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CONFIDENTIAL EXPLANATORY MEMORANDUM

**THIRD AVENUE EMERGING MARKETS (OFFSHORE) FUND,
LTD.**

(a Cayman Islands exempted company)

April 2010

THIS CONFIDENTIAL EXPLANATORY MEMORANDUM (THE "MEMORANDUM") IS SUBMITTED TO YOU ON A CONFIDENTIAL BASIS SOLELY IN CONNECTION WITH YOUR CONSIDERATION OF AN INVESTMENT IN COMMON SHARES OF THIRD AVENUE EMERGING MARKETS (OFFSHORE) FUND, LTD., A CAYMAN ISLANDS EXEMPTED COMPANY (THE "FUND"). DUE TO THE CONFIDENTIAL NATURE OF THIS MEMORANDUM, ITS USE FOR ANY OTHER PURPOSE MIGHT INVOLVE LEGAL CONSEQUENCES. CONSEQUENTLY, THIS MEMORANDUM MAY NOT BE REPRODUCED IN WHOLE OR IN PART, AND MAY NOT BE DELIVERED TO ANY PERSON (OTHER THAN YOUR FINANCIAL ADVISOR) WITHOUT THE PRIOR WRITTEN CONSENT OF THE FUND'S BOARD OF DIRECTORS (THE "DIRECTORS").

Offer for sale of initially two classes of common shares, par value \$0.01 (U.S.) per common share ("Common Shares", which terms include all classes, sub-classes or series of Common Shares unless otherwise indicated), of the Fund. The assets of the Fund will be invested through a "master-feeder" fund structure in Third Avenue Emerging Markets (Master) Fund, L.P., a Cayman Islands exempted limited partnership. The required initial subscription is \$1,000,000 (U.S.) (which is subject to change in the sole discretion of the Directors but not below the statutory minimum, which is currently \$100,000 (U.S.)).

Price: Initially \$1,000 (U.S.) per Common Share and thereafter at the Offering Price (as described herein) per Common Share

THE COMMON SHARES OF THE FUND ARE SPECULATIVE SECURITIES INTENDED FOR A LIMITED NUMBER OF EXPERIENCED AND SOPHISTICATED INVESTORS. COMMON SHARES OF THE FUND WILL BE OFFERED ONLY TO PERSONS WHO ARE NEITHER CITIZENS NOR RESIDENTS OF THE UNITED STATES AND TO A LIMITED NUMBER OF U.S. INVESTORS, CONSISTING OF QUALIFIED PENSION, PROFIT SHARING AND OTHER RETIREMENT TRUSTS, CHARITIES AND OTHER TAX-EXEMPT ENTITIES. THE COMMON SHARES WILL NOT BE OFFERED TO THE PUBLIC IN THE CAYMAN ISLANDS. THIS MEMORANDUM MAY NOT BE REPRODUCED IN WHOLE OR IN PART, AND MAY NOT BE DELIVERED TO ANY PERSON (OTHER THAN YOUR FINANCIAL ADVISOR) WITHOUT THE PRIOR WRITTEN CONSENT OF THE DIRECTORS.

THIRD AVENUE MANAGEMENT LLC (THE "INVESTMENT MANAGER") HAS FILED A CLAIM OF EXEMPTION FROM REGISTRATION AS A COMMODITY POOL OPERATOR WITH THE UNITED STATES COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH PRIVATE INVESTMENT FUNDS WHOSE NATURAL PERSON PARTICIPANTS ARE "QUALIFIED PURCHASERS", AS DEFINED IN SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), AND WHOSE NON-NATURAL PERSON PARTICIPANTS ARE ACCREDITED INVESTORS, AS DEFINED IN REGULATION D UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR QUALIFIED ELIGIBLE PERSONS, AS DEFINED IN RULE 4.7 UNDER THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED.

NO REGISTRATION STATEMENT HAS BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES AUTHORITY WITH RESPECT TO THIS OFFERING. THE COMMON SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE ACT, AND MAY ONLY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY TO ANY UNITED STATES CITIZEN OR RESIDENT OR TO ANY CORPORATION, PARTNERSHIP, TRUST OR OTHER ENTITY CHARTERED OR ORGANIZED UNDER THE LAWS OF ANY JURISDICTION IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS IN PRIVATE PLACEMENTS EXEMPT FROM REGISTRATION PURSUANT TO REGULATION D OF THE ACT.

THESE COMMON SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THESE OFFERING MATERIALS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DISTRIBUTION OF THIS MEMORANDUM AND THE OFFER AND SALE OF THE COMMON SHARES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY COMMON SHARES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER IN ANY JURISDICTION. NO ACTION HAS BEEN OR WILL BE TAKEN TO PERMIT A PUBLIC OFFERING IN ANY JURISDICTION WHERE ACTION WOULD BE REQUIRED FOR THAT PURPOSE. ACCORDINGLY, THE COMMON SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND THIS MEMORANDUM MAY NOT BE DISTRIBUTED, IN ANY JURISDICTION, EXCEPT IN ACCORDANCE WITH THE LEGAL REQUIREMENTS APPLICABLE IN SUCH JURISDICTION. PURCHASERS SHOULD INFORM THEMSELVES AS TO THE LEGAL

REQUIREMENTS WITHIN THEIR OWN COUNTRIES FOR THE PURCHASE OF COMMON SHARES AND TO ANY TAXATION OR EXCHANGE CONTROL LEGISLATION APPLICABLE TO THEM.

AN INVESTMENT IN THE FUND IS SPECULATIVE AND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. IT IS DESIGNED ONLY FOR EXPERIENCED AND SOPHISTICATED PERSONS WHO ARE ABLE TO BEAR THE RISK OF THE SUBSTANTIAL IMPAIRMENT OR LOSS OF THEIR ENTIRE INVESTMENT IN THE FUND.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, INVESTMENT OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS PERSONAL COUNSEL, ACCOUNTANTS AND OTHER ADVISERS AS TO THE LEGAL, TAX, ECONOMIC AND RELATED ASPECTS OF THE INVESTMENT DESCRIBED HEREIN AND AS TO ITS SUITABILITY FOR SUCH INVESTOR.

THE FUND IS A REGULATED MUTUAL FUND FOR THE PURPOSES OF THE MUTUAL FUNDS LAW (REVISED) OF THE CAYMAN ISLANDS (THE "MUTUAL FUNDS LAW"). THE FUND IS REGISTERED WITH THE CAYMAN ISLANDS MONETARY AUTHORITY (THE "MONETARY AUTHORITY") PURSUANT TO SECTION 4(3) OF THE MUTUAL FUNDS LAW AND THE PRESCRIBED DETAILS IN RESPECT OF, AND A COPY OF THIS MEMORANDUM HAS BEEN FILED WITH THE MONETARY AUTHORITY. SUCH REGISTRATION DOES NOT IMPLY THAT THE MONETARY AUTHORITY OR ANY OTHER REGULATORY AUTHORITY IN THE CAYMAN ISLANDS HAS APPROVED THIS MEMORANDUM OR THE OFFERING OF COMMON SHARES HEREUNDER. FOR A SUMMARY OF THE CONTINUING REGULATORY OBLIGATIONS OF THE FUND AND A DESCRIPTION OF THE REGULATORY POWER OF THE MONETARY AUTHORITY, SEE SECTION 19 OF THIS MEMORANDUM.

THE COMMON SHARES ARE OFFERED ONLY ON THE BASIS OF THE INFORMATION CONTAINED IN THIS MEMORANDUM. ANY FURTHER INFORMATION OR REPRESENTATIONS GIVEN OR MADE BY ANY DEALER, BROKER OR OTHER PERSON SHOULD BE DISREGARDED AND ACCORDINGLY SHOULD NOT BE RELIED UPON. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OF THE COMMON SHARES OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED ON AS HAVING BEEN AUTHORIZED BY THE FUND, THE DIRECTORS, THE INVESTMENT MANAGER, THE PRIME BROKER OR THE ADMINISTRATOR (EACH AS DEFINED BELOW). NEITHER THE DELIVERY OF THIS MEMORANDUM NOR THE ISSUE OF COMMON SHARES WILL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION OR CONSTITUTE ANY REPRESENTATION THAT THE AFFAIRS OF THE FUND HAVE NOT CHANGED SINCE THE DATE HEREOF.

THE DIRECTORS OF THE FUND WHOSE NAMES APPEAR IN THIS MEMORANDUM ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS (WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE) THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

WHENEVER THE MASCULINE OR FEMININE GENDER IS USED IN THIS MEMORANDUM, IT WILL EQUALLY, WHERE THE CONTEXT PERMITS, INCLUDE THE OTHER, AS WELL AS INCLUDE ENTITIES.

FOR CAYMAN ISLANDS PROSPECTIVE INVESTORS:

THE FUND MAY NOT MAKE AN INVITATION TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE COMMON SHARES UNLESS THE FUND IS LISTED ON THE CAYMAN ISLANDS STOCK EXCHANGE. "PUBLIC" FOR THESE PURPOSES SHALL HAVE THE SAME MEANING AS "PUBLIC IN THE ISLANDS", AS DEFINED IN THE MUTUAL FUNDS LAW.

HOWEVER, COMMON SHARES MAY BE BENEFICIALLY OWNED BY PERSONS RESIDENT, DOMICILED, ESTABLISHED, INCORPORATED OR REGISTERED PURSUANT TO THE LAWS OF THE CAYMAN ISLANDS. THE FUND, HOWEVER, WILL NOT UNDERTAKE BUSINESS WITH THE PUBLIC IN THE CAYMAN ISLANDS OTHER THAN SO FAR AS MAY BE NECESSARY FOR THE CARRYING ON OF THE BUSINESS OF THE COMPANY EXTERIOR TO THE ISLANDS.

FOR FLORIDA, U.S.A. RESIDENTS:

THE FOLLOWING NOTICE IS PROVIDED TO SATISFY THE NOTIFICATION REQUIREMENT SET FORTH IN SUBSECTION 11(A)(5) OF SECTION 517.061 OF THE FLORIDA STATUTES, 1987, AS AMENDED:

UPON THE ACCEPTANCE OF FIVE (5) OR MORE FLORIDA INVESTORS, AND IF THE FLORIDA INVESTOR IS NOT A BANK, A TRUST COMPANY, A SAVINGS INSTITUTION, AN INSURANCE COMPANY, A DEALER, AN INVESTMENT COMPANY AS DEFINED IN THE INVESTMENT COMPANY ACT, A PENSION OR PROFIT-SHARING TRUST, OR A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE ACT), THE FLORIDA INVESTOR ACKNOWLEDGES THAT ANY SALE OF AN INTEREST TO THE FLORIDA INVESTOR IS VOIDABLE BY THE FLORIDA INVESTOR EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE FLORIDA INVESTOR TO THE ISSUER, OR AN AGENT OF THE ISSUER, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE FLORIDA INVESTOR, WHICHEVER OCCURS LATER.

FOR NEW HAMPSHIRE, U.S.A. RESIDENTS:

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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1. SUMMARY

The following is a summary of the more detailed information contained elsewhere in this Confidential Explanatory Memorandum (the “Memorandum”) and other documents relating to Third Avenue Emerging Markets (Offshore) Fund, Ltd. (the “Fund”) and is qualified in its entirety by reference to the full text of this Memorandum and such related documents.

The Fund

Third Avenue Emerging Markets (Offshore) Fund, Ltd. is an exempted company incorporated and existing under the laws of the Cayman Islands.

The Fund will invest all of its assets through a “master-feeder” fund structure in Third Avenue Emerging Markets (Master) Fund, L.P. (the “Master Fund”), an exempted limited partnership formed and existing under the laws of the Cayman Islands. Concurrently with the offering of the Common Shares (as defined below), Third Avenue Emerging Markets Fund, L.P., a Delaware, U.S.A. limited partnership (the “U.S. Fund”), will offer interests, the proceeds of which will be invested in the Master Fund. Other investment vehicles may be formed in the future to invest in the Master Fund. Notwithstanding the foregoing, the Fund and the U.S. Fund are authorized to invest outside of the Master Fund.

Each investment vehicle, including the Fund, that invests in the Master Fund indirectly shares the administrative and other expenses of the Master Fund pro rata based on its interest in the Master Fund. (Unless otherwise indicated, references in this Memorandum to the investment activities of the Fund means the investment activities of the Fund through the Master Fund and other references to the Fund may, to the extent appropriate, include both the Fund and the Master Fund.)

Investment Objective and Strategy

The Fund employs an opportunistic, fundamentally driven research process that seeks to uncover value through a portfolio in or deriving substantial exposure from emerging and frontier market countries (collectively “Emerging Markets”) traditionally less traveled by conventional Emerging Market investors. The Fund’s investment objective is to achieve long-term capital appreciation and manage portfolio risk by utilizing the Investment Manager’s (as defined below) deep value experience and maintaining moderate net market exposure. This objective shall be achieved through the Fund’s investment in the Master Fund.

The Fund’s portfolio of long investments, will be selected by applying a fundamental, opportunistic, bottom-up, long-standing value investing methodology which seeks to identify equity and debt securities which are mispriced by the market in relation to their intrinsic value. The Investment Manager believes that investing in such equity and debt securities whose market prices represent significant discounts to ascertainable intrinsic values should result in above-average returns over time. Additionally, the Fund intends to make long investments in derivative securities including futures, options, swaps and forwards on single securities, groups of securities, indices or currencies.

The Fund will employ a variety of hedging instruments and techniques, including short sales, swaps, options and futures or other similar securities with the objective of reducing the net market exposure and volatility of the Fund.

The Fund may leverage its capital in an amount which will not exceed 25% of its total assets, measured at the time of borrowing, excluding the amount of any borrowings.

Risk Management

Through a proprietary, fundamental, bottom-up research process, the Investment Manager seeks to identify and limit sources of business risk. In addition to managing business risk, the Investment Manager will seek to measure and mitigate portfolio risk.

The Investment Manager has established portfolio management guidelines including diversification and concentration limits for the Fund's long positions which will range between 30 – 50 in number (though the number may be higher or lower from time to time), a maximum long and fundamental short position size limit of 15% and 5%, respectively, of the net assets of the Fund at the time of last purchase (or short sale), based on cost. Additionally, the maximum investment by the Fund in any single country or any single industry will not exceed 25% of the net assets of the Fund (determined at the time of last purchase, based on cost). The Fund's investments in frontier markets will not exceed 25% of the net assets of the Fund (determined at the time of last purchase, based on cost).

Curtis Jensen, the Chief Investment Officer of the Investment Manager, shall serve as the Chief Risk Officer of the Fund.

**General Partner;
Investment Manager**

Third Avenue Emerging Markets Advisers LLC (the "General Partner"), a Delaware, U.S.A. limited liability company registered as a foreign company in the Cayman Islands, serves as the General Partner of the Master Fund and also serves as the General Partner of the U.S. Fund. The General Partner is a wholly-owned subsidiary of Third Avenue Management LLC, and an affiliate of M.J. Whitman LLC. The investment manager of the Fund, the U.S. Fund and the Master Fund is Third Avenue Management LLC (the "Investment Manager"), a Delaware, U.S.A. limited liability company which will provide certain administrative and investment management services to the Fund, the U.S. Fund and the Master Fund. The parent company of the Investment Manager is Third Avenue Holdings Delaware LLC ("TAHD"), approximately 60% of which is indirectly owned by Affiliated Managers Group, Inc., and approximately 40% of which is owned by the senior management of the Investment Manager and its affiliates. Amit B. Wadhwane, an equity holder in TAHD, serves as the portfolio manager of the Fund on behalf of the Investment Manager and is the individual primarily responsible for directing the investment of the Master Fund's assets. Mr. Wadhwane will head a team of six investment professionals, including senior research analysts Matthew Fine and Jakub Rehor, as well as Michael Warlan, the Fund's dedicated emerging markets trader, each equity holders in TAHD. The Investment Manager is registered as an investment adviser with the United States Securities and Exchange Commission.

**Minimum Initial
Investment**

The minimum initial investment is \$1,000,000 (U.S.), subject to waiver at the sole discretion of the Board of Directors of the Fund (the "Directors"), but not below the statutory minimum, which is currently \$100,000 (U.S.).

Risk Factors

An investment in the Fund involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. There can be no assurance that the Fund will achieve its investment objective. An investment in the Fund carries with it the inherent risks associated with investments in emerging markets, derivative instruments, equities, equity-related securities, debt and the use of leverage and short sales. See "Risk Factors" - Section 8. Each prospective shareholder of the Fund (each a "Shareholder") should carefully review this Memorandum and the documents referred to herein before deciding to invest in the Fund.

Management Fee

The Investment Manager is paid a monthly management fee calculated at an annual rate of 1.5% of the net assets of the Fund (the "Management Fee"). The Management Fee is paid monthly in advance, based on the value of the net assets of the Fund as of the first "Business Day" of each month. (For purposes of this Memorandum, a "Business Day" will mean any day on which banks are open in New York and the Cayman Islands.) The Management Fee will be adjusted for subscriptions and redemptions occurring during the month and is prorated for any period that is less than a full month. The Management Fee will be deducted in computing the net profit or net loss of the Fund. To the extent the Investment Manager receives the Management Fee at the Master Fund level, no management fee will be paid at the Fund level.

