

[For Qualified U.S. Taxable Investors]

FOR THE EXCLUSIVE USE OF: \_\_\_\_\_

DOCUMENT NUMBER: \_\_\_\_\_

**TAURUS MINING FINANCE FUND LLC**  
*(a Delaware Limited Liability Company)*

**SUBSCRIPTION PAPERS**

\_\_\_\_\_  
**Taurus Funds Management Pty Limited**  
**Investment Manager**  
Suite 2, Level 40  
88 Phillip Street  
Sydney NSW 2000  
Australia

## TAURUS MINING FINANCE FUND LLC

### SUBSCRIPTION INSTRUCTIONS FOR QUALIFIED U.S. PERSONS

If, after you have carefully reviewed the Confidential Private Placement Memorandum, as amended or supplemented from time to time (the “Memorandum”) of Taurus Mining Finance Fund LLC (the “Fund”), you have decided to purchase a class A limited liability company interest (“Class A Interest”), class B limited liability company interest (“Class B Interest”) or class C limited liability company interest (“Class C Interest”) (each, an “Interest”) in the Fund, please observe the instructions below. The information requested in these Subscription Papers is necessary to ensure exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Regulation D thereunder, as well as to comply with other applicable law. Subject to any applicable law, such information is confidential and will not be reviewed by anyone other than Taurus Mining Finance Fund GP Ltd (the “Managing Member”), Taurus Funds Management Pty Limited (the “Investment Manager”), the Managing Member’s and the Investment Manager’s affiliates, FundBPO Pte Ltd (the “Administrator”) and their directors, officers, employees and counsel, except as otherwise set forth herein. All Subscription Papers must be completed correctly and executed or they will not be accepted.

The minimum suitability standards to purchase an Interest are set forth in the Memorandum. Only U.S. persons who are (i) “accredited investors” under Rule 501 of Regulation D under the Securities Act, and (ii) “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended, and the regulations thereunder (the “Investment Company Act”) or “knowledgeable employees” as defined in Rule 3c-5 promulgated under the Investment Company Act, are eligible to participate in the Fund. ***In lieu of an investment in the Fund, any organization exempt from U.S. federal income taxation should consult with the Managing Member or the Investment Manager regarding an investment in Taurus Mining Finance Fund Ltd (the “Offshore Fund”).***

The minimum investment commitment is USD1,000,000, although the Managing Member may, in its sole discretion, accept smaller subscription amounts. Notwithstanding the amount subscribed for, the Managing Member reserves the right, in its sole discretion, to reduce the amount of any Subscriber’s subscription amount that is accepted by the Fund (the “Capital Commitment”). Furthermore, the Managing Member reserves the right to reject any subscription in whole or in part, as it deems appropriate. Subscribers will be notified prior to the date on which all or any part of this subscription is accepted (the “Closing Date”) of the amount of the subscription that is being accepted.

If you have any questions concerning the Subscription Papers or would like assistance in completing them, please contact the Administrator at FundBPO Pte Ltd, Level 36, 80 Raffles Place, Singapore 049 624, facsimile number marked for the attention of the Chief Executive Officer.

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#### **1. General Description of the Subscription Papers**

The Subscription Papers are comprised of (a) a Subscription Agreement; (b) a Purchaser Suitability Questionnaire for Individuals; (c) a Purchaser Suitability Questionnaire for Entities, including

an Anti-Money Laundering Certification and (d) a Form W-9, Request for Taxpayer Identification Number and Certification (in **Appendix C**).

## **2. Subscription Agreement**

Every subscriber must deliver to the Administrator (as described below) a dated, completed and executed Subscription Agreement. Please read the Subscription Agreement carefully and complete the relevant items including items I, VI and VIII, the appropriate signature page and the additional information page. Please also complete the Form W-9, included as **Appendix C**. **Every subscriber must carefully review the representations and warranties contained in Item III of the Subscription Agreement. If any representation or warranty cannot be made, please contact the Managing Member.** Each subscriber must deliver the documentation requested in the applicable Purchaser Suitability Questionnaire.

If there are joint purchasers and they are not either husband and wife or close relatives who have the same principal residence, each joint purchaser must complete a Subscription Agreement. In any event, all joint purchasers must execute the appropriate signature page.

Any subscriber who does not have such knowledge and experience in financial and business matters that such subscriber is capable of evaluating alone the merits and risks of an investment in the Fund must engage a financial adviser to assist such subscriber in evaluating an investment in the Fund. Such adviser will be a “purchaser representative.” Such financial adviser’s name and address must be listed in item VI of the Purchaser Suitability Questionnaire for Individuals or item VI of the Purchaser Suitability Questionnaire for Entities, as applicable, and such financial adviser must complete and execute a Purchaser Representative’s Questionnaire.

## **3. Purchaser Suitability Questionnaire**

Every subscriber must deliver to the Administrator (as described below) a dated, completed and executed Purchaser Suitability Questionnaire for Individuals or Purchaser Suitability Questionnaire for Entities, as appropriate.

If there are joint purchasers and such purchasers are husband and wife or close relatives who have the same principal residence, only one purchaser need complete the Purchaser Suitability Questionnaire and the requested information should be furnished with respect to such purchaser. Otherwise, each joint purchaser must complete a Purchaser Suitability Questionnaire.

Each entity subscriber must deliver the documentation required by item III of the Purchaser Suitability Questionnaire for Entities.

*Non-U.S. Persons may not invest in the Fund. Non-U.S. Persons should consult with the Managing Member or the Investment Manager regarding an investment in the Offshore Fund.*

## **4. Delivery of Subscription Papers**

For new investors: please return the Subscription Papers to the Administrator at FundBPO Pte Ltd, Level 36, 80 Raffles Place, Singapore 049 624, Attention Chief Executive Officer, at least three Business Days prior to the applicable closing date. It is recommended that the Subscription Agreement and investor identity verification documentation are sent via email to [registry@fundbpo.com](mailto:registry@fundbpo.com) prior to sending the originals. Originals are required.

For existing investors making subsequent investments: please return the Additional Subscription Form (see **Appendix B**) to the Administrator at the same address / email as shown above at least three Business Days prior to the applicable closing date.

“Business Day” shall mean a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Cayman Islands and New York City.

**5. Purchaser Representative Questionnaire and Acknowledgment**

In the event that the subscriber has used a Purchaser Representative in making a decision to investment in the Fund, such Purchaser Representative must complete the Purchaser Representative Questionnaire and Acknowledgment, a form of which may be obtained from the Managing Member. *The Purchaser Representative Questionnaire and Acknowledgment need not be completed if the subscriber did not use a representative in making an investment decision.*

**6. Payments**

Payments must be made by wire transfer of immediately available funds, denominated in USD, in accordance with the instructions on page SA-2.

**7. Privacy Policy**

The Investment Manager’s privacy policy is included as **Appendix D** or as otherwise notified to you in writing from time to time.

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## TAURUS MINING FINANCE FUND LLC

### SUBSCRIPTION AGREEMENT

Taurus Mining Finance Fund LLC  
c/o Taurus Funds Management Pty Limited  
Suite 2, Level 40  
88 Phillip Street  
Sydney NSW 2000  
Australia

Ladies and Gentlemen:

This subscription is being submitted in connection with the capital raising activities of Taurus Mining Finance Fund LLC, a Delaware limited liability company (the “Fund”). Taurus Mining Finance Fund GP Ltd, a Cayman Islands exempted company incorporated with limited liability, is the managing member of the Fund (the “Managing Member”). Taurus Funds Management Pty Limited, an Australian proprietary company, is the investment adviser or investment manager of the Fund (the “Investment Manager”). The offer and sale of class A limited liability company interests (“Class A Interests”), class B limited liability company interests (“Class B Interests”), and class C limited liability company interests (“Class C Interests”; and together with the Class A Interests and Class B Interests, “Interests”) in the Fund to each subscriber, as such term is used to reference an applicant, whether an individual, joint applicants, or an entity (“Subscriber”), is not being registered under any federal or state securities law and is being made privately to eligible investors on the basis of the Confidential Private Placement Memorandum of the Fund dated June 2014, as the same may be updated or modified from time to time (the “Memorandum”). Terms used herein without definition are as used or defined in the Memorandum. All references to “USD” and “\$” are to the United States dollar.

The Subscriber understands that the information requested in this Subscription Agreement is needed in order to ensure compliance with applicable laws and regulations, including, but not limited to, applicable anti-money laundering laws and regulations. The Subscriber acknowledges that it will receive or have access to confidential proprietary information concerning the Fund (“Confidential Information”), which is proprietary in nature and non-public. The Subscriber agrees that it shall not disclose or cause to be disclosed any Confidential Information to any persons or use any Confidential Information for its own purposes or its own account, except in connection with its investment in the Fund and except as otherwise required by any regulatory authority, law or regulation, or by legal process. Furthermore, the Subscriber has not reproduced, duplicated or delivered the Memorandum or this Subscription Agreement to any other person, except professional advisers to the Investor or as instructed by the Fund.

Notwithstanding the foregoing, the Subscriber understands that the Subscriber (and each employee, representative, or other agent of the Subscriber) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of (i) the Fund and (ii) any of its transactions, and all materials of any kind (including opinions or other tax analysis) that are provided to the Subscriber relating to such tax treatment and tax structure (as such terms are defined in United States Treasury Regulation Section 1.6011-4). This authorization of tax disclosure is retroactively effective to the

commencement of the first discussions between the Fund or its representatives and the Subscriber regarding the transactions contemplated herein.

References to the Fund's or the Master Fund's Investments and portfolio in the Memorandum and this Subscription Agreement refer to the combined Investments and portfolio of the Fund and the Master Fund, and references to the Investment Manager and its investment strategy and operations refer to Taurus Funds Management Pty Limited, as the Investment Manager of the Fund and the Master Fund, unless the context suggests otherwise. Capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Memorandum.

Treasury Department Circular 230 Disclosure. To ensure compliance with Treasury Department Circular 230, the Subscriber is hereby notified that: (i) any discussion of U.S. Federal tax issues in this Subscription Agreement or the Memorandum is not intended or written to be relied upon, and cannot be relied upon, by the Subscriber for the purpose of avoiding penalties that may be imposed on the Subscriber under the Internal Revenue Code of 1986, as amended (the "Code"); (ii) such discussion is included herein by the Fund in connection with the promotion or marketing (within the meaning of Circular 230) by the Fund of the transactions or matters addressed herein or therein; and (iii) the Subscriber should seek advice based on its particular circumstances from an independent tax advisor.

## **I. Subscription for Interests**

The undersigned Subscriber, [ ] [Name of Subscriber] hereby irrevocably subscribes for ☐ a Class A Interest, ☐ a Class B Interest or ☐ a Class C Interest, under the terms set forth in the Fund's Limited Liability Company Agreement, as it may be amended from time to time (the "LLC Agreement"), and as described in the Memorandum, in the amount of \$ (minimum investment of USD1,000,000; a lower minimum may be permitted by the Managing Member) (the "Subscription Amount"), and agrees to make capital contributions to the Fund in an aggregate amount up to the Subscription Amount in accordance with the LLC Agreement. Only Subscribers who participate in the Initial Closing are eligible to subscribe for Class A Interests and only Related Parties, or such other investors as the General Partner may determine from time to time, are eligible to subscribe for Class C Interests.

The minimum suitability standards are set forth herein and in the Purchaser Suitability Questionnaire for Individuals and the Purchaser Suitability Questionnaire for Entities, as applicable. The minimum investment is USD1,000,000, although the Managing Member may, in its sole discretion, accept smaller subscription amounts. Notwithstanding the amount subscribed for, the Managing Member reserves the right, in its sole discretion, to reduce the amount of any Subscriber's subscription amount that is accepted by the Fund (the "Capital Commitment"). Furthermore, the Managing Member reserves the right to reject any subscription in whole or in part, as it deems appropriate. Subscribers will be notified prior to the date on which all or any part of this subscription is accepted (the "Closing Date") of the amount of the subscription that is being accepted. If this subscription is not accepted, the Fund will return to the Subscriber, without interest or deduction, any payment tendered by the Subscriber, and the Fund and the Subscriber shall have no further obligation to each other hereunder. Unless and until rejected by the Fund, this subscription shall be irrevocable by the Subscriber. The Fund makes no assurances that any new subscriptions for Interests will be available at any time.

## **II. Payments.**

The Subscriber will wire funds in the amount of the relevant capital call to the Fund's account prior to the applicable settlement date in accordance with the wire transfer instructions provided in the capital call notice which will be in the following form:

SWIFT Address: [•]  
Fedwire ABA: [•]  
Chips ABA: [•]  
Bank Name: [•]  
Account Number: [•]  
Account Name: Taurus Mining Finance Fund LLC

Further referencing the name of the Subscriber.

- Important: (1) Please have your bank identify your name on the wire transfer.
- (2) It is recommended that your bank charge its wiring fees separately so that the amount you have elected to invest may be invested.

**The Subscriber understands that its failure to make a Capital Contribution or any other payment required to be made pursuant to the LLC Agreement when due may result in severe consequences to the Subscriber.**

### **III. Representations, Warranties and Agreements of the Subscriber.**

As an inducement to the Managing Member to accept this Subscription Agreement on behalf of the Fund, the Subscriber represents and warrants to the Managing Member, the Investment Manager, the Administrator and the Fund as follows:

#### **A. Authority, Suitability and Offering of Interests**

(1) If an individual, the Subscriber (including each individual joint Subscriber) is at least 21 years old and is legally competent to execute, deliver and comply with the terms of this Subscription Agreement and the LLC Agreement. If an entity (e.g., a corporation, partnership, limited liability company or trust) (an "Entity"), the Subscriber is duly authorized and qualified to become a Member in the Fund, and the person executing this Subscription Agreement and the LLC Agreement on behalf of the Subscriber has been duly authorized by the Subscriber to execute and deliver this Subscription Agreement and the LLC Agreement on behalf of the Subscriber. The Subscriber has the full right and power to perform its obligations under and pursuant to this Subscription Agreement and the LLC Agreement. In addition, the Subscriber is not a partnership, common trust fund, special trust, pension fund, retirement plan or other Entity in which the equity holders, beneficiaries or participants, as the case may be, may designate the particular investments to be made for their individual benefit or the allocation thereof among themselves.

(2) The Subscriber is (i) an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended (the "Securities Act") and (ii) a "qualified purchaser" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "Investment Company Act") or a "knowledgeable employee" as defined in Rule 3c-5 promulgated under the Investment Company Act.

(3) The Subscriber (either alone or with its advisors, if any) has sufficient knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Fund and of making an informed investment decision regarding the purchase of an Interest, and the Subscriber is able to bear the economic risk of a speculative, illiquid long-term investment such as the Interests in the Fund, including the risk of losing its entire investment. All information that the

Subscriber has provided concerning the Subscriber and the Subscriber's financial position is true, correct and complete.

(4) The Subscriber and the Subscriber's advisors, if any, have reviewed and carefully read a copy of the Memorandum, this Subscription Agreement (including the Purchaser Suitability Questionnaire for Individuals or the Purchaser Suitability Questionnaire for Entities, as applicable) and the LLC Agreement, and any and all amendments and supplements thereto. The Subscriber (either alone or with its advisors, if any) has carefully reviewed and understands the various risks of an investment in the Fund including, without limitation, the risks and other considerations summarized in the Memorandum under the captions "Risk Factors" and "Certain U.S. Federal Income Tax Considerations," and the Subscriber can afford to bear such risks.

(5) The Subscriber has had an unrestricted opportunity to: (i) obtain additional information concerning the offering of Interests (the "Offering"), the Interests, the terms and conditions of the LLC Agreement, the Managing Member, the General Partner, the Investment Manager, the Fund, the Master Fund and any other matters relating directly or indirectly to the Subscriber's purchase of the Interest; and (ii) ask questions of, and receive answers and obtain additional information from, the Managing Member and/or the Investment Manager concerning the terms and conditions of the Offering and obtain such additional information as may have been necessary to verify the accuracy of the information contained in the Memorandum, the LLC Agreement or otherwise provided.

(6) The Subscriber has relied only on the information contained in the Memorandum, the LLC Agreement and this Subscription Agreement in determining whether to subscribe for an Interest, irrespective of any information the Subscriber may have been furnished as described in Section III.A.(5) above.

(7) The Subscriber acknowledges that it has been warned and accepts that an investment in the Fund is only suitable for sophisticated investors who understand the risks involved in acquiring such an investment.

(8) The Subscriber understands that no regulatory agency or securities exchange has reviewed the Memorandum or the private placement of Interests or has made any finding or determination as to the fairness of the business terms of an investment in the Fund.

(9) The Subscriber is not relying on the Managing Member, the Investment Manager, the General Partner, the Administrator, the Fund, the Master Fund or any information in the Memorandum or the LLC Agreement with respect to any legal, investment or tax considerations involved in the purchase, ownership and disposition of an Interest. The Subscriber has relied solely upon the advice of, or has consulted with, in regard to the legal, investment and tax considerations involved in the purchase, ownership and disposition of an Interest, the Subscriber's legal counsel, business and/or investment adviser, accountant and tax advisor.

(10) The Subscriber has obtained, in its judgment, sufficient information from the Fund, the Master Fund, the Investment Manager, the Managing Member, the Administrator and/or the General Partner and any of their authorized representatives, to evaluate the merits and risks of an investment in the Fund, and that after all necessary advice and analysis, has determined that its investment in the Fund is suitable and appropriate and further, that the Subscriber is willing and able to bear the economic and other risks of an investment in the Fund for an indefinite period of time.

(11) The Subscriber understands that the Interests have not been registered under the Securities Act or any similar state law and cannot be transferred or assigned except in certain

limited circumstances, and generally only with the consent of the Managing Member, as set forth in the LLC Agreement. Except as specifically authorized in the LLC Agreement, the Subscriber will not transfer the Subscriber's Interests unless (i) such Interest is registered under the Securities Act and applicable securities laws or the transfer is exempt therefrom and (ii) the Managing Member consents thereto. The Subscriber understands that the Fund has no intention or obligation to so register such Interests and the Managing Member has no obligation to consent to any transfer or assignment thereof.

(12) The Subscriber is acquiring the Interest for which the Subscriber has subscribed for the Subscriber's own account, as principal, for investment and not with a view to the resale or distribution of all or any part of such Interest.

(13) The Subscriber is aware and understands that the Fund will not register as an "investment company" under the Investment Company Act by reason of the Fund's belief that the provisions of 3(c)(7) thereof are applicable, which permits private investment companies (such as the Fund) to sell interests on a private placement basis to an unlimited number of investors which are "qualified purchasers" and/or "knowledgeable employees". The Subscriber agrees to provide the Fund with such information, representations, covenants and opinions of legal counsel as to certain matters under the Investment Company Act as the Fund may reasonably request in order to ensure compliance with the Investment Company Act and the availability of any exemption thereunder.

(14) The Subscriber acknowledges that the Interests were not offered to the Subscriber by any means of general solicitation or general advertising. In that regard, the Subscriber is not subscribing for the Interest: (i) as a result of, or subsequent to, becoming aware of any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium, generally available electronic communication, broadcast over television or radio or generally available to the public on the internet or worldwide web; (ii) as a result of, or subsequent to, attendance at a seminar or meeting called by any of the means set forth in (i) above; or (iii) as a result of, or subsequent to, any solicitations by a person not previously known to the Subscriber in connection with investment in securities generally.

(15) Except for \_\_\_\_\_ **[fill in name of broker - if left blank, the Subscriber has not dealt with a broker]**, the Subscriber has not dealt with a broker in connection with the purchase of the Interest and agrees to indemnify and hold the Managing Member, the Investment Manager, the Administrator, the Fund and the Master Fund harmless from any claims for brokerage or other fees in connection with the transactions contemplated herein.

(16) If the Subscriber is a corporation, company, trust or other entity, the Subscriber represents that, unless otherwise noted herein: (i) it was not formed for the purpose of investing in the Fund (except where each beneficial owner of such entity is an Accredited Investor and a Qualified Purchaser or Knowledgeable Employee); (ii) it is not investing more than 40% of its total assets in the Fund; (iii) each of its beneficial owners participates in investments made by the Subscriber pro rata in accordance with its interest in the Subscriber and, accordingly, its beneficial owners cannot opt in or out of investments made by the Subscriber; (iv) its beneficial owners did not and will not contribute additional capital (other than previously committed capital) for the purpose of purchasing the Interests; and (v) its beneficial owners have not been provided the opportunity to decide whether or not to participate, or the extent of their participation, in particular investments made by the Subscriber, including this subscription.

(17) The Subscriber maintains the Subscriber's domicile, and is not merely a transient or temporary resident, at the address shown on the signature page of this Subscription Agreement.

(18) The Subscriber acknowledges and agrees that any changes made by the Subscriber to any of the documents delivered to the Subscriber in connection with the Offering shall not be effective unless the General Partner consents to such changes.

(19) Each Subscriber agrees and acknowledges that such Subscriber will be obligated to maintain the confidentiality of all information included in reports to Members, as well as information contained in the Memorandum, or otherwise provided in connection with the Offering, with respect to the Fund, the Master Fund, the Managing Member, the Investment Manager, the General Partner their affiliates and the business of any of them, and the Fund's Investments, to the fullest extent permitted by law and in accordance with the terms of the LLC Agreement. Notwithstanding the foregoing, the Subscriber (and each employee, representative or other agent of the Subscriber) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure (as such terms are defined in United States Treasury Regulation Section 1.6011-4) of the Fund and its transactions, and all materials of any kind provided to the Subscriber relating to such tax treatment or tax structure.

(20) The Subscriber will promptly, upon reasonable request by the Managing Member, the Investment Management and/or an agent thereof, provide or update all financial data, documents, reports, forms, certifications or any other information necessary or appropriate to enable the Fund to (i) apply for and obtain an exemption from the registration provisions of applicable law; (ii) provide any other information required by governmental and/or regulatory agencies having jurisdiction over the Fund; (iii) prevent withholding or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund receives payments; (iv) satisfy reporting or other obligations under the Code, Treasury Regulations, any agreement with the U.S. Treasury Department or any other government division or department, or any applicable intergovernmental agreement or implementing legislation; or (v) make payments (including of redemption proceeds) to the Subscriber free of withholding or deduction. The Subscriber will comply with any reporting obligations imposed by the United States or any other jurisdiction, including reporting obligations that may be imposed by future legislation. The Subscriber hereby consents to the disclosure by the Fund of the foregoing information to any governmental authority or to any person or entity from which the Fund receives payments.

(21) The Subscriber acknowledges and agrees that withdrawals will be paid to the account indicated under the section titled "Standing Wire Instructions" unless written instructions are received from the Subscriber to the effect that withdrawal payments are to be made to another account and unless the Managing Member is satisfied that the Subscriber is the sole owner of the account and that the account is solely for the Subscriber's benefit. Each of the Managing Member and the Administrator on behalf of the Fund reserves the right to object to the Subscriber's choice of another account in its sole and absolute discretion.

(22) The Subscriber acknowledges and agrees that the Managing Member, the Investment Manager, the Administrator, the General Partner, the Fund and the Master Fund may release and disclose to each other, to any service provider to the Fund and/or the Master Fund, to regulatory or law enforcement authorities in any applicable jurisdiction to which any of the Fund, the Master Fund, the Managing Member, the Investment Manager, the Administrator and/or the General Partner is or may be subject, copies of this Subscription Agreement and confidential information concerning the Subscriber, and if applicable, person(s) with a direct or indirect beneficial interest in the Interest or in the Subscriber itself, in their respective possession, whether provided by the Subscriber to the Fund, the Master Fund, the Managing Member, the Investment Manager, the Administrator and/or the General Partner or otherwise, including details of the Subscriber's holdings in the Fund, historical and pending transactions in the Interests and the values thereof, if any of the Managing Member, the Investment Manager, the Administrator, the General Partner, , in their respective sole and absolute discretion, determine that it is required or advisable to do so in order to ensure compliance with applicable law. Any such disclosure pursuant to the foregoing shall not be

treated as a breach of any restriction upon the disclosure of information imposed on any of the Fund, the Master Fund, the Managing Member, the General Partner, the Investment Manager, the Administrator or any other such person, by law or otherwise.

(23) The Subscriber agrees to provide any information deemed necessary by the Managing Member and the Administrator in their sole discretion to comply with their respective anti-money laundering programs and related responsibilities from time to time. The Subscriber agrees to promptly notify the Fund and the Administrator should the Subscriber become aware of any change in the information set forth in representations 24 through 27 below. The Subscriber is advised that, by law, the Fund or the Administrator on behalf of the Fund may be obligated to “freeze the account” of the Subscriber by prohibiting additional capital contributions, refusing to make any payment due to the Subscriber, and/or segregating the assets in the account in compliance with governmental regulations, and the Fund and/or the Administrator on behalf of the Fund may also be required to report such action and to disclose the Subscriber’s identity to the U.S. Office of Foreign Asset Control.

(24) The Subscriber represents that it is not a Prohibited Investor. A Prohibited Investor includes (i) an individual, entity or organization identified on any U.S. Office of Foreign Assets Control “watch list”; (ii) a foreign shell bank; and (iii) a person or entity resident in or whose subscription funds are transferred from or through a jurisdiction identified as non-cooperative by the U.S. Financial Action Task Force. The Subscriber further represents that it does not have any affiliation of any kind with an individual, entity or organization described in (i) above.

(25) The Subscriber represents that the funds to be invested in the Fund were not derived from any activities that may contravene U.S. or non-U.S. anti-money laundering laws or regulations.

(26) The Subscriber represents that none of (i) the Subscriber, or (ii) any person controlling, controlled by or under common control with, the Subscriber is a Politically Exposed Person. A Politically Exposed Person is a senior foreign political figure,<sup>1</sup> an immediate family member of a senior foreign political figure<sup>2</sup> or a close associate of a senior foreign political figure.<sup>3</sup>

(27) To the extent the Subscriber has beneficial owners or is an intermediary subscribing for an Interest on behalf of one or more investors or beneficial owners (collectively, “Owners”): (i) it has carried out thorough due diligence to establish the identities of all such Owners; (ii) based on such due diligence, the Subscriber reasonably believes that no such Owners are Prohibited Persons; (iii) it has conducted enhanced due diligence on any Owner who is a Politically Exposed Person; (iv) based on such enhanced due diligence, the Subscriber has no reason to believe that the funds invested by each such Politically Exposed Person involve the proceeds of official corruption; (v) it has no reason to believe that the funds invested or to be invested by Owners were derived from activities that may contravene any U.S. or

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<sup>1</sup> A “senior foreign political figure” is defined as a senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a “senior foreign political figure” includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

<sup>2</sup> “Immediate family” of a senior foreign political figure typically includes the figure’s parents, siblings, spouse, children and in-laws.

<sup>3</sup> A “close associate” of a senior foreign political figure is a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

non-U.S. anti-money laundering laws or regulations; (vi) it holds the evidence of such identities and status and will maintain all such evidence for at least five years from the date of the Subscriber's complete withdrawal from the Fund; and (vii) it will make available such information and any additional information requested by the Managing Member that is required under applicable regulations, to the extent permitted by applicable law.

(28) The Subscriber represents that the Interest is being acquired for investment purposes, and that the Subscriber will not enter into any swap or other derivative transaction with respect to the Interest without the prior written approval of the Managing Member.

(29) The Subscriber certifies that it is a "United States person" (as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code")) and that it has completed and returned the Form W-9 attached hereto. The Subscriber undertakes to advise the Managing Member promptly in writing if the Subscriber ceases to be a "United States person" during the term of the Fund.

(30) The Subscriber certifies that the Subscriber is not subject to a backup withholding.

(31) If the Subscriber is a partnership, a limited liability company treated as a partnership for United States federal income tax purposes, a grantor trust (within the meaning of Section 671-679 of the Code, or an S corporation (within the meaning of Section 1361 of the Code) (each, a "flow through entity"), the Subscriber represents and warrants that either: (i) no person or entity will own, directly or indirectly through one or more flow-through entities, an interest in the Subscriber such that more than 70% of the value of such person's or entity's interest in the Subscriber is attributable to the Subscriber's investment in the Fund or (ii) if one or more persons or entities will own, directly or indirectly through one or more flow-through entities, an interest in the Subscriber such that more than 70% of the value of such person's or entity's interest in the Subscriber is attributable to the Subscriber's investment in the Fund, neither the Subscriber nor any such person or entity has or had any intent or purpose to cause such person (or persons) or entity (or entities) to invest in the Fund indirectly through the Subscribers in order to enable the Fund to qualify for the 100-partner safe harbor under United States Treasury Regulation Section 1.7704-1(h).

(32) The Subscriber will not assign or transfer its interest in the Fund (or any interest therein) on or through an "established securities market" or a "secondary market or the substantial equivalent thereof," as such terms are used in Section 1.7704-1 of the Treasury Regulations.

(33) The Subscriber agrees to the Advisory Board approving certain transactions and other activities in accordance with the Amended and Restated Limited Partnership Agreement of the Master Fund.

(34) The Subscriber acknowledges that it will be subject to the terms and fee arrangements with respect to its Interest as described in the Memorandum.

(35) The Subscriber, if not a "Benefit Plan Investor", as described in Item VI below, on the date of this Subscription Agreement is signed, agrees to notify the Fund and the Managing Member immediately if the Subscriber becomes a "Benefit Plan Investor".

## **B. Disclosures**

(1) The Subscriber confirms that none of the Fund, the Master Fund, the Managing Member, the Investment Manager, the General Partner or any associate, affiliate, representative, agent or



advisor of any of them, guarantees the success of an investment in an Interest or that substantial losses will not be incurred on such investment.

(2) The Subscriber understands and agrees to the manner and method of calculating and allocating the Carried Interest, as detailed in the Memorandum and the LLC Agreement. In addition, the Subscriber understands that the Carried Interest may create an incentive for the Managing Member to cause the Investment Manager to make or recommend, as applicable, investments that are riskier or more speculative than would be the case if such arrangements were not in effect.

(3) The Subscriber specifically recognizes and consents to the conflicts of interest to which the Managing Member, the Investment Manager and their affiliates, and any partner, member, owner, officer or employee thereof may be subject to operating the Fund as described in the Memorandum. The Subscriber acknowledges that the Managing Member and the Investment Manager have established the business terms of the Fund without arm's-length negotiations with any representatives of prospective investors, and that neither counsel to the Managing Member, the Investment Manager nor the Fund has either represented the investors nor made any representation to the Subscriber or its advisors in any respect of this Offering. The Subscriber consents to such potential and actual conflicts of interest and hereby waives any claim with respect to the existence of any such conflict of interest.

(4) The Subscriber understands that, with respect to Class A Interests and Class B Interests, the Investment Manager shall be entitled to a Management Fee for advising regarding or, if applicable, managing the Fund, Taurus Mining Finance Fund Ltd (the "Offshore Fund") and the Master Fund's Investments, and that (i) during the Investment Period, the Management Fee will be payable at the rate of 1.25% per annum on the Investor Commitments of the Feeder Funds and (ii) thereafter, the Management Fee will be payable at the same rate on investors' Capital Contributions in respect of unrealised Investments (including partially unrealized Investments) and adjusted for permanent net losses from writedowns on Investments. Class C Interests are not subject to any Management Fee.

(5) The Subscriber further understands that the General Partner of the Master Fund shall receive a carried interest (the "Carried Interest") equal to: (i) 17.5% of the Master Fund's total profits with respect to Class A Interests, and (ii) 20% of the Master Fund's total profits with respect to Class B Interests (in each case, after receipt by the investors of an 8% cumulative return per annum), as such Carried Interest is further described in the Memorandum. Upon receipt by the General Partner of Carried Interest distributions, the General Partner shall immediately disburse all of such Carried Interest distributions to the Investment Manager pursuant to and in accordance with the terms and conditions of the Investment Management Agreement. Class C Interests are not subject to any Carried Interest.

(6) The Subscriber acknowledges that the Fund will provide quarterly and annual reports to the Members. However, since the nature and timing of that information is dependent to a large extent, on the reporting activities, if applicable, of the Investments, there can be no assurance that the format of such information or the timing of its distribution will enable the Subscriber to determine its tax liability, if any, or on a timely basis. As a result, the Subscriber understands that it may be required to obtain extensions for filing U.S. federal, state and local income tax returns each year.

(7) The Subscriber agrees to provide the Managing Member, upon request, with any tax information related to such Subscriber's Interest that is requested in writing by the Managing Member if such information is reasonably necessary for the Managing Member or the Fund to comply with applicable tax laws.

(8) If the Subscriber is an entity exempt from the payment of U.S. federal income taxes, the Subscriber understands that the Fund may generate income that is characterized as “unrelated business taxable income” under the Code, which would be taxable to such tax-exempt Subscriber.

(9) The Subscriber understands that the Subscriber may be required to disclose on Internal Revenue Service Form 8886 certain transactions in which the Subscriber is deemed to participate by reason of its investment in the Fund.

**C. Employee Benefit Plan Representations and Warranties**

(1) The Subscriber has indicated in Item VI whether it is a “Benefit Plan Investor,” as described in Item VI. If it is not a Benefit Plan Investor on the date the Subscription Agreement is signed, the Subscriber agrees to notify the Fund in writing a reasonable time in advance if it anticipates becoming a Benefit Plan Investor at any time while it continues to hold any Interests in the Fund and to provide the information concerning its Benefit Plan Investor status required in Item VI. If the Subscriber is an entity that is a Benefit Plan Investor, it has indicated in Item VI the percentage of its equity interests that are held by Benefit Plan Investors and will notify the Fund in writing a reasonable time in advance if that percentage changes.

(2) If the Subscriber is a Benefit Plan Investor, the Subscriber acknowledges that the Fund may at any time require the Subscriber to redeem so many of its Interests as, in the opinion of the Managing Member or the Investment Manager, is necessary to ensure that the assets of the Fund and/or the Master Fund do not include “plan assets” under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

(3) If the Subscriber is, or is acting on behalf of, an ERISA Plan or a Qualified Plan, as those terms are defined in Item VI, or is an entity that is a “Benefit Plan Investor” by reason of holding plan assets of any ERISA Plan or Qualified Plan as described in Item VI (each such ERISA Plan or Qualified Plan, including a plan holding interests in a Subscriber that holds plan assets, a “Plan”): (i) the person or entity signing this Subscription Agreement is a fiduciary of each such Plan (the “Plan Fiduciary”); (ii) the decision to invest in the Fund was made by the Plan Fiduciary; (iii) the Plan Fiduciary is unrelated to the Fund, the Master Fund, the Investment Manager, the Managing Member, the General Partner and any person affiliated therewith and is duly authorized to make such an investment decision on behalf of the Plan; (iv) the acquisition and subsequent holding of the Interests do not and will not constitute a “prohibited transaction” within the meaning of Section 406 of ERISA or Section 4975 of the Code, that is not subject to an applicable exemption; (v) the Plan’s subscription to invest in the Fund and the purchase of Interests contemplated thereby is in accordance with the terms of the Plan’s governing instruments; (vi) the Plan Fiduciary has not relied on, and is not relying on, the investment advice of the Fund, the Master Fund, the Investment Manager, the Managing Member, the General Partner or the Administrator, nor any of their respective directors, officers, employees, representatives or affiliates, with respect to the Plan’s investment in the Fund; and (vii) neither the Fund, the Master Fund, the Investment Manager, the Managing Member, the General Partner, or the Administrator, nor any of their respective directors, officers, employees, representatives or affiliates, has any investment discretion or provides investment advice with respect to the assets of the Plan which will be used to purchase Interests or is an employer maintaining or contributing to the Plan.

(4) The Subscriber will, at the request of the Managing Member or the Investment Manager, furnish the Managing Member or the Investment Manager with such information as the Managing Member or the Investment Manager may reasonably require to ensure that the Subscriber’s purchase and holding of Interests will not result in a non-exempt “prohibited transaction” under Section 406 of ERISA or Section 4975 of the Code.

