as a whole or minority shareholders. Remedies for violations of shareholders' rights may be difficult to obtain because of the absence of a system of derivative or class action litigation.

RISKS IN GENERAL

The nature and extent of investment risks described above vary from country to country and Instrument to Instrument. Many of these risks overlap, are correlated or related to one another, or are subsets of more general risks. These investment risks will vary with:

- the type of investment being made;
- the needs and objectives of particular investors;
- the manner in which a particular investment is made or a specific Instrument is offered, sold or traded;
- the location or domicile of the issuer;
- the diversification or concentration in a portfolio (e.g., the amount invested in any one currency, security, country or issuer);
- the complexity of the transaction; and
- the use of leverage.

CONCLUSION

Investments in Instruments related to emerging markets countries may be considered speculative, and their prices will be much more volatile than those in the more developed countries. It is

each investor's responsibility to manage the risks that arise as a result of investing in emerging markets Instruments. The risks set forth herein individually or in the aggregate, as well as other factors, could have a material adverse effect on the investment. This Risk Disclosure Statement is not intended to be an exhaustive list of all the risk factors affecting emerging markets Instruments. Investors should seek advice from other professional advisers with regard to tax and accounting factors to be considered when investing in an emerging markets Instrument.

BEFORE MAKING ANY INVESTMENT IN AN EMERGING MARKETS INSTRUMENT, YOU SHOULD INDEPENDENTLY SATISFY YOURSELF THAT YOU UNDERSTAND AND APPRECIATE THE SIGNIFICANCE OF THE RELEVANT RISKS, AND THAT SUCH AN INVESTMENT IS APPROPRIATE AND SUITABLE FOR YOU IN LIGHT OF YOUR OBJECTIVES, EXPERIENCE, FINANCIAL AND OPERATIONAL RESOURCES, AND OTHER RELEVANT CIRCUMSTANCES.