Incentive Allocation

At the end of each fiscal year, 20% of the net profits attributable to each Common Share of the Fund (including unrealized gains and losses), if any, subject to a loss carryforward (the "Incentive Allocation"), will be allocated to the General Partner at the Master Fund level.

When calculating the Incentive Allocation at the Master Fund level, net profits will be reduced by the Management Fee, and all items of income, loss and expense incurred at the Fund level will be taken into account. Since the General Partner will receive the Incentive Allocation at the Master Fund level, Shareholders will not be charged an incentive allocation or fee at the Fund level with respect to the Fund's investment in the Master Fund.

The General Partner may, in its sole discretion, in effect, waive or modify the Incentive Allocation for Shareholders that are members, employees or affiliates of the Investment Manager or General Partner, or relatives of such persons. See "Side Letters."

Expenses

The Investment Manager renders its services to the Fund at its own expense and is responsible for its overhead expenses including: office rent; furniture and fixtures; stationery; secretarial/internal administrative services; employee compensation; entertainment expenses; utilities; equipment; clerical expenses; Investment Manager bookkeeping and other services; employee insurance and payroll taxes.

All other expenses are paid by the Fund (or by the Master Fund and allocated to the Fund) and include the fees payable to the Investment Manager; Fund legal, compliance, administrator, audit (including custody audit, if any), tax and accounting fees and expenses (including third party accounting services); shareholder proxy voting services; organizational expenses; investment expenses such as commissions, research fees and expenses (including research related travel and expenses); insurance and bonding costs; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial and transfer fees; bank service fees; Directors' fees and expenses; the Fund's pro rata share of the expenses of the Master Fund; and any other expenses reasonably related to the purchase, sale or transmittal of Fund assets. Organizational expenses of the Fund will be paid by the Fund and, for net asset value purposes, may be amortized over a period of up to 60 months from the date the Fund commences operations.

Expenses are generally recorded at the Master Fund level. Expenses attributable to both the U.S. Fund and the Fund are allocated pro rata based on net assets of the U.S. Fund and the Fund at the end of each month. Expenses attributable directly to either the U.S. Fund or the Fund are allocated solely to the U.S. Fund or the Fund, as appropriate. Expenses attributable directly to a specific class, sub class or series of such class or sub class of Common Shares of the Fund are allocated solely to such Common Shares as

appropriate.

The Offering

The shares initially being offered are two classes of common shares, Class A common shares and Class B common shares, par value \$0.01 (U.S.) per common share (the “Common Shares”), issuable in multiple series. Class A Common Shares and Class B Common Shares have identical rights and privileges except with respect to participation in the profits and losses of “new issue” securities.

The Fund’s Common Shares will be offered only to experienced and sophisticated investors who are neither citizens nor residents of the United States and to a limited number of United States investors consisting of tax-exempt entities. The Common Shares will not be offered to members of the public in the Cayman Islands. The Fund may admit new Shareholders and accept additional subscriptions by existing Shareholders on the first Business Day of each month; however, the Fund reserves the right, in the sole discretion of the Directors, to accept subscriptions at other times.

The Fund may, in the sole discretion of the Directors, issue additional series, classes or sub-classes of Common Shares with terms or in currencies that differ from the Common Shares offered pursuant to this Memorandum.

Redemptions

A Shareholder may redeem Common Shares as of the last Business Day of any calendar quarter; provided that prior written notice to redeem is received by the Fund on or before the last Business Day of the preceding calendar quarter; and provided further that if a Shareholder redeems Common Shares on the last day of any calendar quarter occurring within the first 12 months after the date such Common Shares were purchased, the Shareholder will be subject to the payment of a redemption fee equal to 3% of the redemption proceeds, payable to the Fund.

Valuation

Fund investments will generally be valued at their last sale price. See “Net Asset Value” – Section 13 for a more detailed explanation.

Reports

Each Shareholder will receive unaudited reports of the performance of the Fund at least quarterly and audited year-end financial statements annually with the Fund’s first audit to be completed after the fiscal year ending December 31, 2010.

Tax Matters

The Fund should not be subject to any Cayman Islands or United States federal income taxes (other than United States withholding taxes on dividends and certain interest income derived from United States sources). Shareholders of the Fund who are not otherwise subject to United States taxation by reason of their residence, nationality or other particular circumstances should not become subject to any such taxation by reason of the ownership, transfer or redemption of Common Shares. Shareholders should consult their own advisors as to the tax consequences to them of an investment in the Fund.

2. DIRECTORY

Registered Office	Third Avenue Emerging Markets (Offshore) Fund, Ltd. c/o Ogier Fiduciary Services (Cayman) Limited 89 Nexus Way Camana Bay Grand Cayman KY1-9007 Cayman Islands
Administrator	International Fund Services (Ireland) Limited Shareholder Services Department 3rd Floor Bishop's Square Redmond's Hill Dublin 2, Ireland
Investment Manager	Third Avenue Management LLC 622 Third Avenue 32nd Floor New York, New York 10017 United States of America
Auditors	PricewaterhouseCoopers P.O. Box 258 Strathvale House North Church Street Grand Cayman, KY1-1104 Cayman Islands
United States Counsel	Seward & Kissel LLP One Battery Park Plaza New York, New York 10004 United States of America
Cayman Islands Counsel	Ogier 89 Nexus Way Camana Bay Grand Cayman KY1-9007 Cayman Islands
Prime Broker/Custodian	Morgan Stanley & Co., Inc. 1585 Broadway New York, New York 10036

Written inquiries relating to the Fund should be addressed to Third Avenue Emerging Markets (Offshore) Fund, Ltd. at the address of the Administrator set forth above.

3. INTRODUCTION

Third Avenue Emerging Markets (Offshore) Fund, Ltd. (the “Fund”) is an exempted company incorporated under the laws of the Cayman Islands on February 5, 2010 for the purpose of investing its assets in accordance with the investment objective set forth in this Confidential Explanatory Memorandum (the “Memorandum”). The Fund's registered office is located at Third Avenue Emerging Markets (Offshore) Fund, Ltd. c/o Ogier Fiduciary Services (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands. The Fund's administrator is International Fund Services (Ireland) Limited (the “Administrator”). Unless otherwise indicated, each class, sub-class or series of common shares of the Fund are collectively referred to herein as the “Common Shares” or “Shares”.

The Fund will invest its assets through a “master-feeder” fund structure in Third Avenue Emerging Markets (Master) Fund, L.P. (the “Master Fund”), an exempted limited partnership formed and existing under the laws of the Cayman Islands. Concurrently with the offering of the Common Shares, Third Avenue Emerging Markets Fund, L.P. (the “U.S. Fund”), a Delaware, U.S.A. limited partnership, will offer interests, the proceeds of which will be invested in the Master Fund. Other investment vehicles may be formed in the future to invest in the Master Fund. Notwithstanding the foregoing, the Fund and the U.S. Fund are authorized to invest outside of the Master Fund.

Third Avenue Emerging Markets Advisers LLC (the “General Partner”), a Delaware, U.S.A. limited liability company registered as a foreign company in the Cayman Islands, serves as the General Partner of the Master Fund and also serves as the General Partner of the U.S. Fund. The General Partner is a wholly-owned subsidiary of Third Avenue Management LLC and an affiliate of M.J. Whitman LLC. The investment manager of the Fund, the U.S. Fund and the Master Fund is Third Avenue Management LLC (the “Investment Manager”), Delaware, U.S.A. limited liability company which will provide certain administrative and investment management services to the Fund, the U.S. Fund and the Master Fund. The parent company of the Investment Manager is Third Avenue Holdings Delaware LLC (“TAHD”), approximately 60% of which is indirectly owned by Affiliated Managers Group, Inc., and approximately 40% of which is owned by the senior management of the Investment Manager and its affiliates. Amit B. Wadhwaney (the “Portfolio Manager”), an equity holder in TAHD, serves as portfolio manager of the Fund on behalf of the Investment Manager and is the individual primarily responsible for directing the investment of the Master Fund's assets. Mr. Wadhwaney will head a team of six investment professionals including senior research analysts Matthew Fine and Jakub Rehor, as well as Michael Warlan, the Fund's emerging markets trader, each equity holders in TAHD. The Investment Manager is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”). Generally, each investment vehicle, including the Fund, that invests in the Master Fund indirectly shares the administrative and other expenses of the Master Fund pro rata based on its interest in the Master Fund. (Unless otherwise indicated, references in this Memorandum to the investment activities of the Fund means the investment activities of the Fund through the Master Fund and other references to the Fund may, to the extent appropriate, include both the Fund and the Master Fund).

This Memorandum sets forth the investment objective and method of operation of the Fund, certain material terms of the Fund's Memorandum and Articles of Association (the “Articles”), its agreements with service providers and certain other pertinent information. However, the Memorandum is not a disclosure of all of the material provisions of those documents that may be significant to a particular prospective shareholder of the Fund (each a “Shareholder”). Each prospective Shareholder should examine this Fund's Memorandum, the Articles and the Subscription Agreement and Revocable Proxy accompanying this Memorandum in order to assure itself that the Fund's investment program is satisfactory to it.

Prospective Shareholders are invited to review any non-proprietary materials available to the Fund, relating to the Fund, the operations of the Fund and any other matters regarding this Memorandum. All such materials are available at the principal office of the Fund, at any reasonable hour, after reasonable prior notice. The Fund will afford prospective Shareholders the opportunity to ask questions of and receive written answers from its representatives concerning the terms and conditions of the offering and to obtain any additional information to the extent that the Fund possesses such information or can acquire it without unreasonable effort or expense.

4. INVESTMENT PROGRAM

Investment Objective and Strategy

The Fund employs an opportunistic, fundamentally driven research process that seeks to uncover value through a portfolio in or deriving substantial exposure from emerging and frontier market countries (collectively “Emerging Markets”) traditionally less traveled by conventional Emerging Market investors. The Fund’s investment objective is to achieve long-term capital appreciation and manage portfolio risk by utilizing the Investment Manager’s deep value experience and maintaining moderate net market exposure. This objective shall be achieved through the Fund’s investment in the Master Fund.

The Fund’s portfolio of long investments, which will typically range in number between 30 and 50 (provided, however, that such number may be higher or lower from time to time), will be selected by applying a fundamental, opportunistic, bottom-up, long-standing value investing methodology which seeks to identify equity and debt securities which are mispriced by the market in relation to their intrinsic value. The Investment Manager believes that investing in such equity and debt securities whose market prices represent significant discounts to ascertainable intrinsic values should result in above-average returns over time. Additionally, the Fund intends to make long investments in derivative securities including futures, options, swaps and forwards on single securities, groups of securities, indices or currencies.

The Fund will employ a variety of hedging instruments and techniques, including short sales, swaps, options and futures or other similar securities with the objective of reducing the net market exposure and volatility of the Fund. It is intended that the Fund’s net exposure will generally reside between 25% and 75%, though, in the sole discretion of the Investment Manager, may reside above 75% or below 25%. The Fund may engage in short-selling on a fundamental basis or in conjunction with its hedging program and is authorized to use limited leverage up to 25% of the Fund’s assets, measured at the time of borrowing, excluding the amount of any borrowings.

Fundamental and Opportunistic Investing in Emerging and Frontier Markets

A majority of the Fund’s investments will be in equity and debt securities of companies located in or deriving substantial exposure from emerging and frontier market countries. Such countries are defined by the MSCI Emerging Markets Index and the MSCI Frontier Markets Index respectively. The determination of whether a particular security qualifies as being from an emerging or frontier market or derives substantial exposure to an emerging or frontier market shall be made at the time of purchase. The Investment Manager expects that the types of Emerging Market investment opportunities which have been exploited by the Investment Manager in the past through other partnerships will, on an opportunistic basis, be available to the Fund in the future. Specifically, the Fund will invest in Emerging Market securities trading at sizeable discounts to intrinsic value. The following factors evidence the team’s unique approach, experience and advantages in Emerging Market investing and support the strong conviction that a robust opportunity set will persist in the future:

- *Travel Where Others Don’t and When They Won’t.* The Fund seeks to identify and invest in securities available at valuations which impute meaningful underestimations of the underlying business or asset value of the issuer. It has frequently been the case that such situations occur in countries, industries or companies which are temporarily out of favor. While some might describe the approach as contrarian, in an effort to identify out of favor or otherwise inexpensive investment opportunities, the Investment Manager must avoid “what is popular when it is popular”. The approach typically manifests itself in portfolios that, at any given point in time, are comprised quite differently than major indices or peer manager portfolios in terms of security selection as well as industry and country weightings.

- *Longstanding, Experienced Team with a Long-Term Track Record.* The Portfolio Manager has accumulated in excess of twenty years of Emerging Markets investing experience. He and his team have built a successful track record of investing in Emerging Markets through Third Avenue Global Value Fund, L.P. The Portfolio Manager’s six-member team has approximately sixty-seven years of experience in the aggregate investing in Emerging Markets. In addition to the Portfolio Manager, three members of his team, who have an average duration of greater than nine years on the team, are under long-term employment contracts with the Investment Manager.

- *The Natural Resource and Commodities Opportunity.* Many natural resource and commodities-related businesses, some of which the Investment Manager considers to be highly attractive, are readily available in Emerging Markets, occasionally at unusually appealing valuations, while similar businesses may not exist in developed markets or are otherwise often “over-invested”. The investment team has significant experience and a longstanding track record in the natural resources sector.

- *Our Unique Fundamental and Opportunistic Approach.* While various schools of orthodox value investing are commonly studied and practiced in developed markets, the community of investors with expertise in bottom-up value investing in Emerging Markets is, in the Investment Manager’s opinion, extremely limited and can often lead to decreased competition for investments where mispricing is acute but value realization may take several years to achieve.

- *Sourcing of Investment Opportunities Through Our Network.* The long-term and research intensive nature of the Fund’s investment philosophy, as distinct from trading or macro-focused approaches, frequently fosters long-standing relationships with local business leaders including executives of investee companies, competing businesses, related businesses or businesses otherwise of interest. Long-standing relationships with trusted local brokers, investment bankers, political figures, heads of governmental agencies and multilateral agencies may also be valuable sources of information for the team. The Fund’s idea generation effort benefits meaningfully from the network of relationships built by Mr. Wadhwaney and his team through the management of Third Avenue Global Value Fund, L.P., which has been managed by Mr. Wadhwaney and has been investing in Emerging Markets since its inception in 1996. Additionally, the team sources opportunities through its robust evaluation and research of certain Emerging Market countries, industries and companies.

- *Our Informational Advantage.* It is sometimes the case that Emerging Market companies offer a lower frequency and quality of public disclosure with less consistency than is typically found in developed markets. Additionally, smaller companies or those that are temporarily out of favor may be considerably less well followed and understood. The Investment Manager believes that the apparent difficulty in obtaining information can lead to investment opportunities for bottom-up, research-driven managers skilled in conducting a labor intensive fundamental research process in Emerging Markets and for those who have spent many years identifying and cultivating valuable relationships in numerous Emerging Market countries.

- *Opportunities Arising From Governmental Capricious Action or Inaction.* Various Emerging Market nations have historically experienced a relative inconsistency in governmental policy formation. It is not uncommon to witness policy making, with regard to formation of economic, banking and social policy, guided seemingly by relatively short-term considerations. Such capriciousness might manifest itself in the form of populist policies, trade barriers, highly accommodative fiscal policy, influence exerted over bank lending policy, price controls, capital controls, changes in tax structure or asset expropriation, to name a few. Such inconsistency of operating/investing environment can result in the temporary and occasionally severe undervaluation or overvaluation of securities relative to an issuer’s intrinsic value.

- *Preferable Macro Scenarios.* In a number of Emerging Market nations, population demographics, natural resources endowments, economic growth rates, household debt burden and sovereign debt burden compare favorably to those in more developed markets.

- *Opportunities Arising From Inconsistency of Capital Flows.* Many Emerging Market economies have historically experienced a high degree of inconsistency of capital flows in the form of foreign direct investment, financial investment and remittances. In certain cases the magnitude of capital inflows or outflows can be extreme, commonly leading to higher levels of stock price volatility, currency volatility and volatility in the cost of financing, in turn leading to greater levels of mispricing with greater frequency than can be found in developed markets.

Investment Methodology

Mr. Wadhwaney and his team source potential long investments, as well as fundamental short investments, through a variety of means including a proprietary network of contacts as described above. Investment ideas also commonly result from diligence on industries, businesses or geographies in various

forms of turmoil, disruption and cyclical troughs or peaks. The Investment Manager seeks to identify individual businesses or clusters of businesses which have become unduly inexpensive as a result of unfavorable sentiment, an emerging market investment community bias towards the near-term operating outlook and the related lack of long-term perspective. Throughout the course of the analytical and investment decision making processes, whether related to equity or debt instruments, the Investment Manager assesses potential investments on the basis of a variety of criteria. While many criteria used by the Investment Manager in its assessment of investment attractiveness and investment safety are case-specific to each potential long investment, the Investment Manager's analysis of any potential long investment will weigh the following:

- *Valuation of the Issue.* The purchase price should lie significantly below a conservative estimate of the intrinsic value of the security. Intrinsic value of the security is defined as private market value, break-up value or liquidation value, depending upon which is the most relevant measure of value. When determining such intrinsic values, the Investment Manager might assess the target company's ability to finance a transaction, such as going-private or a leveraged buy-out or equivalently, the valuation could be based upon the issuer's financial position and/or the composition of assets which would translate into future operating cash flows. Weight is also given to other attributes, such as the probability and timing of events which might result in an increase in the market price of the security to a level which meets or exceeds the Investment Manager's estimate of the intrinsic value. These might include a change in management or ownership of the company, or a change in the operating or regulatory environment which set into motion a revaluation of the security.