(5) If the Subscriber is, or is acting on behalf of, an ERISA Plan or an entity that is a Benefit Plan Investor by reason of holding plan assets of any ERISA Plan: (i) the person or entity signing this Subscription Agreement is a fiduciary (within the meaning of Section 3(21) of ERISA and the regulations thereunder) and a “named fiduciary” (within the meaning of Section 402(a)(2) of ERISA and the regulations thereunder) of each such ERISA Plan (the “ERISA Plan Fiduciary”); (ii) the ERISA Plan Fiduciary understands the Fund’s investment objectives, policies and strategies, has taken into consideration its fiduciary duties under ERISA, including the prudence and diversification requirements of Section 404(a)(1) of ERISA, has considered whether the ERISA Plan’s liquidity needs will be met given the limited rights to redeem or transfer Interests, and has concluded that the proposed investment in the Fund is in accordance with its fiduciary responsibilities under ERISA; and (iii) the ERISA Plan’s subscription to invest in the Fund and the purchase of Interests contemplated thereby complies with all applicable requirements of ERISA.

(6) If the Subscriber is a “governmental plan” within the meaning of Section 3(32) of ERISA, a “church plan” within the meaning of Section 3(33) of ERISA that has not made an election pursuant to Section 410(d) of the Code, a non-U.S. employee benefit plan or another plan or retirement arrangement that is not subject to the fiduciary responsibility provisions of Title I of ERISA or to Section 4975 of the Code (an “Other Plan”), or a trust, partnership, limited liability company or other entity that is deemed to hold assets of an Other Plan under applicable law, then the Subscriber represents and warrants that:

- (i) the assets of the Fund will not be considered to include the assets of such Other Plan under the provisions of applicable law as a result of the Subscriber’s investment in the Fund;
- (ii) there is no federal, state, local or non-U.S. law, rule, regulation or constitutional provision applicable to the Other Plan that could in any respect affect the operation of the Fund by the Managing Member or the Investment Manager, if applicable, or prohibit any action contemplated by the operational documents and related disclosure of the Fund; and
- (iii) the Subscriber’s investment in the Fund is in accordance with the constituent documents of the Other Plan and will not result in a breach of any statute, rule, regulation or order of any court or governmental agency or body having jurisdiction over the Fund or any of its assets, including, without limitation, any law substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code.

(7) If the Subscriber is an IRA or a self-directed pension plan, and this Subscription Agreement is being executed by a custodian or a directed trustee on behalf of such Subscriber, the individual who established the IRA or the person who directed the pension plan’s investment in the Fund, as the case may be: (i) has directed the custodian or trustee of the Subscriber to execute this Subscription Agreement on the line indicated in Item VI as the authorized signatory of the IRA or self-directed pension plan; (ii) has exclusive authority with respect to the decision to invest in the Fund; and (iii) has signed below to indicate that he or she has reviewed, directed and certifies to the accuracy of the representation and warranties made by the Subscriber herein.

**D. Accuracy of Subscriber Information**

(1) The Subscriber represents that all the information, financial or otherwise, that the Subscriber has furnished to the Fund, the Managing Member, the Investment Manager or any agent thereof in connection with this subscription, or that is set forth herein or in the Purchaser Suitability Questionnaire for Individuals and the Purchaser Suitability Questionnaire for Entities, including all representations, warranties and agreements contained herein and in the Purchaser Suitability Questionnaire for Individuals and the Purchaser Suitability Questionnaire for Entities, is correct and complete as of the date of this Subscription Agreement, and if there should be any material change in such information, whether before or after the admission of the Subscriber as a Member in the Fund, the Subscriber will immediately notify the Managing Member and furnish such revised or corrected information to the Managing Member.

(2) The Subscriber agrees that the representations, warranties and agreements contained in this Subscription Agreement and the Purchaser Suitability Questionnaire for Individuals and the Purchaser Suitability Questionnaire for Entities, and all other information regarding the Subscriber set forth herein, may be used as a defense in any actions relating to the Fund, the Managing Member, the Investment Manager or any agent thereof, or the Offering, and that it is only on the basis of such representations, warranties and other information that the Managing Member may be willing to accept the Subscriber's subscription for an Interest.

**IV. Further Advice and Assurances**

The Subscriber agrees to provide additional information regarding its investment experience, financial position, authority or authorization or otherwise, to the Managing Member, the Investment Manager or any agent thereof as reasonably requested in connection with this subscription. Without limiting the foregoing, the Subscriber agrees to provide any additional information and execute any additional documents as may reasonably be required in connection with the Fund's compliance with Rule 506(d) of Regulation D of the Securities Act.

If the Subscriber is an Entity, the Managing Member, in its sole discretion, may require the Subscriber to submit a copy of its articles of incorporation, by-laws, authorizing resolution, partnership agreement, trust agreements, articles of organization, operating agreement, resolutions, authorities or other related documents, as the case may be.

Entities may be required to submit an opinion of counsel to the effect that the investment proposed to be made in the Fund by the Subscriber is authorized (such counsel need not, however opine regarding the suitability of such investment, which is a question of fact).

**V. Indemnity and Exculpation**

To the fullest extent permitted by applicable law, the Subscriber agrees to indemnify and hold harmless the Fund, the Master Fund, the General Partner, the Managing Member, the Investment Manager, the Administrator, or any sub-advisor, the members of any investment committee, their respective controlling persons and affiliates and agents and each Member of the Fund in respect of claims, actions, demands, losses, costs, expenses and damages, whether involving such parties or third parties, resulting from any inaccuracy in any of the Subscriber's representations or breach of any of the Subscriber's representations, warranties or agreements contained in this Subscription Agreement, or from any unsuccessful proceeding brought by the Subscriber against the Fund, the Master Fund, the General Partner, the Managing Member, the Investment Manager, the Administrator, any sub-advisor, the members of any investment committee, their respective controlling persons and affiliates and agents.

The Subscriber hereby agrees that none of the Fund, the Master Fund, the General Partner, the Managing Member, the Investment Manager, the Administrator or any sub-advisor, the members of any investment committee, their respective controlling persons and affiliates and agents shall incur any liability (i) in respect of any action taken upon any information provided to the Fund by the Subscriber or for relying on any notice, consent, request, instructions or other instrument believed, in good faith, to be genuine or to be signed by properly authorized persons on behalf of the Subscriber, including any document transmitted by facsimile, or (ii) for adhering to the anti-money laundering obligations set out herein or anti-money laundering laws and regulations of the United States or any similar law whether now or hereinafter in effect.

## **VI. Benefit Plan Investors**

A. Please indicate whether or not the Subscriber is, or is acting on behalf of, a "Benefit Plan Investor."

Yes ☐ No ☐

A "Benefit Plan Investor" is defined in Section 3(42) of ERISA, and applicable regulations of the Department of Labor (together, the "Plan Asset Rules"). Under the Plan Asset Rules, a Benefit Plan Investor is: (i) an employee benefit plan which is subject to Part 4 of Subtitle B of Title I of ERISA, such as a U.S. private sector employee pension or welfare benefit plan, including a union-sponsored or "Taft-Hartley" plan (an "ERISA Plan") and a church plan that has elected to be subject to ERISA; (ii) a plan subject to Section 4975 of the Code, such as a Keogh plan covering only partners or other self-employed individuals or an individual retirement account or "IRA" (a "Qualified Plan"); or (iii) an entity which is deemed to hold the "plan assets" of investing ERISA Plans or Qualified Plans pursuant to the Plan Asset Rules.

B. If the Subscriber answered "Yes" to (A), please indicate what type of Benefit Plan Investor the Subscriber is by checking the appropriate box:

1. ☐ ERISA Plan or Qualified Plan
2. ☐ Insurance company separate account, common or collective trust of a bank, or group trust which is exempt from taxation pursuant to the principles of Rev. Rul. 81-100
3. ☐ Insurance company general account, or wholly-owned subsidiary of an insurance company general account, whose assets include "plan assets"
4. ☐ Entity (other than those described in 2 and 3 above), such as a fund of hedge funds, holding "plan assets"

C. If the Subscriber checked box 2, 3 or 4 in (B) above, the Subscriber represents that the percentage of its equity interests held by Benefit Plan Investors is not more than (please check an applicable box). The Fund recommends that the Subscriber select a percentage that includes an appropriate "cushion," so that the Subscriber will not have to notify the Fund if its Benefit Plan Investor percentage increases slightly.

☐ 10% ☐ 20% ☐ 30% ☐ 40% ☐ 50%

☐ 60%    ☐ 70%    ☐ 80%    ☐ 90%    ☐ 100%

D. Please indicate whether the Subscriber is subject to any rules or regulations similar to the fiduciary responsibility provisions of ERISA and/or the prohibited transaction provisions of Section 4975 of the Code. For example, if the Subscriber is a “governmental plan,” as defined in Section 3(32) of ERISA, it may be established and governed by a state law similar to ERISA:

Yes    ☐    No    ☐

If the Subscriber answered "Yes", please specify:

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E. Please indicate whether or not the Subscriber is (a) a person or entity who has discretionary authority or control with respect to the assets of the Fund or the Master Fund, (b) a person or entity who provides investment advice for a fee (direct or indirect) with respect to the assets of the Fund or the Master Fund, or (c) an “affiliate” (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of a person or entity described in (a) or (b).

Yes    ☐    No    ☐

## **VII. Pay to Play**

A. Is the Subscriber a “government entity”?

Yes    ☐    No    ☐

A “government entity” is defined in Rule 206(4)-5 promulgated under the Advisers Act (the “Pay to Play Rule”) as any State or political subdivision of a State, including: (i) any agency, authority, or instrumentality of the State or political subdivision; (ii) a pool of assets sponsored or established by the State or political subdivision or any agency, authority or instrumentality thereof, including, but not limited to, a “defined benefit plan” (as defined in section 414(j) of the Code) or a State general fund; (iii) a plan or program of a government entity; and (iv) officers, agents, or employees of the State or political subdivision or any agency, authority or instrumentality thereof, acting in their official capacity.

B. If the Subscriber is acting as trustee, custodian or nominee for a beneficial owner that is a government entity, please provide the name of the government entity:

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C. If the Subscriber is an entity substantially owned by a government entity (e.g., a single investor vehicle) and the investment decisions of such entity are made or directed by such government entity, please provide the name of the government entity:

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Please note that, if the Subscriber enters the name of a government entity in this Section VII, the Fund will treat the Subscriber as if it were the government entity for purposes of the Pay to Play Rule.

D. If the Subscriber is (i) a government entity, (ii) acting as trustee, custodian or nominee for a beneficial owner that is a government entity, or (iii) an entity described in Item C, the Subscriber hereby certifies that other than the Pay to Play Rule, no “pay to play” or other similar compliance obligations would be imposed on the Fund, the Master Fund, the Managing Member, the Investment Manager or any of their respective affiliates in connection with the Subscription.

If the Subscriber cannot make this certification, indicate in the space below all other “pay to play” laws, rules or guidelines, or lobbyist disclosure laws or rules, the Fund, the Master Fund, the Managing Member, the Investment Manager or their respective affiliates, employees or third-party placement agents would be subject to in connection with the Subscription:

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### **VIII. Form PF Investor Type Questionnaire**

If the Subscriber is acting as trustee, agent, representative or nominee for an underlying beneficial owner, please check the item that best describes the underlying beneficial owner.

**(Please check one)**

- ☐ An individual that is a United States person<sup>4</sup> (or a trust of such a person)
- ☐ An individual that is not a United States person (or a trust of such a person)
- ☐ A broker-dealer
- ☐ An insurance company
- ☐ An investment company registered with the SEC
- ☐ A private fund<sup>5</sup>
- ☐ A non-profit
- ☐ A pension plan (other than a governmental pension plan)
- ☐ A banking or thrift institution (proprietary)
- ☐ A state or municipal government entity<sup>6</sup> (other than a governmental pension plan)
- ☐ A state or municipal governmental pension plan
- ☐ A sovereign wealth fund or foreign official institution
- ☐ A person that is not a United States person and about which beneficial ownership information is not known and cannot reasonably be obtained because the beneficial interest is held through a chain involving one or more third-party intermediaries
- ☐ Other

### **IX. Suitability of Subscriber**

THE SUBSCRIBER UNDERSTANDS THAT A SUBSCRIBER CONSIDERING AN INVESTMENT IN THE FUND MUST BE AN "ACCREDITED INVESTOR" AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT, A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR A "KNOWLEDGEABLE EMPLOYEE" AS DEFINED IN RULE 3C-5 PROMULGATED UNDER THE INVESTMENT COMPANY ACT, AND MUST HAVE SUFFICIENT FINANCIAL KNOWLEDGE AND

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<sup>4</sup> For purposes of Form PF, the term "United States person" has the meaning provided in Rule 203(m)-1 under the Advisers Act, which includes any natural person that is resident in the United States.

<sup>5</sup> For purposes of Form PF, the term "private fund" means any issuer that would be an investment company as defined in Section 3 of the ICA but for Section 3(c)(1) or 3(c)(7) thereof.

<sup>6</sup> For purposes of Form PF, the term "government entity" means any U.S. state (including any U.S. state, the District of Columbia, Puerto Rico, the U.S. Virgin Islands or any other possession of the United States) or political subdivision of a state, including:

(i) any agency, authority or instrumentality of the state or political subdivision;

(ii) a plan or pool of assets controlled by the state or political subdivision or any agency, authority or instrumentality thereof; and

(iii) any officer, agent, or employee of the state or political subdivision or any agency, authority or instrumentality thereof, acting in their official capacity.



EXPERIENCE TO BE CAPABLE OF EVALUATING THE RISKS AND MERITS OF AN INVESTMENT IN THE FUND.

The Subscriber is delivering herewith a Purchaser Suitability Questionnaire, incorporated herein by reference. The Subscriber has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of an investment in the Fund and of making an informed investment decision. The Subscriber offers as evidence of this the information set forth in the Subscriber's Purchaser Suitability Questionnaire.

All the information which the Subscriber has furnished to the Managing Member in the Purchaser Suitability Questionnaire, or which is set forth herein, is correct and complete as of the date hereof, and if there should be any material change in such information prior to the Subscriber's admission as a Member, the Subscriber will immediately furnish such revised or corrected information to the Managing Member.

**X. Electronic Delivery of Reports and Other Communications.**

Subject to your consent below, at its discretion, the Fund, the Managing Member, the Investment Manager and/or the Administrator, acting on their behalf, may provide to you (or your designated agents) statements, reports and other communications relating to the Fund and/or your investment in the Fund, in electronic form, such as e-mail, in addition to or in lieu of sending such communications as hard copies via fax or mail. Please note that e-mail messages are not secure and may contain computer viruses or other defects, may not be accurately replicated on other systems, or may be intercepted, deleted or interfered with without the knowledge of the sender or the intended recipient. The Fund, the Managing Member, the Investment Manager and the Administrator make no warranties in relation to these matters. Please note that the Fund, the Managing Member, the Investment Manager and the Administrator reserve the right to intercept, monitor and retain e-mail messages to and from its systems as permitted by applicable law. If you have any doubts about the authenticity of an email purportedly sent by the Fund, the Managing Member, the Investment Manager or the Administrator, you would be required to contact the purported sender immediately.

Do you consent to the sending of such statements, reports and other communications regarding the Fund and your investment in the Fund in addition to or in lieu of separate mailing of paper copies?

Please send me electronic notices: Yes ☐ No ☐

If yes, please list email address(es) below in addition to those listed on the purchaser suitability questionnaire:

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**XI. Power of Attorney**

(a) The Subscriber hereby irrevocably constitutes and appoints the Managing Member with full power of substitution, as the Subscriber's true and lawful attorneys-in-fact to make, execute, consent to, swear to, acknowledge, publish, record and file any and all of the following:

- (1) Amendments, supplements or other modifications to the certificate of formation of the Fund to be filed in accordance with the laws of the State of Delaware and the applicable laws of any other state or jurisdiction in which the Managing Member deems such filing to be necessary to give effect to the provisions of the LLC Agreement and to preserve the character of the Fund as a limited liability company;
- (2) Any other certificate or other instrument which may be required to be filed by the Fund under the laws of any state or other jurisdiction, to the extent that the Managing Member deems such filing necessary or desirable;
- (3) Any and all amendments, supplements or other modifications of the instruments described in subparagraphs (1) and (2) hereof, including, without limitation, amendments, supplements or other modifications to effect the addition, substitution or removal of one or more Members pursuant to the LLC Agreement, provided that each such amendment, supplement or other modification evidences an amendment, supplement or other modification to the LLC Agreement adopted in accordance with the terms thereof;
- (4) Any and all certificates and other instruments which may be required to effectuate the dissolution and termination of the Fund pursuant to the provisions of the LLC Agreement;
- (5) All such other instruments as the Managing Member may deem necessary or desirable fully to carry out the provisions of the LLC Agreement in accordance with its terms; and
- (6) Amendments, supplements or other modifications to the LLC Agreement which have been adopted by the Members, if required, in accordance with the terms of the LLC Agreement.

(b) The Managing Member shall have full power and authority to do and perform each and every act and thing whatsoever requisite and necessary relating to the foregoing as fully as the Subscriber might or could do if personally present and the Subscriber hereby ratifies and confirms all that said Managing Member shall lawfully do or cause to be done by virtue hereof.

(c) It is expressly understood and intended by the Subscriber that the Power of Attorney hereby granted is coupled with an interest and shall be irrevocable. Said Power of Attorney shall survive the death, incapacity, dissolution or termination of the Subscriber or the assignment of the Subscriber's Interest or any part thereof.

## **XII. Acceptance of LLC Agreement**

The Subscriber agrees that as of the date of the acceptance of the Subscriber's subscription by the Fund the Subscriber shall become a Member, and the Subscriber hereby agrees to each and every term of the LLC Agreement as if the Subscriber's signature were subscribed thereto. By execution of this Subscription Agreement, the Subscriber agrees that the Subscriber shall be deemed to have executed the LLC Agreement.

**XIII. Irrevocability; Governing Law; Forum/Jurisdiction/Venue**

The Subscriber hereby acknowledges and agrees that, except as otherwise provided by state securities laws, the Subscriber is not entitled to cancel, terminate or revoke this subscription or any of the Subscriber's agreements hereunder after this Subscription Agreement has been submitted (and not rejected) and that this subscription and such agreements shall survive the Subscriber's death, incapacity, disability or insolvency. This Subscription Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without giving effect to conflicts of law principles. With the exception of any causes of action which must, pursuant to Delaware law, be commenced in the Chancery Court of Delaware, the parties hereby submit to the exclusive jurisdiction and venue of the Federal and state courts sitting in the Borough of Manhattan, New York City with respect to all legal proceedings arising out of or related to this Subscription Agreement or the subject matter thereof and agree that process, orders, judgments or other documents of any kind relating to court proceedings against such party served either personally or by registered mail shall constitute adequate service of process with respect to any proceedings brought hereunder and hereby waive, to the fullest extent permitted by law, any objection to such jurisdiction or venue on the basis that such proceedings have been brought in an inconvenient forum. The parties hereto hereby waive all rights to trial by jury in any action, suit or proceeding brought to enforce or defend any rights or remedies under this Subscription Agreement.

**XIV. Survival; Legal Effect**

The Subscriber agrees that the agreements and covenants in this Subscription Agreement shall, in pertinent part, survive the acceptance (or rejection) of this Subscription Agreement.

This Subscription Agreement shall be binding upon the Fund and the Subscriber to the extent set forth herein prior to acceptance by the Fund and, if accepted, on the Subscriber, the Fund and the Managing Member, and shall inure to the benefit of the Subscriber, the Managing Member, the Investment Manager and the Fund.

**XV. Severability**

In the event that any provision of this Subscription Agreement is held to be invalid or unenforceable in any jurisdiction, such provision shall be deemed modified to the minimum extent necessary so that such provision, as so modified, shall no longer be held to be invalid or unenforceable. Any such modification, invalidity or unenforceability shall be strictly limited both to such provision and to such jurisdiction, and in each case to no other. Furthermore, in the event of any such modification, invalidity or unenforceability, this Subscription Agreement shall be interpreted so as to achieve the intent expressed herein to the greatest extent possible in the jurisdiction in question and otherwise as set forth herein.

**XVI. Counterparts; Facsimiles**

This Subscription Agreement may be executed in one or more counterparts, each of which shall, however, together constitute the same document. Facsimiles shall have the same binding force and effect as originals.

The Subscriber agrees that the Administrator and the Managing Member are authorized to accept and execute any instructions given by the Subscriber in original signed form or by fax in respect of the Interest to which this Subscription Agreement relates. If instructions are given by fax, the Subscriber will promptly courier the original signed form to the Administrator and will indemnify the Fund, the Administrator and the Managing Member for any losses and damages suffered by any of the

Fund, the Administrator or the Managing Member as a result of acting on faxed instructions rather than instructions in original signed form. The Administrator and the Managing Member are entitled to rely conclusively, and shall incur no liability in respect of any action taken, on any notice, consent, request, instructions or other instrument believed in good faith to be genuine or to be signed by properly authorized Persons.

**XVII. Entire Agreement**

This Subscription Agreement and the LLC Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof, and supersede any prior agreements and understandings of the parties relating to such subject matter.

**XVIII. No Waiver**

No failure or delay on the part of the Fund, the Managing Member or the Administrator in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Failure on the part of the Fund, the Managing Member or the Administrator to complain of any act of the Subscriber or to declare the Subscriber in default with respect to the Fund or the Managing Member, irrespective of how long that failure continues, shall not constitute a waiver by the Fund, the Managing Member or the Administrator of its rights with respect to that default until the applicable statute-of-limitations period has run.

Any waiver granted hereunder must be in writing and shall be valid only in the specific instance in which given.

**XIX. Non-Disparagement**

Neither the Subscriber nor any representative of the Subscriber shall publicly disparage the Fund, the Master Fund, the Managing Member or the Investment Manager or any of their affiliates or employees.

**XX. Authorization to Rely on Instructions**

The Managing Member, the Fund and the Administrator, are each hereby authorized and instructed to accept and execute any instructions in respect of the Interests to which this Agreement relates given by the Subscriber in written form or by facsimile. If instructions are given by the Subscriber by facsimile, the Subscriber undertakes to send the original letter of instructions to the Managing Member, the Fund or the Administrator and agrees to keep each of them indemnified against any loss of any nature whatsoever arising to any of them as a result of any of them acting upon facsimile instructions. The Managing Member, the Fund and the Administrator may rely conclusively and shall incur no liability in respect of any action taken upon any notice, consent, request, instructions or other instrument believed in good faith to be genuine or to be signed by properly authorized persons.

**XXI. State Securities Law Legend**

Prospective investors from the State of Florida should note the required legend below.

IF THE PROSPECTIVE 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 1933 ACT), THE PROSPECTIVE INVESTOR ACKNOWLEDGES THAT ANY SALE OF AN INTEREST TO THE PROSPECTIVE INVESTOR IS VOIDABLE BY THE PROSPECTIVE INVESTOR EITHER WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PROSPECTIVE INVESTOR TO THE PARTNERSHIP, OR AN AGENT OF THE PARTNERSHIP, OR WITHIN THREE (3) DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PROSPECTIVE INVESTOR, WHICHEVER OCCURS LATER.

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**PLEASE EXECUTE THE APPROPRIATE SIGNATURE PAGE.**

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TAURUS MINING FINANCE FUND LLC

SIGNATURE PAGE FOR SUBSCRIPTION BY ENTITIES

(not applicable to subscriptions by individuals)

ENTITY OWNERSHIP — Check form of organization of entity subscriber.

- ☐ TRUST *(include certified copy of Trust Agreement & trustee identification)* ☐ LIMITED PARTNERSHIP *(include copy of Limited Partnership Agreement & certified identification of partners)*
- ☐ CORPORATION *(include copy of authorizing Board resolution & certified copy of certificate of incorporation & directors)* ☒ EMPLOYEE BENEFIT PLAN
- ☐ GENERAL PARTNERSHIP *(include copy of Partnership Agreement & certified identification of partners)* ☐ OTHER-Please Specify: \_\_\_\_\_
- ☐ LIMITED LIABILITY COMPANY *(include copy of Operating Agreement & certified identification of directors)*

Please print all information exactly as you wish it to appear on the Fund records.

|                             |                  |
|-----------------------------|------------------|
| Kentucky Retirement Systems | ██████████       |
| (Name of Subscriber)        | (Tax ID Number)  |
| 1260 Louisville Road        | 502-696-8642     |
| (Address)                   | (Telephone)      |
| 502-696-8805                |                  |
| (Facsimile Number(s))       | (E-mail Address) |

The individual trustee, partner or officer signing below certifies that he or she has full power and authority from all beneficiaries, partners or shareholders of the entity named below to execute this Subscription Agreement on behalf of the entity and that investment in the Fund is not prohibited by law or by the governing documents of the entity.

**For the individual signing below, please provide a photocopy of a valid passport or other valid governmental photo identification.**

Dated November 24, 2014

Kentucky Retirement Systems

(Name of Entity)

By: [Signature]

Title: Deputy CIO

(Trustee, partner or authorized corporate officer)

ACKNOWLEDGMENT FOR SUBSCRIPTION AGREEMENT AND LLC AGREEMENT

STATE OF Kentucky )

)ss.:

COUNTY OF Franklin )

On this 25<sup>th</sup> day of November, 2014, before me personally appeared Chris Schelling, known to me to be:

(circle all that apply) the person who, being by me duly sworn (or affirmed), did depose and say that he/she is a [~~Partner/Trustee~~ Officer] of Kentucky Retirement Systems, a [~~Partnership/Trust~~ Corporation ~~Joint Stock Association~~], and that he/she executed the foregoing instrument on behalf of said [~~Partnership/Trust~~ Corporation ~~Joint Stock Association~~] (by authority of its board of directors or trustees), and acknowledged that he/she executed the same as the free act and deed of said [~~Partnership/Trust/Corporation~~ Joint Stock Association].

Alane Strey

Notary Public

My Commission expires on:

October 13, 2018

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**(This Part is for Administrator and Fund Completion)**

Administrator: FundBPO Pte Ltd

Representative's Name: \_\_\_\_\_

Subscription received on \_\_\_\_\_, 20\_\_\_\_

ACCEPTED:

**Taurus Mining Finance Fund LLC**


By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

### ADDITIONAL INFORMATION REQUIRED FOR INDIVIDUALS AND ENTITIES

**Authorized Signatories:** Set forth below are the names of persons authorized by the Member to give and receive instructions between the Fund (or its Administrator) and the Member, together with their respective signatures. Such persons are the only persons so authorized until further written notice to the Administrator signed by one or more such persons. Please attach additional pages if needed.

| Name            | Signatures   |
|-----------------|--|
| Chris Schelling |  |
| David Peden     |  |
| Joe Gilbert     |  |
| Brent Aldridge  |  |
|                 |  |
|                 |  |

**Standing Wire Instructions:** Until further written notice to the Administrator signed by one or more of the persons listed above, funds may be wired to the Member using the following instructions:

Bank Name:  
Bank Address:  
Swift Code:

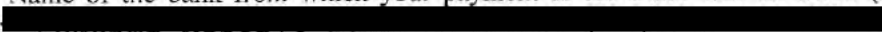
ABA or CHIPS Number:  
Account Name:  
Account Number:  
Reference:

Please note all fields are mandatory.

Any payments due to the Subscriber will not be sent by the Fund to an account that is different than the account from which the Subscriber's subscription funds are paid unless the Fund is satisfied that the Subscriber is the sole owner of the account and that the account is solely for the Subscriber's benefit. The Fund may reject any request if it is not satisfied why the Subscriber would like to have payments wired to a different account.

**Disclosure Authorization:** By executing this document I authorize the Administrator to provide the Managing Member, the Investment Manager, the auditors and the Fund's legal counsel, with information regarding my account for so long as I remain a Member in the Fund.

**Anti-Money Laundering:** To comply with applicable anti-money laundering/U.S. Treasury Department's Office of Foreign Asset Control ("OFAC") rules and regulations, the Subscriber is required to provide the following information:

- (a) Name of the bank from which your payment to the Fund will be wired (the "Wiring Bank") 
- (b) Is the Wiring Bank located in the U.S. or another country that is a member of the Financial Action Task Force ("FATF")? Yes ☒ No ☐
- (c) If the answer to (b) is "Yes," are you a customer of the Wiring Bank? Yes ☒ No ☐

\* As of June 10, 2014, countries that are members of the Financial Action Task Force on Money Laundering (each a "FATF Country") are: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, India, Ireland, Italy, Japan, South Korea, Luxembourg, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States. The list of FATF Countries may be expanded to include future FATF members and FATF compliant countries as appropriate.



**TAURUS MINING FINANCE FUND LLC**

**PURCHASER SUITABILITY QUESTIONNAIRE**

**(ENTITY PURCHASERS)**

The following information is required in compliance with applicable securities and commodities regulations to confirm whether an investment in Taurus Mining Finance Fund LLC (the "Fund") would be "suitable" for you within the meaning of applicable regulations.

Please be sure to sign and date this Purchaser Suitability Questionnaire as indicated. Please note that a number of items require that you check or initial the appropriate space in addition to signing the Questionnaire as a whole. Please write "N/A" or "Not Applicable" in the appropriate spaces rather than merely leaving them blank. Incomplete Questionnaires cannot be processed. Please attach additional sheets if necessary to answer any questions.

THIS PURCHASER SUITABILITY QUESTIONNAIRE WILL BE KEPT STRICTLY CONFIDENTIAL AND WILL NOT BE REVIEWED BY ANY PARTY OTHER THAN THE MANAGING MEMBER, THE INVESTMENT MANAGER, ITS AFFILIATES, THE ADMINISTRATOR AND THEIR DIRECTORS, OFFICERS, EMPLOYEES AND COUNSEL, EXCEPT AS REQUIRED BY LAW.

**Background Information (to be completed with respect to the entity making the investment)**

Type of entity: ☐ Corporation ☐ General Partnership  
☐ Limited Partnership ☐ Employee Benefit Plan  
☐ Trust ☐ Limited Liability Company  
☐ Other - Please specify: \_\_\_\_\_

Name: \_\_\_\_\_

Jurisdiction in which Formed: \_\_\_\_\_

Date of Formation: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

Address of Principal Place of Business:

\_\_\_\_\_  
(Street) (City/State/Zip Code)

Address to which correspondence should be directed:

\_\_\_\_\_  
(Street) (City/State/Zip Code)

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Business: \_\_\_\_\_

Source of Funds: \_\_\_\_\_

Introducing Party: \_\_\_\_\_

IRS Identification \_\_\_\_\_

\_\_\_\_\_

Approximate Net Worth:

Current Year (projected): \_\_\_\_\_

Last Fiscal Year: \_\_\_\_\_

Year Before Last: \_\_\_\_\_

Approximate Annual Pre-Tax Net Income:

Current Year (projected): \_\_\_\_\_

Last Fiscal Year: \_\_\_\_\_

Year Before Last: \_\_\_\_\_

*Please send duplicate copies of statements to:*

Full Name: \_\_\_\_\_

Address: \_\_\_\_\_  
(Street) (City/State/Zip Code)

Telephone Number: \_\_\_\_\_  
(Business) (Home)

Facsimile Number: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

Capacity/Position: \_\_\_\_\_

Full Name: \_\_\_\_\_

Address: \_\_\_\_\_  
(Street) (City/State/Zip Code)

Telephone Number: \_\_\_\_\_  
(Business) (Home)

Facsimile Number: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

Capacity/Position: \_\_\_\_\_

**I. Accredited Investor Status**

Initial all appropriate spaces below indicating the basis on which the Subscriber qualifies as an "accredited investor." Only those which so qualify are eligible to invest in the Fund.

- (A) Any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934. Initial
- (B) A bank as defined in Section 3(a)(2) of the Securities Act of 1933, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act of 1933, acting for its own account or for the account of an accredited investor. Initial
- (C) An insurance company as defined in Section 2(13) of the Securities Act of 1933. Initial
- (D) A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000. Initial
- (E) An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") that satisfies the Portfolio Requirement, provided that (1) the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company or registered investment adviser, (2) the employee benefit plan has total assets in excess of \$5,000,000 or (3) if the plan is self-directed, investment decisions for the plan are made solely by persons that are accredited investors. Initial
- (F) An organization described in Section 501(c)(3) of the Internal Revenue Code not formed for the specific purpose of investing in the Fund, which has total assets in excess of \$5,000,000. Initial
- (G) A corporation not formed for the specific purpose of investing in the Fund, which has total assets in excess of \$5,000,000; Initial
- (H) A Massachusetts or similar business trust not formed for the specific purpose of investing in the Fund, which has total assets in excess of \$5,000,000. Initial
- (I) A partnership not formed for the specific purpose of investing in the Fund, which has total assets in excess of \$5,000,000. Initial
- (J) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940. Initial

- (K) A business development company as defined in Section 2(a)(48) of the Investment Company Act. \_\_\_\_\_  
Initial
- (L) A trust, with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring an Interest, whose purchase is directed by a sophisticated investor as described in Rule 506(b)(2)(ii) promulgated by the SEC under the 1933 Act. \_\_\_\_\_  
Initial
- (M) A Small Business Investment Company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958, as amended. \_\_\_\_\_  
Initial
- (N) An entity which all of the unit owners and participants (*i.e.*, all partners (including limited partners) of a partnership, shareholders of a corporation and the grantor of a grantor trust, but not the beneficiaries of a true trust) are accredited investors. \_\_\_\_\_  
Initial

If the Subscriber checked (N) above and is therefore suitable solely by virtue of the fact that all its equity owners, unit owners and participants are accredited investors, the names of all such equity owners, unit owners and participants (*i.e.*, all partners (including limited partners) of a partnership, shareholders of a corporation and the grantor of a grantor trust, but not the beneficiaries of a true trust) and their respective interests in the Subscriber are as follows:

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EACH INDIVIDUAL EQUITY OWNER LISTED ABOVE MUST COMPLETE AND EXECUTE A PURCHASER SUITABILITY QUESTIONNAIRE FOR INDIVIDUALS AND EACH ENTITY EQUITY OWNER MUST COMPLETE AND EXECUTE A PURCHASER SUITABILITY QUESTIONNAIRE FOR ENTITIES.

## II. Qualified Purchaser Status

Initial all appropriate spaces below indicating the basis on which the Subscriber qualifies as a “qualified purchaser.” Only those which so qualify are eligible to invest in the Fund.

- (A) such person is a company, partnership, trust or other entity that is owned directly or indirectly by or for two or more natural persons who are related as siblings or spouse (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organizations, or trusts established by or for the benefit of such persons (“Family Company”), was not formed for the specific purpose of investing in the Fund, and owns not less than \$5,000,000 in “Investments” as determined under Appendix A; \_\_\_\_\_  
Initial

- (B) such person is a trust (other than a Family Company) that was not formed for the specific purpose of investing in the Fund, as to which each trustee or other person authorized to make decisions with respect to the trust and each settler or other person who has contributed assets to the trust is a "qualified purchaser;" Initial
- (C) such person is a company, partnership, trust or other entity that was not formed for the specific purpose of investing in the Fund, acts for its own account or the accounts of other "qualified purchasers," and in the aggregate owns and invests on a discretionary basis not less than \$25,000,000 in "Investments" as determined under Appendix A; Initial
- (D) such person is a "qualified institutional buyer" (as defined in SEC Rule 144A and described in Appendix A) that meets, if applicable, the dealer and employee benefit plan requirements described in Appendix A; or Initial
- (E) such person is an entity in which all of the beneficial owner's of the entity's securities (i.e., all partners (including limited partners) of a partnership, shareholders of a corporation) are "qualified purchasers." Initial
- (F) such person is a "Charitable Corporation" (as described in Appendix A) of which all of the persons who have contributed assets are related in one or more of the ways enumerated in (A) above, that owns not less than \$5,000,000 in Investments, as determined under Appendix A, and was not formed for the specific purpose of investing in the Fund; or Initial
- (G) such person is a "Charitable Corporation" (as described in Appendix A) of which each person authorized to make investment decisions, and each person who has contributed assets, is a "qualified purchaser" (as described in Appendix A) and was not formed for the specific purpose of investing in the Fund. Initial

If the Subscriber is a company, partnership, trust or other entity that, but for the exception provided in Section 3(c)(1) (100 beneficial owner exception) or Section 3(c)(7) (qualified purchaser exception) of the Investment Company Act would be an investment company (an "excepted investment company") and was in existence prior to April 30, 1996, all of the pre-April 30, 1996 beneficial owners of the outstanding securities of the Subscriber must consent to the Subscriber being treated as a qualified purchaser for purposes of investing in the Fund or qualified purchaser funds in general. For this purpose, beneficial ownership includes all direct owners as well as certain indirect owners as provided in SEC Rule 2a51-2 under the Investment Company Act. All investors must initial one of the following statements:

Initial The Subscriber is not an excepted investment company as described above.