- *Margin of Safety.* Security selection is strongly influenced by the quality of the issuer's balance sheet, viewed in conjunction with off-balance sheet liabilities. Considerations are both financial and nonfinancial. The issuer should be able to meet the financial requirements for normal operations of the business from balance sheet liquid assets and committed sources of financing, without recourse to capital markets, which may not be forthcoming at the time of need. Non-financial considerations revolve around the absence of liabilities (on and off balance sheet) associated with the issuer's business which could adversely impact the issuer's balance sheet or *in extremis* jeopardize the issuer's continuation as a going concern. An example in this category would include environmentally-related liabilities.

- *Business Risks of the Issuer.* The Investment Manager seeks to acquire a thorough understanding of the issuer's business through review and analysis of public information, including public filings by the issuer and its competitors and other industry sources. This insight allows not only an analysis of the sources of profitability but also an assessment of the business risk, particularly factors peculiar to the specific enterprise or the industry in which it operates. Generally speaking, business risks emphasized by the Investment Manager fall into two primary categories – those internal to the business of the issuer and those external to the business of the issuer. Examples of internal risks given significant consideration would include the issuer's financial position, potential currency mismatches, need for recurrent access to capital, unfunded future liabilities on or off of the issuer's balance sheet, management track record, relative cost position and a variety of operational risks. Examples of external risk factors include regulatory and political risks, ease of entry for new competitors or new capacity, the impact of currency movements on both cost structure and relative competitiveness, sensitivity to input costs and financial strength relative to competitors. Neither of the above lists is intended to be exhaustive and a wide variety of additional risk factors will be considered.

- *Management Team Quality and Alignment.* Careful consideration is given to the quality of the management team, particularly where it relates to matters such as integrity, quality of business decision-making, and, importantly, a demonstrated community of interest with shareholders. In the context of Emerging Markets equity and debt investing, analysis of large or controlling shareholders and other influential constituencies are often important considerations.

- *Country Risk.* The Investment Manager seeks investments in Emerging Markets where the Investment Manager has deemed there to be a low probability of negative impact to the long-term intrinsic value of its investment (not synonymous with a decline in the market value of an investment) resulting from country-specific risks whether manifesting in violence, economic policy, currency exchange rate policy, taxation, capital controls, foreign relations policy, asset expropriation or other means of action or inaction. At any given time, based upon the information available to the Investment Manager at that time, the Investment Manager may exclude various Emerging Market countries from its investable universe of long

investments on the basis of the perceived level of risk. Depending upon the nature of the perceived country risks, such analysis may also form the basis for short positions.

- *Regulatory Environment.* The Investment Manager gives careful consideration to potential regulatory changes which may impact the value of the assets or business underlying the investment. Additionally, Emerging Market companies frequently operate in less stringent regulatory environments and often have lower disclosure standards, necessitating more careful company specific research, management review and analysis of investor protections offered by the relevant jurisdiction.

A variety of other investment considerations are considered when appropriate including, but not limited to, industry structure, financial strength of industry competitors, barriers to new industry entrants, potential for technological obsolescence, unionized labor and weather risk.

Risk Management

Through a proprietary, fundamental, bottom-up research process, the Investment Manager seeks to identify and limit sources of business risk. With regard to identification of the Fund's long positions, the Investment Manager strives to invest the assets of the Fund in investments where the Investment Manager believes the probability of permanent impairment of the underlying value of the Fund's investments to be low. In this regard, the Investment Manager strives to limit business risk, as distinct from market price risk, through a robust, bottom-up, analytical process resulting in a detailed understanding of the business, the value of its assets, the financial position and the management team which underlies each of the Fund's investments as well as the attendant risks to the business or its value. Further, the Investment Manager also believes that purchasing securities at meaningful discounts to intrinsic value reduces the risk of permanent investment losses by increasing the margin of safety of the investment.

In addition to managing business risk, the Investment Manager will seek to measure and mitigate portfolio risk. The Investment Manager will employ various hedging strategies designed to reduce the market and volatility risk of the portfolio assumed through its portfolio of long investments. The Fund will generally maintain net market exposure in a range between 25% and 75%, though, in the Investment Manager's discretion, net exposure may reside above 75% or below 25%. A variety of hedging instruments may be utilized by the Fund including, but not limited to swaps, futures and options on various equity indices, groups of indices, subsets of indices or bespoke groups of indices or securities, derivatives, short selling, currency derivatives, corporate and sovereign credit default swaps or any other means deemed prudent by the Investment Manager in furtherance of the stated investment goal.

Further, the Investment Manager has established portfolio management guidelines including diversification and concentration limits for the Fund's long positions which will generally range between 30 – 50 in number (though the number may be higher or lower from time to time), a maximum long and fundamental short position size limit of 15% and 5%, respectively, of the net assets of the Fund at the time of last purchase (or short sale), based on cost. Additionally, the maximum investment by the Fund in any single country or any single industry will not exceed 25% of the net assets of the Fund (determined at the time of last purchase, based on cost). The Fund's investments in frontier markets will not exceed 25% of the net assets of the Fund (determined at the time of last purchase, based on cost).

Finally, periodic portfolio risk analysis will be conducted by Curtis Jensen, Chief Investment Officer of the Investment Manager. Mr. Jensen will serve as the Chief Risk Officer of the Fund and be responsible for review of Fund risk analytics, prepared by the Firm's analytics team, as well as fundamental business, industry and country risks inherent in the Fund's investments. Mr. Jensen, in his sole discretion, may decide to escalate risk management issues or other matters to the Investment Manager's risk management committee.

Portfolio Construction and Management

In furtherance of its investment objectives, the Fund will pursue a variety of investment types including:

- *Long Positions.* The Investment Manager will invest the assets of the Fund in securities, both equity and debt, which the Investment Manager believes to offer considerable discounts to underlying intrinsic value. The investment methodology employed by the Investment Manager in establishing long positions is described in detail above.
- *Long Derivatives.* The Fund may engage in derivatives transactions in which the Investment Manager believes the combination of cost and payoff profile to be preferable to the purchase of the underlying security or securities.
- *Fundamental Short Selling.* The Fund may engage in short selling transactions in which the Investment Manager believes a security to be fundamentally overvalued or otherwise unattractive as a long position, either on an absolute or relative basis.
- *Derivative Hedging.* The Investment Manager will employ various forms of hedging transactions designed to limit market price risk assumed by the Fund through its portfolio of long investments. The Fund may employ various types of swaps, options and futures or similar instruments including listed and over the counter derivatives on securities, groups of securities, indices, currencies, interest rates, credit spreads and credit events.
- *Short Sale Hedging.* The Fund may engage in short selling transactions as part of its hedging program.
- *Currency Hedging.* The Investment Manager may engage in currency derivatives transactions in connection with its hedging program in various circumstances. In situations in which the Investment Manager believes a currency, in which one or more of the Fund's long investments are denominated, to be decidedly overvalued relative to the U.S. dollar in which the Funds returns are denominated, the Investment Manager may establish a hedge against a potential weakening of that currency against the U.S. dollar. Separately, to the extent that a currency mismatch internal to the underlying business of one or more of the Fund's investments poses a risk to the value of that business and the Investment Manager believes sufficient information is available to the Investment Manager with which to mitigate the risk of adverse impact on business valuation resulting from currency movements, it may do so.
- *Leverage.* The Fund may from time to time employ limited leverage for margin borrowing and other purposes in making Fund investments though it anticipates borrowing only on a selective basis and, in any event, leverage employed by the Fund may not exceed 25% of its total assets, measured at the time of borrowing, excluding the amount of any borrowings.

Flexibility

The Investment Manager intends to pursue the investment strategy described above as long as such strategy is in accord with the Fund's investment objective. The Fund has broad and flexible investment authority. Accordingly, it may formulate and implement new approaches to carry out the investment objective of the Fund.

The Fund may also invest in New Issues (as defined below) of securities, provided that the Fund first complies with all of the rules and regulations pertaining to such investments, including the Conduct Rules of the U.S. Financial Industry Regulatory Authority, Inc. (the "Rules").

THE FUND MAY BE DEEMED TO BE A HIGHLY SPECULATIVE INVESTMENT AND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. IT IS DESIGNED ONLY FOR SOPHISTICATED PERSONS WHO CAN BEAR THE ECONOMIC RISK OF THE LOSS OF THEIR ENTIRE INVESTMENT IN THE FUND AND WHO HAVE A LIMITED NEED FOR LIQUIDITY IN THEIR INVESTMENT. THERE CAN BE NO ASSURANCE THAT THE FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVE.

5. BACKGROUND OF THE GENERAL PARTNER AND INVESTMENT MANAGER

The General Partner, Third Avenue Emerging Markets Advisers LLC, a Delaware, U.S.A. limited liability company registered as a foreign company in the Cayman Islands, serves as the General Partner

of the Master Fund and also serves as the General Partner of the U.S. Fund. The General Partner is a wholly-owned subsidiary of the Investment Manager and an affiliate of M.J. Whitman LLC. The Investment Manager of the Fund, the U.S. Fund and the Master Fund is Third Avenue Management LLC, a Delaware, U.S.A. limited liability company which will provide certain administrative and investment management services to the Fund, the U.S. Fund and the Master Fund. The parent company of the Investment Manager is TAHD, approximately 60% of which is owned by Affiliated Managers Group, Inc., and approximately 40% of which is owned by the senior management of the Investment Manager and its affiliates. Amit B. Wadhwaney is an equity holder in TAHD and serves as Portfolio Manager of the Fund on behalf of the Investment Manager and is the individual primarily responsible for directing the investment of the Master Fund's assets. Mr. Wadhwaney will head a team of six investment professionals including senior research analysts Matthew Fine and Jakub Rehor, as well as Michael Warlan, the Fund's dedicated emerging markets trader, each equity holders in TAHD. The Investment Manager is registered as an investment adviser with the SEC. Biographical information concerning key personnel of the Investment Manager is set forth below.

Investment Team

Amit B. Wadhwaney, *Portfolio Manager*. Mr. Wadhwaney has managed Third Avenue Global Value Fund, L.P. a developed and emerging market hedge fund, since its inception in 1996. He has been a research analyst and portfolio manager for 25 years and has 21 years experience investing in Emerging Markets.

Earlier in his career, Mr. Wadhwaney was a securities analyst, and subsequently Director of Research, for M.J. Whitman, Inc. Mr. Wadhwaney was also a paper and forest products analyst at Bunting Warburg, a Canadian brokerage firm. He holds an M.B.A. in Finance from the University of Chicago, an M.A. in Economics from Concordia University in Montreal (where he also taught economics) and B.S. degrees in Chemical Engineering and Mathematics from the University of Minnesota. He speaks French, Spanish, Hindi, Sindhi, Gujarati and English.

Matthew Fine, *Senior Research Analyst*. Trained by Amit Wadhwaney, Martin J. Whitman and the rest of the senior investment managers at the Investment Manager, Mr. Fine has specialized in foreign stock analysis with a concentration on Emerging Markets. He joined the Investment Manager in 2000 and later assisted Mr. Wadhwaney in analyzing Argentine stocks in the wake of that country's debt crisis. He helped to identify and analyze the Investment Manager's successful investment in Cresud SA, an Argentine commodities company that thrived in the wake of the peso devaluation. He has since been analyzing securities in Chile, Colombia, Turkey, India, Malaysia and South Korea among other markets and also works on identifying new frontier markets that might be of interest. Mr. Fine holds a B.A. in Economics from Hamilton College. He is a CFA Charterholder and a member of the New York Society of Security Analysts.

Jakub Rehor, *Senior Research Analyst*. Mr. Rehor joined the Investment Manager's research team in 2004 after years spent analyzing non-U.S. small-cap stocks for Putnam Investments where he focused on the financial, health care and transportation sectors. He also worked as a stock analyst for Sanford C. Bernstein between 1997 and 2000 and as a business analyst for McKinsey & Co starting in 1995. Mr. Rehor grew up in the Czech Republic and participated in the student resistance during the Velvet Revolution, building a nationwide computer network connecting student union cells around the country and serving on President Václav Havel's security detail during his inauguration in December 1989. He holds a B.A. in economics from Yale University and is a CFA Charterholder and member of the New York Society of Security Analysts. He speaks Czech, Russian, Spanish, French, German, Japanese and English.

Michael Warlan, *Head of Global Trading*. Over the last decade, Mr. Warlan has executed local stock trades for all of the Investment Manager's foreign and Emerging Market portfolios. He also has experience trading options, derivatives, exchange traded funds, fixed income and distressed debt securities. Mr. Warlan's desk was ranked among the top low cost execution-only brokerages by *Institutional Investor* in 2004. He has traded in over 30 local markets and has developed a network of traders in each of these countries who are able to help Mr. Warlan find the best execution in faraway places. Mr. Warlan holds a B.A. in government from St. Lawrence University and joined the firm after graduating in 1998 and is a member of the Security Traders Association of New York.

6. INVESTMENT MANAGEMENT AGREEMENT

Under an investment management agreement by and among the Investment Manager, the Fund and the Master Fund (the "Management Agreement"), the Investment Manager will invest and reinvest the assets of the Fund in accordance with the investment objective and policies of the Fund and the Master Fund set forth above. Under the terms of the Management Agreement, the Master Fund will pay to the Investment Manager, for its services as investment manager, a monthly management fee.

Management Fee

The Investment Manager is paid a monthly management fee calculated at an annual rate of 1.5% of the net assets of the Fund (the "Management Fee"). The Management Fee is paid monthly in advance based on the value of the net assets of the Fund as of the first "Business Day" of each month, adjusted for subscriptions and redemptions made during the month and without accrual of the Incentive Allocation (as defined below), if any. The Management Fee is prorated for any period that is less than a full month. (A "Business Day" is any day on which banks are open in New York or such other location as the Investment Manager may determine.) The Master Fund pays the Management Fee in U.S. dollars promptly after the first Business Day of each month. The Management Fee will be deducted in computing the net profit or net loss of the Fund. To the extent the Investment Manager receives the Management Fee at the Master Fund level, no management fee will be paid at the Fund level.

In certain circumstances, the Master Fund may pay a portion of the Management Fee that it would otherwise pay to the Investment Manager to other persons or entities that provide support or ongoing services to the Investment Manager. In the event such payments are indirectly related to any particular Shareholder investing in the Fund, disclosure will be made to the Shareholder where appropriate.

Other Provisions of the Management Agreement

In the event that the Management Agreement is terminated or redemptions are made prior to the last day of the fiscal year, the Incentive Allocation will be computed and allocated as though the termination date or redemption date, as the case may be, were the last day of the fiscal year.

The Management Agreement provides that it will continue indefinitely, except that the Fund, the Master Fund or the Investment Manager may terminate the Management Agreement effective at the close of business on the last day of any fiscal quarter by giving the other parties not less than 60 days' written notice. Neither the Fund nor the Master Fund, however, may terminate the appointment of the Investment Manager otherwise than with the unanimous approval of the holders of all of the Voting Common Shares (as defined below) then outstanding.

The Investment Manager may assign the Management Agreement to, or enter into a sub-advisory contract with, another entity, the majority of the equity interests of which are owned, directly or indirectly, by the Investment Manager, without the prior written consent of the Fund.

The Management Agreement recognizes that the Investment Manager and its directors, members, partners, shareholders, officers, employees, agents and affiliates (hereinafter referred to as the "Affiliated Parties") are associated with other investment entities and engage in investment management for others. Except to the extent necessary to perform its obligations under the Management Agreement, the Affiliated Parties 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, or rendering services of any kind to any other corporation, firm, individual or association. See discussion in Section 8 under "Potential Conflicts of Interest."

Under the Management Agreement, the Affiliated Parties will not be liable for any loss (including losses due to trade errors caused by such persons) or cost arising out of, or in connection with, any activity undertaken (or omitted to be undertaken) in connection with the Fund including any such loss sustained by reason of any investment or the sale or retention of any security or other asset of the Fund, except for any

liability caused by such Affiliated Party's gross negligence, willful misconduct or violation of applicable laws, including U.S. federal and state securities laws. Further, the Fund will, to the fullest extent legally permissible under the laws of the State of Delaware, indemnify and hold harmless the Affiliated Parties, against any loss, liability or expense (including, without limitation, losses due to trade errors caused by such persons), judgments, fines, amounts paid or to be paid in settlements and reasonable attorney's fees and expenses incurred or suffered by an Affiliated Party in connection with the good faith performance of his, her or its responsibilities to the Fund; provided, however, that an Affiliated Party will not be indemnified for losses resulting from his, her or its gross negligence, willful misconduct or violation of applicable laws, including U.S. federal and state securities laws. An Affiliated Party will, upon request, and to the extent legally permissible, be advanced amounts in connection with the Fund's indemnification obligation; provided, however, that if it is later determined that such party was not entitled to indemnification, then such party will promptly reimburse the Fund for all advanced amounts.

7. LIMITED PARTNERSHIP AGREEMENT OF THE MASTER FUND

General

The Master Fund is an exempted limited partnership formed and existing under the laws of the Cayman Islands. The rights and duties of the General Partner and the Fund (as a limited partner of the Master Fund) are governed by the limited partnership agreement of the Master Fund (the "Partnership Agreement"). Certain features of the Partnership Agreement are summarized below, but reference is made to the Partnership Agreement for the complete details of its terms and conditions.

Notwithstanding registration of the Master Fund as an exempted limited partnership, the Master Fund is not an entity with separate legal status in the Cayman Islands but is simply a contractual arrangement between its constituent partners. All property which is conveyed into or vested in the name of the Master Fund shall be held or deemed to be held by the General Partner, in such capacity upon trust as an asset of the Master Fund in accordance with the terms of the Partnership Agreement. Any debt or obligation incurred by the General Partner in the conduct of the business of the Master Fund shall be a debt and obligation of the Master Fund and the General Partner will be liable therefor to the extent that the Master Fund has insufficient assets.

As a general matter, limited partners (including the Fund) in an exempted limited partnership will not be liable for the debts and obligations of the Master Fund, except (i) to the extent of their contributions, (ii) if they become involved in the conduct of the business of the Master Fund, or (iii) if they are obligated pursuant to the Exempted Limited Partnership Law (Revised) of the Cayman Islands to return a payment representing a return of any part of such limited partner's contribution (i.e., if the distribution was received within six months before an insolvency of the Master Fund).

The General Partner must at all times act in good faith in the interests of the Master Fund in managing the Master Fund's affairs and in resolving questions involving potential and actual conflicts of interest. This duty exists in addition to the various duties of and limitations on the General Partner as set forth in the Partnership Agreement. The General Partner will endeavor to conduct the affairs of the Master Fund in a manner fully consistent with its obligations.

A capital account will be established for each limited partner in the Master Fund. In order to facilitate the equitable allocation of the Incentive Allocation, a separate sub-account of the Fund's capital account in the Master Fund will be established for each series of Common Shares. The initial balance of a limited partner's capital account will equal the limited partner's original capital contribution to the Master Fund. The capital account of each limited partner will be adjusted in accordance with capital contributions or withdrawals and to reflect the limited partner's portion of the net profits or net losses of the Master Fund.

Meetings of limited partners will not be held. All votes required or permitted to be taken by the limited partners shall be taken by a consent in writing, setting forth the action so taken, signed by limited partners having not less than the aggregate percentage of interests that would be necessary to authorize or take such action.

The Partnership Agreement may be amended by the General Partner, in its sole discretion, in any manner that does not materially adversely affect any limited partner or to effect any changes required by applicable laws or regulations.

None of the General Partner, the Investment Manager, their Affiliated Parties, nor any person designated to wind up the affairs of the Master Fund will be liable for any loss (including losses due to trade errors caused by such persons) or cost arising out of, or in connection with, any act or activity undertaken (or omitted to be undertaken) in fulfillment of any obligation or responsibility under the Partnership Agreement, including any such loss sustained by reason of any investment or the sale or retention of any security or other asset of the Master Fund, except that any person exculpated from liability will not be exculpated from any liability arising from losses caused by his, her or its gross negligence, willful misconduct or violation of applicable laws, including U.S. federal and state securities laws. The Master Fund will indemnify and hold harmless, to the fullest extent legally permissible under and by virtue of the laws of the Cayman Islands, as amended from time to time, the Affiliated Parties and each person designated to wind up the Master Fund (each, an "Indemnified Person") for any and all loss, liability and expense (including, without limitation, losses due to trade errors caused by such persons), judgments, fines, amounts paid or to be paid in settlements and reasonable attorneys' fees and expenses incurred or suffered by an Indemnified Person in connection with the good faith performance by such Indemnified Person of his, her or its responsibilities to the Master Fund; provided, however, that nothing herein shall be deemed to protect an Indemnified Person against any liability to which it otherwise would be subject by reason of his, her or its gross negligence, willful misconduct or violation of applicable laws, including U.S. federal and state securities laws. The Master Fund will, upon request of an Indemnified Person, advance amounts in connection with the indemnification obligation; provided, however, that if it is later determined that such party was not entitled to indemnification, then such party shall promptly reimburse the Master Fund for all advanced amounts.

Incentive Allocation

At the end of each fiscal year, 20% of the net profits attributable to each Common Share of the Fund (including unrealized gains and losses), if any, subject to a loss carryforward (the "Incentive Allocation"), will be allocated to the General Partner at the Master Fund level. When calculating the Incentive Allocation at the Master Fund level, net profits will be reduced by the Management Fee and all items of income, loss and expense incurred at the Fund level will be taken into account. Since the General Partner will receive the Incentive Allocation at the Master Fund level, no incentive allocation or fee will be paid at the Fund level.

Each Shareholder of the Fund will have deducted from the net profits attributable to its Common Shares, if any, an amount equal to such Shareholder's pro rata portion of the Incentive Allocation. If a Common Share has a loss chargeable to it during any fiscal year, and during a subsequent fiscal year there is a profit allocable to such Common Share, there will be no Incentive Allocation allocable with respect to such Common Share until the amount of the loss previously allocated to such Common Share has been recouped.

In order to ensure that the Incentive Allocation is properly charged only to those Common Shares that have appreciated in value, Common Shares will be issued in series, with Series One Shares of the relevant class being issued on the first subscription day in respect of each class and on the first subscription day in each fiscal year, and further separate series of the relevant class on each separate subscription day during the fiscal year, all as further described in Section 10 below. The Master Fund will maintain sub-accounts that correspond to each class, sub-class and series of Common Shares in issue from time to time and profits and losses will be allocated to such sub-accounts in the relevant proportions.

The General Partner may, in its sole discretion, in effect, waive or modify the Incentive Allocation for Shareholders that are members, employees or affiliates of the Investment Manager or General Partner, or relatives of such persons. In such circumstances, the Fund may, for administrative convenience, issue a separate class or sub-class of Common Shares to any such person. The fiscal year of the Fund will end on December 31 of each year.

8. RISK FACTORS

The Fund (through its investment in the Master Fund) may be deemed to be a highly speculative investment and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the economic risk of the loss of their entire investment in the Fund and who have a limited need for liquidity in their investment. The following risks should be carefully evaluated before making an investment in the Fund:

Nature of Investments

The Investment Manager has broad discretion in making investments for the Fund. Investments will primarily consist of emerging market equities and equity-related securities but may also consist of, to a lesser extent, emerging market debt and currencies and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Fund's activities and the value of its investments. In addition, the value of the Fund's portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that the Fund's investment objective will be achieved.

Equity-Related Instruments in General

The Investment Manager may use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

Emerging and Frontier Market Securities

Emerging and frontier markets impose risks different from, or greater than, risks of investing in domestic securities or in non-U.S., developed countries. These risks include: smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment and possible repatriation of investment income and capital. In addition, investors may be required to register the proceeds of sales and future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies. The currencies of emerging and frontier markets countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investment in these currencies by the Fund. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging and frontier markets countries. Securities traded in certain emerging and frontier markets countries may be subject to risks in addition to risks typically posed by international investing due to the inexperience of financial intermediaries, the lack of modern technology, and the lack of a sufficient capital base to expand business operations.

Additional risks of emerging and frontier markets securities may include: greater social economic and political uncertainty and instability; more substantial governmental involvement in the economy; less governmental supervision and regulation; unavailability of currency hedging techniques; companies that are newly organized and small; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; and less developed legal systems. In addition, emerging and frontier securities markets may have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions. Settlement problems may cause the Fund to miss attractive investment opportunities, hold a portion of its assets in cash pending investment, or be delayed in disposing of a portfolio security. Such a delay could result in possible liability to a purchaser of the security.

In connection with obtaining licenses, establishing accounts or making arrangements to make investments in emerging and frontier market countries, the Fund may be required to disclose to non-US governments, regulators or counterparties certain confidential information regarding its investors', including the identity and address information. Each investor will be required to acknowledge that it is aware that the Fund may disclose such confidential information.

The Fund may invest in emerging market debt securities, though generally not to the extent of its equity holdings. Emerging Market debt securities, including short-term and long-term securities denominated in various currencies which are unrated or rated in the lower rating categories by the various credit rating agencies, are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally subject to greater risk than securities with higher credit ratings in the case of deterioration of general economic conditions. Additionally, evaluating credit risk for non-U.S. debt securities involves great uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields or prices of such securities may tend to fluctuate more than those for higher-rated securities. While the Fund does not anticipate that its assets will primarily be invested in emerging and frontier market debt securities, it nevertheless notes that the market for emerging and frontier market debt securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which securities are sold. In addition, adverse publicity and investor perceptions about emerging and frontier market debt securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such securities.

The sovereign debt obligations in which the Fund may invest in many cases pertain to countries that are among the world's largest debtors to commercial banks, foreign governments, international financial organizations and other financial institutions. In recent years, the governments of some of these countries have encountered difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness. The Fund may have limited legal recourse in the event of a default with respect to certain sovereign debt obligations it holds. For example, remedies from defaults on certain sovereign debt obligations, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself or may even be precluded (or limited) under principles of sovereign immunity.

Emerging and Frontier Markets Regulatory/Legal Risks

In emerging and frontier markets, there may be less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers and issuers than in other more established countries. Whatever supervision is in place may be subject to manipulation or control. While many emerging and frontier market countries have mature legal systems comparable to those of more developed countries, others do not. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. The Fund may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts.

Use of Leverage

The Fund may utilize leverage in an amount which is not to exceed 25% of its total assets, measured at the time of borrowing, excluding the amount of borrowings. Leverage may increase the Fund's returns if the Fund earns a greater return on investments purchased with borrowed funds than the Fund's cost of borrowing such funds. However, the use of leverage may expose the Fund to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Fund not borrowed to make the investments, (ii) margin calls or interim margin requirements which

may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, the Investment Manager may find it difficult or impossible to obtain leverage for the Fund. In such event, the Fund could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Investment Manager being forced to unwind the Fund's positions quickly and at prices below what the Investment Manager deem to be fair value for such positions.

Non-U.S. Securities

Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilizing options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Fund may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Fund's rights in such markets. The protections accorded to the Fund under certain U.S. investments and other laws and regulations may be unavailable for transactions on foreign exchanges and with foreign counterparties.

Hedging Transactions

Although the Fund may utilize a variety of financial instruments such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts generally for risk management purposes (the Fund may also utilize them for speculative purposes), there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Fund than if it did not engage in any such hedging transactions. Moreover, the Fund will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties). In addition, the Fund may choose not to enter into hedging transactions with respect to some or all of its positions.

Portfolio Turnover

The investment strategy of the Fund may require the Investment Manager to actively trade the Fund's portfolio, and as a result, turnover and brokerage commission expenses of the Fund may exceed those of other investment entities of comparable size.

Small to Medium Capitalization Companies

The Fund may invest a portion of its assets in the stocks of companies with small-to medium-sized market capitalizations. While the Investment Manager believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

Lack of Diversification

The Fund's portfolio may not be widely diversified among sectors, industries, geographic areas or types of securities. Further, the Fund's portfolio may not necessarily be diversified among a wide range of issuers. Accordingly, the Fund's portfolio may be subject to more rapid change in value than would be the case if the Fund were required to maintain a wide diversification among companies or industry groups.

Convergence Risk

The Fund may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying the Fund's trading positions were to fail to converge toward, or were to diverge further from, the Investment Manager's expectations, the Fund may incur a loss.

Currency Risks

The Fund's investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Fund may attempt to hedge such risks.

Interest Rate Risk

Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The Investment Manager may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Investment Manager will be successful in fully mitigating the impact of interest rate changes.

Derivatives, Counterparty and Settlement Risk

To the extent that the Fund invests in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, the Fund may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the Fund, and hence the Fund should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party. In valuing derivative instruments, it is anticipated that the Fund will typically rely on quotes or other information provided by counterparties.

Many emerging market countries have different clearance and settlement procedures from developed countries. There may be no central clearing mechanism of settling trades and no central depository or custodian for the safe keeping of securities. The registration, record-keeping and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counterparty and other risk. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods 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 in emerging markets is more prominent than in more mature markets.

Options

Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor will be small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause an investor's asset value to be subject to more frequent and wider fluctuations than would be the case if the investor did not invest in options.

Upon the exercise of a put option written by an investor on securities, the investor may suffer a loss equal to the difference between the price at which the investor is required to purchase the underlying securities and their market value at the time of the option exercise, less the premium received from writing the option. Upon the exercise of a call option on securities written by the investor, the investor may suffer a loss equal to the excess of the market value of the securities at the time of the option's exercise over the investor's acquisition cost of the securities, less the premium received from writing the option.

No assurance can be given that the Investment Manager will be able to effect closing transactions at a time when it wishes to do so. If the Investment Manager cannot enter into a closing transaction, the Investment Manager may be required to hold securities that it might otherwise have sold, in which case it would continue to be at market risk on the securities and could have higher transaction costs, including brokerage commissions, upon the sale of securities..

Futures

The use of futures is a highly specialized activity which involves investment strategies and risks different from those associated with ordinary portfolio securities transactions, and there can be no guarantee that their use will increase the Fund's return or not cause the Fund to sustain large losses. While the use of these instruments by the Fund may reduce certain risks associated with portfolio positions, these techniques themselves entail certain other risks. If the Investment Manager applies a strategy at an inappropriate time or judges market conditions or trends incorrectly, futures strategies may lower the Fund's return or cause substantial losses. Certain strategies limit the Fund's possibilities to realize gains as well as limiting its exposure to losses. The Fund could also experience losses if the values of its futures positions were poorly correlated with its other investments, or if it could not close out its positions because of an illiquid market. In addition, the Fund will incur transaction costs, including trading commissions, in connection with its futures transactions and these transactions could significantly increase the Fund's investment turnover rate. Futures markets are highly volatile. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for futures contracts or options purchased or sold, and the Fund may be required to maintain a position until exercise or expiration, which could result in losses. Many futures exchanges limit the amount of fluctuation permitted in contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. Contract prices could move to the daily limit for several consecutive trading days permitting little or no trading, thereby preventing prompt liquidation of futures and options positions and potentially subjecting the Fund to substantial losses. Investing in futures contracts, options or commodities is a highly specialized investment activity entailing greater than ordinary investment risk.

Short Sales

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Fund's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Custody and Prime Brokerage Risk

There are risks involved in dealing with the custodians or prime brokers who settle Fund trades. The Fund maintains a custody account with Morgan Stanley & Co., Inc., (the "Prime Broker/Custodian"). Although the Investment Manager monitors the Prime Broker/Custodian and believes that it is an appropriate custodian, there is no guarantee that the Prime Broker/Custodian, or any other custodian that the Fund may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the U.S. Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Fund assets, the Fund would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

The Fund and/or the Prime Broker/Custodian may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Fund. The Prime Broker/Custodian may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Fund as a result of the bankruptcy or insolvency of any such sub-custodian. The Fund may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the Fund. Under certain circumstances, including certain transactions where the Fund's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the Prime Broker/Custodian, or where the Fund's assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Fund and hence the Fund could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of the Fund to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Fund may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing the Fund's rights to its assets in the case of a bankruptcy or insolvency of any such party.

Lack of Liquidity of Fund Investments

Fund assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts and it may be extremely difficult to accurately value any such investments.

Limited Redemption and Transfer Rights

A Shareholder generally will be permitted to redeem all or any portion of its holdings of Common Shares on a quarterly basis, subject to the restrictions described herein. Transfers of the Common Shares will be permitted only with the written consent of the Fund. Accordingly, the Common Shares should only be acquired by investors willing and able to commit their funds for an appreciable period of time.

Incentive Allocation

The allocation at the Master Fund level of a percentage of the Fund's net profits to the General Partner, which is an affiliate of the Investment Manager, may cause the Investment Manager to make investments that are riskier or more speculative than would be the case if this allocation were not made. Since the allocation is calculated on a basis that includes unrealized appreciation of assets, such allocation may be greater than if it were based solely on realized gains.

Cross Class Liabilities

Each separate class of Common Shares will represent a separate account and will be maintained with separate accounting records. However, the Fund may be treated as one entity. Thus all of the assets of the Fund may be available to meet all of the liabilities of the Fund, regardless of the separate account to which such assets or liabilities are attributable. In practice, cross class liability will usually only arise where any class becomes insolvent or exhausts its assets and is unable to meet all of its liabilities. At the date of this document, the Board of Directors (the "Directors") are not aware of any such existing or contingent liability.