Initial The Subscriber is an excepted investment company and all pre-April 30, 1996 beneficial owners of the Subscriber's securities (determined in accordance with SEC Rule 2a51-2) have consented to the Subscriber being treated as a qualified purchaser for purposes of investing in the Fund or qualified purchaser funds in general.

### III. Documentation

Because of the entity status of the Subscriber, the Managing Member requires certain documentation as part of its investor suitability determination: a corporation should attach one copy of its articles of incorporation and by-laws, and a copy of any document authorizing or governing its investment policies (e.g., resolutions of the Board of Directors); a partnership should attach one copy of its partnership agreement or other governing agreement; and a trust should attach one copy of its Declaration of Trust or other governing instrument and any document authorizing or governing its investment policies. Where applicable, such entity should provide proof of continued authorization to conduct business in the applicable jurisdiction(s) (e.g., good standing certificates). Alternatively, entities may submit an opinion of counsel to the effect that a minimum investment of USD1,000,000 in the Fund by the Subscriber would be authorized (such counsel need not pass on the suitability of such investment, which is a question of fact). In addition, the Subscriber should attach a reasonably current balance sheet of the Subscriber, plus any other financial information which the Subscriber believes may be relevant to a determination of the suitability of the Fund for the Subscriber. The Fund, the Managing Member and/or the Administrator may request additional documentation from any prospective Subscriber as a condition to admitting such Subscriber into the Fund.

### IV. Other Plan Status

If the Subscriber is an “Other Plan”, as described in Section III.C.(6) of the Subscription Agreement, please check the following box: ☐

If the Subscriber is an “Other Plan”, provide a written explanation below as to why the Subscriber is an “Other Plan”:

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### V. Anti-Money Laundering Certification

The Subscriber, being the \_\_\_\_\_ of \_\_\_\_\_,  
Insert Title Insert Name of Entity

a \_\_\_\_\_ organized under the laws of \_\_\_\_\_  
Insert Type of Entity Insert Jurisdiction of Organization

(the “Entity”), does hereby certify on behalf of the Entity that it is aware of the requirements of the USA PATRIOT Act of 2001, the regulations administered by the U.S. Department of Treasury’s Office of Foreign Assets Control, and other applicable U.S. federal, state or foreign anti-money laundering laws and regulations (collectively, the “AML/OFAC laws”). The Entity does hereby certify that it is in compliance with all applicable AML/OFAC laws. The Entity has anti-money laundering policies and procedures in place reasonably designed to verify the identity of its beneficial holders and their sources of funds. Such policies and procedures are properly enforced and are consistent with the AML/OFAC laws such that the Fund may rely on this Certification.

The Entity hereby represents to the Fund that, to the best of its knowledge, the Entity's beneficial holders are not individuals, entities or countries that may subject the Fund to criminal or civil violations of any AML/OFAC laws. The Entity has read the section entitled "Representations, Warranties and Agreements of the Subscriber" in the Fund's Subscription Agreement. The Entity has taken all reasonable steps to ensure that its beneficial holders are able to certify to such representations. The Entity agrees to promptly notify the Fund should the Entity have any questions relating to any of the investors or become aware of any changes in the representations set forth in this Certification.

## **VI. Suitability of Subscriber**

THE SUBSCRIBER UNDERSTANDS THAT A SUBSCRIBER CONSIDERING AN INVESTMENT IN THE FUND MUST BE AN "ACCREDITED INVESTOR" AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT, A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT, AND MUST, EITHER ALONE OR WITH A PURCHASER REPRESENTATIVE, HAVE SUFFICIENT FINANCIAL KNOWLEDGE AND EXPERIENCE TO BE CAPABLE OF EVALUATING THE RISKS AND MERITS OF AN INVESTMENT IN THE FUND.

**Check the box of whichever of (1) or (2) is applicable:**

☐ 1. The Subscriber has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of an investment in the Fund and of making an informed investment decision. The Subscriber offers as evidence of this the information set forth in the Subscriber's Purchaser Suitability Questionnaire.

☐ 2. The Subscriber and the person(s) listed below who have acted as the Subscriber's purchaser representative(s) together have such knowledge or experience in financial or business matters that we together are capable of evaluating the merits and risks of an investment in the Fund and of making an informed investment decision. Listed below are the name(s), address(es) and professional or business relationship(s) (attorney, accountant, investment adviser, etc.) to the Subscriber of each person upon whose advice the Subscriber has relied or with whom the Subscriber has consulted, in evaluating the risks of an investment in the Fund. If the Subscriber has relied on a purchaser representative in evaluating an investment in the Fund, the Subscriber represents that such representative has had no affiliation with the Fund or any of its affiliates at any time and the Subscriber is herewith submitting a Purchaser Representative's Questionnaire completed and executed by such representative. A Purchaser Representative's Questionnaire is available upon request from the Managing Member.

**Purchaser Representative's Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

IN WITNESS WHEREOF, the Subscriber has caused the execution of this Purchaser Suitability Questionnaire and Anti-Money Laundering Certification by its authorized representative.

Date: November 24, 2014

Kentucky Retirement Systems

(Name of Purchaser)

By: 

Name: Chris Schelling

Title: Deputy CIO



**61.515 Retirement system established -- Fund created.**

There is hereby created and established:

- (1) A retirement system for employees to be known as the "Kentucky Employees Retirement System" by and in which name it shall, pursuant to the provisions of KRS 61.510 to 61.705, transact all its business and shall have the powers and privileges of a corporation; and
- (2) A fund, called the "Kentucky Employees Retirement Fund," which shall consist of all the assets of the system as set forth in KRS 61.570 to 61.585. All assets received in the fund shall be deemed trust funds to be held and applied solely as provided in KRS 61.510 to 61.705.

**Effective:** July 13, 2004

**History:** Amended 2004 Ky. Acts ch. 36, sec. 8, effective July 13, 2004. -- Amended 1988 Ky. Acts ch. 349, sec. 8, effective July 15, 1988. -- Amended 1976 Ky. Acts ch. 321, sec. 40. -- Created 1956 Ky. Acts ch. 110, sec. 2.

**2000-2002 Budget Reference.** See State/Executive Branch Budget, 2000 Ky. Acts ch. 549, pt. I, sec. N, item 80, at 3326; and State/Executive Branch Budget Memorandum, 2000 Ky. Acts ch. 525, at 2691 (Final Budget Memorandum, at 858).

**2000-2002 Budget Reference.** See State/Executive Branch Budget, 2000 Ky. Acts ch. 549, pt. IX, item 46(a), at 3473; and State/Executive Branch Budget Memorandum, 2000 Ky. Acts ch. 525, at 2691 (Final Budget Memorandum, at 858).

**61.650 Board trustee of funds -- Investment committee -- Registration of securities  
-- Duties owed retirement system -- Application of open records law.**

- (1)
  - (a) The board shall be the trustee of the several funds created by KRS 16.510, 61.515, 61.701, and 78.520, notwithstanding the provisions of any other statute to the contrary, and shall have exclusive power to invest and reinvest such funds in accordance with federal law.
  - (b) The board may establish an investment committee whose members shall be appointed by the board chair. The investment committee shall have authority to implement policy and act on behalf of the board on all investment-related matters with full power to acquire, sell, safeguard, monitor, and manage the assets and securities of the several funds.
  - (c) A trustee, officer, employee, or other fiduciary shall discharge duties with respect to the retirement system:
    1. Solely in the interest of the members and beneficiaries;
    2. For the exclusive purpose of providing benefits to members and beneficiaries and paying reasonable expenses of administering the system;
    3. With the care, skill, and caution under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose;
    4. Impartially, taking into account any differing interests of members and beneficiaries;
    5. Incurring any costs that are appropriate and reasonable; and
    6. In accordance with a good-faith interpretation of the law governing the retirement system.
- (2) All securities acquired under authority of KRS 61.510 to 61.705 shall be registered in the name "Kentucky Retirement Systems" or nominee name as provided by KRS 286.3-225 and every change in registration, by reason of sale or assignment of such securities, shall be accomplished by the signatures of the chair of the board of trustees or a trustee appointed by the chair and the executive director of the systems.
- (3) The board, in keeping with its responsibility as trustee and wherever consistent with its fiduciary responsibilities, shall give priority to the investment of funds in obligation calculated to improve the industrial development and enhance the economic welfare of the Commonwealth.
- (4) The contents of real estate appraisals, engineering or feasibility estimates, and evaluations made by or for the system relative to the acquisition or disposition of property, until such time as all of the property has been acquired or sold, shall be excluded from the application of KRS 61.870 to 61.884 and shall be subject to inspection only upon order of a court of competent jurisdiction.

**Effective:** July 13, 2004

**History:** Amended 2004 Ky. Acts ch. 36, sec. 24, effective July 13, 2004. -- Amended 2003 Ky. Acts ch. 169, sec. 11, effective March 31, 2003. -- Amended 2002 Ky. Acts

ch. 52, sec. 12, effective July 15, 2002. -- Amended 1998 Ky. Acts ch. 105, sec. 16, effective July 15, 1998. -- Amended 1988 Ky. Acts ch. 349, sec. 25, effective July 15, 1988. -- Amended 1984 Ky. Acts ch. 232, sec. 3, effective July 13, 1984. -- Amended 1980 Ky. Acts ch. 246, sec. 11, effective July 15, 1980. -- Amended 1976 Ky. Acts ch. 321, sec. 40. -- Amended 1974 Ky. Acts ch. 128, sec. 27, effective March 26, 1974. -- Amended 1972 Ky. Acts ch. 116, sec. 49. -- Amended 1966 Ky. Acts ch. 35, sec. 13. -- Amended 1964 Ky. Acts ch. 86, sec. 9. -- Amended 1962 Ky. Acts ch. 58, sec. 20. -- Amended 1960 Ky. Acts ch. 165, Part II, sec. 15. -- Created 1956 Ky. Acts ch. 110, sec. 29.

**Legislative Research Commission Note** (7/12/2006). 2006 Ky. Acts ch. 247 instructs the Reviser of Statutes to adjust KRS references throughout the statutes to conform with the 2006 renumbering of the Financial Services Code, KRS Chapter 286. Such an adjustment has been made in this statute.

**78.520 Retirement system established -- Fund created.**

There is hereby created and established:

- (1) A retirement system for employees to be known as the "County Employees Retirement System" by and in which name it shall, pursuant to the provisions of KRS 78.510 to 78.852, transact all of its business and shall have the powers and privileges of a corporation; and
- (2) A fund, called the "County Employees Retirement Fund," which shall consist of all the assets of the system as set forth in KRS 78.510 to 78.852. All assets received in the fund shall be deemed trust funds to be held and applied solely as provided in KRS 78.510 to KRS 78.852.

**Effective:** July 13, 2004

**History:** Amended 2004 Ky. Acts ch. 36, sec. 32, effective July 13, 2004. -- Created 1958 Ky. Acts ch. 167, sec. 2.

**78.790 Board trustee of funds -- Investments -- Registration of securities.**

- (1) The board shall be the trustee of the several funds created by KRS 78.510 to 78.852, and shall have full power to invest and reinvest such funds subject to the limitations that no investments shall be made except upon the exercise of bona fide discretion, in securities which, at the time of making the investment, are, by law, permitted for the investment of funds by fiduciaries in this state except that the board may, at its discretion, purchase common stocks in corporations that do not have a record of paying dividends to their stockholders. Subject to such limitations, the board shall have full power to hold, purchase, sell, assign, transfer or dispose of any of the securities or investments in which any of the funds created herein have been invested, as well as of the proceeds of such investments and any moneys belonging to such funds.
- (2) All securities acquired under the authority of KRS 78.510 to 78.852 shall be registered in the name Kentucky Retirement Systems or nominee name as provided by KRS 286.3-225 and every change in registration, by reason of sale or assignment of such securities, shall be accomplished by the signatures of the chair of the board of trustees or a trustee appointed by the chair and executive director of the systems.
- (3) The board, in keeping with its responsibility as the trustee and wherever feasible, shall give priority to the investment of funds in obligations calculated to improve the industrial development and enhance the economic welfare of the Commonwealth.

**Effective:** July 13, 2004

**History:** Amended 2004 Ky. Acts ch. 36, sec. 35, effective July 13, 2004. -- Amended 2003 Ky. Acts ch. 169, sec. 14, effective March 31, 2003. -- Amended 1988 Ky. Acts ch. 349, sec. 40, effective July 15, 1988. -- Amended 1976 Ky. Acts ch. 321, sec. 40. -- Amended 1974 Ky. Acts ch. 128, sec. 35, effective March 26, 1974. -- Amended 1972 Ky. Acts ch. 116, sec. 72. -- Amended 1966 Ky. Acts ch. 34, sec. 13. -- Amended 1960 Ky. Acts ch. 165, Pt. III, sec. 3. -- Created 1958 Ky. Acts ch. 167, sec. 29.

**Legislative Research Commission Note** (7/12/2006). 2006 Ky. Acts ch. 247 instructs the Reviser of Statutes to adjust KRS references throughout the statutes to conform with the 2006 renumbering of the Financial Services Code, KRS Chapter 286. Such an adjustment has been made in this statute.

**16.510 Retirement system established -- Fund created.**

There is hereby created and established:

- (1) A retirement system for state police to be known as the "State Police Retirement System" by and in which name it shall, pursuant to the provisions of KRS 16.510 to 16.652, transact all of its business, and shall have the powers and privileges of a corporation; and
- (2) A fund, to be known as the "State Police Retirement Fund," which shall consist of all the assets of the system as set forth in KRS 16.555. All assets received in the fund shall be deemed trust funds to be held and applied solely as provided in KRS 16.505 to KRS 16.652.

**Effective:** July 13, 2004

**History:** Amended 2004 Ky. Acts ch. 36, sec. 2, effective July 13, 2004. -- Created 1958 Ky. Acts ch. 94, sec. 2, effective July 1, 1958.

**16.642 Board of trustee funds -- Investments -- Registration of securities.**

- (1) The board shall be the trustee of the several funds created by KRS 16.505 to 16.652 and shall have full power to invest and reinvest such funds, subject to the limitations that no investments shall be made except upon the exercise of bona fide discretion, in securities which, at the time of making the investment, are, by law, permitted for the investment of funds by fiduciaries in this state, except that the board may, at its discretion, purchase common stock in corporations that do not have a record of paying dividends to their stockholders. Subject to such limitations, the board shall have full power to hold, purchase, sell, assign, transfer or dispose of any of the securities or investments in which any of the funds created herein have been invested, as well as of the proceeds of such investments and any moneys belonging to such funds.
- (2) All securities acquired under authority of KRS 16.505 to 16.652 shall be registered in the name "Kentucky Retirement Systems" or nominee name as provided by KRS 286.3-225, and every change in registration, by reason of sale or assignment of such securities shall be accomplished by the signatures of the chair of the board of trustees or a trustee appointed by the chair and the executive director of the systems.
- (3) The board, in keeping with its responsibility as trustee and wherever feasible, shall give priority to the investment of funds in obligations calculated to improve the industrial development and enhance the economic welfare of the Commonwealth.

**Effective:** July 13, 2004

**History:** Amended 2004 Ky. Acts ch. 36, sec. 5, effective July 13, 2004. -- Amended 2003 Ky. Acts ch. 169, sec. 2, effective March 31, 2003. -- Amended 1988 Ky. Acts ch. 349, sec. 4, effective July 15, 1988. -- Amended 1976 Ky. Acts ch. 321, sec. 40. - - Amended 1974 Ky. Acts ch. 128, sec. 10, effective March 26, 1974. -- Amended 1972 Ky. Acts ch. 116, sec. 16. -- Created 1966 Ky. Acts ch. 33, sec. 7.

**Legislative Research Commission Note (7/12/2006).** 2006 Ky. Acts ch. 247 instructs the Reviser of Statutes to adjust KRS references throughout the statutes to conform with the 2006 renumbering of the Financial Services Code, KRS Chapter 286. Such an adjustment has been made in this statute.



## Kentucky Retirement Systems

### Statement of Investment Policy

Adopted November 20, 2013

This statement of investment policy is issued by the Board of Trustees of the Kentucky Retirement Systems (Systems) in connection with investing the pension and insurance funds of the Kentucky Employees Retirement System, the County Employees Retirement System and the State Police Retirement System. This document supersedes all prior documents entitled Statement of Investment Policy.

#### I. The Board of Trustees

The Kentucky Retirement Systems is a "Qualified Pension Plan" under Section 401 of the Internal Revenue Code and is administered by a board of nine trustees.

KRS 61.701 establishes the "Kentucky Retirement Systems Insurance Fund" as a separate fund to provide fringe benefits to recipients of the Kentucky Employees Retirement System, County Employees Retirement System and State Police Retirement System. KRS 61.702 provides that all amounts necessary to provide for insurance benefits shall be paid to the insurance fund. The Board shall administer the fund in the same manner as the retirement funds.

Six trustees are appointed by the Governor of the Commonwealth of Kentucky (two of which must be filled by persons with specific experience as required in Section 61.645.1.e.2), two trustees are elected by the membership of the Kentucky Employees Retirement System, three trustees are elected by the membership of the County Employees Retirement System, and one trustee is elected by the membership of the State Police Retirement System. The Secretary of the Personnel Cabinet is an ex-officio trustee.

The Board of Trustees authorizes and directs the appointment of an Investment Committee with full power to act for the board in the acquisition, sale and management of the securities and funds of the Systems in accordance with the provisions of the Statutes and Investment Policy of the Board. The Board shall review the actions of the Investment Committee at each quarterly Board meeting.

#### II. The Investment Committee

The Investment Committee consists of five members of the Board of Trustees. Three members of the committee are appointed by the chairperson of the Board of Trustees. In accordance with statute, two positions are filled by the Trustees that were appointed to the board as persons with specific experience (Section 61.645.1.e.2). The committee acts on behalf of the board on investment related matters.

The Investment Committee has the following oversight responsibilities:

- A. Assure compliance with this policy and all applicable laws and regulations.
- B. Approve the selection and termination of service providers.



- C. Meet quarterly to evaluate whether this policy, the investment activities and management controls and processes continue to be consistent with meeting the Systems' goals. Mandate actions necessary to maintain the overall effectiveness of the program.
- D. Review assessment of investment program management processes and procedures, and this policy relative to meeting stated goals.

### III. Staff Responsibilities

The Chief Investment Officer is responsible for administration of investment assets of the Systems consistent with the policies, guidelines and limits established by the law, this Statement of Investment Policy and the Investment Committee.

The Chief Investment Officer receives direction from and reports to the Investment Committee and the Executive Director of the Systems on all investment matters, including but not limited to the following:

- A. Maintaining the diversification and risk exposure of the funds consistent with policies and guidelines.
- B. Monitoring and assessing service providers, including annual onsite visits, to assure that they meet expectations and conform to policies and guidelines.
- C. Assess and report on the performance and risk exposure of the overall investment program relative to goals, objectives, policies and guidelines.
- D. Recommend changes to service providers, statutes, policies or guidelines as needed to maintain a productive relationship between the investment program and its goals; act as liaison on all investment related matters.
- E. Communicating with the mass media and other agencies, entities or institutions regarding investment related issues.
- F. Identify issues for consideration by the Investment Committee and prepare recommendations regarding such matters.

The Chief Investment Officer or designee is authorized to execute trades on fixed income and equity securities (including ETF's) and to execute proxies for the Board consistent with this Policy.

To carry out this Policy and investment related decisions of the Board, the Chief Investment Officer or designee is authorized to execute agreements and other necessary or proper documents pertaining to investment managers, consultants, investment related transactions or other investment functions.

### IV. Service Providers

#### A. Investment Managers

In instances where the Investment Committee has determined it is desirable to employ the services of an external Investment Manager, the following shall be applicable:

1. Investment Managers shall be qualified and agree to serve as a fiduciary to the



Systems and shall generally have been in the business of investment management for large United States institutional investors for at least three to five years.

2. Investment Managers shall manage assets in accordance with this Policy and any additional guidelines established by contract, as may be modified in writing from time to time.

#### B. Custody Bank

The Board shall hire custodians and other agents who will be fiduciaries to the Systems and who will assume responsibility for the safekeeping and accounting of all assets held on behalf of the Systems and other duties as agreed to by contract.

#### C. Investment Consultants

Qualified independent investment consultants may be retained by the Systems for asset allocation studies, asset allocation recommendations, performance reviews, manager searches and other investment related consulting functions and duties as set forth by contract.

#### D. Selection

Qualified investment managers, custody banks, investment consultants and other service providers shall be selected by the Investment Committee or Chief Investment Officer as required. The selection shall be based upon the demonstrated ability of the professional(s) to provide the required expertise or assistance. In order to create an efficient and effective process, the Investment Committee or Chief Investment Officer may, in their sole discretion, utilize RFI, RFP, third party proprietary software or database, review of existing service provider capabilities or any combination of these or other methods to select a service provider. Relevant criteria for the selection of investment managers are contained in the Transactions Procedures statement.

All contact and communication with service providers seeking a business relationship with the Systems shall be directed to the Division Director for that specific asset class. However, this rule is not applicable to existing service providers if the contact or communication is in response to an information request from the Investment Committee or if it is incidental contact not related to specific Systems business.

### V. Investment Philosophy

The Trustees of the Kentucky Retirement Systems recognize their fiduciary duty not only to invest the Systems' funds in formal compliance with the Prudent Person Rule but also to manage those funds in continued recognition of the basic long term nature of those systems. The Trustees interpret this to mean, in addition to the specific guidelines and restrictions set forth in this document, that the assets of the three systems shall be proactively managed -- that is, investment decisions regarding the particular asset classes, strategies, and securities to be purchased or sold shall be the result of the conscious exercise of discretion.

The Trustees recognize that, commensurate with their overall objective of maximizing long-range return while maintaining a high standard of portfolio quality and consistency of return, it is necessary that proper diversification of assets be maintained both across and within the classes of securities held



to minimize/mitigate overall portfolio risk. Consistent with carrying out their Fiduciary Responsibilities and the concept of Modern Portfolio Theory, the Trustees will not systematically exclude any investments in companies, industries, countries, or geographic areas unless required to do so by statute. Within this context of proactive management and the necessity for adherence to proper diversification, the Trustees rely upon appropriate professional advice from multiple service providers.

The Trustees and other fiduciaries shall discharge their duties with respect to the Systems: (1) solely in the interest of the participants and beneficiaries; (2) for the exclusive purpose of providing benefits to participants and beneficiaries; (3) with the care, skill and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose; (4) impartially; (5) incurring and paying appropriate and reasonable expenses of administration and (6) in accordance with a good faith interpretation of the laws, regulations and other instruments governing the Systems.

Additionally, the Trustees and other fiduciaries shall not engage in any transaction which results in a substantial diversion of the Systems income or assets without adequate security and reasonable rate of return to a disqualified person or in any other prohibited transaction described in Internal Revenue Code Section 503(b).

## VI. Investment Objectives

The Board of Trustees realizes that prudent investment management is a duty. In fulfillment of this duty, the Board of Trustees recognizes that while long-term objectives are important, it is also necessary that short-term benchmarks be used to assess the periodic performance of the investment program.

Accordingly, the Board of Trustees has established the following investment objectives:

- Long-Term:
  - The total assets of the Systems should achieve a return which exceeds the actuarially required rate of return of 7.75%.
  - In addition to exceeding the actuarially required rate of return, the total fund return should exceed the return achieved by its blended performance benchmark.
- Short-Term:
  - The returns of the particular asset classes of the System, measured on a rolling basis, should seek to exceed the returns achieved by comparable passive market indices as described in the appropriate Addendum of this statement.

## VII. Derivative Securities and Leveraging

### **Definition:**

A derivative is broadly defined as a financial instrument whose value, usefulness, and marketability is derived from or linked to the value of an underlying security.

Definitions and examples in the investment universe include:

**Forward Contracts** - a forward contract is a non-standardized, Over-the-Counter (OTC) contract between two parties, governed by ISDA agreements, to buy or sell an asset at a specified future time at a price agreed to today. This is in contrast to a spot contract, which is an agreement to buy or sell an asset at a set price today. It costs nothing to enter a forward contract. The party agreeing to buy the underlying asset in the future assumes a long position, and the party agreeing to sell the asset in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into. An example of a forward contract is a currency forward contract. Currency forward contracts are commonly used to hedge foreign currency risk, which is an inherent risk of investing in international assets.

**Futures Contracts** - a futures contract is a standardized, exchange traded contract between two parties to buy or sell a specified asset of standardized quantity and quality at a specified future date at a price agreed to today (the futures price). Futures contracts are not "direct" securities like stocks, bonds, rights or warrants. The party agreeing to buy the underlying asset in the future assumes a long position and the party agreeing to sell the asset in the future assumes a short position. Futures may be settled in cash or physically settled depending on the characteristics of the underlying asset and the specifications of the contract. If futures are physically settled the buyer must make arrangements for taking physical delivery. An example of a futures contract is the S&P 500 Futures contract which is traded at the Chicago Mercantile Exchange. The S&P 500 futures contract is commonly used for equitization of cash held in the equity portfolio of a fund so as to keep un-invested cash levels at a minimum. Futures contracts have many other uses for portfolio managers and are considered a valuable tool for adding flexibility and cost effectiveness to the management of a portfolio.

**Options** - Options are derivative financial instruments that may be standardized, exchange traded, or OTC contracts that specify a contract between two parties for a future transaction on an asset at a reference price. The buyer of the option gains the right, but not the obligation, to engage in that transaction, while the seller incurs the corresponding obligation to fulfill the transaction. The price of an option is derived from the difference between the reference price and the value of the underlying asset (commonly a stock, a bond, a currency or a futures contract) plus a premium based on the time to maturity, expected volatility, and the interest rate environment. Other types of options exist, and options can in principle be created for any type of valuable asset.

An option which conveys the right to buy an asset is called a call; an option which conveys the right to sell an asset is called a put. The reference price at which the underlying asset may be traded is called the strike price or exercise price. The process of activating an option and thereby trading the underlying asset is referred to as exercising it. While there are several styles of option contracts the two most common are American-style contracts and European-style contracts. American-style options contracts may be exercised at or before expiration while European-style options may only be exercised at expiration. Most options have an expiration date while others have strike reset points. If the option is not exercised by the expiration date, it becomes void and worthless.

In return for assuming the obligation, called writing the option, the originator of the option collects a payment, a premium, from the buyer. The writer of an option must make good on delivering (or receiving) the underlying asset or its cash equivalent, if the option is exercised.



An example of an option contract is an S&P 500 put contract. These contracts may be used by a portfolio manager to purchase downside portfolio protection or may be combined with other options contracts to temper volatility in the portfolio, thus reducing risk.

**Swaps and Swaptions** – Swaps are derivative financial instruments in which counterparties exchange certain benefits of one party's financial instrument for those of the other party's financial instrument. (Swaptions are simply options on swaps) Most swaps are non-standardized, OTC contracts between two parties and are governed by ISDA agreements. Some types of swaps are also exchanged on public markets such as the Chicago Mercantile Exchange, the Chicago Board Options Exchange, Intercontinental Exchange and Frankfurt-based Eurex AG. The benefits of a swap depend on the type of financial instruments involved. At the initiation of a swap contract, two counterparties agree to exchange one stream of cash flows against another stream. These streams are called the legs of the swap. The swap agreement defines the dates when the cash flows are to be paid and the way they are calculated. Usually at the time when the contract is initiated, at least one of these series of cash flows is determined by a reference point such as an interest rate, foreign exchange rate, equity price or commodity price. The cash flows are calculated on a notional principal amount, which is usually not exchanged between counterparties. Value transfers can be made with cash or collateral depending on contract terms.

An example of a swap contract is an interest rate swap. An interest rate swap is an agreement to exchange a series of cash flows on periodic settlement dates over a certain time period. The duration properties of interest rate swaps are the primary reason for their popularity as an effective portfolio management tool for fixed income managers. If a fixed income manager agrees to pay a floating rate and receive a fixed rate in a swap, s/he will be increasing duration in her/his portfolio.

**Warrants** - a warrant is a type of derivative security that entitles the holder to buy or sell the underlying stock of the issuing company at a fixed exercise price until the expiry date. Warrants may be either exchange traded or OTC in nature. OTC Warrants are typically long term in nature.

Warrants are frequently attached to bonds (to reduce interest rates for the issuer) or preferred stock (to reduce dividend payments) as a sweetener. Warrants can also be used in private equity deals. Frequently, these warrants are detachable, and can be sold independently of the bond or stock. (Typically traded OTC)

*This list is not intended to be an all encompassing list of derivative contracts available for use in the portfolios, but rather, to display a sample of the most common types of contracts and describe the spirit of their intended use in the portfolios.*

#### **Derivatives Permitted Use:**

KRS permits external managers and Investment Division (Staff) to invest in derivative securities, or strategies which make use of derivative investments, for exposure, cost efficiency and risk management purposes, if such investments do not cause the portfolio to be leveraged beyond a 100% invested position. Any derivative security shall be sufficiently liquid that it can be expected to be sold at, or near, its most recently quoted market price. Typical uses of derivatives in the portfolio are broadly defined below:

**Exposure:**

Derivatives are an effective way for a portfolio manager to gain exposure to a security that the manager does not want to purchase in the cash market. Reasons for gaining exposure to a security through the use of derivatives may include cheaper transactions costs, liquidity/lack of supply in the underlying market, and the flexibility to implement investment views with minimum portfolio disruption. An example is a cash equitization program.

**Cost Efficiency:**

Derivatives are often used due to the cost efficiency associated with the contract properties. Given the fact that derivatives can be used as a form of insurance, upfront trading costs must be sufficiently low for investors to purchase the contract and insure their portfolios efficiently. Furthermore, due to properties associated with derivatives and cash outlay characteristics (minimal cash outlay at inception of the contract) derivatives are generally a vehicle of gaining cost efficient exposure. An example is the cost (zero) to purchase a futures contract.

**Risk Management:**

Derivatives can be used for mitigating risk in the portfolio. When used as a risk management tool, derivatives can significantly reduce an identified financial risk or involuntary risk from investment areas by providing changes in fair values or cash flows that substantially offset the changes in fair values or cash flows of the associated item being hedged. An example is the use of currency forwards to offset periods of dollar strength when international equity markets increase in value, thereby protecting foreign asset gains in the portfolio.

**Derivatives Restricted Use:****Settlement:**

Investments in futures contracts are to be cash settled unless physically settled and stored by external managers. At no time shall KRS agree to take physical delivery on a futures contract.

**Position Limits:**

Futures and options positions entered into by KRS, or on its behalf, will comply with all position and aggregate limits established by the local governing authorities within each jurisdiction.

**Investment:**

Investments in securities such as collateralized mortgage obligation (CMO), planned amortization class (PAC) issues, interest only (IO), principal only (PO), inverse floater, or structured note securities are prohibited unless specifically allowed in a manager's contract and delineated in the manager's guidelines. They will only be allowed if, in the judgment of the investment manager, they are not expected to be subject to large or unanticipated changes in duration or cash flows. IO, PO, inverse floaters, and structured note securities are not allowed for use in cash or core fixed income portfolios.

### **Over-the-Counter (OTC):**

Investments in securities not traded on public exchanges that are deemed Over-the-Counter (OTC) in nature are allowed provided that a counterparty risk monitoring component is delineated in the manager's guideline section of the manager's contract. All counterparties must have a short-term credit rating of at least A- (Standard and Poor's or Fitch) or A3 (Moody's).

All OTC derivative transactions, including those managed through Agency Agreements, must be subject to established International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements and have full documentation of all legal obligations of KRS under the transactions. All ISDA Master Agreements entered into by or on behalf of KRS by the Investment Division (Staff) and external manager pursuant to an Agency Agreement shall provide that Netting applies. (Netting allows the parties to an ISDA Master Agreement to aggregate the amounts owed by each of them under all of the transactions outstanding under that ISDA Master Agreement and replace them with a single net amount payable by one party to the other.) The Investment Division (Staff) and external managers may also use collateral arrangements to mitigate counterparty credit or performance risk. If an external manager utilizes a collateral arrangement to mitigate counterparty credit or performance risk the arrangement shall be delineated in the manager's guideline section of the manager's contract.

### **Derivatives Applications Not Permitted:**

#### **Speculation:**

Except for investments in alternative, absolute return investments, and real return investments, derivatives may not be used for any activity for which the primary purpose is speculation or to profit while materially increasing risk to KRS. Derivatives are considered speculative if their uses have no material relation to objectives and strategies specified by KRS IPS or applicable to the portfolio. Derivatives may not be used for circumventing any limitations or restrictions imposed by the KRS IPS or applicable regulatory requirements.

#### **Leverage:**

Leverage is inherent in derivative contracts since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the cash markets, where in most cases the cash outlay is equal to the asset acquired, derivative investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional cash market portfolio. Therefore, risk management and control processes must focus on the total risk assumed in a derivative investment. Leveraging for purposes of enhancing yield or total return is expressly prohibited except for investments in alternative and absolute return investments, and real return investments. Furthermore, the use of leveraged ETF's as a means to circumvent derivatives applications not permitted is expressly forbidden. Investment managers in alternative, absolute return investments, and real return investments strategies are granted the authority to engage in positive leverage to the extent authorized in their offering memorandum and delineated in the manager's guideline section of the manager's contract.

*The above is not intended to limit KRS from borrowing to cover short-term cash flow needs nor prohibit KRS from loaning securities in accordance with a securities lending agreement.*



## VIII. Asset Allocation Guidelines

In establishing asset allocation guidelines the Board recognizes that each system has its own capacity to tolerate investment volatility, or risk. Therefore, each system has been studied and asset allocation guidelines have been established on a system by system basis. The Board will cause the asset allocation guidelines of each system to be reviewed annually. The Board will also undertake an asset liability study every three to five years as determined by program needs.

The intent of the Board of Trustees in allocating funds to the investment managers is for the investment managers to fully invest the funds. However, the Board of Trustees is aware that from time to time the investment manager will require a portion of the allocated funds to be held in cash provided the cash holdings do not exceed three percent (3%) of the manager's allocation for any given quarter, unless such cash holdings are an integral part of a fixed income manager's investment strategy.

The individual plan level asset allocations of the each Pension and Insurance Fund constituent will be reviewed monthly by staff relative to its target asset class allocation. Staff shall reallocate the assets when the actual asset class allocation is within one percentage point of the allowable range boundary, but may also opportunistically reallocate when the actual asset class allocation exceeds the target asset class allocation by a margin of +/- 1 percentage points. See Appendix A and B for current asset allocation targets.

In keeping with its responsibility as trustee and wherever consistent with its fiduciary responsibility, the board encourages the investment of the fund's assets in investments, funds, and securities of corporations which provide a positive contribution to the economy of the Commonwealth of Kentucky. However, where any security is not a prohibited investment under the governing laws and policies, discretion will be granted to the appointed investment managers in the selection of such securities and timing of transactions consistent with the following guidelines and restrictions.

### A. Domestic Equity Investments

Investment may be made in common stock, securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant ETF's or any other type of security contained in a manager's benchmark. Each individual domestic equity account shall have a comprehensive set of investment guidelines prepared, which contains a listing of permissible investments, portfolio restrictions and standards of performance for the account.

The internally managed equity index funds are intended, consistent with the governing plan documents, to gain exposure to a broad asset sector to replicate the characteristics of the asset class, to minimize administrative expenses and to help achieve overall portfolio objectives. These objectives can be achieved through several management techniques, including but not limited to, portfolio optimization, non-reinvestment of index dividends and other management techniques intended to help achieve the objectives of the entire pension fund.



## B. International Equity Investments

Investments may be made in common stock, securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant ETF's or any other type of security contained in a manager's benchmark. Each individual international equity account shall have a comprehensive set of investment guidelines prepared, which contains a listing of permissible investments, portfolio restrictions and standards of performance for the account.

The internally managed equity index funds are intended, consistent with the governing plan documents, to gain exposure to a broad asset sector to replicate the characteristics of the asset class, to minimize administrative expenses and to help achieve overall portfolio objectives. These objectives can be achieved through several management techniques, including but not limited to, portfolio optimization, non-reinvestment of index dividends and other management techniques intended to help achieve the objectives of the entire pension fund.

## C. Fixed Income Investments

Fixed Income investments will be similar in type to those securities found in the KRS fixed income benchmarks and the characteristics of the KRS fixed income portfolio will be similar to the KRS fixed income benchmarks. The fixed income accounts may include, but are not limited to the following fixed income securities: U.S. Government and Agency bonds, investment grade U.S. corporate credit, investment grade non-U.S. corporate credit, non-investment grade U.S. corporate credit including both bonds and bank loans, non-investment grade non U.S. corporate credit including bonds and bank loans, municipal bonds, non-U.S. sovereign debt, mortgages including residential mortgage backed securities, commercial mortgage backed securities, and whole loans, asset-backed securities, and emerging market debt including both sovereign EMD and corporate EMD and asset class relevant ETF's.

Each individual fixed income account shall have a comprehensive set of investment guidelines prepared, which contains a listing of permissible investments, portfolio restrictions, risk parameters, and standards of performance for the account.

## D. Private Equity Investments

Subject to specific approval of the Investment Committee of the Board of Trustees, investments may be made for the purpose of creating a diversified portfolio of alternative investments. Examples of such investments include, but are not limited to, venture capital partnerships, private equity, leveraged buyouts and funds, private debt, timberland, oil and gas partnerships, commodities and private placements. While it is expected that the majority of these assets will be invested within the United States, a portion has been allocated to non-US investments. These non-U.S. investments are not restricted by geography.

### **Guidelines for Private Equity**

The private equity market is highly sophisticated and specialized with respect to variety and types of investment structures. There exist major competition for deal flow on the part of both investor and general partners. To a great extent, market forces drive the bargaining of economic terms. Most investment vehicles are structured as commingled vehicles and often blind pool investment partnerships. The most common offering forms are equity private placements where the governing laws of the partnership impose a passive role of the limited partner investor. These contractual arrangements are long-term in nature and provide the general partner or sponsors a reasonable time horizon to wisely invest capital, add value through intensive operational management, then realize the proceeds of such an investment. Moreover, terms of the partnership are proposed by the general partner are critical to the economic incentives and ultimate net performance of the partnership.

Over the long term, KRS will use a specified index plus risk premium approach.

### **Investment Strategy and Plan Guidelines**

To strengthen the diversification of the investments, several guidelines will be utilized in Staff's formulation and recommended annual investment strategy and plan. These guidelines encompass annual commitment levels to the asset class, types of investment vehicles that can be utilized, controlling financing stage risks, industry, manager and geography concentration/diversification limits, acceptable contact negotiations, appropriate sizes for investments, and the preferred alignment of interests.

***Investment Vehicles:*** KRS will gain exposure to private equity investments by hiring external investment managers either directly or through participation in secondary private equity markets. Typically, the Fund will subscribe as a Limited Partner to limited partnership vehicles sponsored by such specialty external investment managers. KRS may also gain exposure by utilizing the following vehicles: limited liability companies and co-investments alongside the Fund's existing or potential limited partnerships.

***Investment Timing Risks:*** Staff should limit the potential for any one investment to negatively impact the long-term results of the portfolio by investing across business cycles. Moreover, the portfolio must gain exposure to the array of financing stages by opportunistically exploiting the best investments at different stages of the business cycle. Staff may also consider purchasing secondary partnership interests to shorten the effective life of the partnership interest and therefore positively impacting the current and long term net return of the portfolio. In addition, mindful of vintage year diversification, KRS should seek to identify attractive commitments annually, further ensuring the portfolio invests across business cycles.

***General Partner Diversification:*** Staff will seek to work with a variety of general partners due to their specialized expertise in particular segments of the private equity market and source of their deal flow. No more than fifteen (15) percent of the Fund's total allocation to private

equity investments may be committed to any one partnership, without the approval of the Board.

**Geographical Diversification:** To ensure geographical diversification, the target range for total commitments outside of the United States will be 15-45% through commitments to funds located and or investing both in and outside of the United States.

**Industry/Sector Concentration:** As fallout of diversified commitments outlined above, it is expected that the portfolio will be generally diversified by sector/industry. KRS will maintain diversification by ensuring:

No more than 35% of total net assets of the private equity portfolio may be invested in a single sector of the domestic economy.

No more than 50% of total net assets of the private equity portfolio may be invested in a single industry within a particular sector.

No more than 10% of total net assets of the private equity portfolio may be invested in any single equity or debt related assets.

### **Subcategory Strategy**

The private equity portfolio includes strategic subcategory classifications including venture capital, buyouts and debt-related. The target percentages set forth below for each category are based on invested capital. For specific plan allocations to Private Equity, Please refer to Appendix A for the Pension funds and Appendix B for the Insurance funds. All plans will have a policy range of 5% and KRS staff shall periodically review policy ranges targets.

The following sub-asset target allocations are based on market value and will have a range of +/- 10%:

| <b>Sub-Category</b> | <b>Target Allocations</b> | <b>Ranges</b> |
|---------------------|---------------------------|---------------|
| Venture Capital     | 20.0%                     | 10-30%        |
| Buyouts             | 60.0%                     | 50-70%        |
| Debt-Related        | 20.0%                     | 10-30%        |

### **E. Real Estate Investments**

Subject to specific approval of the Investment Committee of the Board of Trustees, Investments may be made in equity and debt real estate for the purpose of achieving the highest total rate of return possible consistent with a prudent level of risk. Allowable real estate investments include open-end and closed-end commingled real estate funds, joint venture investments, public and private REITs (real estate investment trusts), public real estate operating companies, and real estate related debt.

Private real estate investments are unique and can be illiquid and long term in nature. Given

that this may lead to large short term performance discrepancies versus public benchmarks, KRS more appropriately measures its real estate investments based on both relative return and absolute return methodologies:

*Relative Return:* The real estate portfolio is expected to generate returns, net of all fees and expenses, in excess of the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity Index (“NCREIF ODCE”) lagged 1 month.

*Absolute Return:* The long term real return objective (returns adjusted for inflation) for the KRS real estate portfolio is five percent (5%), net of investment management fees. This return shall be calculated on a time-weighted basis using industry standard reporting methodologies.

KRS has determined that the primary role of the real estate asset class is to provide for the following:

- Attractive risk adjusted returns through active management and ability to access managers with the expertise and capabilities to exploit market inefficiencies in the asset class.

The illiquid nature of real estate investments combined with the complexity of investments makes it difficult for casual investors to effectively access the asset class effectively.

It is the belief that through active management and by investing in top tier managers with interests aligned through co-investment and incentive based compensation, KRS can maximize its risk adjusted returns.

This active management approach will be pursued.

- Diversification benefits through low correlations with other asset classes, primarily the U.S. equity markets.
- Provide a hedge against unanticipated inflation, which real estate has historically provided due to lease structures and the increases in material and labor costs during inflationary periods.
- Permit KRS to invest in unique opportunities that arise due to dislocations in markets that occur from time to time.

#### Allocation to Real Estate Asset Class

KRS divides the real estate investment universe into core, value-add, opportunistic and public securities sectors, with descriptive attributes of each listed below. It should be noted that targeted returns for each sector denoted in the descriptions below are based on industry



guidelines and may vary based on different points in market cycles and changes in general inflation levels.

#### A. Core Properties

- Operating, substantially leased office, retail, industrial or apartment properties. Several alternative property types may be included in Core such as self-storage, medical office, ground leases, senior housing and triple net leased properties to the extent they exhibit similar risk and return attributes to the traditional Core property types.
- Generally have institutional qualities for size, physical attributes and location.
- Target total returns of 7%-9% per year (net of fees and promoted interest), with a high proportion of the total return to be generated from current income and a small proportion of the total return generated from appreciation.
- Leverage for core properties is moderate with an upper limit of 50% loan to value.

#### B. Value Added Properties

- Office, retail, industrial or apartment properties that have moderate risk associated with their investment. Several alternative property types may be included in Value-Added such as self-storage, medical office, senior housing and triple net leased properties to the extent they exhibit similar risk and return attributes for Value-Added investments.
- Value-Added investments are targeted to capitalize on defects with specific properties that can be identifiable and correctable through leasing, re-development, management and/or recapitalization.
- Target returns for value added investments are 9% to 12% per year (net of fees and promoted interest).
- Leverage for value added investments is generally limited to approximately 65% loan to value.

#### C. Opportunistic Investments

- Opportunistic investments can be comprised of any property sector. Opportunistic investments can include office, retail, industrial and apartments with high-risk attributes. In addition, hotels, operating companies, development, land and distressed properties are all examples of opportunistic investments
- Leverage for opportunistic investments can be 75% loan to value or higher in certain cases.

- Opportunistic investments will target returns in excess of 12% (net of fees and promoted interest) in order to compensate for the additional risk commensurate with the increased risk compared to core property investments.

#### D. Public Securities

- Public Real Estate securities ("Public Securities") do not allow for control over the assets or management. Examples of public securities may include REITs and CMBS, among others. Investment strategies using public securities may be classified as core, value-add, or opportunistic strategies based on the characteristics of those specific investments and are reviewed on a case by case basis. Real estate strategies utilizing public securities that provide daily liquidity to KRS shall be required to be classified as "Public Securities" under the Investment Policy Statement.
- Public Securities generally have higher risk and return characteristics than Core properties due to higher leverage and operating company risks. In addition, the daily pricing of securities result in additional reported volatility of returns.
- Daily pricing and public market trading provide liquidity. However, due to small float and limited market capitalization of Public Securities, improved liquidity may come at a price.
- The emergence of the international Public Securities market has broadened the universe to include Asia, European, Australian and North American property companies.
- Expected returns are approximately 9%-11% (net of fees) over a 10-year period and 11-13% (net of fees) for non-U.S. Public Securities.

#### Diversification and Risk Management Guidelines

The policy ranges for the real estate portfolio sectors have been set with reasonably wide ranges in order to allow KRS to capitalize on market inefficiencies and attractive opportunities, while also maintaining a certain level of low risk stability to the portfolio. Since many of the real estate investments will be private market investments in commingled funds, KRS will not have precise control over the actual real estate exposure. Funding, de-funding and rebalancing the portfolio may be protracted (like private equity) due to the asset classes illiquid characteristics.

#### A. Sector Diversification

KRS will seek to limit investments using the following diversification limits:

|                    | Target | Range      |
|--------------------|--------|------------|
| Core:              | 70%    | 50% to 90% |
| Value Added:       | 20%    | 10% to 30% |
| Opportunistic:     | 10%    | 0% to 20%  |
| Public Securities: | 0%     | 0% to 20%  |

#### B. Investment Vehicles

Due to the size of KRS's portfolio, the preferred investment structure is commingled funds. Exceptions may be for public equity accounts which may be efficiently invested through a separate account or single property investments. Single property investments shall be limited to no more than 5% of the total real estate allocation.

KRS may also consider co-investment opportunities in cases where discounted fees and appropriate diversification can be achieved for a particular investment opportunity.

#### C. Diversification

KRS will seek to control risk in its real estate investment program by diversifying its investments by investment manager, property type and location diversification.

#### D. Investment Manager

KRS will limit the amount committed to any one investment manager to the larger of twenty percent (20%) of the total allocation for real estate investments or 1% of the total funds value at the time of commitment.

#### E. Property Type Diversification

KRS will seek to limit investments by property type diversification using the following limits:

Office: 0% to 40% of the total allocation

Retail: 0% to 40% of the total allocation

Apartment: 0% to 40% of the total allocation

Industrial: 0% to 40% of the total allocation

F. Other: 0% to 40% of the total allocation (other includes hotels, self-storage, parking, etc.)

#### Geographic Diversification

The KRS real estate portfolio shall seek to include investments diversified across various locations with different economic concentrations. The portfolio shall be at least 80% invested in U.S. markets.

Diversification will be monitored with respect to major regional areas; e.g. Pacific, Mountain, Southwest, Southeast, Mideast, Northeast, East North Central, West North Central. International monitoring will be carried out in a similar fashion as that used domestically.

#### G. Total Leverage

KRS recognizes that leverage is an inherent component of real estate investments and use of leverage can be an effective means to increase overall returns from time to time on a risk-adjusted basis. There will be a limit of 65% of the total portfolio placed on the use of leverage.

All portfolio leverage will be secured through the individual fund investments. There will be no recourse debt permitted.

#### H. Vintage Year Risks

KRS will seek to avoid any concentrated vintage year risks.

#### F. Real Return Investments

The purpose of the Real Return Portfolio is to identify strategies that provide both favorable stand alone risk-adjusted returns as well as the benefit of hedging inflation for the broader plans. Real return strategies are not necessarily a separate asset class but may include real assets, such as infrastructure, real estate, commodities, and natural resources among others, as well as financial assets that have a positive correlation to inflation. This can include “real” bonds such as TIPs (and other inflation linkers) or “real” stocks such as REITs, MLPs, and oil & gas stocks. Additionally, real return managers may attempt to add value by tactically allocating to various



asset classes according to how each asset class performs across an economic cycle and the manager's perception of where we are in the cycle. The goal is to invest in inflation sensitive assets during inflationary periods, and avoid those assets in deflationary periods, thus providing a positive real return across the cycle.

The real return opportunity set may include numerous vehicles to access a wide variety of investment styles and strategies. These investment vehicles may include mutual funds, ETFs, separately managed accounts as well as hedge funds (open-end limited partnerships) and private equity (close-end limited partnerships). The list of strategies that the KRS Real Return Portfolio may use includes, but is not limited to, the following:

- GTAA (Global Tactical Asset Allocation)/ Global Macro: GTAA or macro strategies are those that make directional bets on major markets or asset classes instead of individual securities. GTAA and macro strategies typically invest in all major assets classes including equity markets, credit and debt instruments, currencies/interest rates, and commodities. These strategies tend to focus on economic factors that would suggest an opportune time to invest in a given asset class, and will change their allocations actively over time. Within a real return portfolio, these strategies may use inflation as the economic factor to gain exposure to and will target a real rate of return over time.
- Inflation Linked Securities are securities that directly tie coupon payments or principal increases to an inflation index, such as CPI. These strategies could include not only US TIPs, but also global sovereign inflation linked bonds, corporate or infrastructure inflation linked bonds, and possibly short duration floating rate bonds.
- Inflation Sensitive Equities include publicly traded equity and equity related securities in companies which have a high sensitivity to inflation in their profit margins via the nature of their operating assets, such as energy companies, basic materials and miners, natural resource stocks, and listed infrastructure. This category can also include REITs, MLPs as well as ETFs and index products on REITS, MLPs, natural resource stocks, etc.
- Commodities: Commodities are the raw materials that are physical inputs into the production process. Managers that invest in liquid commodity strategies using exchange traded futures can span from simple indexing (matching a long-only commodities index), to enhanced indexing or active long (selecting positions that vary from the index but within fairly tight ranges), as well as unconstrained long-short managers.
- Private Property: For the purposes of this policy, private property refers to the ownership of an idiosyncratic, physical asset that is predominately fixed and/or permanent or at least substantially long-lived. This includes real estate, such as land and any improvements to or on the land, as well as timberland and farmland. Timberland investing involves the institutional ownership of forest for the purpose of growing and harvesting the timber. The timber may be used for furniture, housing lumber, flooring, pulp for paper, woodchips, and charcoal, among other things. Farmland investing entails ownership of land used primarily if not exclusively for agricultural production both for crops, including row crops and permanent crops, as well as livestock. Private property can also include infrastructure investing, which refers to financing the manufacture or development of the underlying fundamental

assets and basic systems that are necessary for an economy whereby such assets are largely fixed and long-lived. These tend to be high cost, capital intensive investments that are vital to a society's prosperity and facilitate the transfer, distribution, or production of basic goods and services.

- **Natural Resources:** Natural resources can include investing in the financing, development, extraction, and production of minerals, basic materials, petroleum products, and water as well as renewable resources such as agricultural commodities and solar energy. As opposed to property, the returns generated in these investment strategies come more from the actual production of the resource itself. Further, these are depleting and/or consumable assets that are also portable and fungible and which in the aggregate comprise a majority of the inputs into most measurements of inflation.
- **Private Assets:** Private assets can include tangible or intangible assets that are not easily sold in the regular course of a business's operations for cash, and which are held for their role in contributing directly to the business's ability to generate profit. As the useful life of the asset tends to extend across many years and the assets tend to be capital intensive as well, they have some similarity to private infrastructure. Further, given that the assets contribute directly to the production process as well as often retaining intrinsic value, there is a fundamental link to inflation somewhat similar to natural resources.
- **Other (Opportunistic Inflation Hedge):** Other/opportunistic strategies include those that have a propensity to provide a positive real return or positive correlation with inflation over time. Liquid strategies such as inflation swaps, diversified inflation hedging mutual funds, or nominal bonds backed by inflation sensitive assets may be included in this allocation, while other illiquid strategies that may provide the same real profile can include private equity in inflation sensitive companies, hard asset-backed private credit, and structured inflation-linked products among others.

The Real Return allocation shall seek to achieve the following:

- 1) **Short-term benchmark:** For periods less than five years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the appropriate benchmark (the weighted average return of the underlying investment benchmarks) annually over a complete market cycle, net of all investment management fees.
- 2) **Strategic benchmark:** For periods greater than five years or a full market cycle, the allocation should not only outperform the short-term benchmark, but also achieve a rate of return that exceeds the appropriate long-term benchmark (CPI + 300 basis points) as well.

### **Portfolio Guidelines**

No more than 35% of the total net assets of the Real Return portfolio may be invested in any one registered investment vehicle, mutual fund, or separately managed account.

No more than 15% of the total net assets of the Real Return portfolio may be invested in any single closed-end or open-end limited partnership or other unregistered investment vehicle.

No investment in any commingled open-ended limited partnership may account for more than 20% of the net assets in that limited partnership.

No investment with any one single manager may account for more than 25% of that manager's total assets under management.

Policy allocations and ranges for strategies in the Real Return portfolio as a whole are as below.

The liquid real assets portfolio will be diversified according to the following strategy allocations:

| <b>Liquid Real Assets Portfolio</b> | <b>Allocation Targets</b> | <b>Range</b> |
|-------------------------------------|---------------------------|--------------|
| GTAA/Global Macro                   | 35.0%                     | 15% to 40%   |
| Inflation Linked Securities         | 30.0%                     | 15% to 40%   |
| Natural Resource Equities           | 20.0%                     | 5% to 30%    |
| Commodities                         | 15.0%                     | 0% to 25%    |
| Opportunistic liquid                | 0.0%                      | 0% to 10%    |

The illiquid real assets portfolio will be diversified according to the following strategy allocations:

| <b>Illiquid Real Assets Portfolio</b> | <b>Allocation Targets</b> | <b>Range</b> |
|---------------------------------------|---------------------------|--------------|
| Property                              | 20.0%                     | 0% to 35%    |
| Natural Resources                     | 45.0%                     | 15% to 65%   |
| Private Assets                        | 25.0%                     | 0% to 35%    |
| Opportunistic illiquid                | 10.0%                     | 0% to 20%    |

The relative allocations to the liquid and illiquid portfolios will be determined according to each individual plan's liquidity needs, funding status, and allocation targets on an investment by investment basis. However, no plan shall invest more than 50% of the Real Assets Allocation into the Illiquid Real Assets Portfolio.

Further, in order to ensure sufficient diversification by investment style, the Illiquid Real Asset Portfolio as a whole will be diversified according to style allocations below:

| <b>Style Allocations</b> | <b>Allocation Targets</b> | <b>Range</b> |
|--------------------------|---------------------------|--------------|
| Core                     | 40.0%                     | 25% to 50%   |
| Value Add                | 30.0%                     | 20% to 40%   |
| Opportunistic            | 30.0%                     | 20% to 40%   |

#### G. Cash Equivalent Securities

Selection of particular short-term instruments, whether viewed as liquidity reserves or as investment vehicles, should be determined primarily by the safety and liquidity of the investment and only secondarily by the available yield. The following short-term investment vehicles are considered acceptable:

Publicly traded investment grade corporate bonds, variable rate demand notes, government and agency bonds, mortgages, municipal bonds, and collective STIFs, money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper) and repurchase agreements relating to the above instruments. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service. In cases where the instrument has a split rating, the lower of the two ratings shall prevail. All instruments shall have a maturity at the time of purchase that does not exceed two years. Repurchase agreements shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur. Variable rate securities shall be deemed to have a maturity equal to the time left until the next interest rate reset occurs, but in no case will any security have a stated final maturity of more than three years.

The Systems' fixed income managers that utilize cash equivalent securities as an integral part of their investment strategy are exempt from the permissible investments contained in the preceding paragraph. Permissible short-term investments for fixed income managers shall be included in the investment manager's investment guidelines.

#### H. Absolute Return Strategies

The purpose of the Absolute Return Portfolio is to identify strategies that provide both favorable stand-alone risk-adjusted returns as well as the benefit of diversification for the overall plan. Absolute return strategies, by definition, are not necessarily a separate asset class, but broaden the opportunity set within existing asset classes such as stocks, bonds, currencies and commodities by going both long and short, employing derivatives and leverage, shortening and extending investment horizons, and moving across public and private markets, amongst others. By focusing on the idiosyncratic risks of security selection and often attempting to minimize systematic market risks through hedging activities, absolute return managers can make investment decisions unconstrained by restrictive relative benchmarks such as the S&P 500 or Barclay's Aggregate Bond Index, and add value to portfolios by achieving favorable risk-adjusted returns in most market environments while also reducing overall plan volatility.

The absolute return opportunity set is generally considered to include hedge funds and other strategies attempting to achieve positive returns without heavy reliance on the assumption of traditional



systematic risk factors. Investment vehicles used to access this opportunity set can include limited partnerships, but also mutual funds, ETFs, and separately managed accounts, amongst others. Absolute return strategies are extremely heterogeneous, as managers have both greater variability within a strategy and the flexibility to evolve across styles and asset classes. This is a key benefit of absolute return; however, it also makes strategy classifications less meaningful and manager selection significantly more important. It also necessitates relatively broader allowable strategy ranges than in other more traditional asset classes.

The list of strategies that the KRS Absolute Return Portfolio may utilize includes, but is not limited to:

- **Equity Strategies:** Equity based hedge funds are those which primarily purchase listed stocks, long and short, using no to substantial leverage. These strategies may differ across multiple styles such as broad or sector based mandates, geographically focused or global, concentrated versus diversified, long biased or market neutral, or short term trading versus longer term fundamental. Sub-strategies in this category would include fundamental long/short equity, short bias, tactical trading, and equity market neutral.
- **Event Driven:** Event driven strategies also invest in the securities of corporate issuers, including stocks and corporate bonds. However, these strategies will invest based upon specific corporate actions that will change the value of these securities including mergers, spin-offs, tender and exchange offers and bankruptcy or restructuring. These strategies can be flexible across equity/credit, long/short as well as other style characteristics noted earlier. Another critical differentiator among event driven strategies is whether they pursue primarily hard versus soft catalysts. Examples of sub-strategies in this category include merger arbitrage, shareholder activism, multi-strategy event, special situations, and opportunistic value/soft catalyst.
- **Credit Strategies:** Credit strategies are those which focus on the debt side of the capital structure. They may have equity exposure, but the vast majority of the portfolio is invested in credit securities. Similarly, these strategies may be long biased or more hedged, may be more fundamentally based or more quantitative, focus on paying versus non-performing, and shorter term trading versus longer term focused. However, some funds may be focused on structured credit markets, including RMBS and CMBS, and others may move opportunistically across various credit segments. Sub-strategies may include long/short corporate credit, structured credit, and distressed securities.
- **Relative Value:** Relative Value strategies are those that do not invest in the intrinsic value of any individual security, but rather research the historical and/or mechanical relationships between related securities and invest in the spread. For example, they may bet on one bond being overvalued relative to another bond from the same issuer. These strategies are almost always market neutral, but may vary from moderately to highly leveraged, concentrated versus diversified, or from HFT (high frequency trading) to a longer term investment horizon. Examples of sub-strategies in this category include fixed income arbitrage, convertible arbitrage, and statistical arbitrage.

- **Multi-Strategies:** Multi-Strategy hedge funds are those which will actively employ several of the other major hedge fund categories. Typically, hedge funds may do more than one thing, but to be a true multi-strategy, a hedge fund must have meaningful allocations of capital to at least 3 of the other four major categories: equity, credit/event, relative value, and macro/CTA. A true multi-strategy hedge fund should not have 50% to 70% of NAV invested in one strategy or 50% to 70% of the historical return attribution from one strategy. Finally, most multi-strategy hedge funds have their roots in one specific style and have evolved into multi-strategies over time.
- **Global Macro:** Macro strategies are those that make directional bets on major markets or asset classes instead of individual securities. Global macro funds are typically diversified across 3 of the 4 major liquid markets: equity indices, credit/debt, currencies/rates, and commodities. These strategies are often quantitative or discretionary, or shorter term/market timing versus longer term/macroeconomic focused. Finally, some traders may focus largely on certain markets, such as rates or currencies, trading on fundamental economic signals.
- **CTA/Commodity/Currency:** Managed Futures or CTAs will trade the same markets as global macro funds (i.e. equity indices, debt markets, currencies, and commodities) but will focus heavily on price or other technical signals, instead of fundamental or economic data. CTAs tend to be purely systematic (black-box) or discretionary, shorter to longer term and will employ either trend following/momentum strategies or counter-trend/ mean reversion. Similar to macro funds, some CTAs focus purely on certain markets, such as commodities or currencies.
- **Other:** Strategies in this category, sometimes referred to as alternatives to alternatives, tend to be the most highly uncorrelated strategies. These may not be true “alpha” generators, as they often are simply accessing extremely unique and non-competitive markets, looking to harvest systemic risk premia found in these markets. However, the “betas” they are accessing are truly idiosyncratic. These strategies are much smaller and tend to have a bit higher illiquidity than other hedge funds. Examples of sub-strategies that fall in this category would be intellectual property, weather risk, and insurance strategies.

The Absolute Return allocation shall seek to achieve the following.

- 1) **Short-term benchmark:** For periods less than five years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the appropriate benchmark (HFRI Diversified Fund of Fund Composite), net of all investment management fees, with similar risk relative to the benchmark.
- 2) **Strategic benchmark:** For periods greater than five years or a full market cycle, the allocation should not only outperform the short-term benchmark, but also achieve a rate of return that exceeds the appropriate long-term benchmark (1 Year Treasury Bill Rate + 500 basis points) as well.

## Portfolio Guidelines

No more than 10% of the total net assets of the Absolute Return portfolio may be invested in any one single manager hedge fund. No more than 15% of the total net assets of the Absolute Return portfolio may be invested in any one single separately managed account, mutual fund, or other registered investment vehicle.

No more than 15% of the total net assets of the Absolute Return portfolio allocation may be invested with any one single hedge fund manager (excluding Funds of Funds). No more than 25% of the net assets of the Absolute Return portfolio allocation may be invested with any one single investment manager (excluding Funds of Funds).

No investment in any commingled open-ended limited partnership may account for more than 20% of the net assets in that limited partnership.

No investment with any one single manager may account for more than 25% of that manager's total assets under management (including Funds of Funds).

Policy allocations and ranges for the strategies in the Absolute Return allocation as a whole are:

|                           | Allocation Targets | Range         |
|---------------------------|--------------------|---------------|
| Equity Strategies         | 15.0%              | 5.0% to 35.0% |
| Event Driven Strategies   | 15.0%              | 5.0% to 35.0% |
| Credit Strategies         | 15.0%              | 5.0% to 35.0% |
| Relative Value Strategies | 15.0%              | 5.0% to 35.0% |
| Multi-Strategies          | 10.0%              | 5.0% to 35.0% |
| Global Macro              | 15.0%              | 3.5% to 30.0% |
| CTA/Commodity/Currency    | 10.0%              | 1.5% to 20.0% |
| Other                     | 5.0%               | 0% to 15%     |

As the Absolute Return allocation can invest in various investment vehicles and strategies with differing liquidity profiles, it is important to consider liquidity as a separate risk spectrum. In order to manage the portfolio and provide the system liquidity as necessary, but remain flexible enough to capture returns available in moderately illiquid opportunities, the Absolute Return allocation will adhere to the following liquidity targets:

At all times, at least 25.0% of the Absolute Return portfolio as a whole is to be available in quarterly or better liquidity vehicles.



At all times, no more than 50.0% of the Absolute Return portfolio as a whole is to be committed to vehicles that provide liquidity on a greater than annual basis.

No investments to vehicles with a greater than 3 year lock-up are permitted in the Absolute Return portfolio.

## IX. Standards of Measurement

### Performance Measurement

The Kentucky Retirement Systems (“KRS”) overall fund performance is measured relative to the KRS Pension or Insurance Total Fund Benchmark. The benchmark is calculated by means of a weighted average methodology. This method is consistent with industry-wide standards and the practices utilized by the CFA Institute. It is the product of the various component weights (i.e., asset classes’ percentages) by their respective performance (returns). Due to market fluctuations and acceptable divergence, the asset classes’ weights (percentages) are often not equivalent to the benchmark’s weights. Therefore, the performance may indicate that the Funds have outperformed (underperformed) relative to their respective benchmarks, even when the preponderance of lesser weighted categories have underperformed (outperformed) their indices.

KRS measures its asset classes, sub-asset classes, sectors, strategies, portfolios, and instruments (investment) performance with indexes that are recognized and published (e.g., S&P 500 & Barclays Aggregate Bond Index). These indices are determined to be appropriate measures of investments and composites of investments with identical or similar investments profiles, characteristics, and strategies. The benchmarks and indexes are intended to be objective, investable, replicable, representative and measurable of the investment mandate and, developed from publicly available information that is acceptable to KRS and the investment manager/advisor as the neutral position consistent with the underlying investor status. KRS’ investment consultant and staff recommend the benchmarks and indexes. These measures shall be subject to the annual review and approval of the KRS Investment Committee and ratification of the Kentucky Retirement Systems’ Board of Trustees.

The KRS Total Fund Benchmarks and sub-components, indexes, are described in Appendix A and B of this document.

The following descriptions represent general standards of measurement that will be used as guidelines for the various classes of investments and managers of the Kentucky Retirement Systems. They are to be computed and expressed on a time-weighted total return basis:

#### Total Public Asset Class Allocations

##### Short-term

- For periods less than five years or a full market cycle, the Asset Class Allocation should exceed the returns of the appropriate Index.

##### Intermediate & Long-term

- For periods greater than five years or one market cycle, the Asset Class Allocation should exceed the appropriate Index, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group.



Volatility, as measured by the standard deviation of monthly returns, should be comparable to the Index.

*Individual Public Security Portfolios:* Individual portfolios shall be assigned a market goal or benchmark that is representative of the style or market capitalization of the assignment. Individual accounts should be monitored using the following Standards:

Short-term

- For periods less than five years or a full market cycle, individual portfolios should exceed the returns of their market goal or benchmark.

Intermediate & Long-term

- For periods greater than five years or one market cycle, individual portfolios should exceed the return of their market goal or benchmark, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the benchmark.

Alternative Assets:

In addition to exceeding the appropriate benchmark listed in Appendix A and B, the Alternative portfolio should also seek to achieve the following:

Short-term

- Alternative investments should earn a Net IRR that place the investment above the median Net IRR of other similar funds, of the same vintage year, as reported by Venture Economics.

Intermediate & Long-term

- The private equity portfolio should earn a return that meets or exceeds the KRS Private Equity Index. Individual private equity investments should earn a Net IRR above the median Net IRR of other similar funds, of the same vintage year, as reported by Venture Economics.

## Real Estate

The Total Real Estate allocation of the fund shall be benchmarked to the appropriate benchmark and are listed in Appendix A and B.

In addition, target returns for value added investments should be 9% to 12% per year (net of fees and promoted interest). Target returns for Opportunistic investments should be in excess of 12% (net of fees and promoted interest) in order to compensate for the additional risk commensurate with the increased risk compared to core property investments.

## Real Return

The total Real Return allocation shall seek to :

- (1) Achieve a rate of return that exceeds the appropriate benchmark annually over a complete market cycle (historically 3-5 years), net of all investment management fees.
- (2) Achieve a rate of return that exceeds the appropriate real return composite index over a complete market cycle (historically 3-5 years), net of all investment management fees.
- (3) Achieve a positive risk/reward trade-off when compared to similar style real return Investment Managers.

## Absolute Returns

The total Absolute Return allocation shall seek to :

- (1) Achieve a rate of return that exceeds the appropriate benchmark annually over a complete market cycle (historically 3-5 years), net of all investment management fees.
- (2) Achieve a positive risk/reward trade-off when compared to similar style FOF return Investment Managers.

## X. Investments Performance Review Procedures

On a timely basis, but not less than quarterly, the Investment Committee, on behalf of the Board of Trustees, will review the performance of the portfolio for determination of compliance with this Statement of Investment Policy. On an annual basis, a comprehensive review of each asset class and underlying portfolios shall be conducted by the staff and presented to the Investment Committee. The review shall consist of an organizational, performance and compliance assessment.

The Compliance Officer shall perform tests each month to assure compliance with the restrictions imposed by this policy. These tests shall be performed at the asset class and total fund level. Quarterly, the Compliance Officer shall prepare a report to the Investment Committee detailing the restrictions tested, exceptions, the cause of the exception and the subsequent resolution. The Investment Committee shall report the findings to the Board of Trustees at the next regularly scheduled meeting.



The following restrictions shall be tested monthly:

- ▶ The amount of stock in the domestic or international equity allocation in any single corporation shall not exceed 5% of the aggregate market value of the Systems' assets.
- ▶ The amount of stock held in the domestic or international equity allocation shall not exceed 3% of the outstanding shares of any single corporation.
- ▶ The amount of stock in any one industry in the domestic equity allocation shall not exceed 10% of the aggregate market value of the Systems' assets.
- ▶ Investment in “frontier” markets (those countries not included in the MSCI EM Index) shall not exceed 5% of the System’s international equity assets.
- ▶ The duration of the total fixed income portfolio shall not deviate from the KRS Fixed Income Index by more than 25%.
- ▶ The duration of the TIPS portfolio shall not deviate from the KRS TIPS benchmark by more than 10%.
- ▶ The amount invested in the debt of a single issuer shall not exceed 5% of the total market value of the Systems' assets, with the exception of U.S. Government issued, guaranteed or agency obligations (or securities collateralized by same), and derivative securities used for exposure, cost efficiency, or risk management purposes in compliance with Section VII of this policy.
- ▶ The amount invested in SEC Rule 144a securities shall not exceed 15% of the market value of the aggregate market value of the Systems’ fixed income investments.

The Chief Investment Officer shall develop a comprehensive set of investment guidelines for each externally managed account. These guidelines should ensure, at the total fund and asset class level, that the restrictions set forth above are preserved. The Compliance Officer shall perform tests each month to assure compliance with the guidelines. Quarterly, the Compliance Officer shall prepare a report to the Investment Committee detailing the restrictions tested, exceptions, the cause of the exception and the subsequent resolution. The Investment Committee shall report the findings to the Board of Trustees at the next regularly scheduled meeting

## XI. Additional Items

The KRS Board recognizes that the voting of proxies is an important responsibility in assuring the overall performance of the Fund over a long time horizon. The Board has delegated the responsibility of voting all proxies to an outside Proxy Voting service provider or contracted external investment manager. The Board expects that the proxy voting service will execute all proxies in a timely fashion, and in accordance with the voting policy which has been formally adopted.