Side Letters

The Fund may enter into agreements with certain prospective or existing Shareholders whereby such Shareholders may be subject to terms and conditions that are more advantageous than those set forth in this Memorandum ("Side Letters"). For example, such terms and conditions may provide for special rights to make future investments in the Fund, other investment vehicles or managed accounts; a reduction or waiver of the Incentive Allocation charged to the Shareholder and rights to receive reports from the Fund on a more frequent basis or that include information not provided to other Shareholders (including, without limitation, more detailed information regarding portfolio positions). The modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the Shareholder's investment in the Fund or affiliated investment entity, an agreement by a Shareholder to maintain such investment in the Fund for a significant period of time, or other similar commitment by a Shareholder to the Fund. As a point of clarification, the Fund may disclose more detailed financial information to certain Shareholders without entering into written Side Letters with such Shareholders.

No Separate Counsel; No Responsibility or Independent Verification

Seward & Kissel LLP represents the Investment Manager, the General Partner, the Fund and the Master Fund (collectively, the "Parties") as U.S. counsel. Ogier acts as Cayman Islands counsel to the Fund and the Master Fund. Neither Seward & Kissel LLP nor Ogier represent investors in the Fund and no independent counsel has been retained to act on behalf of Shareholders. Neither Seward & Kissel LLP nor Ogier is responsible for any acts or omissions of the Parties (including their compliance with any guidelines, policies, restrictions or applicable law, or the selection, suitability or advisability of their investment activities) or any administrator, accountant, custodian/prime broker or other service provider to the Parties. This Memorandum was prepared based on information furnished by the Investment Manager; neither Seward & Kissel LLP nor Ogier have independently verified such information.

Lack of Operating History

Although the Investment Manager has extensive investment experience, the Fund, the Master Fund, the U.S. Fund and the General Partner are newly-formed entities and have no operating history. Further, the Investment Manager has limited experience in hedging strategies. The past investment performance of other entities managed by the Investment Manager is not an indication of the Fund's future performance. No assurance can be given that the Investment Manager will succeed in meeting the Fund's investment objective.

Absence of Regulatory Oversight

While the Fund may be considered similar to an investment company, it does not intend to register as such under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), in reliance upon an exemption available to privately offered investment companies, and, accordingly, the provisions of the Investment Company Act (which, among other matters, require investment companies to have disinterested directors, require securities held in custody to at all times be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) will not be afforded to the Fund or the Shareholders. The Investment Manager is registered as an investment adviser with the SEC.

Furthermore, registration under the Cayman Islands Mutual Funds Law does not involve a detailed examination of the merits of the Fund or substantive supervision of the investment performance of the Fund by the Cayman Islands government or the Cayman Islands Monetary Authority (the "Monetary Authority"). There is no financial obligation of compensation scheme imposed on or by the government of the Cayman Islands in favor of, or available to, the investors in the Fund.

Business and Regulatory Risks of Hedge Funds

The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Fund and the ability of the Fund to obtain the leverage it might otherwise obtain or to pursue its trading strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on the Fund could be substantial and adverse.

Non-Disclosure of Positions

In an effort to protect the confidentiality of its positions, the Fund generally will not disclose all of its positions to Shareholders on an ongoing basis, although the Investment Manager, in its sole discretion, may permit such disclosure on a select basis to certain Shareholders, if it determines that there are sufficient confidentiality agreements and procedures in place.

Potential Conflicts of Interest

The Investment Manager will use its best efforts in connection with the purposes and objectives of the Fund and will devote so much of its time and effort to the affairs of the Fund as may, in its judgment, be necessary to accomplish the purposes of the Fund. Under the terms of the Management Agreement, the Affiliated Parties may conduct any other business, including any business within the securities industry, whether or not such business is in competition with the Fund. Without limiting the generality of the foregoing, any of the Affiliated Parties may act as general partner, or investment adviser for others, may manage funds, separate accounts or capital for others and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. In this regard, it should be noted that the Investment Manager serves as investment manager to the Master Fund, the U.S. Fund, Third Avenue Global Value Fund, L.P., Third Avenue Global Value (Master) Fund, L.P., Third Avenue Global Value (Offshore) Fund, Ltd. and other investment entities and accounts and the General Partner serves as the general partner to the Master Fund. Such other entities or accounts may have investment objectives or may implement investment strategies similar or different to those of the Fund. In addition, the Affiliated Parties may, through other investments, including other investment funds, have interests in the securities in which the Fund invests as well as interests in investments in which the Fund does not invest. The Affiliated Parties may give advice or take action with respect to such other entities or accounts that differs from the advice given with respect to the Fund. To the extent a particular investment is suitable for both the Fund and other clients of the Affiliated Parties, such investments will be allocated between the Fund and the other clients pro rata based on assets under management or in some other manner that the Affiliated Parties determine is fair and equitable under the circumstances to all clients, including the Fund.

As a result of the foregoing, the Affiliated Parties may have conflicts of interest in allocating their time and activity between the Fund and other entities, in allocating investments among the Fund and other entities and in effecting transactions for the Fund and other entities, including ones in which the Affiliated Parties may have a greater financial interest.

In addition, purchase and sale transactions (including swaps) may be effected between the Fund and the other entities or accounts subject to the following guidelines: (i) such transactions shall be effected for cash consideration at the current market price of the particular securities, and (ii) no extraordinary brokerage commissions or fees (i.e., except for customary transfer fees or commissions) or other remuneration shall be paid in connection with any such transaction.

From the standpoint of the Fund, simultaneous identical portfolio transactions for the Fund and the other clients may tend to decrease the prices received, and increase the prices required to be paid, by the Fund for its portfolio sales and purchases. Where less than the maximum desired number of shares of a particular security to be purchased is available at a favorable price, the shares purchased will be allocated among the Fund and the other clients in an equitable manner as determined by the Affiliated Parties. Further, it may not always be possible or consistent with the investment objectives of the various persons or entities described above and of the Fund for the same investment positions to be taken or liquidated at the same time or at the same price, however all transactions will be made on a "best execution" basis.

It should be noted that the Prime Broker/Custodian and Administrator act as prime broker and administrator for other funds and thus may have conflicts from time to time.

Directors are also Service Providers

David Barse is a Director of the Fund as well as a principal of the Investment Manager. Scott Dakers and Philip Hughes are employees of, and are to be regarded as interested in any contract or other arrangement with, Ogier Fiduciary Services (Cayman) Limited, (which is a member of the Ogier Group) and any other members of the Ogier Group, including Ogier, Cayman Islands counsel to the Fund. The duties of the Directors to the Fund may compete with or be different from the interests of its service providers. Only the Directors may terminate the services of any service provider, though the termination of the Management Agreement requires unanimous Shareholder approval. Furthermore, the Directors may also serve as directors of other investment vehicles and, to the extent that the interests of the Fund and such other investment vehicles are inconsistent, such Directors may have a conflict of interest.

9. EXPENSES

The Investment Manager renders its services to the Fund at its own expense and is responsible for its overhead expenses including: office rent; utilities; furniture and fixtures; stationery; secretarial/internal administrative services; employee compensation; entertainment expenses; utilities; equipment; clerical expenses; Investment Manager bookkeeping and other services; employee insurance and payroll taxes.

All other expenses are paid by the Fund (or the Master Fund and are allocated to the Fund) and include: the fees payable to the Investment Manager; Fund legal, compliance, administrator, audit (including custody audit, if any), tax and accounting fees and expenses (including third party accounting services); shareholder proxy voting services; organizational expenses; investment expenses such as commissions, research fees and expenses (including research related travel expenses); insurance and bonding costs; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial and transfer fees; bank services fees; Directors' fees and expenses; the Fund's pro rata share of the expenses of the Master Fund; and any other expenses reasonably related to the purchase, sale or transmittal of Fund assets.

Expenses are generally recorded at the Master Fund level. Expenses attributable to both the U.S. Fund and the Fund are allocated pro rata based on net assets of the U.S. Fund and the Fund at the end of each month. Expenses attributable directly to either the U.S. Fund or the Fund are allocated solely to the U.S. Fund or the Fund, as appropriate. Expenses attributable directly to a specific class, sub class or series of such class or sub class of Common Shares of the Fund are allocated solely to such Common Shares as appropriate.

The organizational expenses of the Fund (including expenses incurred in connection with the initial offer and sale of Common Shares in the Fund) will be paid by the Fund and, for net asset value purposes, may be amortized over a period of up to 60 months from the date the Fund commences operations.

10. DESCRIPTION OF THE FUND'S COMMON SHARES

The authorized share capital of the Fund consists of 5,000,000 Common Shares having a par value of \$0.01 (U.S.) per share. As described below, the Fund's Common Shares will initially be divided into two classes, class A Common Shares ("Class A Shares") and class B Common Shares ("Class B Shares"). The Fund may, in the sole discretion of the Directors, issue additional series, classes or sub-classes of Common Shares with terms or in currencies that differ from the Common Shares offered pursuant to this Memorandum. Common Shares of each class are generally issuable monthly in series. Series One of the relevant class of Common Shares will be issued at the end of the Fund's initial offering for that class and at the beginning of each fiscal year (provided there is no loss carryforward then existing in respect of such Series One Shares) and the remaining series will generally be sold on a monthly basis during a fiscal year. The reason for the different series is to equitably reflect the differing incentive allocations attributable to each series (because of the differing issue dates throughout the fiscal year). At the end of each fiscal year the other series of each class will be converted into Series One Shares of the applicable class of Common Shares so that at the beginning of the following fiscal year all Shares will be Series One Shares unless a loss carryforward attributable to the Series One Shares or the Shares being converted remains outstanding, in which case all Shares of the relevant class not subject to a loss carryforward will be converted into the first series of Shares of the relevant class not subject to a loss carryforward. The Fund may, in the sole discretion of the Directors, issue additional series of Shares if needed in connection with additional issuance dates or for other reasons.

Except as set forth below, each series, sub-class and class of Common Shares has equal voting rights and within each class, sub-class and series has equal dividend, distribution and liquidation rights. The Fund does not anticipate paying any dividends on its Common Shares.

Due to the potential issuance of Non-Voting Common Shares (as defined below) a voting Shareholder's ability to effect the outcome of a vote may not be commensurate with its economic interest in the Fund. The Fund shall establish in its books a separate record with its own distinct designation for each class, sub-class and series of Common Shares. The proceeds from the allotment and issue of each class, sub-class and series of Common Shares shall be applied in the books of the Fund to the record established for that class, sub-class and series of Common Shares. The assets, profits, gains, income and liabilities, losses and expenses attributable to a particular class, sub-class and series shall be applied to the record relating to such class, sub-class and series at the end of each fiscal period as discussed further herein. In the case of any asset or liability (including any expense) of the Fund that the Directors do not consider is attributable to a particular record, the Directors will allocate such asset or liability among the records in proportion to the net asset value of each class, sub-class and series.

Allocation of New Issues

From time to time, the Fund may, to the extent permitted by the Rules, purchase equity securities that are part of an initial public offering (sometimes referred to as "IPOs" or "New Issues"). Under the Rules, brokers generally may not sell such securities to a private investment fund if the fund has investors who are "Restricted Persons", which includes persons employed by or affiliated with a broker and portfolio managers of hedge funds and other registered and unregistered investment advisory firms, unless the Fund has a mechanism in place that excludes such Restricted Persons from receiving allocations of profits from New Issues (Restricted Persons will be issued Class B Shares, while other investors will be "Unrestricted Persons" and will be issued Class A Shares). The profits and losses from New Issues will generally be allocated to investors in the Fund that are Unrestricted Persons. The Fund may, however, avail itself of a "de minimis" exemption pursuant to which a portion of any profits and losses from New Issues may be allocated to Restricted Persons. The Fund's Articles provide that the Directors are authorized to determine, among other things: (i) the manner in which New Issues are purchased, held, transferred and sold by the Fund and any adjustments with respect thereto; (ii) the Shareholders who are eligible and ineligible to participate in the profits and losses from New Issues; (iii) the method by which profits and losses from New Issues are to be allocated among Shareholders in a manner that is permitted under the Rules (including whether the Fund will avail itself of the "de minimis" exemption or any other exemption); and (iv) the time at which New Issues are no longer considered as such under the Rules.

Each subscriber for and each transferee of Common Shares will be required to complete and execute a statement representing to the Fund that he does not fall within the proscription of the Rules. Persons who do not fully complete and execute such statement as required by the Fund may not be permitted to participate in the profits and losses from New Issues to any extent, until they establish their eligibility to participate in the profits and losses from New Issues to the Fund's satisfaction. Shareholders may also be requested to provide periodic updates of such information and failure to do so may result in the Shareholder's Class A Shares being converted into Class B Shares.

The Fund may permit holders of Class B Shares who are eligible to own Class A Shares to convert their Class B Shares to Class A Shares based upon their relative net asset values at the time of conversion, and any such holder will be required to execute a statement regarding his eligibility to participate in New Issues.

If the Fund determines to its satisfaction that an owner of Class A Shares falls within the proscription of the Rules, the Fund will give notice to the Shareholder who will have 10 days from the date of such notice to respond and in the absence of any response or if the Fund is not satisfied with the response, it may by further notice redeem the Class A Shares of such Shareholder as of the date specified in such notice and apply the redemption proceeds to the purchase of an equivalent value of Class B Shares in the Fund on the date specified in such notice.

Special Designation as Non-Voting Common Shares

While the Fund's Common Shares generally have voting rights ("Voting Common Shares"), the Fund, at its discretion, may designate certain Common Shares as non-voting ("Non-Voting Common Shares") in order to avoid the Fund or a particular investor from incurring certain adverse tax or regulatory consequences, holding limitations, filing or other requirements. In particular, Non-Voting Common Shares shall be issued for new subscriptions by U.S. Shareholders if at the time of the subscription the Fund determines, at its discretion, that issuing the Shares as Non-Voting Common Shares is necessary or advisable to avoid these possible adverse consequences with respect to the Fund or a requesting investor. The status of the Shares as non-voting will, of course, be fully disclosed to the investor at the time of its subscription and any such investor will be allowed to revoke his subscription upon notification of such classification. In addition, existing Shareholders who have been issued Voting Common Shares may have such Shares converted to Non-Voting Common Shares if the Fund determines, at its discretion, that such conversion is necessary or advisable; provided that the Shareholder will be granted the right to redeem such Shares prior to conversion. Except with regard to voting rights, Non-Voting Common Shares shall be identical in all respects to Voting Common Shares and, accordingly, references herein to Shares or Common Shares shall mean both Voting Common Shares and Non-Voting Common Shares unless otherwise indicated. Although Non-Voting Common Shares shall not have the right to vote at general meetings of the Fund or class meetings, in the event of any proposed variation or abrogation of rights affecting Non-Voting Common Shares as a class, each holder of Non-Voting Common Shares will receive notice of the proposed change and an opportunity to redeem its Common Shares prior to the change taking effect.

Common Shares that are designated as Non-Voting Common Shares may be deemed to constitute a separate class of Common Shares. Due to uncertainty in the current state of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Fund intends to treat any Non-Voting Common Shares as a "class" of equity securities when calculating the 25% test described in Section 17 of this Memorandum. In the circumstances described in that Section, a Benefit Plan Investor may be required to redeem all or a portion of its Common Shares in order to prevent the Fund from becoming subject to ERISA.

Rights of Shareholders

All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Memorandum and Articles of the Fund.

Under the terms of the Fund's Memorandum and Articles, the liability of the Shareholders of the Fund is limited to any amount unpaid on their Common Shares. As the Common Shares can only be

issued if they are fully paid, the Shareholders will not be liable for any debt, obligation or default of the Fund beyond their interest in the Fund.

The Fund's Articles have been drafted in broad and flexible terms to allow the Directors:

- (a) the flexibility to reorganize the Fund into a side-by-side structure, if they consider it advantageous to do so; and
- (b) the authority to, in their discretion, determine a number of issues including the period of notice to be given for redemptions and whether or not to charge subscription or redemption fees, generally or in any particular case. In approving the offering of Common Shares on the terms set out in this Memorandum, the Directors have exercised a number of these discretions in accordance with the Fund's Articles.

General meetings of the voting Shareholders may be called by the Directors and will be called at the request of the Shareholders holding a simple majority of the outstanding Voting Common Shares. All Shareholders' meetings will be held in the Cayman Islands, or such other location as the Directors will determine. All Shareholders' meetings require 7 days' prior notice. Notice may be sent by hand, mail, fax or email, or alternatively, where the recipient has agreed, by posting the notice on a secure nominated web-site.