The Board has adopted the ISS U.S. Proxy Voting Guidelines as the System’s approved Proxy Voting Policy for all internally voted items. This policy is updated at least annually by ISS and hereby incorporated by this reference. The policy can be found publically using the following link:

<http://www.issgovernance.com/files/2012USSummaryGuidelines1312012.pdf>

A. Brokerage Policy dated May 2011

The Investment Committee brokerage policy is hereby incorporated by reference.

B. Transactions Procedures Policy dated August 2011

The Investment Committee transaction procedures are hereby incorporated by reference.

C. Securities Litigation Policy and Procedures dated May 2011

The Investment Committee securities litigation policy and procedures are hereby incorporated by reference.

D. Securities Lending Guidelines dated May 2011

The Investment Committee securities lending policy and procedures are hereby incorporated by reference.

E. Securities Trading Policy for Trustees and Employees dated February 2012

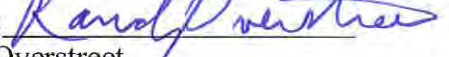
F. Manager and Placement Agent Statement of Disclosure Policy dated August 2012

Signatories

As Adopted by the Investment Committee  
Date: November 20, 2013

Signature:   
Dr. Daniel L. Bauer  
Chair, Investment Committee

As Adopted by the Board of Trustees  
Date: December 5, 2013

Signature:   
Randy J. Overstreet  
Chair, Board of Trustees





## Kentucky Retirement Systems

### Appendix A: Addendum to the Statement of Investment Policy Pension Fund – Asset Allocation / Benchmark Composite Effective January 1, 2013

This addendum to the investment policy is issued by the Board of Trustees of Kentucky Retirement Systems (Systems) in connection with investing the pension funds of the Kentucky Employees Retirement System, the County Employees Retirement System and the State Police Retirement System. This document supersedes all prior documents entitled Addendum to the Statement of Investment Policy.

#### I. Asset Allocation with Benchmarks

| KRS Pension Fund - Asset Allocation |                                 |        |                |       |                |       |                              |
|-------------------------------------|---------------------------------|--------|----------------|-------|----------------|-------|------------------------------|
| Asset Class                         | Benchmark                       | Target |                |       |                |       | Allowable Range (+/- Target) |
|                                     |                                 | KERS   | KERS Hazardous | CERS  | CERS Hazardous | SPRS  |                              |
| US Equity                           | Russell 3000                    | 22.0%  | 20.0%          | 20.0% | 20.0%          | 20.0% | 5.0%                         |
| Non US Equity                       | MSCI ACWI Ex-US Standard        | 20.0%  | 20.0%          | 20.0% | 20.0%          | 20.0% | 5.0%                         |
| Emerging Market                     | MSCI Emerging Markets           | 0.0%   | 4.0%           | 4.0%  | 4.0%           | 4.0%  | 2.0%                         |
| Core Fixed Income                   | Barclays US Aggregate           | 10.0%  | 9.0%           | 9.0%  | 9.0%           | 8.0%  | 3.0%                         |
| High Yield Bonds                    | Barclays US High Yield          | 5.0%   | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 2.0%                         |
| Global Bonds                        | Barclays Global Agg             | 5.0%   | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 2.0%                         |
| Real Estate                         | NCREIF ODCE                     | 3.0%   | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 3.0%                         |
| Absolute Return                     | HFRI Diversified FOF            | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 3.0%                         |
| Real Return                         | CPI + 300 bps                   | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 3.0%                         |
| Private Equity                      | Russell 3000 + 400 bps (lagged) | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 5.0%                         |
| Cash                                | Cit Grp 3-mos Treasury Bill     | 5.0%   | 2.0%           | 2.0%  | 2.0%           | 3.0%  | 2.0                          |

#### II. Total Fund Blended Benchmark Composite

| Pension Fund Composite |                                       |  |       |
|------------------------|---------------------------------------|--|-------|
| US Equity              | Russell 3000                          |  | 20.5% |
| Non US Equity          | MSCI ACWI Ex-US Standard              |  | 20.0% |
| Emerging Market        | MSCI Emerging Markets                 |  | 2.9%  |
| Fixed Income           | Barclays Universal Index              |  | 19.3% |
| Real Estate            | NCREIF ODCE                           |  | 4.5%  |
| Absolute Return        | HFRI Diversified FOF                  |  | 10.0% |
| Real Return            | CPI + 300 bps                         |  | 10.0% |
| Private Equity         | Russell 3000 (lagged 1 qtr) + 400 bps |  | 10.0% |
| Cash                   | Cit Grp 3-mos Treasury Bill           |  | 2.8%  |

At the November 3, 2011 Investment Committee meeting Staff was authorized to combine Public and Private Equity targets and exposures to help manage portfolio risks caused by the unintended overweight to Private Equity, which is caused by the denominator effect over time.

#### Signatories

As Adopted by the Investment Committee  
Date: September 19, 2012

Signature:   
Dr. Daniel L. Bauer  
Chair, Investment Committee

As Adopted by the Board of Trustees  
Date: October 5, 2012

Signature:   
Thomas K. Elliott  
Chair, Board of Trustees





## Kentucky Retirement Systems

### Appendix B: Addendum to the Statement of Investment Policy Insurance Fund – Asset Allocation / Benchmark Composite Effective January 1, 2013

This addendum to the investment policy is issued by the Board of Trustees of Kentucky Retirement Systems (Systems) in connection with investing the insurance funds of the Kentucky Employees Retirement System, the County Employees Retirement System and the State Police Retirement System. This document supersedes all prior documents entitled Addendum to the Statement of Investment Policy.

#### I. Asset Allocation with Benchmarks

| KRS Insurance Fund - Asset Allocation |                                 |        |                |       |                |       |                              |
|---------------------------------------|---------------------------------|--------|----------------|-------|----------------|-------|------------------------------|
| Asset Class                           | Benchmark                       | Target |                |       |                |       | Allowable Range (+/- Target) |
|                                       |                                 | KERS   | KERS Hazardous | CERS  | CERS Hazardous | SPRS  |                              |
| US Equity                             | Russell 3000                    | 20.0%  | 20.0%          | 20.0% | 20.0%          | 20.0% | 5.0%                         |
| Non US Equity                         | MSCI ACWI Ex-US Standard        | 20.0%  | 20.0%          | 20.0% | 20.0%          | 20.0% | 5.0%                         |
| Emerging Market                       | MSCI Emerging Markets           | 4.0    | 4.0%           | 4.0%  | 4.0%           | 4.0%  | 2.0%                         |
| Core Fixed Income                     | Barclays US Aggregate           | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 3.0%                         |
| High Yield Bonds                      | Barclays US High Yield          | 5.0    | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 2.0%                         |
| Global Bonds                          | Barclays Global Agg             | 5.0    | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 2.0%                         |
| Real Estate                           | NCREIF ODCE                     | 5.0    | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 3.0%                         |
| Absolute Return                       | HFRI Diversified FOF            | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 3.0%                         |
| Real Return                           | CPI + 300 bps*                  | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 3.0%                         |
| Private Equity                        | Russell 3000 + 400 bps (lagged) | 10.0-  | 10.0%          | 10.0% | 10.0%          | 10.0% | 5.0%                         |
| Cash                                  | Cit Grp 3-mos Treasury Bill     | 1.0    | 1.0%           | 1.0%  | 1.0%           | 1.0%  | 2.0                          |

\*KERS 20% allocation to Real Return includes a 15% dedicated allocation to US TIPS, thus the benchmark for KERS is CPI +250 bps.


#### II. Total Fund Blended Benchmark Composite

| Insurance Fund Composite |                                       |       |
|--------------------------|---------------------------------------|-------|
| US Equity                | Russell 3000                          | 20.0% |
| Non US Equity            | MSCI ACWI Ex-US Standard              | 20.0% |
| Emerging Market          | MSCI Emerging Markets                 | 4.0%  |
| Fixed Income             | Barclays Universal Index              | 20.0% |
| Real Estate              | NCREIF ODCE                           | 5.0%  |
| Absolute Return          | HFRI Diversified FOF                  | 10.0% |
| Real Return              | CPI + 300 bps                         | 10.0% |
| Private Equity           | Russell 3000 (lagged 1 qtr) + 400 bps | 10.0% |
| Cash                     | Cit Grp 3-mos Treasury Bill           | 1.0%  |


At the November 3, 2011 Investment Committee meeting Staff was authorized to combine Public and Private Equity targets and exposures to help manage portfolio risks caused by the unintended overweight to Private Equity, which is caused by the denominator effect over time.

#### Signatories

As Adopted by the Investment Committee  
Date: September 19, 2012

Signature:   
Dr. Daniel L. Bauer  
Chair, Investment Committee

As Adopted by the Board of Trustees  
Date: October 5, 2012

Signature:   
Thomas K. Elliott  
Chair, Board of Trustees

**TAURUS MINING FINANCE FUND LLC**

FORM W-9

APP C-1

## Request for Taxpayer Identification Number and Certification

Give Form to the  
requester. Do not  
send to the IRS.

|   |   |  |
|---|---|--|
| Print or type<br>See Specific Instructions on page 2. | Name (as shown on your income tax return)<br><b>KENTUCKY RETIREMENT SYSTEMS</b>   |  |
|   | Business name/disregarded entity name, if different from above  |  |
|   | Check appropriate box for federal tax classification:<br><input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate<br><input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____<br><input checked="" type="checkbox"/> Other (see instructions) ▶ <b>STATE PENSION FUND</b> |  |
|   | Exemptions (see instructions):<br>Exempt payee code (if any) <b>1,3</b><br>Exemption from FATCA reporting code (if any) <b>A,C</b>  |  |
|   | Address (number, street, and apt. or suite no.)<br><b>1260 LOUISVILLE ROAD</b><br>City, state, and ZIP code<br><b>FRANKFORT, KY 40601</b>   |  |
| List account number(s) here (optional)                |   |  |

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

|                        |  |
|------------------------|--|
| Social security number |  |
|                        |  |

**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

### Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
- I am a U.S. citizen or other U.S. person (defined below), and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign  
Here

Signature of  
U.S. person ▶

Date ▶

11/24/2014

### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** The IRS has created a page on [www.irs.gov/w9](http://www.irs.gov/w9) for information about Form W-9, at [www.irs.gov/w9](http://www.irs.gov/w9). Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

### Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the

withholding tax on foreign partners' share of effectively connected income, and

- Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

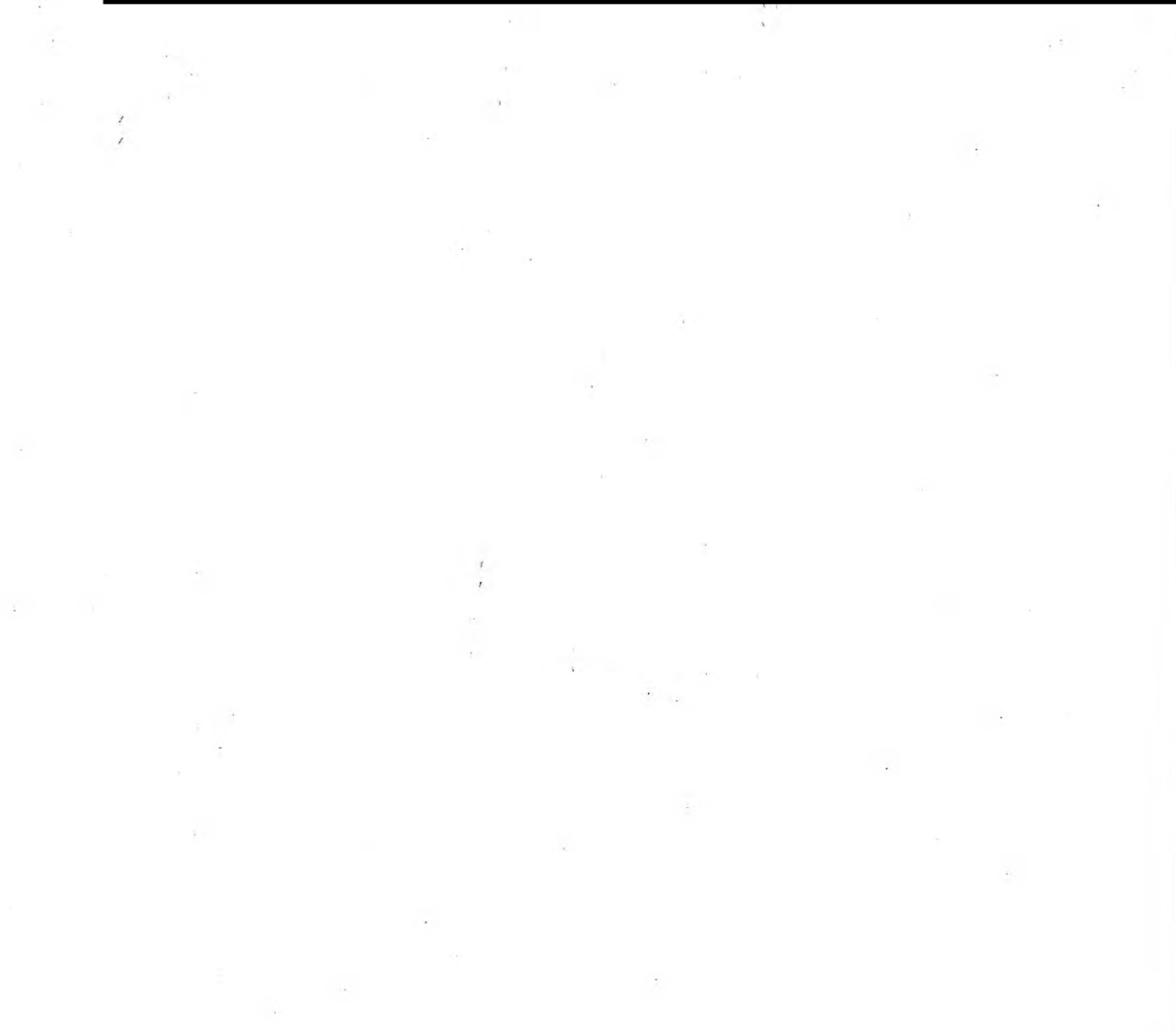
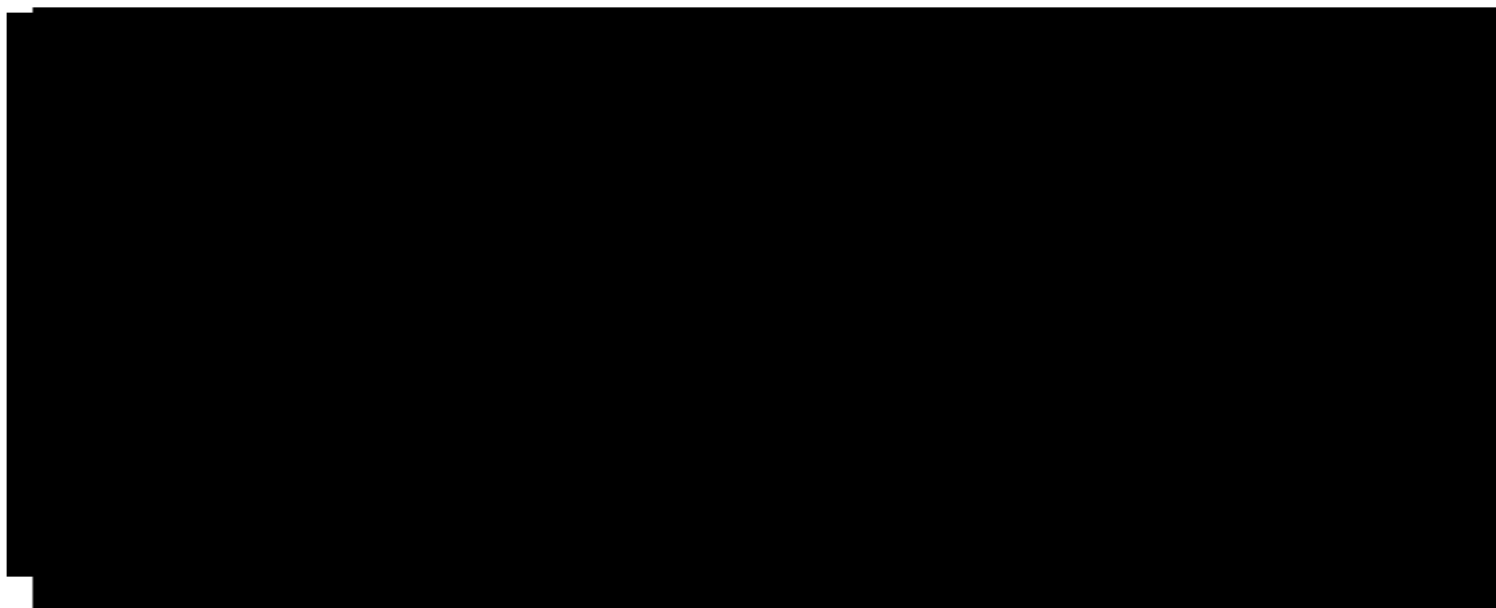
**Note.** If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.





## **INVESTMENT MANAGER PRIVACY POLICY**

The Investment Manager recognizes and appreciates the importance of respecting your privacy. The Investment Manager is committed to safeguarding your information against unnecessary or unauthorized disclosure or access. This Privacy Statement sets forth the Investment Manager's current policies and practices with respect to non-public personal information of its clients and former clients. Please be aware that the Investment Manager may change this policy periodically. If it does, it will notify you.

The Investment Manager limits the collection, retention and use of individual client information to the minimum amount required to properly serve its clients and to meet regulatory requirements. The Investment Manager may collect directly and from questionnaires or other forms non-public personal information about clients such as name, address, social security number, financial information and transactions with it and investment funds managed by it.

The law permits the Investment Manager to share the information described above with both affiliated and unaffiliated third parties that provide processing and support services on your behalf. Otherwise, unless the Investment Manager has your consent, it will not share your personal information, except as provided by law. For example, your information may be disclosed for audit purposes, to attorneys or other professionals, or to law enforcement or regulatory agencies.

The Investment Manager and its affiliates emphasize to their employees the confidential nature of your information and the high level of importance it places on maintaining confidentiality. The Investment Manager restricts access to non-public personal information about you to those employees of the Investment Manager and its affiliates who need to know that information to provide products or services to you. To the extent the Investment Manager outsources processing functions and support services to unaffiliated third parties, it limits the information available to them to information necessary or appropriate to offer such processing and support services. The Investment Manager requires that these third parties hold the information provided in confidence subject to the Investment Manager's security standards and only for approved purposes.

In addition to protecting your privacy, the Investment Manager is committed to keeping your non-public personal information secure. To protect your non-public personal information, the Investment Manager maintains physical, electronic and procedural safeguards that comply with U.S. federal regulations. The Investment Manager's service providers also maintain physical, electronic and procedural safeguards that comply with U.S. federal regulations to guard your non-public personal information.

The Investment Manager strives to maintain complete and accurate information about you. If you ever believe the Investment Manager's records contain inaccurate or incomplete information, you should inform the Investment Manager immediately, and the Investment Manager will correct any inaccuracies as quickly as possible.

This notice complies with a U.S. federal law and U.S. Securities and Exchange Commission regulations regarding privacy. You may have additional rights under other applicable domestic or foreign laws.

[For Qualified U.S. Taxable Investors]

FOR THE EXCLUSIVE USE OF: \_\_\_\_\_

DOCUMENT NUMBER: \_\_\_\_\_

**TAURUS MINING FINANCE FUND LLC**  
*(a Delaware Limited Liability Company)*

**SUBSCRIPTION PAPERS**

\_\_\_\_\_  
**Taurus Funds Management Pty Limited**  
**Investment Manager**  
Suite 2, Level 40  
88 Phillip Street  
Sydney NSW 2000  
Australia

## TAURUS MINING FINANCE FUND LLC

### SUBSCRIPTION INSTRUCTIONS FOR QUALIFIED U.S. PERSONS

If, after you have carefully reviewed the Confidential Private Placement Memorandum, as amended or supplemented from time to time (the “Memorandum”) of Taurus Mining Finance Fund LLC (the “Fund”), you have decided to purchase a class A limited liability company interest (“Class A Interest”), class B limited liability company interest (“Class B Interest”) or class C limited liability company interest (“Class C Interest”) (each, an “Interest”) in the Fund, please observe the instructions below. The information requested in these Subscription Papers is necessary to ensure exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Regulation D thereunder, as well as to comply with other applicable law. Subject to any applicable law, such information is confidential and will not be reviewed by anyone other than Taurus Mining Finance Fund GP Ltd (the “Managing Member”), Taurus Funds Management Pty Limited (the “Investment Manager”), the Managing Member’s and the Investment Manager’s affiliates, FundBPO Pte Ltd (the “Administrator”) and their directors, officers, employees and counsel, except as otherwise set forth herein. All Subscription Papers must be completed correctly and executed or they will not be accepted.

The minimum suitability standards to purchase an Interest are set forth in the Memorandum. Only U.S. persons who are (i) “accredited investors” under Rule 501 of Regulation D under the Securities Act, and (ii) “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended, and the regulations thereunder (the “Investment Company Act”) or “knowledgeable employees” as defined in Rule 3c-5 promulgated under the Investment Company Act, are eligible to participate in the Fund. ***In lieu of an investment in the Fund, any organization exempt from U.S. federal income taxation should consult with the Managing Member or the Investment Manager regarding an investment in Taurus Mining Finance Fund Ltd (the “Offshore Fund”).***

The minimum investment commitment is USD1,000,000, although the Managing Member may, in its sole discretion, accept smaller subscription amounts. Notwithstanding the amount subscribed for, the Managing Member reserves the right, in its sole discretion, to reduce the amount of any Subscriber’s subscription amount that is accepted by the Fund (the “Capital Commitment”). Furthermore, the Managing Member reserves the right to reject any subscription in whole or in part, as it deems appropriate. Subscribers will be notified prior to the date on which all or any part of this subscription is accepted (the “Closing Date”) of the amount of the subscription that is being accepted.

If you have any questions concerning the Subscription Papers or would like assistance in completing them, please contact the Administrator at FundBPO Pte Ltd, Level 36, 80 Raffles Place, Singapore 049 624, facsimile number marked for the attention of the Chief Executive Officer.

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#### **1. General Description of the Subscription Papers**

The Subscription Papers are comprised of (a) a Subscription Agreement; (b) a Purchaser Suitability Questionnaire for Individuals; (c) a Purchaser Suitability Questionnaire for Entities, including

an Anti-Money Laundering Certification and (d) a Form W-9, Request for Taxpayer Identification Number and Certification (in **Appendix C**).

## **2. Subscription Agreement**

Every subscriber must deliver to the Administrator (as described below) a dated, completed and executed Subscription Agreement. Please read the Subscription Agreement carefully and complete the relevant items including items I, VI and VIII, the appropriate signature page and the additional information page. Please also complete the Form W-9, included as **Appendix C**. **Every subscriber must carefully review the representations and warranties contained in Item III of the Subscription Agreement. If any representation or warranty cannot be made, please contact the Managing Member.** Each subscriber must deliver the documentation requested in the applicable Purchaser Suitability Questionnaire.

If there are joint purchasers and they are not either husband and wife or close relatives who have the same principal residence, each joint purchaser must complete a Subscription Agreement. In any event, all joint purchasers must execute the appropriate signature page.

Any subscriber who does not have such knowledge and experience in financial and business matters that such subscriber is capable of evaluating alone the merits and risks of an investment in the Fund must engage a financial adviser to assist such subscriber in evaluating an investment in the Fund. Such adviser will be a “purchaser representative.” Such financial adviser’s name and address must be listed in item VI of the Purchaser Suitability Questionnaire for Individuals or item VI of the Purchaser Suitability Questionnaire for Entities, as applicable, and such financial adviser must complete and execute a Purchaser Representative’s Questionnaire.

## **3. Purchaser Suitability Questionnaire**

Every subscriber must deliver to the Administrator (as described below) a dated, completed and executed Purchaser Suitability Questionnaire for Individuals or Purchaser Suitability Questionnaire for Entities, as appropriate.

If there are joint purchasers and such purchasers are husband and wife or close relatives who have the same principal residence, only one purchaser need complete the Purchaser Suitability Questionnaire and the requested information should be furnished with respect to such purchaser. Otherwise, each joint purchaser must complete a Purchaser Suitability Questionnaire.

Each entity subscriber must deliver the documentation required by item III of the Purchaser Suitability Questionnaire for Entities.

*Non-U.S. Persons may not invest in the Fund. Non-U.S. Persons should consult with the Managing Member or the Investment Manager regarding an investment in the Offshore Fund.*

## **4. Delivery of Subscription Papers**

For new investors: please return the Subscription Papers to the Administrator at FundBPO Pte Ltd, Level 36, 80 Raffles Place, Singapore 049 624, Attention Chief Executive Officer, at least three Business Days prior to the applicable closing date. It is recommended that the Subscription Agreement and investor identity verification documentation are sent via email to [registry@fundbpo.com](mailto:registry@fundbpo.com) prior to sending the originals. Originals are required.

For existing investors making subsequent investments: please return the Additional Subscription Form (see **Appendix B**) to the Administrator at the same address / email as shown above at least three Business Days prior to the applicable closing date.

“Business Day” shall mean a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Cayman Islands and New York City.

**5. Purchaser Representative Questionnaire and Acknowledgment**

In the event that the subscriber has used a Purchaser Representative in making a decision to investment in the Fund, such Purchaser Representative must complete the Purchaser Representative Questionnaire and Acknowledgment, a form of which may be obtained from the Managing Member. *The Purchaser Representative Questionnaire and Acknowledgment need not be completed if the subscriber did not use a representative in making an investment decision.*

**6. Payments**

Payments must be made by wire transfer of immediately available funds, denominated in USD, in accordance with the instructions on page SA-2.

**7. Privacy Policy**

The Investment Manager’s privacy policy is included as **Appendix D** or as otherwise notified to you in writing from time to time.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]



## TAURUS MINING FINANCE FUND LLC

### SUBSCRIPTION AGREEMENT

Taurus Mining Finance Fund LLC  
c/o Taurus Funds Management Pty Limited  
Suite 2, Level 40  
88 Phillip Street  
Sydney NSW 2000  
Australia

Ladies and Gentlemen:

This subscription is being submitted in connection with the capital raising activities of Taurus Mining Finance Fund LLC, a Delaware limited liability company (the “Fund”). Taurus Mining Finance Fund GP Ltd, a Cayman Islands exempted company incorporated with limited liability, is the managing member of the Fund (the “Managing Member”). Taurus Funds Management Pty Limited, an Australian proprietary company, is the investment adviser or investment manager of the Fund (the “Investment Manager”). The offer and sale of class A limited liability company interests (“Class A Interests”), class B limited liability company interests (“Class B Interests”), and class C limited liability company interests (“Class C Interests”; and together with the Class A Interests and Class B Interests, “Interests”) in the Fund to each subscriber, as such term is used to reference an applicant, whether an individual, joint applicants, or an entity (“Subscriber”), is not being registered under any federal or state securities law and is being made privately to eligible investors on the basis of the Confidential Private Placement Memorandum of the Fund dated June 2014, as the same may be updated or modified from time to time (the “Memorandum”). Terms used herein without definition are as used or defined in the Memorandum. All references to “USD” and “\$” are to the United States dollar.

The Subscriber understands that the information requested in this Subscription Agreement is needed in order to ensure compliance with applicable laws and regulations, including, but not limited to, applicable anti-money laundering laws and regulations. The Subscriber acknowledges that it will receive or have access to confidential proprietary information concerning the Fund (“Confidential Information”), which is proprietary in nature and non-public. The Subscriber agrees that it shall not disclose or cause to be disclosed any Confidential Information to any persons or use any Confidential Information for its own purposes or its own account, except in connection with its investment in the Fund and except as otherwise required by any regulatory authority, law or regulation, or by legal process. Furthermore, the Subscriber has not reproduced, duplicated or delivered the Memorandum or this Subscription Agreement to any other person, except professional advisers to the Investor or as instructed by the Fund.

Notwithstanding the foregoing, the Subscriber understands that the Subscriber (and each employee, representative, or other agent of the Subscriber) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of (i) the Fund and (ii) any of its transactions, and all materials of any kind (including opinions or other tax analysis) that are provided to the Subscriber relating to such tax treatment and tax structure (as such terms are defined in United States Treasury Regulation Section 1.6011-4). This authorization of tax disclosure is retroactively effective to the

commencement of the first discussions between the Fund or its representatives and the Subscriber regarding the transactions contemplated herein.

References to the Fund's or the Master Fund's Investments and portfolio in the Memorandum and this Subscription Agreement refer to the combined Investments and portfolio of the Fund and the Master Fund, and references to the Investment Manager and its investment strategy and operations refer to Taurus Funds Management Pty Limited, as the Investment Manager of the Fund and the Master Fund, unless the context suggests otherwise. Capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Memorandum.

Treasury Department Circular 230 Disclosure. To ensure compliance with Treasury Department Circular 230, the Subscriber is hereby notified that: (i) any discussion of U.S. Federal tax issues in this Subscription Agreement or the Memorandum is not intended or written to be relied upon, and cannot be relied upon, by the Subscriber for the purpose of avoiding penalties that may be imposed on the Subscriber under the Internal Revenue Code of 1986, as amended (the "Code"); (ii) such discussion is included herein by the Fund in connection with the promotion or marketing (within the meaning of Circular 230) by the Fund of the transactions or matters addressed herein or therein; and (iii) the Subscriber should seek advice based on its particular circumstances from an independent tax advisor.

## **I. Subscription for Interests**

The undersigned Subscriber, [ ] [Name of Subscriber] hereby irrevocably subscribes for ☐ a Class A Interest, ☐ a Class B Interest or ☐ a Class C Interest, under the terms set forth in the Fund's Limited Liability Company Agreement, as it may be amended from time to time (the "LLC Agreement"), and as described in the Memorandum, in the amount of \$ (minimum investment of USD1,000,000; a lower minimum may be permitted by the Managing Member) (the "Subscription Amount"), and agrees to make capital contributions to the Fund in an aggregate amount up to the Subscription Amount in accordance with the LLC Agreement. Only Subscribers who participate in the Initial Closing are eligible to subscribe for Class A Interests and only Related Parties, or such other investors as the General Partner may determine from time to time, are eligible to subscribe for Class C Interests.

The minimum suitability standards are set forth herein and in the Purchaser Suitability Questionnaire for Individuals and the Purchaser Suitability Questionnaire for Entities, as applicable. The minimum investment is USD1,000,000, although the Managing Member may, in its sole discretion, accept smaller subscription amounts. Notwithstanding the amount subscribed for, the Managing Member reserves the right, in its sole discretion, to reduce the amount of any Subscriber's subscription amount that is accepted by the Fund (the "Capital Commitment"). Furthermore, the Managing Member reserves the right to reject any subscription in whole or in part, as it deems appropriate. Subscribers will be notified prior to the date on which all or any part of this subscription is accepted (the "Closing Date") of the amount of the subscription that is being accepted. If this subscription is not accepted, the Fund will return to the Subscriber, without interest or deduction, any payment tendered by the Subscriber, and the Fund and the Subscriber shall have no further obligation to each other hereunder. Unless and until rejected by the Fund, this subscription shall be irrevocable by the Subscriber. The Fund makes no assurances that any new subscriptions for Interests will be available at any time.

## **II. Payments.**

The Subscriber will wire funds in the amount of the relevant capital call to the Fund's account prior to the applicable settlement date in accordance with the wire transfer instructions provided in the capital call notice which will be in the following form:

SWIFT Address: [•]  
Fedwire ABA: [•]  
Chips ABA: [•]  
Bank Name: [•]  
Account Number: [•]  
Account Name: Taurus Mining Finance Fund LLC

Further referencing the name of the Subscriber.

- Important: (1) Please have your bank identify your name on the wire transfer.
- (2) It is recommended that your bank charge its wiring fees separately so that the amount you have elected to invest may be invested.

**The Subscriber understands that its failure to make a Capital Contribution or any other payment required to be made pursuant to the LLC Agreement when due may result in severe consequences to the Subscriber.**

### **III. Representations, Warranties and Agreements of the Subscriber.**

As an inducement to the Managing Member to accept this Subscription Agreement on behalf of the Fund, the Subscriber represents and warrants to the Managing Member, the Investment Manager, the Administrator and the Fund as follows:

#### **A. Authority, Suitability and Offering of Interests**

(1) If an individual, the Subscriber (including each individual joint Subscriber) is at least 21 years old and is legally competent to execute, deliver and comply with the terms of this Subscription Agreement and the LLC Agreement. If an entity (e.g., a corporation, partnership, limited liability company or trust) (an "Entity"), the Subscriber is duly authorized and qualified to become a Member in the Fund, and the person executing this Subscription Agreement and the LLC Agreement on behalf of the Subscriber has been duly authorized by the Subscriber to execute and deliver this Subscription Agreement and the LLC Agreement on behalf of the Subscriber. The Subscriber has the full right and power to perform its obligations under and pursuant to this Subscription Agreement and the LLC Agreement. In addition, the Subscriber is not a partnership, common trust fund, special trust, pension fund, retirement plan or other Entity in which the equity holders, beneficiaries or participants, as the case may be, may designate the particular investments to be made for their individual benefit or the allocation thereof among themselves.

(2) The Subscriber is (i) an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended (the "Securities Act") and (ii) a "qualified purchaser" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "Investment Company Act") or a "knowledgeable employee" as defined in Rule 3c-5 promulgated under the Investment Company Act.

(3) The Subscriber (either alone or with its advisors, if any) has sufficient knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Fund and of making an informed investment decision regarding the purchase of an Interest, and the Subscriber is able to bear the economic risk of a speculative, illiquid long-term investment such as the Interests in the Fund, including the risk of losing its entire investment. All information that the

Subscriber has provided concerning the Subscriber and the Subscriber's financial position is true, correct and complete.

(4) The Subscriber and the Subscriber's advisors, if any, have reviewed and carefully read a copy of the Memorandum, this Subscription Agreement (including the Purchaser Suitability Questionnaire for Individuals or the Purchaser Suitability Questionnaire for Entities, as applicable) and the LLC Agreement, and any and all amendments and supplements thereto. The Subscriber (either alone or with its advisors, if any) has carefully reviewed and understands the various risks of an investment in the Fund including, without limitation, the risks and other considerations summarized in the Memorandum under the captions "Risk Factors" and "Certain U.S. Federal Income Tax Considerations," and the Subscriber can afford to bear such risks.

(5) The Subscriber has had an unrestricted opportunity to: (i) obtain additional information concerning the offering of Interests (the "Offering"), the Interests, the terms and conditions of the LLC Agreement, the Managing Member, the General Partner, the Investment Manager, the Fund, the Master Fund and any other matters relating directly or indirectly to the Subscriber's purchase of the Interest; and (ii) ask questions of, and receive answers and obtain additional information from, the Managing Member and/or the Investment Manager concerning the terms and conditions of the Offering and obtain such additional information as may have been necessary to verify the accuracy of the information contained in the Memorandum, the LLC Agreement or otherwise provided.

(6) The Subscriber has relied only on the information contained in the Memorandum, the LLC Agreement and this Subscription Agreement in determining whether to subscribe for an Interest, irrespective of any information the Subscriber may have been furnished as described in Section III.A.(5) above.

(7) The Subscriber acknowledges that it has been warned and accepts that an investment in the Fund is only suitable for sophisticated investors who understand the risks involved in acquiring such an investment.

(8) The Subscriber understands that no regulatory agency or securities exchange has reviewed the Memorandum or the private placement of Interests or has made any finding or determination as to the fairness of the business terms of an investment in the Fund.

(9) The Subscriber is not relying on the Managing Member, the Investment Manager, the General Partner, the Administrator, the Fund, the Master Fund or any information in the Memorandum or the LLC Agreement with respect to any legal, investment or tax considerations involved in the purchase, ownership and disposition of an Interest. The Subscriber has relied solely upon the advice of, or has consulted with, in regard to the legal, investment and tax considerations involved in the purchase, ownership and disposition of an Interest, the Subscriber's legal counsel, business and/or investment adviser, accountant and tax advisor.

(10) The Subscriber has obtained, in its judgment, sufficient information from the Fund, the Master Fund, the Investment Manager, the Managing Member, the Administrator and/or the General Partner and any of their authorized representatives, to evaluate the merits and risks of an investment in the Fund, and that after all necessary advice and analysis, has determined that its investment in the Fund is suitable and appropriate and further, that the Subscriber is willing and able to bear the economic and other risks of an investment in the Fund for an indefinite period of time.

(11) The Subscriber understands that the Interests have not been registered under the Securities Act or any similar state law and cannot be transferred or assigned except in certain

limited circumstances, and generally only with the consent of the Managing Member, as set forth in the LLC Agreement. Except as specifically authorized in the LLC Agreement, the Subscriber will not transfer the Subscriber's Interests unless (i) such Interest is registered under the Securities Act and applicable securities laws or the transfer is exempt therefrom and (ii) the Managing Member consents thereto. The Subscriber understands that the Fund has no intention or obligation to so register such Interests and the Managing Member has no obligation to consent to any transfer or assignment thereof.

(12) The Subscriber is acquiring the Interest for which the Subscriber has subscribed for the Subscriber's own account, as principal, for investment and not with a view to the resale or distribution of all or any part of such Interest.

(13) The Subscriber is aware and understands that the Fund will not register as an "investment company" under the Investment Company Act by reason of the Fund's belief that the provisions of 3(c)(7) thereof are applicable, which permits private investment companies (such as the Fund) to sell interests on a private placement basis to an unlimited number of investors which are "qualified purchasers" and/or "knowledgeable employees". The Subscriber agrees to provide the Fund with such information, representations, covenants and opinions of legal counsel as to certain matters under the Investment Company Act as the Fund may reasonably request in order to ensure compliance with the Investment Company Act and the availability of any exemption thereunder.

(14) The Subscriber acknowledges that the Interests were not offered to the Subscriber by any means of general solicitation or general advertising. In that regard, the Subscriber is not subscribing for the Interest: (i) as a result of, or subsequent to, becoming aware of any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium, generally available electronic communication, broadcast over television or radio or generally available to the public on the internet or worldwide web; (ii) as a result of, or subsequent to, attendance at a seminar or meeting called by any of the means set forth in (i) above; or (iii) as a result of, or subsequent to, any solicitations by a person not previously known to the Subscriber in connection with investment in securities generally.

(15) Except for \_\_\_\_\_ **[fill in name of broker - if left blank, the Subscriber has not dealt with a broker]**, the Subscriber has not dealt with a broker in connection with the purchase of the Interest and agrees to indemnify and hold the Managing Member, the Investment Manager, the Administrator, the Fund and the Master Fund harmless from any claims for brokerage or other fees in connection with the transactions contemplated herein.

(16) If the Subscriber is a corporation, company, trust or other entity, the Subscriber represents that, unless otherwise noted herein: (i) it was not formed for the purpose of investing in the Fund (except where each beneficial owner of such entity is an Accredited Investor and a Qualified Purchaser or Knowledgeable Employee); (ii) it is not investing more than 40% of its total assets in the Fund; (iii) each of its beneficial owners participates in investments made by the Subscriber pro rata in accordance with its interest in the Subscriber and, accordingly, its beneficial owners cannot opt in or out of investments made by the Subscriber; (iv) its beneficial owners did not and will not contribute additional capital (other than previously committed capital) for the purpose of purchasing the Interests; and (v) its beneficial owners have not been provided the opportunity to decide whether or not to participate, or the extent of their participation, in particular investments made by the Subscriber, including this subscription.

(17) The Subscriber maintains the Subscriber's domicile, and is not merely a transient or temporary resident, at the address shown on the signature page of this Subscription Agreement.

(18) The Subscriber acknowledges and agrees that any changes made by the Subscriber to any of the documents delivered to the Subscriber in connection with the Offering shall not be effective unless the General Partner consents to such changes.

(19) Each Subscriber agrees and acknowledges that such Subscriber will be obligated to maintain the confidentiality of all information included in reports to Members, as well as information contained in the Memorandum, or otherwise provided in connection with the Offering, with respect to the Fund, the Master Fund, the Managing Member, the Investment Manager, the General Partner their affiliates and the business of any of them, and the Fund's Investments, to the fullest extent permitted by law and in accordance with the terms of the LLC Agreement. Notwithstanding the foregoing, the Subscriber (and each employee, representative or other agent of the Subscriber) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure (as such terms are defined in United States Treasury Regulation Section 1.6011-4) of the Fund and its transactions, and all materials of any kind provided to the Subscriber relating to such tax treatment or tax structure.

(20) The Subscriber will promptly, upon reasonable request by the Managing Member, the Investment Management and/or an agent thereof, provide or update all financial data, documents, reports, forms, certifications or any other information necessary or appropriate to enable the Fund to (i) apply for and obtain an exemption from the registration provisions of applicable law; (ii) provide any other information required by governmental and/or regulatory agencies having jurisdiction over the Fund; (iii) prevent withholding or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund receives payments; (iv) satisfy reporting or other obligations under the Code, Treasury Regulations, any agreement with the U.S. Treasury Department or any other government division or department, or any applicable intergovernmental agreement or implementing legislation; or (v) make payments (including of redemption proceeds) to the Subscriber free of withholding or deduction. The Subscriber will comply with any reporting obligations imposed by the United States or any other jurisdiction, including reporting obligations that may be imposed by future legislation. The Subscriber hereby consents to the disclosure by the Fund of the foregoing information to any governmental authority or to any person or entity from which the Fund receives payments.

(21) The Subscriber acknowledges and agrees that withdrawals will be paid to the account indicated under the section titled "Standing Wire Instructions" unless written instructions are received from the Subscriber to the effect that withdrawal payments are to be made to another account and unless the Managing Member is satisfied that the Subscriber is the sole owner of the account and that the account is solely for the Subscriber's benefit. Each of the Managing Member and the Administrator on behalf of the Fund reserves the right to object to the Subscriber's choice of another account in its sole and absolute discretion.

(22) The Subscriber acknowledges and agrees that the Managing Member, the Investment Manager, the Administrator, the General Partner, the Fund and the Master Fund may release and disclose to each other, to any service provider to the Fund and/or the Master Fund, to regulatory or law enforcement authorities in any applicable jurisdiction to which any of the Fund, the Master Fund, the Managing Member, the Investment Manager, the Administrator and/or the General Partner is or may be subject, copies of this Subscription Agreement and confidential information concerning the Subscriber, and if applicable, person(s) with a direct or indirect beneficial interest in the Interest or in the Subscriber itself, in their respective possession, whether provided by the Subscriber to the Fund, the Master Fund, the Managing Member, the Investment Manager, the Administrator and/or the General Partner or otherwise, including details of the Subscriber's holdings in the Fund, historical and pending transactions in the Interests and the values thereof, if any of the Managing Member, the Investment Manager, the Administrator, the General Partner, , in their respective sole and absolute discretion, determine that it is required or advisable to do so in order to ensure compliance with applicable law. Any such disclosure pursuant to the foregoing shall not be



treated as a breach of any restriction upon the disclosure of information imposed on any of the Fund, the Master Fund, the Managing Member, the General Partner, the Investment Manager, the Administrator or any other such person, by law or otherwise.

(23) The Subscriber agrees to provide any information deemed necessary by the Managing Member and the Administrator in their sole discretion to comply with their respective anti-money laundering programs and related responsibilities from time to time. The Subscriber agrees to promptly notify the Fund and the Administrator should the Subscriber become aware of any change in the information set forth in representations 24 through 27 below. The Subscriber is advised that, by law, the Fund or the Administrator on behalf of the Fund may be obligated to “freeze the account” of the Subscriber by prohibiting additional capital contributions, refusing to make any payment due to the Subscriber, and/or segregating the assets in the account in compliance with governmental regulations, and the Fund and/or the Administrator on behalf of the Fund may also be required to report such action and to disclose the Subscriber’s identity to the U.S. Office of Foreign Asset Control.

(24) The Subscriber represents that it is not a Prohibited Investor. A Prohibited Investor includes (i) an individual, entity or organization identified on any U.S. Office of Foreign Assets Control “watch list”; (ii) a foreign shell bank; and (iii) a person or entity resident in or whose subscription funds are transferred from or through a jurisdiction identified as non-cooperative by the U.S. Financial Action Task Force. The Subscriber further represents that it does not have any affiliation of any kind with an individual, entity or organization described in (i) above.

(25) The Subscriber represents that the funds to be invested in the Fund were not derived from any activities that may contravene U.S. or non-U.S. anti-money laundering laws or regulations.

(26) The Subscriber represents that none of (i) the Subscriber, or (ii) any person controlling, controlled by or under common control with, the Subscriber is a Politically Exposed Person. A Politically Exposed Person is a senior foreign political figure,<sup>1</sup> an immediate family member of a senior foreign political figure<sup>2</sup> or a close associate of a senior foreign political figure.<sup>3</sup>

(27) To the extent the Subscriber has beneficial owners or is an intermediary subscribing for an Interest on behalf of one or more investors or beneficial owners (collectively, “Owners”): (i) it has carried out thorough due diligence to establish the identities of all such Owners; (ii) based on such due diligence, the Subscriber reasonably believes that no such Owners are Prohibited Persons; (iii) it has conducted enhanced due diligence on any Owner who is a Politically Exposed Person; (iv) based on such enhanced due diligence, the Subscriber has no reason to believe that the funds invested by each such Politically Exposed Person involve the proceeds of official corruption; (v) it has no reason to believe that the funds invested or to be invested by Owners were derived from activities that may contravene any U.S. or

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<sup>1</sup> A “senior foreign political figure” is defined as a senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a “senior foreign political figure” includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

<sup>2</sup> “Immediate family” of a senior foreign political figure typically includes the figure’s parents, siblings, spouse, children and in-laws.

<sup>3</sup> A “close associate” of a senior foreign political figure is a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

non-U.S. anti-money laundering laws or regulations; (vi) it holds the evidence of such identities and status and will maintain all such evidence for at least five years from the date of the Subscriber's complete withdrawal from the Fund; and (vii) it will make available such information and any additional information requested by the Managing Member that is required under applicable regulations, to the extent permitted by applicable law.

(28) The Subscriber represents that the Interest is being acquired for investment purposes, and that the Subscriber will not enter into any swap or other derivative transaction with respect to the Interest without the prior written approval of the Managing Member.

(29) The Subscriber certifies that it is a "United States person" (as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code")) and that it has completed and returned the Form W-9 attached hereto. The Subscriber undertakes to advise the Managing Member promptly in writing if the Subscriber ceases to be a "United States person" during the term of the Fund.

(30) The Subscriber certifies that the Subscriber is not subject to a backup withholding.

(31) If the Subscriber is a partnership, a limited liability company treated as a partnership for United States federal income tax purposes, a grantor trust (within the meaning of Section 671-679 of the Code, or an S corporation (within the meaning of Section 1361 of the Code) (each, a "flow through entity"), the Subscriber represents and warrants that either: (i) no person or entity will own, directly or indirectly through one or more flow-through entities, an interest in the Subscriber such that more than 70% of the value of such person's or entity's interest in the Subscriber is attributable to the Subscriber's investment in the Fund or (ii) if one or more persons or entities will own, directly or indirectly through one or more flow-through entities, an interest in the Subscriber such that more than 70% of the value of such person's or entity's interest in the Subscriber is attributable to the Subscriber's investment in the Fund, neither the Subscriber nor any such person or entity has or had any intent or purpose to cause such person (or persons) or entity (or entities) to invest in the Fund indirectly through the Subscribers in order to enable the Fund to qualify for the 100-partner safe harbor under United States Treasury Regulation Section 1.7704-1(h).

(32) The Subscriber will not assign or transfer its interest in the Fund (or any interest therein) on or through an "established securities market" or a "secondary market or the substantial equivalent thereof," as such terms are used in Section 1.7704-1 of the Treasury Regulations.

(33) The Subscriber agrees to the Advisory Board approving certain transactions and other activities in accordance with the Amended and Restated Limited Partnership Agreement of the Master Fund.

(34) The Subscriber acknowledges that it will be subject to the terms and fee arrangements with respect to its Interest as described in the Memorandum.

(35) The Subscriber, if not a "Benefit Plan Investor", as described in Item VI below, on the date of this Subscription Agreement is signed, agrees to notify the Fund and the Managing Member immediately if the Subscriber becomes a "Benefit Plan Investor".

## **B. Disclosures**

(1) The Subscriber confirms that none of the Fund, the Master Fund, the Managing Member, the Investment Manager, the General Partner or any associate, affiliate, representative, agent or

advisor of any of them, guarantees the success of an investment in an Interest or that substantial losses will not be incurred on such investment.

(2) The Subscriber understands and agrees to the manner and method of calculating and allocating the Carried Interest, as detailed in the Memorandum and the LLC Agreement. In addition, the Subscriber understands that the Carried Interest may create an incentive for the Managing Member to cause the Investment Manager to make or recommend, as applicable, investments that are riskier or more speculative than would be the case if such arrangements were not in effect.

(3) The Subscriber specifically recognizes and consents to the conflicts of interest to which the Managing Member, the Investment Manager and their affiliates, and any partner, member, owner, officer or employee thereof may be subject to operating the Fund as described in the Memorandum. The Subscriber acknowledges that the Managing Member and the Investment Manager have established the business terms of the Fund without arm's-length negotiations with any representatives of prospective investors, and that neither counsel to the Managing Member, the Investment Manager nor the Fund has either represented the investors nor made any representation to the Subscriber or its advisors in any respect of this Offering. The Subscriber consents to such potential and actual conflicts of interest and hereby waives any claim with respect to the existence of any such conflict of interest.

(4) The Subscriber understands that, with respect to Class A Interests and Class B Interests, the Investment Manager shall be entitled to a Management Fee for advising regarding or, if applicable, managing the Fund, Taurus Mining Finance Fund Ltd (the "Offshore Fund") and the Master Fund's Investments, and that (i) during the Investment Period, the Management Fee will be payable at the rate of 1.25% per annum on the Investor Commitments of the Feeder Funds and (ii) thereafter, the Management Fee will be payable at the same rate on investors' Capital Contributions in respect of unrealised Investments (including partially unrealized Investments) and adjusted for permanent net losses from writedowns on Investments. Class C Interests are not subject to any Management Fee.

(5) The Subscriber further understands that the General Partner of the Master Fund shall receive a carried interest (the "Carried Interest") equal to: (i) 17.5% of the Master Fund's total profits with respect to Class A Interests, and (ii) 20% of the Master Fund's total profits with respect to Class B Interests (in each case, after receipt by the investors of an 8% cumulative return per annum), as such Carried Interest is further described in the Memorandum. Upon receipt by the General Partner of Carried Interest distributions, the General Partner shall immediately disburse all of such Carried Interest distributions to the Investment Manager pursuant to and in accordance with the terms and conditions of the Investment Management Agreement. Class C Interests are not subject to any Carried Interest.

(6) The Subscriber acknowledges that the Fund will provide quarterly and annual reports to the Members. However, since the nature and timing of that information is dependent to a large extent, on the reporting activities, if applicable, of the Investments, there can be no assurance that the format of such information or the timing of its distribution will enable the Subscriber to determine its tax liability, if any, or on a timely basis. As a result, the Subscriber understands that it may be required to obtain extensions for filing U.S. federal, state and local income tax returns each year.

(7) The Subscriber agrees to provide the Managing Member, upon request, with any tax information related to such Subscriber's Interest that is requested in writing by the Managing Member if such information is reasonably necessary for the Managing Member or the Fund to comply with applicable tax laws.

(8) If the Subscriber is an entity exempt from the payment of U.S. federal income taxes, the Subscriber understands that the Fund may generate income that is characterized as “unrelated business taxable income” under the Code, which would be taxable to such tax-exempt Subscriber.

(9) The Subscriber understands that the Subscriber may be required to disclose on Internal Revenue Service Form 8886 certain transactions in which the Subscriber is deemed to participate by reason of its investment in the Fund.

**C. Employee Benefit Plan Representations and Warranties**

(1) The Subscriber has indicated in Item VI whether it is a “Benefit Plan Investor,” as described in Item VI. If it is not a Benefit Plan Investor on the date the Subscription Agreement is signed, the Subscriber agrees to notify the Fund in writing a reasonable time in advance if it anticipates becoming a Benefit Plan Investor at any time while it continues to hold any Interests in the Fund and to provide the information concerning its Benefit Plan Investor status required in Item VI. If the Subscriber is an entity that is a Benefit Plan Investor, it has indicated in Item VI the percentage of its equity interests that are held by Benefit Plan Investors and will notify the Fund in writing a reasonable time in advance if that percentage changes.

(2) If the Subscriber is a Benefit Plan Investor, the Subscriber acknowledges that the Fund may at any time require the Subscriber to redeem so many of its Interests as, in the opinion of the Managing Member or the Investment Manager, is necessary to ensure that the assets of the Fund and/or the Master Fund do not include “plan assets” under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

(3) If the Subscriber is, or is acting on behalf of, an ERISA Plan or a Qualified Plan, as those terms are defined in Item VI, or is an entity that is a “Benefit Plan Investor” by reason of holding plan assets of any ERISA Plan or Qualified Plan as described in Item VI (each such ERISA Plan or Qualified Plan, including a plan holding interests in a Subscriber that holds plan assets, a “Plan”): (i) the person or entity signing this Subscription Agreement is a fiduciary of each such Plan (the “Plan Fiduciary”); (ii) the decision to invest in the Fund was made by the Plan Fiduciary; (iii) the Plan Fiduciary is unrelated to the Fund, the Master Fund, the Investment Manager, the Managing Member, the General Partner and any person affiliated therewith and is duly authorized to make such an investment decision on behalf of the Plan; (iv) the acquisition and subsequent holding of the Interests do not and will not constitute a “prohibited transaction” within the meaning of Section 406 of ERISA or Section 4975 of the Code, that is not subject to an applicable exemption; (v) the Plan’s subscription to invest in the Fund and the purchase of Interests contemplated thereby is in accordance with the terms of the Plan’s governing instruments; (vi) the Plan Fiduciary has not relied on, and is not relying on, the investment advice of the Fund, the Master Fund, the Investment Manager, the Managing Member, the General Partner or the Administrator, nor any of their respective directors, officers, employees, representatives or affiliates, with respect to the Plan’s investment in the Fund; and (vii) neither the Fund, the Master Fund, the Investment Manager, the Managing Member, the General Partner, or the Administrator, nor any of their respective directors, officers, employees, representatives or affiliates, has any investment discretion or provides investment advice with respect to the assets of the Plan which will be used to purchase Interests or is an employer maintaining or contributing to the Plan.

(4) The Subscriber will, at the request of the Managing Member or the Investment Manager, furnish the Managing Member or the Investment Manager with such information as the Managing Member or the Investment Manager may reasonably require to ensure that the Subscriber’s purchase and holding of Interests will not result in a non-exempt “prohibited transaction” under Section 406 of ERISA or Section 4975 of the Code.

(5) If the Subscriber is, or is acting on behalf of, an ERISA Plan or an entity that is a Benefit Plan Investor by reason of holding plan assets of any ERISA Plan: (i) the person or entity signing this Subscription Agreement is a fiduciary (within the meaning of Section 3(21) of ERISA and the regulations thereunder) and a “named fiduciary” (within the meaning of Section 402(a)(2) of ERISA and the regulations thereunder) of each such ERISA Plan (the “ERISA Plan Fiduciary”); (ii) the ERISA Plan Fiduciary understands the Fund’s investment objectives, policies and strategies, has taken into consideration its fiduciary duties under ERISA, including the prudence and diversification requirements of Section 404(a)(1) of ERISA, has considered whether the ERISA Plan’s liquidity needs will be met given the limited rights to redeem or transfer Interests, and has concluded that the proposed investment in the Fund is in accordance with its fiduciary responsibilities under ERISA; and (iii) the ERISA Plan’s subscription to invest in the Fund and the purchase of Interests contemplated thereby complies with all applicable requirements of ERISA.

(6) If the Subscriber is a “governmental plan” within the meaning of Section 3(32) of ERISA, a “church plan” within the meaning of Section 3(33) of ERISA that has not made an election pursuant to Section 410(d) of the Code, a non-U.S. employee benefit plan or another plan or retirement arrangement that is not subject to the fiduciary responsibility provisions of Title I of ERISA or to Section 4975 of the Code (an “Other Plan”), or a trust, partnership, limited liability company or other entity that is deemed to hold assets of an Other Plan under applicable law, then the Subscriber represents and warrants that:

- (i) the assets of the Fund will not be considered to include the assets of such Other Plan under the provisions of applicable law as a result of the Subscriber’s investment in the Fund;
- (ii) there is no federal, state, local or non-U.S. law, rule, regulation or constitutional provision applicable to the Other Plan that could in any respect affect the operation of the Fund by the Managing Member or the Investment Manager, if applicable, or prohibit any action contemplated by the operational documents and related disclosure of the Fund; and
- (iii) the Subscriber’s investment in the Fund is in accordance with the constituent documents of the Other Plan and will not result in a breach of any statute, rule, regulation or order of any court or governmental agency or body having jurisdiction over the Fund or any of its assets, including, without limitation, any law substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code.

(7) If the Subscriber is an IRA or a self-directed pension plan, and this Subscription Agreement is being executed by a custodian or a directed trustee on behalf of such Subscriber, the individual who established the IRA or the person who directed the pension plan’s investment in the Fund, as the case may be: (i) has directed the custodian or trustee of the Subscriber to execute this Subscription Agreement on the line indicated in Item VI as the authorized signatory of the IRA or self-directed pension plan; (ii) has exclusive authority with respect to the decision to invest in the Fund; and (iii) has signed below to indicate that he or she has reviewed, directed and certifies to the accuracy of the representation and warranties made by the Subscriber herein.

**D. Accuracy of Subscriber Information**

(1) The Subscriber represents that all the information, financial or otherwise, that the Subscriber has furnished to the Fund, the Managing Member, the Investment Manager or any agent thereof in connection with this subscription, or that is set forth herein or in the Purchaser Suitability Questionnaire for Individuals and the Purchaser Suitability Questionnaire for Entities, including all representations, warranties and agreements contained herein and in the Purchaser Suitability Questionnaire for Individuals and the Purchaser Suitability Questionnaire for Entities, is correct and complete as of the date of this Subscription Agreement, and if there should be any material change in such information, whether before or after the admission of the Subscriber as a Member in the Fund, the Subscriber will immediately notify the Managing Member and furnish such revised or corrected information to the Managing Member.

(2) The Subscriber agrees that the representations, warranties and agreements contained in this Subscription Agreement and the Purchaser Suitability Questionnaire for Individuals and the Purchaser Suitability Questionnaire for Entities, and all other information regarding the Subscriber set forth herein, may be used as a defense in any actions relating to the Fund, the Managing Member, the Investment Manager or any agent thereof, or the Offering, and that it is only on the basis of such representations, warranties and other information that the Managing Member may be willing to accept the Subscriber's subscription for an Interest.

**IV. Further Advice and Assurances**

The Subscriber agrees to provide additional information regarding its investment experience, financial position, authority or authorization or otherwise, to the Managing Member, the Investment Manager or any agent thereof as reasonably requested in connection with this subscription. Without limiting the foregoing, the Subscriber agrees to provide any additional information and execute any additional documents as may reasonably be required in connection with the Fund's compliance with Rule 506(d) of Regulation D of the Securities Act.

If the Subscriber is an Entity, the Managing Member, in its sole discretion, may require the Subscriber to submit a copy of its articles of incorporation, by-laws, authorizing resolution, partnership agreement, trust agreements, articles of organization, operating agreement, resolutions, authorities or other related documents, as the case may be.

Entities may be required to submit an opinion of counsel to the effect that the investment proposed to be made in the Fund by the Subscriber is authorized (such counsel need not, however opine regarding the suitability of such investment, which is a question of fact).

**V. Indemnity and Exculpation**

To the fullest extent permitted by applicable law, the Subscriber agrees to indemnify and hold harmless the Fund, the Master Fund, the General Partner, the Managing Member, the Investment Manager, the Administrator, or any sub-advisor, the members of any investment committee, their respective controlling persons and affiliates and agents and each Member of the Fund in respect of claims, actions, demands, losses, costs, expenses and damages, whether involving such parties or third parties, resulting from any inaccuracy in any of the Subscriber's representations or breach of any of the Subscriber's representations, warranties or agreements contained in this Subscription Agreement, or from any unsuccessful proceeding brought by the Subscriber against the Fund, the Master Fund, the General Partner, the Managing Member, the Investment Manager, the Administrator, any sub-advisor, the members of any investment committee, their respective controlling persons and affiliates and agents.



The Subscriber hereby agrees that none of the Fund, the Master Fund, the General Partner, the Managing Member, the Investment Manager, the Administrator or any sub-advisor, the members of any investment committee, their respective controlling persons and affiliates and agents shall incur any liability (i) in respect of any action taken upon any information provided to the Fund by the Subscriber or for relying on any notice, consent, request, instructions or other instrument believed, in good faith, to be genuine or to be signed by properly authorized persons on behalf of the Subscriber, including any document transmitted by facsimile, or (ii) for adhering to the anti-money laundering obligations set out herein or anti-money laundering laws and regulations of the United States or any similar law whether now or hereinafter in effect.

## **VI. Benefit Plan Investors**

A. Please indicate whether or not the Subscriber is, or is acting on behalf of, a "Benefit Plan Investor."

Yes ☐ No ☐

A "Benefit Plan Investor" is defined in Section 3(42) of ERISA, and applicable regulations of the Department of Labor (together, the "Plan Asset Rules"). Under the Plan Asset Rules, a Benefit Plan Investor is: (i) an employee benefit plan which is subject to Part 4 of Subtitle B of Title I of ERISA, such as a U.S. private sector employee pension or welfare benefit plan, including a union-sponsored or "Taft-Hartley" plan (an "ERISA Plan") and a church plan that has elected to be subject to ERISA; (ii) a plan subject to Section 4975 of the Code, such as a Keogh plan covering only partners or other self-employed individuals or an individual retirement account or "IRA" (a "Qualified Plan"); or (iii) an entity which is deemed to hold the "plan assets" of investing ERISA Plans or Qualified Plans pursuant to the Plan Asset Rules.

B. If the Subscriber answered "Yes" to (A), please indicate what type of Benefit Plan Investor the Subscriber is by checking the appropriate box:

1. ☐ ERISA Plan or Qualified Plan
2. ☐ Insurance company separate account, common or collective trust of a bank, or group trust which is exempt from taxation pursuant to the principles of Rev. Rul. 81-100
3. ☐ Insurance company general account, or wholly-owned subsidiary of an insurance company general account, whose assets include "plan assets"
4. ☐ Entity (other than those described in 2 and 3 above), such as a fund of hedge funds, holding "plan assets"

C. If the Subscriber checked box 2, 3 or 4 in (B) above, the Subscriber represents that the percentage of its equity interests held by Benefit Plan Investors is not more than (please check an applicable box). The Fund recommends that the Subscriber select a percentage that includes an appropriate "cushion," so that the Subscriber will not have to notify the Fund if its Benefit Plan Investor percentage increases slightly.

☐ 10% ☐ 20% ☐ 30% ☐ 40% ☐ 50%

☐ 60%    ☐ 70%    ☐ 80%    ☐ 90%    ☐ 100%

D. Please indicate whether the Subscriber is subject to any rules or regulations similar to the fiduciary responsibility provisions of ERISA and/or the prohibited transaction provisions of Section 4975 of the Code. For example, if the Subscriber is a “governmental plan,” as defined in Section 3(32) of ERISA, it may be established and governed by a state law similar to ERISA:

Yes ☐ No ☐

If the Subscriber answered "Yes", please specify:

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E. Please indicate whether or not the Subscriber is (a) a person or entity who has discretionary authority or control with respect to the assets of the Fund or the Master Fund, (b) a person or entity who provides investment advice for a fee (direct or indirect) with respect to the assets of the Fund or the Master Fund, or (c) an “affiliate” (within the meaning of 29 C.F.R. Section 2510.3-101(f)(3)) of a person or entity described in (a) or (b).

Yes ☐ No ☐

## **VII. Pay to Play**

A. Is the Subscriber a “government entity”?

Yes ☐ No ☐

A “government entity” is defined in Rule 206(4)-5 promulgated under the Advisers Act (the “Pay to Play Rule”) as any State or political subdivision of a State, including: (i) any agency, authority, or instrumentality of the State or political subdivision; (ii) a pool of assets sponsored or established by the State or political subdivision or any agency, authority or instrumentality thereof, including, but not limited to, a “defined benefit plan” (as defined in section 414(j) of the Code) or a State general fund; (iii) a plan or program of a government entity; and (iv) officers, agents, or employees of the State or political subdivision or any agency, authority or instrumentality thereof, acting in their official capacity.

B. If the Subscriber is acting as trustee, custodian or nominee for a beneficial owner that is a government entity, please provide the name of the government entity:

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C. If the Subscriber is an entity substantially owned by a government entity (e.g., a single investor vehicle) and the investment decisions of such entity are made or directed by such government entity, please provide the name of the government entity:

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Please note that, if the Subscriber enters the name of a government entity in this Section VII, the Fund will treat the Subscriber as if it were the government entity for purposes of the Pay to Play Rule.

D. If the Subscriber is (i) a government entity, (ii) acting as trustee, custodian or nominee for a beneficial owner that is a government entity, or (iii) an entity described in Item C, the Subscriber hereby certifies that other than the Pay to Play Rule, no “pay to play” or other similar compliance obligations would be imposed on the Fund, the Master Fund, the Managing Member, the Investment Manager or any of their respective affiliates in connection with the Subscription.

If the Subscriber cannot make this certification, indicate in the space below all other “pay to play” laws, rules or guidelines, or lobbyist disclosure laws or rules, the Fund, the Master Fund, the Managing Member, the Investment Manager or their respective affiliates, employees or third-party placement agents would be subject to in connection with the Subscription:

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### **VIII. Form PF Investor Type Questionnaire**

If the Subscriber is acting as trustee, agent, representative or nominee for an underlying beneficial owner, please check the item that best describes the underlying beneficial owner.

**(Please check one)**

- ☐ An individual that is a United States person<sup>4</sup> (or a trust of such a person)
- ☐ An individual that is not a United States person (or a trust of such a person)
- ☐ A broker-dealer
- ☐ An insurance company
- ☐ An investment company registered with the SEC
- ☐ A private fund<sup>5</sup>
- ☐ A non-profit
- ☐ A pension plan (other than a governmental pension plan)
- ☐ A banking or thrift institution (proprietary)
- ☐ A state or municipal government entity<sup>6</sup> (other than a governmental pension plan)
- ☐ A state or municipal governmental pension plan
- ☐ A sovereign wealth fund or foreign official institution
- ☐ A person that is not a United States person and about which beneficial ownership information is not known and cannot reasonably be obtained because the beneficial interest is held through a chain involving one or more third-party intermediaries
- ☐ Other

### **IX. Suitability of Subscriber**

THE SUBSCRIBER UNDERSTANDS THAT A SUBSCRIBER CONSIDERING AN INVESTMENT IN THE FUND MUST BE AN "ACCREDITED INVESTOR" AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT, A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OR A "KNOWLEDGEABLE EMPLOYEE" AS DEFINED IN RULE 3C-5 PROMULGATED UNDER THE INVESTMENT COMPANY ACT, AND MUST HAVE SUFFICIENT FINANCIAL KNOWLEDGE AND

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<sup>4</sup> For purposes of Form PF, the term "United States person" has the meaning provided in Rule 203(m)-1 under the Advisers Act, which includes any natural person that is resident in the United States.

<sup>5</sup> For purposes of Form PF, the term "private fund" means any issuer that would be an investment company as defined in Section 3 of the ICA but for Section 3(c)(1) or 3(c)(7) thereof.

<sup>6</sup> For purposes of Form PF, the term "government entity" means any U.S. state (including any U.S. state, the District of Columbia, Puerto Rico, the U.S. Virgin Islands or any other possession of the United States) or political subdivision of a state, including:

(i) any agency, authority or instrumentality of the state or political subdivision;

(ii) a plan or pool of assets controlled by the state or political subdivision or any agency, authority or instrumentality thereof; and

(iii) any officer, agent, or employee of the state or political subdivision or any agency, authority or instrumentality thereof, acting in their official capacity.

EXPERIENCE TO BE CAPABLE OF EVALUATING THE RISKS AND MERITS OF AN INVESTMENT IN THE FUND.

The Subscriber is delivering herewith a Purchaser Suitability Questionnaire, incorporated herein by reference. The Subscriber has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of an investment in the Fund and of making an informed investment decision. The Subscriber offers as evidence of this the information set forth in the Subscriber's Purchaser Suitability Questionnaire.

All the information which the Subscriber has furnished to the Managing Member in the Purchaser Suitability Questionnaire, or which is set forth herein, is correct and complete as of the date hereof, and if there should be any material change in such information prior to the Subscriber's admission as a Member, the Subscriber will immediately furnish such revised or corrected information to the Managing Member.

**X. Electronic Delivery of Reports and Other Communications.**

Subject to your consent below, at its discretion, the Fund, the Managing Member, the Investment Manager and/or the Administrator, acting on their behalf, may provide to you (or your designated agents) statements, reports and other communications relating to the Fund and/or your investment in the Fund, in electronic form, such as e-mail, in addition to or in lieu of sending such communications as hard copies via fax or mail. Please note that e-mail messages are not secure and may contain computer viruses or other defects, may not be accurately replicated on other systems, or may be intercepted, deleted or interfered with without the knowledge of the sender or the intended recipient. The Fund, the Managing Member, the Investment Manager and the Administrator make no warranties in relation to these matters. Please note that the Fund, the Managing Member, the Investment Manager and the Administrator reserve the right to intercept, monitor and retain e-mail messages to and from its systems as permitted by applicable law. If you have any doubts about the authenticity of an email purportedly sent by the Fund, the Managing Member, the Investment Manager or the Administrator, you would be required to contact the purported sender immediately.

Do you consent to the sending of such statements, reports and other communications regarding the Fund and your investment in the Fund in addition to or in lieu of separate mailing of paper copies?

Please send me electronic notices: Yes ☐ No ☐

If yes, please list email address(es) below in addition to those listed on the purchaser suitability questionnaire:

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**XI. Power of Attorney**

(a) The Subscriber hereby irrevocably constitutes and appoints the Managing Member with full power of substitution, as the Subscriber's true and lawful attorneys-in-fact to make, execute, consent to, swear to, acknowledge, publish, record and file any and all of the following:

- (1) Amendments, supplements or other modifications to the certificate of formation of the Fund to be filed in accordance with the laws of the State of Delaware and the applicable laws of any other state or jurisdiction in which the Managing Member deems such filing to be necessary to give effect to the provisions of the LLC Agreement and to preserve the character of the Fund as a limited liability company;
- (2) Any other certificate or other instrument which may be required to be filed by the Fund under the laws of any state or other jurisdiction, to the extent that the Managing Member deems such filing necessary or desirable;
- (3) Any and all amendments, supplements or other modifications of the instruments described in subparagraphs (1) and (2) hereof, including, without limitation, amendments, supplements or other modifications to effect the addition, substitution or removal of one or more Members pursuant to the LLC Agreement, provided that each such amendment, supplement or other modification evidences an amendment, supplement or other modification to the LLC Agreement adopted in accordance with the terms thereof;
- (4) Any and all certificates and other instruments which may be required to effectuate the dissolution and termination of the Fund pursuant to the provisions of the LLC Agreement;
- (5) All such other instruments as the Managing Member may deem necessary or desirable fully to carry out the provisions of the LLC Agreement in accordance with its terms; and
- (6) Amendments, supplements or other modifications to the LLC Agreement which have been adopted by the Members, if required, in accordance with the terms of the LLC Agreement.