Subject to the exceptions set forth below and except where a special resolution is otherwise required by the Cayman Islands Companies Law, all decisions of the Shareholders will be made by the holders of a simple majority of the outstanding Voting Common Shares represented at a meeting, provided that a quorum of the holders of one-third of the outstanding Voting Common Shares is present by proxy or in person. Notwithstanding the foregoing, (i) the dismissal of a Director must be adopted by an affirmative vote of two-thirds of the votes cast at a meeting of Shareholders at which more than one-half of the total number of Voting Common Shares then issued and outstanding are represented, provided that any Common Shares held by the Investment Manager, the General Partner or their affiliates, directors, officers and employees shall be Non-Voting Common Shares for the purpose of this vote and shall not count towards the quorum; (ii) any investment management contract entered into by the Fund (other than an investment advisory or investment management contract which the Investment Manager is authorized to enter into pursuant to the Management Agreement) may not be terminated by the Fund unless such termination is approved by a unanimous vote cast at a meeting at which all the issued and outstanding Voting Common Shares are represented; (iii) amendments to the Memorandum of Association and the Articles must be approved by three-quarters of the votes cast at a meeting at which not less than one-half of the issued and outstanding Voting Common Shares are represented, except that any amendment to decrease the vote required to terminate an investment advisory or investment management contract requires approval by a unanimous vote cast at a meeting at which all of the issued and outstanding Voting Common Shares are represented; and (iv) the merger or consolidation of the Fund with another corporation or the dissolution of the Fund requires the affirmative vote of the holders of three-quarters of the Voting Common Shares outstanding. Any matter referred to herein may also be adopted by resolution in writing of all the voting Shareholders.

The rights attaching to any class of Common Shares (unless otherwise provided by the terms of issue of the Common Shares of that class) may, whether or not the Fund is being wound up, be varied with the consent in writing of the holders of two-thirds of the issued Common Shares of that class, or with the sanction of a resolution passed by a two-thirds majority of the holders of the issued Common Shares of that class at a separate meeting of the holders of the Common Shares of that class.

Additionally, the Fund may, subject to applicable law and without the approval of any Shareholders, amend this Memorandum to vary the offering terms applicable to any Common Shares (as distinct from the modification of class rights attaching to Common Shares, as discussed above) as follows: (i) make any change that does not, in the opinion of the Directors in their sole and absolute discretion, adversely affect the Shareholders in any material respect; (ii) make a change that is necessary or desirable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, statute, ruling or regulation of any applicable regulator, court of competent jurisdiction, government or government entity, so long as such change is made in a manner that minimizes to the extent

practicable, as determined by the Directors in their sole and absolute discretion, any adverse effect on the Shareholders; (iii) in the event of adverse changes in the tax law or interpretations thereof applicable to the Fund, amend this Memorandum as determined by the Directors if they deem it advisable or necessary to address such changes so long as such change is made in a manner that minimizes to the extent practicable, as determined by the Directors in their sole and absolute discretion, any adverse effect on the Shareholders; (iv) make a change in any provision of this Memorandum that requires any action to be taken by or on behalf of the Directors or the Fund pursuant to the requirements of applicable law of the Cayman Islands if the provisions of applicable Cayman Islands law are amended, modified or revoked so that the taking of such action is no longer required; or (v) make any change that will, in the opinion of the Directors in their sole and absolute discretion, likely adversely affect the Shareholders in a material respect, provided that such amendment does not become effective until after the affected Shareholders have been given prior written notice of such change and have had the right following receipt of such notice to request the redemption of their Common Shares so affected, and any Common Shares subject to such requested redemption shall have been redeemed.

Furthermore, the Fund may amend this Memorandum to vary the offering terms applicable to Common Shares with the consent of the Shareholders owning a majority by value of all outstanding Common Shares at the time of the amendment provided that such amendment does not discriminate amongst Shareholders. A meeting so convened will generally follow the provisions of the Fund's Articles relating to general meetings amended as necessary by the Directors, as they may, in their absolute discretion, determine, notwithstanding that the Articles will not govern such meetings. If the Fund seeks such approval from Shareholders, then following the giving of notice of the proposed amendment, the Fund shall request a response for or against the proposed amendment. The Fund shall deem a lack of response from a Shareholder to constitute the consent of such Shareholder to the amendment.

Notwithstanding the foregoing, the Fund with the consent of the Investment Manager and/or the General Partner, as applicable, shall have the absolute discretion to agree with a Shareholder to waive or modify the terms, conditions and/or application of any provision of the offering terms herein, as permitted by applicable law and the Articles, with respect to such Shareholder (including those relating to the Management Fee, the Incentive Allocation and redemptions) without obtaining the consent of any other Shareholder. Any variation to the Management Fee or the Incentive Allocation will require the prior written consent of the Investment Manager and no other variations will be agreed without full prior consultation with the Investment Manager. For administrative convenience, the Fund may issue a separate class or sub-class of Common Shares for such Shareholder. Such Shareholders may be members, employees or affiliates of the General Partner or Investment Manager, relatives of such persons, and certain large or strategic investors.

Except for such rights of conversion as are set forth above with respect to the conversion of Class A Shares to Class B Shares (or Class B Shares to Class A Shares) and in Section 13, "Redemptions," the Common Shares have no conversion or pre-emptive rights. All Common Shares of the Fund, when duly issued, will be fully paid and nonassessable. By subscribing for Shares other than Series One of any class, a subscriber will have irrevocably authorized and directed the Fund to convert such Shares (insofar as they are not redeemed) into Series One Shares of the relevant class (or, if applicable, Shares of the first series of the applicable class of Common Shares that were profitable in the prior year) as set forth in the paragraph in Section 13 entitled "Conversion of Shares."

Common Shares will be registered in the name of the Shareholder and held in book form. Generally, a Shareholder may only elect to receive a certificate representing its Common Shares if it demonstrates to the Fund that it is legally required to hold certificated Common Shares or the Fund otherwise approves such issuance.

From time to time, the Fund, by a resolution passed by a simple majority of the Shareholders, may increase its authorized share capital in order to have a substantial number of Shares available at all times for issuance.

Transfers

Common Shares may be transferred only if the proposed transferee of the Common Shares obtains the prior written approval of the Fund. In this regard, the proposed transferee will be required to make the representations and warranties required of a subscriber in form and substance satisfactory to the Fund. The Fund will have full discretion to approve or disapprove any proposed transferee, and no proposed transfer will be recognized until the documents relating to it, including, but not limited to, certain subscription documents, have been approved by the Fund.

11. OFFERING OF COMMON SHARES

The Fund is conducting an offering of its Common Shares to a limited number of experienced and sophisticated investors who are neither citizens nor residents of the United States and to a limited number of United States investors consisting of qualified pension, profit sharing and other retirement trusts, charities and other tax-exempt entities. The Common Shares will not be offered to members of the public in the Cayman Islands. The purchase of Common Shares in the Fund is not open to the general public and Common Shares will be privately offered only to investors who meet the requirements set forth in the Subscription Agreement and Revocable Proxy accompanying this Memorandum.

The minimum initial subscription of each investor is \$1,000,000 (U.S.), subject to change at the sole discretion of the Directors, but not below the statutory minimum, which is currently \$100,000 (U.S.) for initial subscriptions. Subscriptions for Common Shares will be made in cash or, in the sole discretion of the Fund, in securities or partly in cash and partly in securities. Shares generally may be purchased on the first Business Day of each month and at such other times as the Directors determine in their sole discretion.

The offering price (the "Offering Price") for Common Shares shall be \$1,000 (U.S.) per Common Share of the relevant class. The Offering Price for Common Shares of an existing class and series is the prevailing net asset value per share for a Common Share of the relevant class and series as determined on the last day of the immediately preceding month.

Investors interested in subscribing for Common Shares should follow the procedures set forth in Section 20, "Procedures to Purchase Common Shares."

12. PAYMENTS TO SPONSORS OF THE FUND

The Investment Manager and/or its affiliates may pay (or cause to be paid) fees to persons (whether or not affiliated with the Investment Manager) who are instrumental in the sale of Common Shares of the Fund. Any such fees will in no event be payable by or chargeable to the Fund or any Shareholder or prospective Shareholder, unless there is an offsetting credit or fee reduction given by the Investment Manager on either or both of the Management Fee and the Incentive Allocation.

13. REDEMPTIONS

A Shareholder may redeem Common Shares as of the last Business Day of any calendar quarter; provided that prior written notice to redeem is received by the Fund on or before the last Business Day of the preceding calendar quarter; and provided further that if a Shareholder redeems Common Shares on the last day of any calendar quarter occurring within the first 12 months after the date such Common Shares were purchased, the Shareholder will be subject to the payment of a redemption fee equal to 3% of the redemption proceeds, payable to the Fund. A redeeming Shareholder will redeem his Shares at net asset value as of the close of business on such redemption date (the "Redemption Price") (as determined in accordance with the valuation principles contained in the Articles). The net asset value is computed after deduction of any accrued Incentive Allocation payable to the General Partner attributable to the Common Shares redeemed.

A redemption notice must indicate (i) the Shareholder's intention to make such redemption and (ii) the amount of such redemption or the manner in which such redemption is to be determined. Common Shares will be redeemed on a first-in, first-out basis.

The payment of the Redemption Price (whether a complete or partial redemption) will be subject to the retention of a reserve for Fund liabilities and for other contingencies in such amount as will be determined by the Fund in its discretion. If the reserve (or a portion thereof) is later found to be excessive, such amount will be returned to the redeeming Shareholder without interest thereon. In the case of a complete redemption, the foregoing will be in addition to any other applicable holdbacks.

Redemption requests may be made by mail or facsimile (with original to follow by mail). The Shareholder's request should be made by letter addressed to Third Avenue Emerging Markets (Offshore) Fund, Ltd., c/o International Fund Services (Ireland) Limited, Shareholder Services Department, 3rd Floor, Bishop's Square, Redmond's Hill, Dublin 2 Ireland, or by facsimile to the Fund at +353-1-410277 (with the original to follow by mail, as payment will not be made until the original redemption request is received by mail).

On partial redemptions of less than 90% of a Shareholder's holdings of Common Shares, the Redemption Price will generally be paid within 30 days. Payment of the Redemption Price on the redemption of 90% or more of a Shareholder's holdings of Common Shares will generally be made as soon as practicable but, except in cases where share transfers are not delivered, the Shareholder will receive at least 90% of the estimated Redemption Price no later than 30 days following the date of redemption. Promptly after the Fund has determined the net asset value of the Common Shares as of the date of redemption (which in the Fund's discretion may be after the Fund's annual audit), the Fund will pay to such Shareholder the balance, if any, of the amount to which such Shareholder is entitled, or such Shareholder will be obligated to repay the Fund the excess, if any, of the amount previously paid over the amount to which such Shareholder is entitled, in each case without interest thereon. Redemption payments will be made in cash (in U.S. dollars) or, in the discretion of the Fund, in securities or partly in cash and partly in securities, as further described below.

Neither the Fund nor the Administrator shall be responsible for any mis-delivery or non-receipt of any redemption request, whether sent by facsimile or mail. Failure by a Shareholder to ensure the receipt of a redemption request shall render faxed instructions or orders invalid.

Mandatory Redemptions

If the Directors determines that any of the representations given by any holder of Common Shares as set forth in the Subscription Agreement and Revocable Proxy were not true or have ceased to be true or that the continuing ownership of Common Shares by a Shareholder would cause an undue risk of adverse tax or other consequences to the Fund or any of its Shareholders, the Fund may compulsorily redeem all or any part of his Common Shares at a date specified in the notice of such redemption by the Fund to the Shareholder, which date will be not less than 5 days from the date of such notice. In addition, the Fund will be entitled to require the redemption of all or any part of a Shareholder's Common Shares, with or without cause, including, but not limited to, a Shareholder's account balance falling below \$100,000, at any time upon 10 days' notice. Payment will be made in accordance with the procedure applicable to Common Shares that are redeemed at the request of the holder.

Suspension of Redemptions

The Directors may suspend (in whole or in part and generally or in respect of a specific class (or sub-class) or classes of Common Shares) the determination of net asset value, the issuing of Common Shares, the right of the Shareholders to redeem Common Shares and/or the payout of redemption proceeds during any period when:

- (a) any market or stock exchange on which a substantial part of securities owned by the Fund are traded is closed, other than for ordinary holidays, or dealings thereon are restricted or suspended;
- (b) there exists any state of affairs that constitute a state of emergency or period of extreme volatility or illiquidity as a result of which (i) disposal of some or all of the investments of the Fund would not be reasonably practicable or cannot be completed in a timely fashion to meet

redemption requirements and might seriously prejudice the Shareholders or the Fund or (ii) it is not reasonably practicable for the Fund to determine fairly the value of its net assets;

(c) there is a breakdown in the means of communication normally employed in determining the prices of a substantial part of the investments of the Fund;

(d) in the reasonable good faith discretion of the Directors, after consultation with the Investment Manager, the liquidation of assets to fund redemptions would result in unreasonable losses to the Fund and its Shareholders;

(e) in the reasonable good faith discretion of the Directors, a material adverse change or disruption has occurred in the financial, banking or capital markets generally which has had or could reasonably be expected to have a material adverse effect on the Fund;

(f) none of the requests for redemption that have been made may be lawfully satisfied by the Fund in U.S. dollars; or

(g) the Master Fund suspends, in whole or in part, any of the determination of net asset value, the issuance of limited partnership interests, the right of limited partners to make withdrawals and/or the payout of withdrawal proceeds.

If the payout of redemption proceeds is suspended, the provisions under "Delay in Payments" below shall apply. If the Directors invoke a partial redemption in respect of one or more specific investments, then the Fund will implement such a suspension by creating a new non-redeemable class and series of shares to represent the suspended investment as provided for in the Articles.

Delay in Payments

If on any redemption date, assets of the Fund are invested in investments which the Fund is unable to realize, or if realized would be at a value determined by the Directors to be a discount to their true value or the Fund is unable (or it is not practicable) to distribute any such investment to the redeeming Shareholder, then, in the discretion of the Directors, payment to the Shareholder of the portion of his requested redemption may be delayed until such time as such investment may be realized or may be realized at a value which is not, in the determination of the Directors, a discounted value or the Fund is able to distribute such investment to the Shareholder and the amount otherwise due the Shareholder will be increased or decreased to reflect the performance of such investment through the date on which such investment is realized by the Fund or to reflect the increase or decrease in the value of the investment through the date on which it is distributed to the Shareholder or otherwise disposed of by the Fund.

Conversion of Shares

If, during a particular fiscal year, Common Shares of any series, other than Series One Common Shares of the relevant class will have been issued, the Shares thereof held by a particular holder will be converted immediately after the close of business on the last Business Day of such fiscal year for Series One Common Shares of the applicable class (or, if applicable, Shares of the applicable class of the first series that were profitable in the prior year) on the basis of the relative net asset value per share of the particular series and class of Common Shares being converted and of Series One Common Shares of the applicable class (or, if applicable, Shares of the applicable class of the first series that were profitable in the prior year); provided, however, that no such conversion will occur while any loss carryforward attributable to the Shares being converted or the Series One Shares of the applicable class remains outstanding. Such conversion will be effected by the Fund redeeming the Shares to be converted from the holder of such Shares and applying the proceeds of such redemption in paying for the relevant class of new Series One Common Shares.

Payments in Cash or in Kind

Payment of the Redemption Price to a Shareholder on redemption will be made in cash or, in the discretion of the Directors (following consultation with the Investment Manager), in securities (which may

include short positions, as well as long positions) selected by the Directors (following consultation with the Investment Manager), or partly in cash and partly in securities (which may include short positions, as well as long positions) selected by the Directors (following consultation with the Investment Manager). In-kind distributions may be made directly to the redeeming Shareholder or, alternatively:

(a) may comprise interests in special purpose vehicles established by the Fund for the purpose of liquidating the securities which are being transferred (either outright or by a participation interest) by the Fund; or

(b) may be distributed into a liquidating trust, series, class, entity or account and sold for the benefit of such redeeming Shareholder,

in either such case (i) payment to such Shareholder of that portion of his redemption attributable to such securities will be delayed until such time as such securities can be liquidated and (ii) the amount otherwise due to such Shareholder will be increased or decreased to reflect the performance of such securities through the date on which the liquidation of such securities is effected, and any applicable fees and expenses.

Net Asset Value

The Directors have delegated responsibility for the valuation of the Fund's assets and the calculation of the net asset value of the Shares to the Investment Manager and the Administrator, respectively, in accordance with the principles described below.