(b) The Managing Member shall have full power and authority to do and perform each and every act and thing whatsoever requisite and necessary relating to the foregoing as fully as the Subscriber might or could do if personally present and the Subscriber hereby ratifies and confirms all that said Managing Member shall lawfully do or cause to be done by virtue hereof.

(c) It is expressly understood and intended by the Subscriber that the Power of Attorney hereby granted is coupled with an interest and shall be irrevocable. Said Power of Attorney shall survive the death, incapacity, dissolution or termination of the Subscriber or the assignment of the Subscriber's Interest or any part thereof.

## **XII. Acceptance of LLC Agreement**

The Subscriber agrees that as of the date of the acceptance of the Subscriber's subscription by the Fund the Subscriber shall become a Member, and the Subscriber hereby agrees to each and every term of the LLC Agreement as if the Subscriber's signature were subscribed thereto. By execution of this Subscription Agreement, the Subscriber agrees that the Subscriber shall be deemed to have executed the LLC Agreement.



**XIII. Irrevocability; Governing Law; Forum/Jurisdiction/Venue**

The Subscriber hereby acknowledges and agrees that, except as otherwise provided by state securities laws, the Subscriber is not entitled to cancel, terminate or revoke this subscription or any of the Subscriber's agreements hereunder after this Subscription Agreement has been submitted (and not rejected) and that this subscription and such agreements shall survive the Subscriber's death, incapacity, disability or insolvency. This Subscription Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without giving effect to conflicts of law principles. With the exception of any causes of action which must, pursuant to Delaware law, be commenced in the Chancery Court of Delaware, the parties hereby submit to the exclusive jurisdiction and venue of the Federal and state courts sitting in the Borough of Manhattan, New York City with respect to all legal proceedings arising out of or related to this Subscription Agreement or the subject matter thereof and agree that process, orders, judgments or other documents of any kind relating to court proceedings against such party served either personally or by registered mail shall constitute adequate service of process with respect to any proceedings brought hereunder and hereby waive, to the fullest extent permitted by law, any objection to such jurisdiction or venue on the basis that such proceedings have been brought in an inconvenient forum. The parties hereto hereby waive all rights to trial by jury in any action, suit or proceeding brought to enforce or defend any rights or remedies under this Subscription Agreement.

**XIV. Survival; Legal Effect**

The Subscriber agrees that the agreements and covenants in this Subscription Agreement shall, in pertinent part, survive the acceptance (or rejection) of this Subscription Agreement.

This Subscription Agreement shall be binding upon the Fund and the Subscriber to the extent set forth herein prior to acceptance by the Fund and, if accepted, on the Subscriber, the Fund and the Managing Member, and shall inure to the benefit of the Subscriber, the Managing Member, the Investment Manager and the Fund.

**XV. Severability**

In the event that any provision of this Subscription Agreement is held to be invalid or unenforceable in any jurisdiction, such provision shall be deemed modified to the minimum extent necessary so that such provision, as so modified, shall no longer be held to be invalid or unenforceable. Any such modification, invalidity or unenforceability shall be strictly limited both to such provision and to such jurisdiction, and in each case to no other. Furthermore, in the event of any such modification, invalidity or unenforceability, this Subscription Agreement shall be interpreted so as to achieve the intent expressed herein to the greatest extent possible in the jurisdiction in question and otherwise as set forth herein.

**XVI. Counterparts; Facsimiles**

This Subscription Agreement may be executed in one or more counterparts, each of which shall, however, together constitute the same document. Facsimiles shall have the same binding force and effect as originals.

The Subscriber agrees that the Administrator and the Managing Member are authorized to accept and execute any instructions given by the Subscriber in original signed form or by fax in respect of the Interest to which this Subscription Agreement relates. If instructions are given by fax, the Subscriber will promptly courier the original signed form to the Administrator and will indemnify the Fund, the Administrator and the Managing Member for any losses and damages suffered by any of the

Fund, the Administrator or the Managing Member as a result of acting on faxed instructions rather than instructions in original signed form. The Administrator and the Managing Member are entitled to rely conclusively, and shall incur no liability in respect of any action taken, on any notice, consent, request, instructions or other instrument believed in good faith to be genuine or to be signed by properly authorized Persons.

**XVII. Entire Agreement**

This Subscription Agreement and the LLC Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof, and supersede any prior agreements and understandings of the parties relating to such subject matter.

**XVIII. No Waiver**

No failure or delay on the part of the Fund, the Managing Member or the Administrator in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Failure on the part of the Fund, the Managing Member or the Administrator to complain of any act of the Subscriber or to declare the Subscriber in default with respect to the Fund or the Managing Member, irrespective of how long that failure continues, shall not constitute a waiver by the Fund, the Managing Member or the Administrator of its rights with respect to that default until the applicable statute-of-limitations period has run.

Any waiver granted hereunder must be in writing and shall be valid only in the specific instance in which given.

**XIX. Non-Disparagement**

Neither the Subscriber nor any representative of the Subscriber shall publicly disparage the Fund, the Master Fund, the Managing Member or the Investment Manager or any of their affiliates or employees.

**XX. Authorization to Rely on Instructions**

The Managing Member, the Fund and the Administrator, are each hereby authorized and instructed to accept and execute any instructions in respect of the Interests to which this Agreement relates given by the Subscriber in written form or by facsimile. If instructions are given by the Subscriber by facsimile, the Subscriber undertakes to send the original letter of instructions to the Managing Member, the Fund or the Administrator and agrees to keep each of them indemnified against any loss of any nature whatsoever arising to any of them as a result of any of them acting upon facsimile instructions. The Managing Member, the Fund and the Administrator may rely conclusively and shall incur no liability in respect of any action taken upon any notice, consent, request, instructions or other instrument believed in good faith to be genuine or to be signed by properly authorized persons.

**XXI. State Securities Law Legend**

Prospective investors from the State of Florida should note the required legend below.

IF THE PROSPECTIVE 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 1933 ACT), THE PROSPECTIVE INVESTOR ACKNOWLEDGES THAT ANY SALE OF AN INTEREST TO THE PROSPECTIVE INVESTOR IS VOIDABLE BY THE PROSPECTIVE INVESTOR EITHER WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PROSPECTIVE INVESTOR TO THE PARTNERSHIP, OR AN AGENT OF THE PARTNERSHIP, OR WITHIN THREE (3) DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PROSPECTIVE INVESTOR, WHICHEVER OCCURS LATER.

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**PLEASE EXECUTE THE APPROPRIATE SIGNATURE PAGE.**

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TAURUS MINING FINANCE FUND LLC

SIGNATURE PAGE FOR SUBSCRIPTION BY ENTITIES

(not applicable to subscriptions by individuals)

ENTITY OWNERSHIP — Check form of organization of entity subscriber.

- ☐ TRUST (include certified copy of Trust Agreement & trustee identification) ☐ LIMITED PARTNERSHIP (include copy of Limited Partnership Agreement & certified identification of partners)
- ☐ CORPORATION (include copy of authorizing Board resolution & certified copy of certificate of incorporation & directors ) ☒ EMPLOYEE BENEFIT PLAN
- ☐ GENERAL PARTNERSHIP (include copy of Partnership Agreement & certified identification of partners) ☐ OTHER-Please Specify: \_\_\_\_\_
- ☐ LIMITED LIABILITY COMPANY (include copy of Operating Agreement & certified identification of directors) \_\_\_\_\_

Please print all information exactly as you wish it to appear on the Fund records.

Kentucky Retirement Systems Insurance Trust Fund

(Name of Subscriber)

1260 Louisville Road, Frankfort, KY

(Address)

502-696-8805

(Facsimile Number(s))

(Tax ID Number)

502-696-8642

(Telephone)

(E-mail Address)

The individual trustee, partner or officer signing below certifies that he or she has full power and authority from all beneficiaries, partners or shareholders of the entity named below to execute this Subscription Agreement on behalf of the entity and that investment in the Fund is not prohibited by law or by the governing documents of the entity.

**For the individual signing below, please provide a photocopy of a valid passport or other valid governmental photo identification.**

Dated November 25, 2014

Kentucky Retirement Systems  
Insurance Trust Fund

(Name of Entity)

By: Ch. Als

Title: Deputy CEO

(Trustee, partner or authorized  
corporate officer)

ACKNOWLEDGMENT FOR SUBSCRIPTION AGREEMENT AND LLC AGREEMENT

STATE OF Kentucky ,

)ss.:

COUNTY OF Franklin ,

On this 25<sup>th</sup> day of November, 2014, before me personally appeared  
Chris Schelling, known to me to be:

(circle all that apply) the person who, being by me duly sworn (or affirmed), did depose and say that he/she is a [Partner/Trustee/Officer] of Kentucky Retirement Systems Insurance, a Trust and  
[Partnership/Trust/Corporation/Joint Stock Association], and that he/she executed the foregoing instrument on behalf of said [Partnership/Trust/Corporation/Joint Stock Association] (by authority of its board of directors or trustees), and acknowledged that he/she executed the same as the free act and deed of said [Partnership/Trust/Corporation/Joint Stock Association].

Alane Jorey

Notary Public

My Commission expires on:

October 13, 2018

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**(This Part is for Administrator and Fund Completion)**

Administrator: FundBPO Pte Ltd

Representative's Name: \_\_\_\_\_

Subscription received on \_\_\_\_\_, 20\_\_\_\_

ACCEPTED:

**Taurus Mining Finance Fund LLC**


By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

### ADDITIONAL INFORMATION REQUIRED FOR INDIVIDUALS AND ENTITIES

**Authorized Signatories:** Set forth below are the names of persons authorized by the Member to give and receive instructions between the Fund (or its Administrator) and the Member, together with their respective signatures. Such persons are the only persons so authorized until further written notice to the Administrator signed by one or more such persons. Please attach additional pages if needed.

| Name            | Signature  |
|-----------------|--|
| Chris Schelling |  |
| David Peden     |  |
| Joe Gilbert     |  |
| Brent Aldridge  |  |
|                 |  |

**Standing Wire Instructions:** Until further written notice to the Administrator signed by one or more of the persons listed above, funds may be wired to the Member using the following instructions:

Bank Name:

Bank Address:

Swift Code:

ABA or CHIPS Number:

Account Name:

Account Number:


Reference:

Please note all fields are mandatory.

Any payments due to the Subscriber will not be sent by the Fund to an account that is different than the account from which the Subscriber's subscription funds are paid unless the Fund is satisfied that the Subscriber is the sole owner of the account and that the account is solely for the Subscriber's benefit. The Fund may reject any request if it is not satisfied why the Subscriber would like to have payments wired to a different account.

**Disclosure Authorization:** By executing this document I authorize the Administrator to provide the Managing Member, the Investment Manager, the auditors and the Fund's legal counsel, with information regarding my account for so long as I remain a Member in the Fund.

**Anti-Money Laundering:** To comply with applicable anti-money laundering/U.S. Treasury Department's Office of Foreign Asset Control ("OFAC") rules and regulations, the Subscriber is required to provide the following information:

- (a) Name of the bank from which your payment to the Fund will be wired (the "Wiring Bank"): 
- (b) Is the Wiring Bank located in the U.S. or another country that is a member of the Financial Action Task Force ("FATF")? Yes ☒ No ☐
- (c) If the answer to (b) is "Yes," are you a customer of the Wiring Bank? Yes ☒ No ☐

\* As of June 10, 2014, countries that are members of the Financial Action Task Force on Money Laundering (each a "FATF Country") are: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, India, Ireland, Italy, Japan, South Korea, Luxembourg, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States. The list of FATF Countries may be expanded to include future FATF members and FATF compliant countries as appropriate.



**TAURUS MINING FINANCE FUND LLC**

**PURCHASER SUITABILITY QUESTIONNAIRE**

**(ENTITY PURCHASERS)**

The following information is required in compliance with applicable securities and commodities regulations to confirm whether an investment in Taurus Mining Finance Fund LLC (the "Fund") would be "suitable" for you within the meaning of applicable regulations.

Please be sure to sign and date this Purchaser Suitability Questionnaire as indicated. Please note that a number of items require that you check or initial the appropriate space in addition to signing the Questionnaire as a whole. Please write "N/A" or "Not Applicable" in the appropriate spaces rather than merely leaving them blank. Incomplete Questionnaires cannot be processed. Please attach additional sheets if necessary to answer any questions.

THIS PURCHASER SUITABILITY QUESTIONNAIRE WILL BE KEPT STRICTLY CONFIDENTIAL AND WILL NOT BE REVIEWED BY ANY PARTY OTHER THAN THE MANAGING MEMBER, THE INVESTMENT MANAGER, ITS AFFILIATES, THE ADMINISTRATOR AND THEIR DIRECTORS, OFFICERS, EMPLOYEES AND COUNSEL, EXCEPT AS REQUIRED BY LAW.

**Background Information (to be completed with respect to the entity making the investment)**

Type of entity: ☐ Corporation ☐ General Partnership  
☐ Limited Partnership ☐ Employee Benefit Plan  
☐ Trust ☐ Limited Liability Company  
☐ Other - Please specify: \_\_\_\_\_

Name: \_\_\_\_\_

Jurisdiction in which Formed: \_\_\_\_\_

Date of Formation: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

Address of Principal Place of Business:

\_\_\_\_\_  
(Street) (City/State/Zip Code)

Address to which correspondence should be directed:

\_\_\_\_\_  
(Street) (City/State/Zip Code)

Telephone Number: \_\_\_\_\_ Facsimile Number: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Business: \_\_\_\_\_

Source of Funds: \_\_\_\_\_

Introducing Party: \_\_\_\_\_

IRS Identification Number: \_\_\_\_\_

Fiscal Year: \_\_\_\_\_

Approximate Net Worth:

Current Year (projected): \_\_\_\_\_

Last Fiscal Year: \_\_\_\_\_

Year Before Last: \_\_\_\_\_

Approximate Annual Pre-Tax Net Income:

Current Year (projected): \_\_\_\_\_

Last Fiscal Year: \_\_\_\_\_

Year Before Last: \_\_\_\_\_

***Please send duplicate copies of statements to:***

Full Name: \_\_\_\_\_

Address: \_\_\_\_\_  
(Street) (City/State/Zip Code)

Telephone Number: \_\_\_\_\_  
(Business) (Home)

Facsimile Number: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

Capacity/Position: \_\_\_\_\_

Full Name: \_\_\_\_\_

Address: \_\_\_\_\_  
(Street) (City/State/Zip Code)

Telephone Number: \_\_\_\_\_  
(Business) (Home)

Facsimile Number: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

Capacity/Position: \_\_\_\_\_

**I. Accredited Investor Status**

Initial all appropriate spaces below indicating the basis on which the Subscriber qualifies as an "accredited investor." Only those which so qualify are eligible to invest in the Fund.

- (A) Any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.             
Initial
- (B) A bank as defined in Section 3(a)(2) of the Securities Act of 1933, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act of 1933, acting for its own account or for the account of an accredited investor.             
Initial
- (C) An insurance company as defined in Section 2(13) of the Securities Act of 1933.             
Initial
- (D) A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000. CE  
Initial
- (E) An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") that satisfies the Portfolio Requirement, provided that (1) the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company or registered investment adviser, (2) the employee benefit plan has total assets in excess of \$5,000,000 or (3) if the plan is self-directed, investment decisions for the plan are made solely by persons that are accredited investors.             
Initial
- (F) An organization described in Section 501(c)(3) of the Internal Revenue Code not formed for the specific purpose of investing in the Fund, which has total assets in excess of \$5,000,000.             
Initial
- (G) A corporation not formed for the specific purpose of investing in the Fund, which has total assets in excess of \$5,000,000;             
Initial
- (H) A Massachusetts or similar business trust not formed for the specific purpose of investing in the Fund, which has total assets in excess of \$5,000,000.             
Initial
- (I) A partnership not formed for the specific purpose of investing in the Fund, which has total assets in excess of \$5,000,000.             
Initial
- (J) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.             
Initial

- (K) A business development company as defined in Section 2(a)(48) of the Investment Company Act. \_\_\_\_\_  
Initial
- (L) A trust, with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring an Interest, whose purchase is directed by a sophisticated investor as described in Rule 506(b)(2)(ii) promulgated by the SEC under the 1933 Act. \_\_\_\_\_  
Initial
- (M) A Small Business Investment Company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958, as amended. \_\_\_\_\_  
Initial
- (N) An entity which all of the unit owners and participants (*i.e.*, all partners (including limited partners) of a partnership, shareholders of a corporation and the grantor of a grantor trust, but not the beneficiaries of a true trust) are accredited investors. \_\_\_\_\_  
Initial

If the Subscriber checked (N) above and is therefore suitable solely by virtue of the fact that all its equity owners, unit owners and participants are accredited investors, the names of all such equity owners, unit owners and participants (*i.e.*, all partners (including limited partners) of a partnership, shareholders of a corporation and the grantor of a grantor trust, but not the beneficiaries of a true trust) and their respective interests in the Subscriber are as follows:

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EACH INDIVIDUAL EQUITY OWNER LISTED ABOVE MUST COMPLETE AND EXECUTE A PURCHASER SUITABILITY QUESTIONNAIRE FOR INDIVIDUALS AND EACH ENTITY EQUITY OWNER MUST COMPLETE AND EXECUTE A PURCHASER SUITABILITY QUESTIONNAIRE FOR ENTITIES.

## II. Qualified Purchaser Status

Initial all appropriate spaces below indicating the basis on which the Subscriber qualifies as a “qualified purchaser.” Only those which so qualify are eligible to invest in the Fund.

- (A) such person is a company, partnership, trust or other entity that is owned directly or indirectly by or for two or more natural persons who are related as siblings or spouse (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organizations, or trusts established by or for the benefit of such persons (“Family Company”), was not formed for the specific purpose of investing in the Fund, and owns not less than \$5,000,000 in “Investments” as determined under Appendix A; \_\_\_\_\_  
Initial

- (B) such person is a trust (other than a Family Company) that was not formed for the specific purpose of investing in the Fund, as to which each trustee or other person authorized to make decisions with respect to the trust and each settler or other person who has contributed assets to the trust is a "qualified purchaser;" Initial
- (C) such person is a company, partnership, trust or other entity that was not formed for the specific purpose of investing in the Fund, acts for its own account or the accounts of other "qualified purchasers," and in the aggregate owns and invests on a discretionary basis not less than \$25,000,000 in "Investments" as determined under Appendix A; CP  
Initial
- (D) such person is a "qualified institutional buyer" (as defined in SEC Rule 144A and described in Appendix A) that meets, if applicable, the dealer and employee benefit plan requirements described in Appendix A; or P  
Initial
- (E) such person is an entity in which all of the beneficial owner's of the entity's securities (*i.e.*, all partners (including limited partners) of a partnership, shareholders of a corporation) are "qualified purchasers." Initial
- (F) such person is a "Charitable Corporation" (as described in Appendix A) of which all of the persons who have contributed assets are related in one or more of the ways enumerated in (A) above, that owns not less than \$5,000,000 in Investments, as determined under Appendix A, and was not formed for the specific purpose of investing in the Fund; or Initial
- (G) such person is a "Charitable Corporation" (as described in Appendix A) of which each person authorized to make investment decisions, and each person who has contributed assets, is a "qualified purchaser" (as described in Appendix A) and was not formed for the specific purpose of investing in the Fund. Initial

If the Subscriber is a company, partnership, trust or other entity that, but for the exception provided in Section 3(c)(1) (100 beneficial owner exception) or Section 3(c)(7) (qualified purchaser exception) of the Investment Company Act would be an investment company (an "excepted investment company") and was in existence prior to April 30, 1996, all of the pre-April 30, 1996 beneficial owners of the outstanding securities of the Subscriber must consent to the Subscriber being treated as a qualified purchaser for purposes of investing in the Fund or qualified purchaser funds in general. For this purpose, beneficial ownership includes all direct owners as well as certain indirect owners as provided in SEC Rule 2a51-2 under the Investment Company Act. All investors must initial one of the following statements:

Initial The Subscriber is not an excepted investment company as described above.

Initial The Subscriber is an excepted investment company and all pre-April 30, 1996 beneficial owners of the Subscriber's securities (determined in accordance with SEC Rule 2a51-2) have consented to the Subscriber being treated as a qualified purchaser for purposes of investing in the Fund or qualified purchaser funds in general.

### III. Documentation

Because of the entity status of the Subscriber, the Managing Member requires certain documentation as part of its investor suitability determination: a corporation should attach one copy of its articles of incorporation and by-laws, and a copy of any document authorizing or governing its investment policies (e.g., resolutions of the Board of Directors); a partnership should attach one copy of its partnership agreement or other governing agreement; and a trust should attach one copy of its Declaration of Trust or other governing instrument and any document authorizing or governing its investment policies. Where applicable, such entity should provide proof of continued authorization to conduct business in the applicable jurisdiction(s) (e.g., good standing certificates). Alternatively, entities may submit an opinion of counsel to the effect that a minimum investment of USD1,000,000 in the Fund by the Subscriber would be authorized (such counsel need not pass on the suitability of such investment, which is a question of fact). In addition, the Subscriber should attach a reasonably current balance sheet of the Subscriber, plus any other financial information which the Subscriber believes may be relevant to a determination of the suitability of the Fund for the Subscriber. The Fund, the Managing Member and/or the Administrator may request additional documentation from any prospective Subscriber as a condition to admitting such Subscriber into the Fund.

### IV. Other Plan Status

If the Subscriber is an “Other Plan”, as described in Section III.C.(6) of the Subscription Agreement, please check the following box: ☐

If the Subscriber is an “Other Plan”, provide a written explanation below as to why the Subscriber is an “Other Plan”:

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### V. Anti-Money Laundering Certification

The Subscriber, being the \_\_\_\_\_ of \_\_\_\_\_,  
Insert Title Insert Name of Entity

a \_\_\_\_\_ organized under the laws of \_\_\_\_\_  
Insert Type of Entity Insert Jurisdiction of Organization

(the “Entity”), does hereby certify on behalf of the Entity that it is aware of the requirements of the USA PATRIOT Act of 2001, the regulations administered by the U.S. Department of Treasury’s Office of Foreign Assets Control, and other applicable U.S. federal, state or foreign anti-money laundering laws and regulations (collectively, the “AML/OFAC laws”). The Entity does hereby certify that it is in compliance with all applicable AML/OFAC laws. The Entity has anti-money laundering policies and procedures in place reasonably designed to verify the identity of its beneficial holders and their sources of funds. Such policies and procedures are properly enforced and are consistent with the AML/OFAC laws such that the Fund may rely on this Certification.



The Entity hereby represents to the Fund that, to the best of its knowledge, the Entity's beneficial holders are not individuals, entities or countries that may subject the Fund to criminal or civil violations of any AML/OFAC laws. The Entity has read the section entitled "Representations, Warranties and Agreements of the Subscriber" in the Fund's Subscription Agreement. The Entity has taken all reasonable steps to ensure that its beneficial holders are able to certify to such representations. The Entity agrees to promptly notify the Fund should the Entity have any questions relating to any of the investors or become aware of any changes in the representations set forth in this Certification.

## **VI. Suitability of Subscriber**

THE SUBSCRIBER UNDERSTANDS THAT A SUBSCRIBER CONSIDERING AN INVESTMENT IN THE FUND MUST BE AN "ACCREDITED INVESTOR" AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT, A "QUALIFIED PURCHASER" AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT, AND MUST, EITHER ALONE OR WITH A PURCHASER REPRESENTATIVE, HAVE SUFFICIENT FINANCIAL KNOWLEDGE AND EXPERIENCE TO BE CAPABLE OF EVALUATING THE RISKS AND MERITS OF AN INVESTMENT IN THE FUND.

**Check the box of whichever of (1) or (2) is applicable:**

☐ 1. The Subscriber has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of an investment in the Fund and of making an informed investment decision. The Subscriber offers as evidence of this the information set forth in the Subscriber's Purchaser Suitability Questionnaire.

☐ 2. The Subscriber and the person(s) listed below who have acted as the Subscriber's purchaser representative(s) together have such knowledge or experience in financial or business matters that we together are capable of evaluating the merits and risks of an investment in the Fund and of making an informed investment decision. Listed below are the name(s), address(es) and professional or business relationship(s) (attorney, accountant, investment adviser, etc.) to the Subscriber of each person upon whose advice the Subscriber has relied or with whom the Subscriber has consulted, in evaluating the risks of an investment in the Fund. If the Subscriber has relied on a purchaser representative in evaluating an investment in the Fund, the Subscriber represents that such representative has had no affiliation with the Fund or any of its affiliates at any time and the Subscriber is herewith submitting a Purchaser Representative's Questionnaire completed and executed by such representative. A Purchaser Representative's Questionnaire is available upon request from the Managing Member.

**Purchaser Representative's Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

IN WITNESS WHEREOF, the Subscriber has caused the execution of this Purchaser Suitability Questionnaire and Anti-Money Laundering Certification by its authorized representative.

Date: November 25, 2014

Kentucky Retirement Systems Insurance Trust

Fund (Name of Purchaser)

By: 

Name: Chris Schelling

Title: Deputy CIO

**61.701 Kentucky Retirement Systems insurance trust fund -- Purpose -- Administration -- Participation, regulation, and termination.**

- (1) (a) There is hereby created and established a trust fund to be known as "Kentucky Retirement Systems insurance trust fund." All assets received in the trust fund shall be deemed trust funds to be held and applied solely as provided in this section. Assets of the trust fund shall not be used for any other purpose and shall not be used to pay the claims of creditors or any individual, person, or employer participating in the Kentucky Employees Retirement System, County Employees Retirement System, or State Police Retirement System.
  - (b) The trust fund is intended to be established as a trust exempt from taxation under 26 U.S.C. sec. 115.
- (2) The trust fund is created for the purpose of providing a trust separate from the retirement funds. Trust fund assets are dedicated for use for health benefits as provided in KRS 61.702, and as permitted under 26 U.S.C. secs. 105 and 106, to retired recipients and employees of employers participating in the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System, and to certain of their dependents or beneficiaries, including but not limited to qualified beneficiaries as described in 42 U.S.C. secs. 300bb-1 et seq.
- (3) The trust fund shall be administered by the board of trustees of the Kentucky Retirement Systems and the board shall serve as trustees of the fund. The board shall manage the assets of the fund in the same manner in which it administers the retirement funds, except that separate accounting and financial reporting shall be maintained for the trust fund.
- (4) In addition to the requirements of subsection (2) of this section, the employers participating in the trust fund are limited to the Commonwealth, political subdivisions of the Commonwealth, and entities whose income is exempt from taxation under 26 U.S.C. sec. 115. No other entity may participate in the trust fund.
- (5) If the trust fund is terminated, the assets in the trust fund may revert, after the payment of all liabilities, to the participating employers as determined by the board of trustees.
- (6) The board of trustees may adopt regulations and procedures and take all action necessary and appropriate to provide that the income of the trust fund is exempt from taxation under Title 26 of United States Code.
- (7) The establishment of Kentucky Retirement Systems insurance trust fund shall not diminish or expand the rights of any recipients, employees, or dependents to health benefits.

**Effective:** June 25, 2009

**History:** Amended 2009 Ky. Acts ch. 77, sec. 21, effective June 25, 2009. -- Amended 2004 Ky. Acts ch. 36, sec. 29, effective July 13, 2004. -- Amended 2002 Ky. Acts ch. 52, sec. 15, effective July 15, 2002. -- Amended 2000 Ky. Acts ch. 385, sec. 27, effective July 14, 2000. -- Amended 1998 Ky. Acts ch. 351, sec. 1, effective July 15, 1998. -- Amended 1980 Ky. Acts ch. 97, sec. 3, effective July 15, 1980. -- Created 1978 Ky. Acts ch. 311, sec. 8, effective June 17, 1978.



## Kentucky Retirement Systems

### Statement of Investment Policy

Adopted November 20, 2013

This statement of investment policy is issued by the Board of Trustees of the Kentucky Retirement Systems (Systems) in connection with investing the pension and insurance funds of the Kentucky Employees Retirement System, the County Employees Retirement System and the State Police Retirement System. This document supersedes all prior documents entitled Statement of Investment Policy.

#### I. The Board of Trustees

The Kentucky Retirement Systems is a "Qualified Pension Plan" under Section 401 of the Internal Revenue Code and is administered by a board of nine trustees.

KRS 61.701 establishes the "Kentucky Retirement Systems Insurance Fund" as a separate fund to provide fringe benefits to recipients of the Kentucky Employees Retirement System, County Employees Retirement System and State Police Retirement System. KRS 61.702 provides that all amounts necessary to provide for insurance benefits shall be paid to the insurance fund. The Board shall administer the fund in the same manner as the retirement funds.

Six trustees are appointed by the Governor of the Commonwealth of Kentucky (two of which must be filled by persons with specific experience as required in Section 61.645.1.e.2), two trustees are elected by the membership of the Kentucky Employees Retirement System, three trustees are elected by the membership of the County Employees Retirement System, and one trustee is elected by the membership of the State Police Retirement System. The Secretary of the Personnel Cabinet is an ex-officio trustee.

The Board of Trustees authorizes and directs the appointment of an Investment Committee with full power to act for the board in the acquisition, sale and management of the securities and funds of the Systems in accordance with the provisions of the Statutes and Investment Policy of the Board. The Board shall review the actions of the Investment Committee at each quarterly Board meeting.

#### II. The Investment Committee

The Investment Committee consists of five members of the Board of Trustees. Three members of the committee are appointed by the chairperson of the Board of Trustees. In accordance with statute, two positions are filled by the Trustees that were appointed to the board as persons with specific experience (Section 61.645.1.e.2). The committee acts on behalf of the board on investment related matters.

The Investment Committee has the following oversight responsibilities:

- A. Assure compliance with this policy and all applicable laws and regulations.
- B. Approve the selection and termination of service providers.



- C. Meet quarterly to evaluate whether this policy, the investment activities and management controls and processes continue to be consistent with meeting the Systems' goals. Mandate actions necessary to maintain the overall effectiveness of the program.
- D. Review assessment of investment program management processes and procedures, and this policy relative to meeting stated goals.

### III. Staff Responsibilities

The Chief Investment Officer is responsible for administration of investment assets of the Systems consistent with the policies, guidelines and limits established by the law, this Statement of Investment Policy and the Investment Committee.

The Chief Investment Officer receives direction from and reports to the Investment Committee and the Executive Director of the Systems on all investment matters, including but not limited to the following:

- A. Maintaining the diversification and risk exposure of the funds consistent with policies and guidelines.
- B. Monitoring and assessing service providers, including annual onsite visits, to assure that they meet expectations and conform to policies and guidelines.
- C. Assess and report on the performance and risk exposure of the overall investment program relative to goals, objectives, policies and guidelines.
- D. Recommend changes to service providers, statutes, policies or guidelines as needed to maintain a productive relationship between the investment program and its goals; act as liaison on all investment related matters.
- E. Communicating with the mass media and other agencies, entities or institutions regarding investment related issues.
- F. Identify issues for consideration by the Investment Committee and prepare recommendations regarding such matters.

The Chief Investment Officer or designee is authorized to execute trades on fixed income and equity securities (including ETF's) and to execute proxies for the Board consistent with this Policy.

To carry out this Policy and investment related decisions of the Board, the Chief Investment Officer or designee is authorized to execute agreements and other necessary or proper documents pertaining to investment managers, consultants, investment related transactions or other investment functions.

### IV. Service Providers

#### A. Investment Managers

In instances where the Investment Committee has determined it is desirable to employ the services of an external Investment Manager, the following shall be applicable:

1. Investment Managers shall be qualified and agree to serve as a fiduciary to the



Systems and shall generally have been in the business of investment management for large United States institutional investors for at least three to five years.

2. Investment Managers shall manage assets in accordance with this Policy and any additional guidelines established by contract, as may be modified in writing from time to time.

#### B. Custody Bank

The Board shall hire custodians and other agents who will be fiduciaries to the Systems and who will assume responsibility for the safekeeping and accounting of all assets held on behalf of the Systems and other duties as agreed to by contract.

#### C. Investment Consultants

Qualified independent investment consultants may be retained by the Systems for asset allocation studies, asset allocation recommendations, performance reviews, manager searches and other investment related consulting functions and duties as set forth by contract.

#### D. Selection

Qualified investment managers, custody banks, investment consultants and other service providers shall be selected by the Investment Committee or Chief Investment Officer as required. The selection shall be based upon the demonstrated ability of the professional(s) to provide the required expertise or assistance. In order to create an efficient and effective process, the Investment Committee or Chief Investment Officer may, in their sole discretion, utilize RFI, RFP, third party proprietary software or database, review of existing service provider capabilities or any combination of these or other methods to select a service provider. Relevant criteria for the selection of investment managers are contained in the Transactions Procedures statement.

All contact and communication with service providers seeking a business relationship with the Systems shall be directed to the Division Director for that specific asset class. However, this rule is not applicable to existing service providers if the contact or communication is in response to an information request from the Investment Committee or if it is incidental contact not related to specific Systems business.

### V. Investment Philosophy

The Trustees of the Kentucky Retirement Systems recognize their fiduciary duty not only to invest the Systems' funds in formal compliance with the Prudent Person Rule but also to manage those funds in continued recognition of the basic long term nature of those systems. The Trustees interpret this to mean, in addition to the specific guidelines and restrictions set forth in this document, that the assets of the three systems shall be proactively managed -- that is, investment decisions regarding the particular asset classes, strategies, and securities to be purchased or sold shall be the result of the conscious exercise of discretion.

The Trustees recognize that, commensurate with their overall objective of maximizing long-range return while maintaining a high standard of portfolio quality and consistency of return, it is necessary that proper diversification of assets be maintained both across and within the classes of securities held



to minimize/mitigate overall portfolio risk. Consistent with carrying out their Fiduciary Responsibilities and the concept of Modern Portfolio Theory, the Trustees will not systematically exclude any investments in companies, industries, countries, or geographic areas unless required to do so by statute. Within this context of proactive management and the necessity for adherence to proper diversification, the Trustees rely upon appropriate professional advice from multiple service providers.

The Trustees and other fiduciaries shall discharge their duties with respect to the Systems: (1) solely in the interest of the participants and beneficiaries; (2) for the exclusive purpose of providing benefits to participants and beneficiaries; (3) with the care, skill and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose; (4) impartially; (5) incurring and paying appropriate and reasonable expenses of administration and (6) in accordance with a good faith interpretation of the laws, regulations and other instruments governing the Systems.

Additionally, the Trustees and other fiduciaries shall not engage in any transaction which results in a substantial diversion of the Systems income or assets without adequate security and reasonable rate of return to a disqualified person or in any other prohibited transaction described in Internal Revenue Code Section 503(b).

## VI. Investment Objectives

The Board of Trustees realizes that prudent investment management is a duty. In fulfillment of this duty, the Board of Trustees recognizes that while long-term objectives are important, it is also necessary that short-term benchmarks be used to assess the periodic performance of the investment program.

Accordingly, the Board of Trustees has established the following investment objectives:

- Long-Term:
  - The total assets of the Systems should achieve a return which exceeds the actuarially required rate of return of 7.75%.
  - In addition to exceeding the actuarially required rate of return, the total fund return should exceed the return achieved by its blended performance benchmark.
- Short-Term:
  - The returns of the particular asset classes of the System, measured on a rolling basis, should seek to exceed the returns achieved by comparable passive market indices as described in the appropriate Addendum of this statement.

## VII. Derivative Securities and Leveraging

### **Definition:**

A derivative is broadly defined as a financial instrument whose value, usefulness, and marketability is derived from or linked to the value of an underlying security.