The net asset value of a Common Share at any date will be the total net assets of the Fund attributable to the relevant series within the relevant class divided by the number of Common Shares of that series within the relevant class then outstanding. The total net assets of the Fund at any date will be determined on the accrual basis of accounting utilizing generally accepted accounting principles applied in the United States ("GAAP") as a guideline and in accordance with the following:

(a) No value will be assigned to goodwill;

(b) Organizational expenses may, for net asset value purposes, be written off over up to 60 months beginning on the date the Fund commences operations;

(c) Accrued investment management fees and other fees will be treated as liabilities;

(d) Dividends payable on the Common Shares, if any, after the date as of which the total net assets are being determined to Shareholders of record prior to such date will be treated as liabilities;

(e) The market value of positions in securities will be as follows: securities that are listed on an exchange or the NASDAQ Global Market and are freely transferable will be valued at their last sale price during the regular or primary trading session on the primary exchange on the date of determination or "official closing price" (if applicable), or, if no sales occurred on such date, at the "bid" price at the close of business on such day if held long and at the "asked" price at the close of business on such day if sold short. Securities traded over the counter and not listed on the NASDAQ Global Market that are freely transferable will be valued at the last sale price on the date of determination, or, if no sales occurred on such day, at the "bid" price at the close of business on such day if held long and at the "asked" price at the close of business on such day if sold short. Options that are listed on a national options exchange shall be valued at the mean between the last "bid" and "asked" price for such options on such date. Notwithstanding the foregoing, if in the reasonable judgment of the Directors, in its sole discretion, the listed price for any securities held by the Fund or any securities that the Fund sells short does not accurately reflect the value of such security, the Directors may value such security at a price (i) that is less than the quoted market price for such securities that the Fund holds long and (ii) that is more than the quoted market price for securities that the Fund sells short;

(f) The market value of a commodity future, forward or similar contract or any option on any such instrument traded on an exchange shall be the most recent available closing quotation on such exchange; provided, that if the Directors determines that such closing price does not accurately reflect market value due to price limit constraints, such contract or option will be valued at fair market value as determined by the Directors;

(g) Securities contributed to the Fund as subscription proceeds shall be treated as if purchased by the Fund at market value on the date of contribution, and securities distributed from the Fund as redemption proceeds will be treated as if sold by the Fund at market value on the date of distribution;

(h) Net profits and net losses from New Issues will be credited or debited to the net asset value of the Class A Shares unless the Fund utilizes the “de minimis” exemption (see “Description of the Fund’s Common Shares — Allocation of New Issues” above) in which case up to 10% of such profits and losses may be credited or debited to the net asset value of the Class B Shares, as determined by the Directors; and

(i) All other assets of the Fund will be valued in the manner determined by the Directors of the Fund to reflect their fair market value.

In connection with the determination of the net asset value of Common Shares, the Directors may consult with and are entitled to rely upon the advice of the Fund’s brokers, custodians, the Investment Manager or other advisers. The Fund has retained the Investment Manager, pursuant to the Management Agreement, to determine the value of the Fund’s assets in accordance with the principles set out above and has also retained the Administrator, pursuant to the Administration Agreement (as defined below) to, among other things, calculate the net asset value of the Common Shares and to distribute that information to the Fund and its Shareholders. In connection with the above determinations, the Investment Manager and the Administrator are entitled to rely upon the advice of the Fund’s brokers, custodians or other advisers.

In no event and under no circumstances will the Directors, the Administrator or the Investment Manager incur any individual liability or responsibility for any determination made, advice given or other action taken or omitted by them in good faith with respect to the determination of the value of the Fund’s assets or the net asset value of the Common Shares of the Fund, as the case may be.

14. BROKERAGE AND CUSTODY

The Investment Manager is authorized to determine the broker or dealer to be used for each securities transaction for the Fund. In selecting brokers or dealers to execute transactions, the Investment Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Investment Manager’s practice to negotiate “execution only” commission rates, thus the Fund may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a “safe harbor” that permits an investment manager to use commissions or “soft dollars” to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except for services that would be a Fund expense or as otherwise described below, the Investment Manager will limit the use of “soft dollars” to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an Investment Manager and a broker-

dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations. The use of commissions arising from the Fund's investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Fund expense. The use of commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, the Investment Manager may receive a product or service that may be used only partially for functions within Section 28(e) (e.g. an order management system, trade analytical software or proxy services). In such instances, the will make a good faith effort to determine the relative proportion of the product or service used to assist the Investment Manager in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Investment Manager in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Investment Manager from its own resources.

Research and brokerage services obtained by the use of commissions arising from the Fund's portfolio transactions may be used by the Investment Manager in its other investment activities and thus, the Fund may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Although the Investment Manager will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services creates a potential conflict of interest between the Investment Manager and its clients.

In selecting brokers and negotiating commission rates, the Investment Manager will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. The Investment Manager may place transactions with a broker or dealer that (i) provides the Investment Manager (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the Fund or other products advised by the Investment Manager (or an affiliate), if otherwise consistent with seeking best execution; provided the Investment Manager is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

When appropriate, the Investment Manager may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

The Fund will maintain an account with Morgan Stanley & Co., Inc. (the "Prime Broker/Custodian"), through which the Fund may execute trades, borrow securities and maintain custody of its securities.

The Fund reserves the right, in its sole discretion, to change the brokerage and custodial arrangements described above without further notice to Shareholders.

15. BOARD OF DIRECTORS

The Board of Directors of the Fund and the Master Fund consists of David Barse, Scott Dakers and Philip Hughes. Mr. Barse serves as a Director without compensation, while Messrs. Dakers and Hughes are paid a fee for providing their services. If additional Directors are elected, the Fund may

compensate such Directors (other than the Investment Manager or any persons affiliated with the Investment Manager) with respect to services rendered in that capacity. The biographies of the Directors are set forth below:

David Barse is the Chief Executive Officer of the Investment Manager and M.J. Whitman LLC. Mr. Barse joined the Investment Manager in 1991. Mr. Barse previously practiced bankruptcy and corporate law. Mr. Barse received a Juris Doctorate from Brooklyn Law School and a Bachelor of Arts from George Washington University. The Investment Manager is affiliated with M.J. Whitman, a FINRA registered broker-dealer.

Scott Dakers is an Associate Director of Ogier Fiduciary Services (Cayman) Limited and has over 18 years of professional experience largely in the offshore financial services industry. Scott was admitted to the Institute of Chartered Accountants of Scotland in 1993 and has worked for leading bank and trust companies in the Cayman Islands, Bahamas and the UK in a variety of senior positions in areas including Fund Administration, Captive Insurance and Institutional Trust Services.

Philip Hughes is a Senior Manager of Director Services at Ogier Fiduciary Services (Cayman) and has over 30 years experience in compliance, accounting, auditing and risk management, 14 of which have been spent in the offshore financial industry in Cayman. He held the position of Vice President Internal Audit and was also a Director of Bank of America Trust and Banking Corporation (Cayman) Ltd. He was responsible for establishing the Internal Audit function and designing a risk management system at Caledonian Bank and Trust Limited, where he also coordinated the Groups SAS70 review. He was Manager of the Consulting Division at Ernst & Young in Jamaica, and prior to that Philip held senior audit positions with public accounting firms and large retail organizations in Canada and the United Kingdom. Philip is a member of the Association of Chartered Certified Accountants in the United Kingdom (FCCA) and is also a Certified Fraud Examiner (CFE).

The Articles do not stipulate a retirement age for the Directors and do not provide for retirement of the Directors by rotation. There is no shareholding qualification for the Directors. The Directors are empowered to exercise all of the borrowing powers of the Fund. In addition, the Articles provide certain rights of indemnification in favor of Directors and officers of the Fund against legal liability and expenses if such persons did not, in connection with the matter giving rise to a particular claim, engage in gross negligence in the performance of their duties, willful default or violations of applicable law, including U.S. federal and state securities laws. With the exception of the Investment Manager, the Directors may change any of the Fund's service providers, including the Fund's auditors, without the consent of the Shareholders.

The Directors are responsible for the overall management and control of the Fund in accordance with the Articles and have delegated the making and approval of any investment decision to the Investment Manager pursuant to the Management Agreement and the day-to-day administrative functions to the Administrator pursuant to the Administration Agreement in accordance with its powers of delegation as set out in the Articles. The Directors accordingly do not take part in the day-to-day operations and administration of the Fund but review on a periodic basis the performance of the Investment Manager and Administrator.

The Directors may also be paid all reasonable travel, hotel and other related expenses properly incurred by them in attending meetings of the Directors or any committee of the Directors or any general meeting or any meeting held in connection with the business of the Fund. No remuneration will be paid to David Barse in his capacity as Director of the Fund. A Director is not required to retire upon reaching a certain age.

Messrs. Dakers and Hughes, as discussed in Section 8 above, may serve as directors of other investment vehicles. Accordingly, to the extent that the interests of the Fund and such other investment vehicles are inconsistent, such directors may have a conflict of interest.

16. ADMINISTRATOR

The Fund, the Master Fund and the U.S. Fund have contracted with International Fund Services (Ireland) Limited and International Fund Services (N.A.) L.L.C. (the "Administrator"). The Administrator will perform certain administrative, and accounting, services for the Fund.

Pursuant to the Administrative Services Agreement (the "Administration Agreement"), the Administrator is responsible (under the ultimate supervision of the Directors) for matters pertaining to the administration of the Fund, namely: (i) maintaining financial books and records so far as may be necessary to give a complete record of all transactions carried out by the Administrator on behalf of the Fund; (ii) providing transfer agent services in connection with the purchase, transfer and redemption of Common Shares; and (iii) ensuring that the Fund complies with all applicable money laundering laws, regulations and guidance notes.

The Fund has appointed the Administrator to provide services including the maintenance of the Fund's records relating to purchase, transfer and redemption of Common Shares; receipt and processing of redemption requests; authorization of redemption or retirement payments; authorization of disbursements of management and advisory fees, commissions and other charges; and such other services as may be agreed on by the parties. The Administrator maintains such records of the Fund in its office in Shareholder Services Department, 3rd Floor, Bishops Square, Redmond's Hill, Dublin 2, Ireland.

For the purpose of the valuation of Common Shares, the Administrator will be entitled to rely on, and shall not be responsible for the accuracy of, financial data furnished to it by the Investment Manager or Directors, the Prime Broker/Custodian and/or any independent third party pricing service providers. The Administrator in no way acts as guarantor or offeror of Common Shares or any underlying investment, nor is it responsible for the actions of the Fund's sales agents, the Prime Broker/Custodian, any other brokers, the Directors or the Investment Manager.

The fees payable to the Administrator are based on its standard schedule of fees charged by the Administrator for similar services. These fees are detailed in the Administration Agreement. The Fund may retain other service providers affiliated with the Administrator to perform the administrative services that would otherwise be performed by the Administrator. Those service providers may be located in the United States.

The Administration Agreement initially has a one-year term and will continue to be automatically renewed for additional one-year terms; provided, however, that the Administration Agreement is subject to termination by the Administrator or by the Fund upon not less than ninety (90) days' prior written notice.

Under the Administration Agreement:

(a) the Fund has agreed to indemnify and hold harmless the Administrator under the Administration Agreement from and against any third party claims, liabilities, costs and expenses arising from or relating to the Administrator's provision of services under the Administration Agreement except to the extent such claims, liabilities, costs or expenses resulted directly from the fraud, gross negligence or willful misconduct of the Administrator;

(b) neither the Administrator nor any of its affiliates, members, partners, employees or agents ("Administrator Related Parties") will be liable to the Fund or its Directors except for damages that resulted directly from the fraud, gross negligence or willful misconduct of the Administrator; and

(c) neither the Administrator nor any Administrator Related Party shall be liable for any indirect, special, incidental, or consequential damages of any kind, including, without limitation, loss of profits, loss of use, business interruption, loss of data, or cost of cover in connection with or arising out of breach of the Administration Agreement or the performance of any services hereunder, whether alleged as a breach of contract or tortious conduct, even if any of them has been advised of the possibility of such damages.

The Administrator does not provide any investment advisory or management service to the Fund and therefore is not in any way responsible for the Fund's performance. The Administrator is not

responsible for monitoring any investment restrictions or compliance with the investment restrictions and therefore is not liable for any breach thereof.

17. TAXATION AND ERISA MATTERS

The tax status of the Fund and its Shareholders under the tax laws of the Cayman Islands and the United States is summarized below. The summary is based on the assumption that the Fund is owned, managed and operated as contemplated. The summary is considered in the opinion of the attorneys indicated below to be a correct interpretation of existing laws as applied at the date of this Memorandum, but no representation is made or intended by the Fund (i) that changes in such laws or their application or interpretation will not be made in the future or (ii) that the United States Internal Revenue Service (the "IRS") will agree with the above-described interpretation as applied to the method of operation of the Fund. Persons interested in subscribing for the Fund's Common Shares should consult their own tax advisers with respect to the tax consequences, including the income tax consequences, if any, to them of the purchase, holding, redemption, sale or transfer of Common Shares.

Pursuant to IRS regulations, the Fund and its tax advisors hereby inform you that: (i) any tax advice contained herein is not intended and was not written to be used, and cannot be used by any taxpayer, for the purposes of avoiding penalties that may be imposed on the taxpayer; (ii) any such advice was written to support the promotion or marketing of the Common Shares described in this Memorandum; and (iii) each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Cayman Islands Taxes

Master Fund Level. The Master Fund is registered under the Exempted Limited Partnership Law (Revised) of the Cayman Islands, and has received an undertaking from the Governor-in-Cabinet of the Cayman Islands, which will be effective for a period not exceeding 50 years from the date of the undertaking, that no law which is enacted in the Cayman Islands during such period imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Fund or to any partner thereof in respect of the operations or assets of the Fund or the partnership interest of a partner therein.

Fund Level. The Fund is not subject to any income, withholding or capital gains taxes in the Cayman Islands. The Fund has received an undertaking from the Governor-in-Cabinet of the Cayman Islands pursuant to the Tax Concessions Law (Revised) of the Cayman Islands that for a period of twenty years from the date of the grant of the undertaking, no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations will apply to the Fund or its operations; and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax will be payable on or in respect of the shares, debentures or other obligations of the Fund, or by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of The Tax Concessions Law (Revised). No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Common Shares.

Shareholder Level. Shareholders will not be subject to any income, withholding or capital gains taxes in the Cayman Islands, with respect to the Common Shares of the Fund owned by them and dividends received on such Common Shares, nor will they be subject to any estate or inheritance taxes in the Cayman Islands.

United States Taxes

Fund Level - Capital Gains. Section 864(b)(2) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), provides a safe harbor (the "Safe Harbor") pursuant to which a foreign corporation that engages in the United States in trading securities for its own account will not be deemed to be engaged in a United States trade or business. Accordingly, the Fund generally should not be deemed to be engaged in a trade or business in the United States if the activities of the Fund are conducted in a manner so as to meet the requirements of the Safe Harbor. If the activities of the Fund are conducted in such a manner, the Fund generally should not be subject to the regular United States federal income tax on its trading profits. However, certain of the activities of the Fund may be outside the scope of the Safe

Harbor, in which case the Fund may be considered to be engaged in a United States trade or business. If the Fund is considered to be engaged in a United States trade or business, the Fund would be subject to United States federal income and branch profits tax on some or all of its income and profits. Assuming that the Fund qualifies for the Safe Harbor, the Fund will not be subject to any United States federal income tax on its capital gains from the sale of securities to the extent that such securities are not classified as "United States real property interests" within the meaning of Code section 897. The Fund will be subject to United States federal income tax (and in some cases branch profits tax) on any gain realized, directly or indirectly, from the sale of a "United States real property interest", which term generally includes, among other things, stock of a "United States real property holding corporation". Stock of a corporation will not be treated as a "United States real property interest" if (i) it is part of a class of stock that is regularly traded on an established securities market and (ii) the Fund does not hold, either directly or constructively as a result of the application of certain attribution rules, more than 5% of such class of stock.

Fund Level - Interest and Other Income. The Fund will be subject to a 30% United States federal withholding tax payable with respect to items of "fixed or determinable annual or periodical" income considered to be from sources within the United States, which term includes, among other things, certain interest income, dividends, rents and royalties. Generally, interest received upon obligations issued after July 18, 1984 which are either in registered form or in bearer form where there are arrangements reasonably designed that the obligations will be sold only to non-United States persons is exempt from this withholding tax. Such exemption would not apply to any interest income derived by the Fund from any entity in which the Fund is treated as owning 10% or more of the equity of the entity, either directly or constructively as a result of the application of certain attribution rules. Such exemption also will not apply to certain interest payments contingent upon receipts, sales, cash flow, income, profits, change in the value of property, dividends or partnership distributions of the debtor or a related person.

Fund Level - Investments in Partnerships. If the Fund invests in a partnership or other pass-through entity that is engaged in a trade or business in the United States, all or a portion of the Fund's income derived from such investment would be treated as income "effectively connected" with a United States trade or business and would be subject to United States federal income tax and branch profits tax. Gain realized by the Fund upon its disposition of such investment also could be subject to United States federal income tax.

Shareholder Level. Shareholders, as long as they are neither citizens nor residents of the United States nor engaged in a trade or business in the United States, are not subject to any United States federal income, withholding, capital gains, estate or inheritance taxes with respect to the Common Shares owned by them or dividends received on such Common Shares. Shareholders may be required to make certain certifications as to the beneficial ownership of the Common Shares and the non-U.S. status of such beneficial owner in order to be exempt from United States information reporting and backup withholding tax.

Irish Tax Consequences of Appointment of Administrator

The provision of administration services to the Fund by the Administrator from its Irish office should not, of itself, cause the Fund or investors in the Fund to be liable to any form of Irish taxation. This is on the basis that the Administrator will merely carry out administrative functions on behalf of the Fund and will not have any discretion in respect of the purchase or sale of the investments of the Fund or the ability to enter in to contracts on behalf of and in the name of the Fund and, in providing its administrative services, it is acting in an independent capacity in the ordinary course of its business.

Other Taxes

Depending on the tax laws of any other jurisdiction, there may be income taxes or withholding taxes imposed on dividends, interest income or capital gains received by the Fund on securities issued by governments or corporations of those jurisdictions.

The Fund may invest in partnerships doing business in states or localities within the United States which impose a tax on nonresident partners of such partnerships. The Fund may be subject to

withholding taxes on its income from such partnerships and may be subject to filing requirements in the states in which such partnerships do business.

U.S. Shareholders - Special Considerations

PFIC Status. As noted above, Common Shares may be sold to a limited number of United States investors which are pension and profit sharing trusts or other tax-exempt organizations (“U.S. Exempt Shareholders”). The Fund is a “passive foreign investment company” (“PFIC”) as defined in Code Section 1297. The Fund is not required to furnish information necessary for a United States person to treat the Fund as a “qualified electing fund” in the event that a United States person that is not a U.S. Exempt Shareholder is considered to own Common Shares under the constructive ownership rules of Code Section 1298.

Unrelated Business Taxable Income. While the Master Fund may purchase securities on margin, borrow money and otherwise utilize leverage in connection with its investments, under current law such leverage should not be attributed to, or otherwise flow through to, U.S. Exempt Shareholders in the Fund. Accordingly, assuming a U.S. Exempt Shareholder does not borrow money or otherwise utilize leverage to purchase its Common Shares, the U.S. Exempt Shareholder generally should not realize “unrelated debt-financed income” as defined in Code Section 514 or “unrelated business taxable income” as defined in Code Section 512 with respect to its investment in the Fund and generally should not be subject to United States federal income tax under the PFIC provisions of the Code with respect to its investment in the Fund.

Controlled Foreign Corporation Status. The Administrator will monitor its Shareholders in an attempt to ensure that at all times the ownership of the Fund by U.S. Exempt Shareholders is below the threshold amounts set forth in Code Section 957 and therefore that the Fund will not be classified as a “controlled foreign corporation” as defined in Code Section 957, although there can be no assurance that the Fund will be able to do so.

Information Reporting. U.S. Exempt Shareholders may be subject to certain IRS filing requirements. For example, pursuant to Code Section 6038B, a United States person which transfers property (including cash) to a foreign corporation in exchange for stock in the corporation is in some cases required to file an information return with the IRS with respect to such transfer. Accordingly, a U.S. Exempt Shareholder may be required to file an information return with respect to its investment in the Fund. Additional reporting requirements may be imposed on a U.S. Exempt Shareholder that acquires Common Shares with a value equal to at least 10% of the aggregate value of all the Common Shares. Shareholders also may be required to file Form TD F 90-22.1 (Report of Foreign Bank and Financial Accounts) with respect to their investment in the Fund. Shareholders should consult their own tax advisers with respect to any applicable filing requirements.

European Union Savings Directive

The European Union (the “EU”) member states have adopted a Savings Directive (2003/48/EC) (the “Directive”), which came into effect on July 1, 2005. The Directive requires that “paying agents” in one member state provide to the tax authorities of another member state details of payments of interest or other similar income (including income, by way of distribution or redemption, made by or on behalf of certain investment funds) paid by them to or for the benefit of an individual resident in that other member state. (Instead of providing that information, certain states operate a withholding system in relation to payments of that kind).

The implementation of the Directive affects certain dependencies and territories of EU Member states, including the Cayman Islands, which have voluntarily agreed to apply the same or equivalent measures to those contained in the Directive. In the Cayman Islands, those measures came into effect on July 1, 2005. In common with the Directive, the Cayman Islands legislation applies to “interest payments” made by a “paying agent” to an individual resident in the EU. Under the Cayman Islands legislation, “interest payment” includes income paid (by way of distribution or redemption) by or on behalf of certain UCITS or “equivalent undertakings for collective investment established in the Cayman Islands” (called a “UCITS equivalent”).

For the purpose of the Directive, the Administrator will make the payments to investors and will usually be the paying agent. The Administrator is located in the United States, which is not subject to the Directive, and, accordingly, the Administrator will be able to treat the Fund as being outside the scope of the Directive.

However, an investor may become a paying agent for purposes of the Directive if (a) that investor is based in the EU or certain states that have agreed to implement measures equivalent to those contained in the Directive (including Switzerland, the Channel Islands and Monaco); and (b) that investor makes an investment in the Fund on behalf of other underlying investors who are individuals or certain unincorporated entities resident in the EU.

In those circumstances, under implementing legislation in that investor's country of residence, the investor may be required to (i) obtain all relevant information relating to its underlying investors and their indirect investment in the Fund; and (ii) make returns to the appropriate tax authorities, or withhold tax at applicable rates from any distribution made to underlying investors in respect of a payment received from the Fund.

An investor of this kind should seek tax advice from an independent tax advisor.

ERISA Matters

The following is a summary of certain aspects of the U.S. federal laws and regulations applicable to retirement plan investments as in existence on the date hereof, all of which are subject to change. This summary is general in nature and does not address every issue that may be applicable to the Fund or a particular investor.

The Fund may accept subscriptions from pension and profit-sharing plans maintained by U.S. corporations and/or unions, individual retirement accounts and Keogh plans, entities that invest the assets of such accounts or plans and other entities investing plan assets (all such entities are herein referred to as "Benefit Plan Investors"). The Investment Manager does not anticipate that the Fund's assets will be subject to ERISA, or the prohibited transaction provisions of Section 4975 of the Code, because the Investment Manager intends to limit the investments in the Fund by Benefit Plan Investors. In addition, it is anticipated that the assets of the Master Fund will not be subject to ERISA or the prohibited transaction provisions of Section 4975 of the Code because investment by Benefit Plan Investors in the Master Fund will be similarly limited. Under ERISA and the regulations thereunder, the Fund's assets will not be deemed to be plan assets subject to Title I of ERISA or Section 4975 of the Code if less than 25% of the value of each class of the Fund's Common Shares is held by Benefit Plan Investors, excluding from this calculation any non-Benefit Plan Investor interests held by the Investment Manager and certain affiliated persons or entities. The Fund will not knowingly accept subscriptions for Common Shares or permit transfers of Common Shares to the extent that such investment or transfer would subject the Fund's assets to Title I of ERISA or Section 4975 of the Code. In addition, because the 25% limit is determined by the Administrator after every subscription to or redemption from the Fund, the Fund has the authority to require the redemption of all or some of the Common Shares held by any Benefit Plan Investor if the continued holding of such Common Shares, in the opinion of the Directors, could result in the Fund being subject to Title I of ERISA or Section 4975 of the Code.

Certain duties, obligations and responsibilities are imposed on persons who serve as fiduciaries with respect to employee benefit plans or accounts ("Plans"); for example, ERISA and the Code prohibit acts of fiduciary self-dealing and certain transactions between Plans and "parties-in-interest" or "disqualified persons" (as such terms are defined in ERISA and the Code). In the Fund's Subscription Agreement and Revocable Proxy, each Plan investor will be required to represent that its fiduciary has independently made the decision to invest in the Fund and has not relied on any advice from the Fund, the Investment Manager, any placement agent associated with the Fund, or any of their affiliates with respect to the investment in the Fund. Accordingly, fiduciaries of Plans should consult their own investment advisors and their own legal counsel regarding the investment in the Fund and its consequences under applicable law, including ERISA and the Code.

The above statements are based on advice received by the Fund as to United States taxes and ERISA matters from Seward & Kissel LLP, New York, New York and as to Cayman Islands taxes and the EUSD from Ogier, Cayman Islands.

18. FISCAL YEAR AND FISCAL PERIODS; FINANCIAL STATEMENTS; AUDITORS

The fiscal year of the Fund will end on December 31 of each year.

Since Common Shares may be sold by the Fund and dividends declared on Common Shares during the course of a fiscal year, the Fund's Articles provide for fiscal periods, which are portions of a fiscal year, for the purpose of allocating net profits and net losses to the records maintained for each series of Common Shares. A new fiscal period will commence on the date next following the date of any redemption of Common Shares, the date of any issuance of Common Shares and the date established by the Directors for determining the record ownership of Common Shares for the payment of dividends, and the prior fiscal period will terminate on the date immediately preceding the first day of a new fiscal period.

The books and records of the Fund will be audited at the end of each fiscal year by auditors selected by the Investment Manager. The Fund will seek to furnish the shareholders with audited year-end financial statements as soon as practicable including a statement of profit or loss for such fiscal year and of an unaudited status of such Shareholder's holdings in the Fund at such time. The Fund will also furnish Shareholders with at least unaudited quarterly reports on the Fund's progress. The Fund's first audit will be for the period from the commencement of the Fund's operations through December 31, 2010. The Fund's financial statements will be prepared using GAAP as a guideline. Organizational expenses, for net asset value purposes, may be amortized over a period of up to 60 months from the date the Fund commences operations because the Fund believes that such treatment is more equitable than expensing the entire amount during the first year of operations, as is required by GAAP. This accounting treatment is not in accordance with GAAP and may result in a qualified opinion.

As a regulated mutual fund under Cayman Islands law, the Fund is required to file its audited financial statements with the Monetary Authority within six months of the end of its fiscal year.

PricewaterhouseCoopers are the auditors for the Fund, and the Directors may change the Fund's auditors without prior notice to the Shareholders.

19. GENERAL COMMENTS

The summary set forth herein does not purport to be and should not be construed as a complete description of the Memorandum and Articles of the Fund, the Administration Agreement or the Management Agreement, copies of which will be furnished on request made to the Fund at its principal office.

Prevention of Money Laundering

United States: In order to comply with applicable laws aimed at the prevention of money laundering and terrorist financing, each prospective investor that is an individual will be required to represent in the Subscription Agreement and Revocable Proxy that, among other things, he is not, nor is any person or entity controlling, controlled by or under common control with the prospective investor, a "Prohibited Person" as defined in the Subscription Agreement and Revocable Proxy (generally, a person involved in money laundering or terrorist activities, including those persons or entities that are included on any relevant lists maintained by the U.S. Treasury Department's Office of Foreign Assets Control, any senior foreign political figures, their immediate family members and close associates, and any foreign shell bank). Further, each prospective investor which is an entity will be required to represent in the Subscription Agreement and Revocable Proxy that, among other things, (i) it has carried out thorough due diligence to establish the identities of its beneficial owners, (ii) it reasonably believes that no beneficial owner is a "Prohibited Person", (iii) it holds the evidence of such identities and status and will maintain such information for at least five years from the date of its complete redemption from the Fund, and (iv) it will make available such information and any additional information that the Fund may require upon request that is required under applicable regulations.

Cayman Islands: To ensure compliance with applicable statutory requirements relating to anti-money laundering and anti-terrorism initiatives, the Fund or the Administrator will require verification of identity, address and source of funds from all prospective investors. Depending on the circumstances of each application, a detailed verification might not be required where (1) the applicant is a qualified financial institution; or (2) the applicant makes the payment by electronic funds transfer from an account held in the applicant's name at a qualified financial institution, and such institution provides an instruction letter on behalf of the applicant in a form acceptable to the Fund and the Administrator; or (3) a qualified financial institution provides an introducer's letter on behalf of the applicant. Such exceptions will only apply if the financial institution or intermediary referred to above is within a country recognized as having sufficient anti-money laundering regulations. In the case of (1) above, the applicant should ensure that its remitting bank includes the applicant's full name and account number in any confirmation sent to avoid any delays.

As mentioned above, the Fund, or the Administrator reserves the right to request such evidence as is necessary to verify the identity, address and source of funds of a prospective investor. The Fund or the Administrator also reserves the right to request such verification evidence in respect of a transferee of Common Shares. In the event of delay or failure by the prospective investor or transferee to produce any evidence required for verification purposes, the Fund or the Administrator may refuse to accept the application or (as the case may be) to register the relevant transfer, and (in the case of a subscription of Common Shares) any funds received will be returned without interest to the account from which such funds were originally debited.

The Fund or the Administrator also reserves the right to refuse to make any redemption payment or distribution to a Shareholder if any of the Directors of the Fund or the Administrator suspects or is advised that the payment of any redemption or distribution moneys to such Shareholder might result in a breach or violation of any applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure the compliance by the Fund, its Directors or the Administrator with any such laws or regulations in any relevant jurisdiction. The Fund and the Administrator also reserve the right to request such verification evidence in respect of a redemption request.

If, as a result of any information or other matter which comes to his attention, any person resident in the Cayman Islands or elsewhere (including the Fund, its Directors and the Administrator) knows or suspects that payment to the Fund (by way of subscription or otherwise) is the proceeds of criminal conduct, such person is required to report such information or other matter pursuant to the Proceeds of Crime Law (2008) of the Cayman Islands and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

Regulation

The Fund falls within the definition of a "mutual fund" under the Mutual Funds Law and accordingly, is regulated under the Mutual Funds Law. However, the Fund is not required to be licensed or to employ a licensed mutual fund administrator since the minimum interest purchasable by a prospective investor in the Fund is at least \$100,000 (U.S.) or its equivalent in any other currency. Accordingly, the obligations of the Fund are (a) to register the Fund with the Monetary Authority, (b) to file with the Monetary Authority prescribed details of this Memorandum and any changes to it, (c) to file annually with the Monetary Authority accounts audited by an approved auditor (d) to file annually with the Monetary Authority a fund annual return and (e) to pay a prescribed initial registration fee and annual fee (currently \$3,659 (U.S.)).

The Fund is subject to the supervision of the Monetary Authority and the Monetary Authority has wide supervisory powers under the Mutual Funds Law in that regard including the power to instruct the Fund to have its accounts audited and to submit them to the Monetary Authority within such time as the Monetary Authority specifies. Failure to comply with any supervisory requirements by the Monetary Authority may result in substantial fines. In addition, the Monetary Authority has wide powers to take action if certain events occur, such as the Fund not being able to meet its obligations when they come due or the Fund carrying on its business in a manner that is prejudicial to its investors or creditors. The powers of the Monetary Authority in these circumstances include the power to require the substitution of a

Director and, at the expense of the Fund, to appoint a person to advise the Fund on the proper conduct of its affairs; and, at the expense of the Fund, to appoint a person to assume control of the affairs of the Fund including, but not limited to, having the ability to terminate the business of the Fund. There are other remedies available to the Monetary Authority including the ability to apply to the courts of the Cayman Islands for approval of other actions or requiring the Fund to reorganize its affairs in a manner specified by the Monetary Authority.

The Master Fund does not currently require registration as a regulated mutual fund under the Mutual Funds Law, as the Master Fund will have fifteen or less investors, the majority of whom are able to appoint and remove the General Partner.

20. PROCEDURES TO PURCHASE COMMON SHARES

Persons interested in purchasing Common Shares of the Fund should inform themselves as to (i) the legal requirements within their own countries for the purchase of such shares, and (ii) any foreign exchange restrictions which they might encounter.

Any person desiring to subscribe for Common Shares of the Fund is requested to execute the Subscription Agreement and Revocable Proxy furnished by the Fund, offering in the Subscription Agreement and Revocable Proxy to purchase a specified dollar amount of Common Shares, and fax the completed and executed copy to the Fund at 011-353-1-4110277 no later than three business days before the requested purchase date and mail or courier the original to: Third Avenue Emerging Markets Fund (Offshore) Ltd., c/o International Fund Services (Ireland) Limited, Shareholder Services Department, 3rd Floor, Bishops Square, Redmond's Hill, Dublin 2, Ireland.

With respect to certain countries, special requirements may have to be observed with respect to subscriptions.

The Fund will advise each subscriber promptly of the Fund's acceptance of an offer to subscribe for Common Shares. Payment in the amount of the subscription in United States dollars should be made in accordance with the terms of the Subscription Agreement and Revocable Proxy.

The subscription documents to be executed and delivered by prospective subscribers contain the subscriber's agreement to indemnify and hold harmless the Fund, the Investment Manager, the Administrator and their respective Affiliated Parties against any and all losses, liabilities, damages, penalties, costs, fees and expenses (including legal fees and disbursements) that may result, directly or indirectly, from any inaccuracy in or breach of any representation, warranty, covenant or agreement set forth therein or in any other document delivered by the subscriber to the Fund.

The acceptance or nonacceptance of any subscription is solely at the discretion of the Fund and no reason need be given for the nonacceptance of any subscription. Any subscription amounts not accepted by the Fund will be promptly returned without interest.

All shares issued in the Fund will generally be issued as registered shares, unless a Shareholder demonstrates that it is legally required to hold certificated shares.

The form of Subscription Agreement and Revocable Proxy grants a proxy to the Administrator or any successor from time to time (the "Proxy Agent"), authorizing it or its designee to vote the Common Shares subscribed for on behalf of the subscriber at any meeting of Shareholders. Such proxy may be revoked by the Shareholder giving the proxy by written notice to the Administrator. The Proxy Agent shall exercise no discretion in casting votes for which it has been given proxy power. In the absence of instructions from Shareholders, the Proxy Agent will vote on recommendation of the Directors. Any such revocation shall be effective upon its receipt by the Proxy Agent or its replacement.

Payments to Sponsors

The Investment Manager may pay fees to persons (whether or not affiliated with the Investment Manager) who are instrumental in the sale of Common Shares of the Fund. Any such fees will in no event be payable by or chargeable to the Fund or any Shareholder or prospective Shareholder.

THIRD AVENUE EMERGING MARKETS (OFFSHORE) FUND LTD.

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