Definitions and examples in the investment universe include:



**Forward Contracts** - a forward contract is a non-standardized, Over-the-Counter (OTC) contract between two parties, governed by ISDA agreements, to buy or sell an asset at a specified future time at a price agreed to today. This is in contrast to a spot contract, which is an agreement to buy or sell an asset at a set price today. It costs nothing to enter a forward contract. The party agreeing to buy the underlying asset in the future assumes a long position, and the party agreeing to sell the asset in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into. An example of a forward contract is a currency forward contract. Currency forward contracts are commonly used to hedge foreign currency risk, which is an inherent risk of investing in international assets.

**Futures Contracts** - a futures contract is a standardized, exchange traded contract between two parties to buy or sell a specified asset of standardized quantity and quality at a specified future date at a price agreed to today (the futures price). Futures contracts are not "direct" securities like stocks, bonds, rights or warrants. The party agreeing to buy the underlying asset in the future assumes a long position and the party agreeing to sell the asset in the future assumes a short position. Futures may be settled in cash or physically settled depending on the characteristics of the underlying asset and the specifications of the contract. If futures are physically settled the buyer must make arrangements for taking physical delivery. An example of a futures contract is the S&P 500 Futures contract which is traded at the Chicago Mercantile Exchange. The S&P 500 futures contract is commonly used for equitization of cash held in the equity portfolio of a fund so as to keep un-invested cash levels at a minimum. Futures contracts have many other uses for portfolio managers and are considered a valuable tool for adding flexibility and cost effectiveness to the management of a portfolio.

**Options** - Options are derivative financial instruments that may be standardized, exchange traded, or OTC contracts that specify a contract between two parties for a future transaction on an asset at a reference price. The buyer of the option gains the right, but not the obligation, to engage in that transaction, while the seller incurs the corresponding obligation to fulfill the transaction. The price of an option is derived from the difference between the reference price and the value of the underlying asset (commonly a stock, a bond, a currency or a futures contract) plus a premium based on the time to maturity, expected volatility, and the interest rate environment. Other types of options exist, and options can in principle be created for any type of valuable asset.

An option which conveys the right to buy an asset is called a call; an option which conveys the right to sell an asset is called a put. The reference price at which the underlying asset may be traded is called the strike price or exercise price. The process of activating an option and thereby trading the underlying asset is referred to as exercising it. While there are several styles of option contracts the two most common are American-style contracts and European-style contracts. American-style options contracts may be exercised at or before expiration while European-style options may only be exercised at expiration. Most options have an expiration date while others have strike reset points. If the option is not exercised by the expiration date, it becomes void and worthless.

In return for assuming the obligation, called writing the option, the originator of the option collects a payment, a premium, from the buyer. The writer of an option must make good on delivering (or receiving) the underlying asset or its cash equivalent, if the option is exercised.

An example of an option contract is an S&P 500 put contract. These contracts may be used by a portfolio manager to purchase downside portfolio protection or may be combined with other options contracts to temper volatility in the portfolio, thus reducing risk.

**Swaps and Swaptions** – Swaps are derivative financial instruments in which counterparties exchange certain benefits of one party's financial instrument for those of the other party's financial instrument. (Swaptions are simply options on swaps) Most swaps are non-standardized, OTC contracts between two parties and are governed by ISDA agreements. Some types of swaps are also exchanged on public markets such as the Chicago Mercantile Exchange, the Chicago Board Options Exchange, Intercontinental Exchange and Frankfurt-based Eurex AG. The benefits of a swap depend on the type of financial instruments involved. At the initiation of a swap contract, two counterparties agree to exchange one stream of cash flows against another stream. These streams are called the legs of the swap. The swap agreement defines the dates when the cash flows are to be paid and the way they are calculated. Usually at the time when the contract is initiated, at least one of these series of cash flows is determined by a reference point such as an interest rate, foreign exchange rate, equity price or commodity price. The cash flows are calculated on a notional principal amount, which is usually not exchanged between counterparties. Value transfers can be made with cash or collateral depending on contract terms.

An example of a swap contract is an interest rate swap. An interest rate swap is an agreement to exchange a series of cash flows on periodic settlement dates over a certain time period. The duration properties of interest rate swaps are the primary reason for their popularity as an effective portfolio management tool for fixed income managers. If a fixed income manager agrees to pay a floating rate and receive a fixed rate in a swap, s/he will be increasing duration in her/his portfolio.

**Warrants** - a warrant is a type of derivative security that entitles the holder to buy or sell the underlying stock of the issuing company at a fixed exercise price until the expiry date. Warrants may be either exchange traded or OTC in nature. OTC Warrants are typically long term in nature.

Warrants are frequently attached to bonds (to reduce interest rates for the issuer) or preferred stock (to reduce dividend payments) as a sweetener. Warrants can also be used in private equity deals. Frequently, these warrants are detachable, and can be sold independently of the bond or stock. (Typically traded OTC)

*This list is not intended to be an all encompassing list of derivative contracts available for use in the portfolios, but rather, to display a sample of the most common types of contracts and describe the spirit of their intended use in the portfolios.*

### **Derivatives Permitted Use:**

KRS permits external managers and Investment Division (Staff) to invest in derivative securities, or strategies which make use of derivative investments, for exposure, cost efficiency and risk management purposes, if such investments do not cause the portfolio to be leveraged beyond a 100% invested position. Any derivative security shall be sufficiently liquid that it can be expected to be sold at, or near, its most recently quoted market price. Typical uses of derivatives in the portfolio are broadly defined below:

**Exposure:**

Derivatives are an effective way for a portfolio manager to gain exposure to a security that the manager does not want to purchase in the cash market. Reasons for gaining exposure to a security through the use of derivatives may include cheaper transactions costs, liquidity/lack of supply in the underlying market, and the flexibility to implement investment views with minimum portfolio disruption. An example is a cash equitization program.

**Cost Efficiency:**

Derivatives are often used due to the cost efficiency associated with the contract properties. Given the fact that derivatives can be used as a form of insurance, upfront trading costs must be sufficiently low for investors to purchase the contract and insure their portfolios efficiently. Furthermore, due to properties associated with derivatives and cash outlay characteristics (minimal cash outlay at inception of the contract) derivatives are generally a vehicle of gaining cost efficient exposure. An example is the cost (zero) to purchase a futures contract.

**Risk Management:**

Derivatives can be used for mitigating risk in the portfolio. When used as a risk management tool, derivatives can significantly reduce an identified financial risk or involuntary risk from investment areas by providing changes in fair values or cash flows that substantially offset the changes in fair values or cash flows of the associated item being hedged. An example is the use of currency forwards to offset periods of dollar strength when international equity markets increase in value, thereby protecting foreign asset gains in the portfolio.

**Derivatives Restricted Use:****Settlement:**

Investments in futures contracts are to be cash settled unless physically settled and stored by external managers. At no time shall KRS agree to take physical delivery on a futures contract.

**Position Limits:**

Futures and options positions entered into by KRS, or on its behalf, will comply with all position and aggregate limits established by the local governing authorities within each jurisdiction.

**Investment:**

Investments in securities such as collateralized mortgage obligation (CMO), planned amortization class (PAC) issues, interest only (IO), principal only (PO), inverse floater, or structured note securities are prohibited unless specifically allowed in a manager's contract and delineated in the manager's guidelines. They will only be allowed if, in the judgment of the investment manager, they are not expected to be subject to large or unanticipated changes in duration or cash flows. IO, PO, inverse floaters, and structured note securities are not allowed for use in cash or core fixed income portfolios.



### **Over-the-Counter (OTC):**

Investments in securities not traded on public exchanges that are deemed Over-the-Counter (OTC) in nature are allowed provided that a counterparty risk monitoring component is delineated in the manager's guideline section of the manager's contract. All counterparties must have a short-term credit rating of at least A- (Standard and Poor's or Fitch) or A3 (Moody's).

All OTC derivative transactions, including those managed through Agency Agreements, must be subject to established International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements and have full documentation of all legal obligations of KRS under the transactions. All ISDA Master Agreements entered into by or on behalf of KRS by the Investment Division (Staff) and external manager pursuant to an Agency Agreement shall provide that Netting applies. (Netting allows the parties to an ISDA Master Agreement to aggregate the amounts owed by each of them under all of the transactions outstanding under that ISDA Master Agreement and replace them with a single net amount payable by one party to the other.) The Investment Division (Staff) and external managers may also use collateral arrangements to mitigate counterparty credit or performance risk. If an external manager utilizes a collateral arrangement to mitigate counterparty credit or performance risk the arrangement shall be delineated in the manager's guideline section of the manager's contract.

### **Derivatives Applications Not Permitted:**

#### **Speculation:**

Except for investments in alternative, absolute return investments, and real return investments, derivatives may not be used for any activity for which the primary purpose is speculation or to profit while materially increasing risk to KRS. Derivatives are considered speculative if their uses have no material relation to objectives and strategies specified by KRS IPS or applicable to the portfolio. Derivatives may not be used for circumventing any limitations or restrictions imposed by the KRS IPS or applicable regulatory requirements.

#### **Leverage:**

Leverage is inherent in derivative contracts since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the cash markets, where in most cases the cash outlay is equal to the asset acquired, derivative investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional cash market portfolio. Therefore, risk management and control processes must focus on the total risk assumed in a derivative investment. Leveraging for purposes of enhancing yield or total return is expressly prohibited except for investments in alternative and absolute return investments, and real return investments. Furthermore, the use of leveraged ETF's as a means to circumvent derivatives applications not permitted is expressly forbidden. Investment managers in alternative, absolute return investments, and real return investments strategies are granted the authority to engage in positive leverage to the extent authorized in their offering memorandum and delineated in the manager's guideline section of the manager's contract.

*The above is not intended to limit KRS from borrowing to cover short-term cash flow needs nor prohibit KRS from loaning securities in accordance with a securities lending agreement.*

## VIII. Asset Allocation Guidelines

In establishing asset allocation guidelines the Board recognizes that each system has its own capacity to tolerate investment volatility, or risk. Therefore, each system has been studied and asset allocation guidelines have been established on a system by system basis. The Board will cause the asset allocation guidelines of each system to be reviewed annually. The Board will also undertake an asset liability study every three to five years as determined by program needs.

The intent of the Board of Trustees in allocating funds to the investment managers is for the investment managers to fully invest the funds. However, the Board of Trustees is aware that from time to time the investment manager will require a portion of the allocated funds to be held in cash provided the cash holdings do not exceed three percent (3%) of the manager's allocation for any given quarter, unless such cash holdings are an integral part of a fixed income manager's investment strategy.

The individual plan level asset allocations of the each Pension and Insurance Fund constituent will be reviewed monthly by staff relative to its target asset class allocation. Staff shall reallocate the assets when the actual asset class allocation is within one percentage point of the allowable range boundary, but may also opportunistically reallocate when the actual asset class allocation exceeds the target asset class allocation by a margin of +/- 1 percentage points. See Appendix A and B for current asset allocation targets.

In keeping with its responsibility as trustee and wherever consistent with its fiduciary responsibility, the board encourages the investment of the fund's assets in investments, funds, and securities of corporations which provide a positive contribution to the economy of the Commonwealth of Kentucky. However, where any security is not a prohibited investment under the governing laws and policies, discretion will be granted to the appointed investment managers in the selection of such securities and timing of transactions consistent with the following guidelines and restrictions.

### A. Domestic Equity Investments

Investment may be made in common stock, securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant ETF's or any other type of security contained in a manager's benchmark. Each individual domestic equity account shall have a comprehensive set of investment guidelines prepared, which contains a listing of permissible investments, portfolio restrictions and standards of performance for the account.

The internally managed equity index funds are intended, consistent with the governing plan documents, to gain exposure to a broad asset sector to replicate the characteristics of the asset class, to minimize administrative expenses and to help achieve overall portfolio objectives. These objectives can be achieved through several management techniques, including but not limited to, portfolio optimization, non-reinvestment of index dividends and other management techniques intended to help achieve the objectives of the entire pension fund.



## B. International Equity Investments

Investments may be made in common stock, securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant ETF's or any other type of security contained in a manager's benchmark. Each individual international equity account shall have a comprehensive set of investment guidelines prepared, which contains a listing of permissible investments, portfolio restrictions and standards of performance for the account.

The internally managed equity index funds are intended, consistent with the governing plan documents, to gain exposure to a broad asset sector to replicate the characteristics of the asset class, to minimize administrative expenses and to help achieve overall portfolio objectives. These objectives can be achieved through several management techniques, including but not limited to, portfolio optimization, non-reinvestment of index dividends and other management techniques intended to help achieve the objectives of the entire pension fund.

## C. Fixed Income Investments

Fixed Income investments will be similar in type to those securities found in the KRS fixed income benchmarks and the characteristics of the KRS fixed income portfolio will be similar to the KRS fixed income benchmarks. The fixed income accounts may include, but are not limited to the following fixed income securities: U.S. Government and Agency bonds, investment grade U.S. corporate credit, investment grade non-U.S. corporate credit, non-investment grade U.S. corporate credit including both bonds and bank loans, non-investment grade non U.S. corporate credit including bonds and bank loans, municipal bonds, non-U.S. sovereign debt, mortgages including residential mortgage backed securities, commercial mortgage backed securities, and whole loans, asset-backed securities, and emerging market debt including both sovereign EMD and corporate EMD and asset class relevant ETF's.

Each individual fixed income account shall have a comprehensive set of investment guidelines prepared, which contains a listing of permissible investments, portfolio restrictions, risk parameters, and standards of performance for the account.

## D. Private Equity Investments

Subject to specific approval of the Investment Committee of the Board of Trustees, investments may be made for the purpose of creating a diversified portfolio of alternative investments. Examples of such investments include, but are not limited to, venture capital partnerships, private equity, leveraged buyouts and funds, private debt, timberland, oil and gas partnerships, commodities and private placements. While it is expected that the majority of these assets will be invested within the United States, a portion has been allocated to non-US investments. These non-U.S. investments are not restricted by geography.



### **Guidelines for Private Equity**

The private equity market is highly sophisticated and specialized with respect to variety and types of investment structures. There exist major competition for deal flow on the part of both investor and general partners. To a great extent, market forces drive the bargaining of economic terms. Most investment vehicles are structured as commingled vehicles and often blind pool investment partnerships. The most common offering forms are equity private placements where the governing laws of the partnership impose a passive role of the limited partner investor. These contractual arrangements are long-term in nature and provide the general partner or sponsors a reasonable time horizon to wisely invest capital, add value through intensive operational management, then realize the proceeds of such an investment. Moreover, terms of the partnership are proposed by the general partner are critical to the economic incentives and ultimate net performance of the partnership.

Over the long term, KRS will use a specified index plus risk premium approach.

### **Investment Strategy and Plan Guidelines**

To strengthen the diversification of the investments, several guidelines will be utilized in Staff's formulation and recommended annual investment strategy and plan. These guidelines encompass annual commitment levels to the asset class, types of investment vehicles that can be utilized, controlling financing stage risks, industry, manager and geography concentration/diversification limits, acceptable contact negotiations, appropriate sizes for investments, and the preferred alignment of interests.

***Investment Vehicles:*** KRS will gain exposure to private equity investments by hiring external investment managers either directly or through participation in secondary private equity markets. Typically, the Fund will subscribe as a Limited Partner to limited partnership vehicles sponsored by such specialty external investment managers. KRS may also gain exposure by utilizing the following vehicles: limited liability companies and co-investments alongside the Fund's existing or potential limited partnerships.

***Investment Timing Risks:*** Staff should limit the potential for any one investment to negatively impact the long-term results of the portfolio by investing across business cycles. Moreover, the portfolio must gain exposure to the array of financing stages by opportunistically exploiting the best investments at different stages of the business cycle. Staff may also consider purchasing secondary partnership interests to shorten the effective life of the partnership interest and therefore positively impacting the current and long term net return of the portfolio. In addition, mindful of vintage year diversification, KRS should seek to identify attractive commitments annually, further ensuring the portfolio invests across business cycles.

***General Partner Diversification:*** Staff will seek to work with a variety of general partners due to their specialized expertise in particular segments of the private equity market and source of their deal flow. No more than fifteen (15) percent of the Fund's total allocation to private

equity investments may be committed to any one partnership, without the approval of the Board.

**Geographical Diversification:** To ensure geographical diversification, the target range for total commitments outside of the United States will be 15-45% through commitments to funds located and or investing both in and outside of the United States.

**Industry/Sector Concentration:** As fallout of diversified commitments outlined above, it is expected that the portfolio will be generally diversified by sector/industry. KRS will maintain diversification by ensuring:

No more than 35% of total net assets of the private equity portfolio may be invested in a single sector of the domestic economy.

No more than 50% of total net assets of the private equity portfolio may be invested in a single industry within a particular sector.

No more than 10% of total net assets of the private equity portfolio may be invested in any single equity or debt related assets.

### **Subcategory Strategy**

The private equity portfolio includes strategic subcategory classifications including venture capital, buyouts and debt-related. The target percentages set forth below for each category are based on invested capital. For specific plan allocations to Private Equity, Please refer to Appendix A for the Pension funds and Appendix B for the Insurance funds. All plans will have a policy range of 5% and KRS staff shall periodically review policy ranges targets.

The following sub-asset target allocations are based on market value and will have a range of +/- 10%:

| <b>Sub-Category</b> | <b>Target Allocations</b> | <b>Ranges</b> |
|---------------------|---------------------------|---------------|
| Venture Capital     | 20.0%                     | 10-30%        |
| Buyouts             | 60.0%                     | 50-70%        |
| Debt-Related        | 20.0%                     | 10-30%        |

### **E. Real Estate Investments**

Subject to specific approval of the Investment Committee of the Board of Trustees, Investments may be made in equity and debt real estate for the purpose of achieving the highest total rate of return possible consistent with a prudent level of risk. Allowable real estate investments include open-end and closed-end commingled real estate funds, joint venture investments, public and private REITs (real estate investment trusts), public real estate operating companies, and real estate related debt.

Private real estate investments are unique and can be illiquid and long term in nature. Given

that this may lead to large short term performance discrepancies versus public benchmarks, KRS more appropriately measures its real estate investments based on both relative return and absolute return methodologies:

*Relative Return:* The real estate portfolio is expected to generate returns, net of all fees and expenses, in excess of the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity Index (“NCREIF ODCE”) lagged 1 month.

*Absolute Return:* The long term real return objective (returns adjusted for inflation) for the KRS real estate portfolio is five percent (5%), net of investment management fees. This return shall be calculated on a time-weighted basis using industry standard reporting methodologies.

KRS has determined that the primary role of the real estate asset class is to provide for the following:

- Attractive risk adjusted returns through active management and ability to access managers with the expertise and capabilities to exploit market inefficiencies in the asset class.

The illiquid nature of real estate investments combined with the complexity of investments makes it difficult for casual investors to effectively access the asset class effectively.

It is the belief that through active management and by investing in top tier managers with interests aligned through co-investment and incentive based compensation, KRS can maximize its risk adjusted returns.

This active management approach will be pursued.

- Diversification benefits through low correlations with other asset classes, primarily the U.S. equity markets.
- Provide a hedge against unanticipated inflation, which real estate has historically provided due to lease structures and the increases in material and labor costs during inflationary periods.
- Permit KRS to invest in unique opportunities that arise due to dislocations in markets that occur from time to time.

#### Allocation to Real Estate Asset Class

KRS divides the real estate investment universe into core, value-add, opportunistic and public securities sectors, with descriptive attributes of each listed below. It should be noted that targeted returns for each sector denoted in the descriptions below are based on industry

guidelines and may vary based on different points in market cycles and changes in general inflation levels.

#### A. Core Properties

- Operating, substantially leased office, retail, industrial or apartment properties. Several alternative property types may be included in Core such as self-storage, medical office, ground leases, senior housing and triple net leased properties to the extent they exhibit similar risk and return attributes to the traditional Core property types.
- Generally have institutional qualities for size, physical attributes and location.
- Target total returns of 7%-9% per year (net of fees and promoted interest), with a high proportion of the total return to be generated from current income and a small proportion of the total return generated from appreciation.
- Leverage for core properties is moderate with an upper limit of 50% loan to value.

#### B. Value Added Properties

- Office, retail, industrial or apartment properties that have moderate risk associated with their investment. Several alternative property types may be included in Value-Added such as self-storage, medical office, senior housing and triple net leased properties to the extent they exhibit similar risk and return attributes for Value-Added investments.
- Value-Added investments are targeted to capitalize on defects with specific properties that can be identifiable and correctable through leasing, re-development, management and/or recapitalization.
- Target returns for value added investments are 9% to 12% per year (net of fees and promoted interest).
- Leverage for value added investments is generally limited to approximately 65% loan to value.

#### C. Opportunistic Investments

- Opportunistic investments can be comprised of any property sector. Opportunistic investments can include office, retail, industrial and apartments with high-risk attributes. In addition, hotels, operating companies, development, land and distressed properties are all examples of opportunistic investments
- Leverage for opportunistic investments can be 75% loan to value or higher in certain cases.



- Opportunistic investments will target returns in excess of 12% (net of fees and promoted interest) in order to compensate for the additional risk commensurate with the increased risk compared to core property investments.

#### D. Public Securities

- Public Real Estate securities ("Public Securities") do not allow for control over the assets or management. Examples of public securities may include REITs and CMBS, among others. Investment strategies using public securities may be classified as core, value-add, or opportunistic strategies based on the characteristics of those specific investments and are reviewed on a case by case basis. Real estate strategies utilizing public securities that provide daily liquidity to KRS shall be required to be classified as "Public Securities" under the Investment Policy Statement.
- Public Securities generally have higher risk and return characteristics than Core properties due to higher leverage and operating company risks. In addition, the daily pricing of securities result in additional reported volatility of returns.
- Daily pricing and public market trading provide liquidity. However, due to small float and limited market capitalization of Public Securities, improved liquidity may come at a price.
- The emergence of the international Public Securities market has broadened the universe to include Asia, European, Australian and North American property companies.
- Expected returns are approximately 9%-11% (net of fees) over a 10-year period and 11-13% (net of fees) for non-U.S. Public Securities.

#### Diversification and Risk Management Guidelines

The policy ranges for the real estate portfolio sectors have been set with reasonably wide ranges in order to allow KRS to capitalize on market inefficiencies and attractive opportunities, while also maintaining a certain level of low risk stability to the portfolio. Since many of the real estate investments will be private market investments in commingled funds, KRS will not have precise control over the actual real estate exposure. Funding, de-funding and rebalancing the portfolio may be protracted (like private equity) due to the asset classes illiquid characteristics.

#### A. Sector Diversification

KRS will seek to limit investments using the following diversification limits:

|                    | Target | Range      |
|--------------------|--------|------------|
| Core:              | 70%    | 50% to 90% |
| Value Added:       | 20%    | 10% to 30% |
| Opportunistic:     | 10%    | 0% to 20%  |
| Public Securities: | 0%     | 0% to 20%  |

#### B. Investment Vehicles

Due to the size of KRS's portfolio, the preferred investment structure is commingled funds. Exceptions may be for public equity accounts which may be efficiently invested through a separate account or single property investments. Single property investments shall be limited to no more than 5% of the total real estate allocation.

KRS may also consider co-investment opportunities in cases where discounted fees and appropriate diversification can be achieved for a particular investment opportunity.

#### C. Diversification

KRS will seek to control risk in its real estate investment program by diversifying its investments by investment manager, property type and location diversification.

#### D. Investment Manager

KRS will limit the amount committed to any one investment manager to the larger of twenty percent (20%) of the total allocation for real estate investments or 1% of the total funds value at the time of commitment.



#### E. Property Type Diversification

KRS will seek to limit investments by property type diversification using the following limits:

Office: 0% to 40% of the total allocation

Retail: 0% to 40% of the total allocation

Apartment: 0% to 40% of the total allocation

Industrial: 0% to 40% of the total allocation

F. Other: 0% to 40% of the total allocation (other includes hotels, self-storage, parking, etc.)

#### Geographic Diversification

The KRS real estate portfolio shall seek to include investments diversified across various locations with different economic concentrations. The portfolio shall be at least 80% invested in U.S. markets.

Diversification will be monitored with respect to major regional areas; e.g. Pacific, Mountain, Southwest, Southeast, Mideast, Northeast, East North Central, West North Central. International monitoring will be carried out in a similar fashion as that used domestically.

#### G. Total Leverage

KRS recognizes that leverage is an inherent component of real estate investments and use of leverage can be an effective means to increase overall returns from time to time on a risk-adjusted basis. There will be a limit of 65% of the total portfolio placed on the use of leverage.

All portfolio leverage will be secured through the individual fund investments. There will be no recourse debt permitted.

#### H. Vintage Year Risks

KRS will seek to avoid any concentrated vintage year risks.

#### F. Real Return Investments

The purpose of the Real Return Portfolio is to identify strategies that provide both favorable stand alone risk-adjusted returns as well as the benefit of hedging inflation for the broader plans. Real return strategies are not necessarily a separate asset class but may include real assets, such as infrastructure, real estate, commodities, and natural resources among others, as well as financial assets that have a positive correlation to inflation. This can include “real” bonds such as TIPs (and other inflation linkers) or “real” stocks such as REITs, MLPs, and oil & gas stocks. Additionally, real return managers may attempt to add value by tactically allocating to various

asset classes according to how each asset class performs across an economic cycle and the manager's perception of where we are in the cycle. The goal is to invest in inflation sensitive assets during inflationary periods, and avoid those assets in deflationary periods, thus providing a positive real return across the cycle.

The real return opportunity set may include numerous vehicles to access a wide variety of investment styles and strategies. These investment vehicles may include mutual funds, ETFs, separately managed accounts as well as hedge funds (open-end limited partnerships) and private equity (close-end limited partnerships). The list of strategies that the KRS Real Return Portfolio may use includes, but is not limited to, the following:

- GTAA (Global Tactical Asset Allocation)/ Global Macro: GTAA or macro strategies are those that make directional bets on major markets or asset classes instead of individual securities. GTAA and macro strategies typically invest in all major assets classes including equity markets, credit and debt instruments, currencies/interest rates, and commodities. These strategies tend to focus on economic factors that would suggest an opportune time to invest in a given asset class, and will change their allocations actively over time. Within a real return portfolio, these strategies may use inflation as the economic factor to gain exposure to and will target a real rate of return over time.
- Inflation Linked Securities are securities that directly tie coupon payments or principal increases to an inflation index, such as CPI. These strategies could include not only US TIPs, but also global sovereign inflation linked bonds, corporate or infrastructure inflation linked bonds, and possibly short duration floating rate bonds.
- Inflation Sensitive Equities include publicly traded equity and equity related securities in companies which have a high sensitivity to inflation in their profit margins via the nature of their operating assets, such as energy companies, basic materials and miners, natural resource stocks, and listed infrastructure. This category can also include REITs, MLPs as well as ETFs and index products on REITS, MLPs, natural resource stocks, etc.
- Commodities: Commodities are the raw materials that are physical inputs into the production process. Managers that invest in liquid commodity strategies using exchange traded futures can span from simple indexing (matching a long-only commodities index), to enhanced indexing or active long (selecting positions that vary from the index but within fairly tight ranges), as well as unconstrained long-short managers.
- Private Property: For the purposes of this policy, private property refers to the ownership of an idiosyncratic, physical asset that is predominately fixed and/or permanent or at least substantially long-lived. This includes real estate, such as land and any improvements to or on the land, as well as timberland and farmland. Timberland investing involves the institutional ownership of forest for the purpose of growing and harvesting the timber. The timber may be used for furniture, housing lumber, flooring, pulp for paper, woodchips, and charcoal, among other things. Farmland investing entails ownership of land used primarily if not exclusively for agricultural production both for crops, including row crops and permanent crops, as well as livestock. Private property can also include infrastructure investing, which refers to financing the manufacture or development of the underlying fundamental

assets and basic systems that are necessary for an economy whereby such assets are largely fixed and long-lived. These tend to be high cost, capital intensive investments that are vital to a society's prosperity and facilitate the transfer, distribution, or production of basic goods and services.

- **Natural Resources:** Natural resources can include investing in the financing, development, extraction, and production of minerals, basic materials, petroleum products, and water as well as renewable resources such as agricultural commodities and solar energy. As opposed to property, the returns generated in these investment strategies come more from the actual production of the resource itself. Further, these are depleting and/or consumable assets that are also portable and fungible and which in the aggregate comprise a majority of the inputs into most measurements of inflation.
- **Private Assets:** Private assets can include tangible or intangible assets that are not easily sold in the regular course of a business's operations for cash, and which are held for their role in contributing directly to the business's ability to generate profit. As the useful life of the asset tends to extend across many years and the assets tend to be capital intensive as well, they have some similarity to private infrastructure. Further, given that the assets contribute directly to the production process as well as often retaining intrinsic value, there is a fundamental link to inflation somewhat similar to natural resources.
- **Other (Opportunistic Inflation Hedge):** Other/opportunistic strategies include those that have a propensity to provide a positive real return or positive correlation with inflation over time. Liquid strategies such as inflation swaps, diversified inflation hedging mutual funds, or nominal bonds backed by inflation sensitive assets may be included in this allocation, while other illiquid strategies that may provide the same real profile can include private equity in inflation sensitive companies, hard asset-backed private credit, and structured inflation-linked products among others.

The Real Return allocation shall seek to achieve the following:

- 1) **Short-term benchmark:** For periods less than five years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the appropriate benchmark (the weighted average return of the underlying investment benchmarks) annually over a complete market cycle, net of all investment management fees.
- 2) **Strategic benchmark:** For periods greater than five years or a full market cycle, the allocation should not only outperform the short-term benchmark, but also achieve a rate of return that exceeds the appropriate long-term benchmark (CPI + 300 basis points) as well.

### **Portfolio Guidelines**

No more than 35% of the total net assets of the Real Return portfolio may be invested in any one registered investment vehicle, mutual fund, or separately managed account.

No more than 15% of the total net assets of the Real Return portfolio may be invested in any single closed-end or open-end limited partnership or other unregistered investment vehicle.

No investment in any commingled open-ended limited partnership may account for more than 20% of the net assets in that limited partnership.

No investment with any one single manager may account for more than 25% of that manager's total assets under management.

Policy allocations and ranges for strategies in the Real Return portfolio as a whole are as below.

The liquid real assets portfolio will be diversified according to the following strategy allocations:

| <b>Liquid Real Assets Portfolio</b> | <b>Allocation Targets</b> | <b>Range</b> |
|-------------------------------------|---------------------------|--------------|
| GTAA/Global Macro                   | 35.0%                     | 15% to 40%   |
| Inflation Linked Securities         | 30.0%                     | 15% to 40%   |
| Natural Resource Equities           | 20.0%                     | 5% to 30%    |
| Commodities                         | 15.0%                     | 0% to 25%    |
| Opportunistic liquid                | 0.0%                      | 0% to 10%    |

The illiquid real assets portfolio will be diversified according to the following strategy allocations:

| <b>Illiquid Real Assets Portfolio</b> | <b>Allocation Targets</b> | <b>Range</b> |
|---------------------------------------|---------------------------|--------------|
| Property                              | 20.0%                     | 0% to 35%    |
| Natural Resources                     | 45.0%                     | 15% to 65%   |
| Private Assets                        | 25.0%                     | 0% to 35%    |
| Opportunistic illiquid                | 10.0%                     | 0% to 20%    |

The relative allocations to the liquid and illiquid portfolios will be determined according to each individual plan's liquidity needs, funding status, and allocation targets on an investment by investment basis. However, no plan shall invest more than 50% of the Real Assets Allocation into the Illiquid Real Assets Portfolio.

Further, in order to ensure sufficient diversification by investment style, the Illiquid Real Asset Portfolio as a whole will be diversified according to style allocations below:



| <b>Style Allocations</b> | <b>Allocation Targets</b> | <b>Range</b> |
|--------------------------|---------------------------|--------------|
| Core                     | 40.0%                     | 25% to 50%   |
| Value Add                | 30.0%                     | 20% to 40%   |
| Opportunistic            | 30.0%                     | 20% to 40%   |

#### G. Cash Equivalent Securities

Selection of particular short-term instruments, whether viewed as liquidity reserves or as investment vehicles, should be determined primarily by the safety and liquidity of the investment and only secondarily by the available yield. The following short-term investment vehicles are considered acceptable:

Publicly traded investment grade corporate bonds, variable rate demand notes, government and agency bonds, mortgages, municipal bonds, and collective STIFs, money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper) and repurchase agreements relating to the above instruments. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service. In cases where the instrument has a split rating, the lower of the two ratings shall prevail. All instruments shall have a maturity at the time of purchase that does not exceed two years. Repurchase agreements shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur. Variable rate securities shall be deemed to have a maturity equal to the time left until the next interest rate reset occurs, but in no case will any security have a stated final maturity of more than three years.

The Systems' fixed income managers that utilize cash equivalent securities as an integral part of their investment strategy are exempt from the permissible investments contained in the preceding paragraph. Permissible short-term investments for fixed income managers shall be included in the investment manager's investment guidelines.

#### H. Absolute Return Strategies

The purpose of the Absolute Return Portfolio is to identify strategies that provide both favorable stand-alone risk-adjusted returns as well as the benefit of diversification for the overall plan. Absolute return strategies, by definition, are not necessarily a separate asset class, but broaden the opportunity set within existing asset classes such as stocks, bonds, currencies and commodities by going both long and short, employing derivatives and leverage, shortening and extending investment horizons, and moving across public and private markets, amongst others. By focusing on the idiosyncratic risks of security selection and often attempting to minimize systematic market risks through hedging activities, absolute return managers can make investment decisions unconstrained by restrictive relative benchmarks such as the S&P 500 or Barclay's Aggregate Bond Index, and add value to portfolios by achieving favorable risk-adjusted returns in most market environments while also reducing overall plan volatility.

The absolute return opportunity set is generally considered to include hedge funds and other strategies attempting to achieve positive returns without heavy reliance on the assumption of traditional

systematic risk factors. Investment vehicles used to access this opportunity set can include limited partnerships, but also mutual funds, ETFs, and separately managed accounts, amongst others. Absolute return strategies are extremely heterogeneous, as managers have both greater variability within a strategy and the flexibility to evolve across styles and asset classes. This is a key benefit of absolute return; however, it also makes strategy classifications less meaningful and manager selection significantly more important. It also necessitates relatively broader allowable strategy ranges than in other more traditional asset classes.

The list of strategies that the KRS Absolute Return Portfolio may utilize includes, but is not limited to:

- **Equity Strategies:** Equity based hedge funds are those which primarily purchase listed stocks, long and short, using no to substantial leverage. These strategies may differ across multiple styles such as broad or sector based mandates, geographically focused or global, concentrated versus diversified, long biased or market neutral, or short term trading versus longer term fundamental. Sub-strategies in this category would include fundamental long/short equity, short bias, tactical trading, and equity market neutral.
- **Event Driven:** Event driven strategies also invest in the securities of corporate issuers, including stocks and corporate bonds. However, these strategies will invest based upon specific corporate actions that will change the value of these securities including mergers, spin-offs, tender and exchange offers and bankruptcy or restructuring. These strategies can be flexible across equity/credit, long/short as well as other style characteristics noted earlier. Another critical differentiator among event driven strategies is whether they pursue primarily hard versus soft catalysts. Examples of sub-strategies in this category include merger arbitrage, shareholder activism, multi-strategy event, special situations, and opportunistic value/soft catalyst.
- **Credit Strategies:** Credit strategies are those which focus on the debt side of the capital structure. They may have equity exposure, but the vast majority of the portfolio is invested in credit securities. Similarly, these strategies may be long biased or more hedged, may be more fundamentally based or more quantitative, focus on paying versus non-performing, and shorter term trading versus longer term focused. However, some funds may be focused on structured credit markets, including RMBS and CMBS, and others may move opportunistically across various credit segments. Sub-strategies may include long/short corporate credit, structured credit, and distressed securities.
- **Relative Value:** Relative Value strategies are those that do not invest in the intrinsic value of any individual security, but rather research the historical and/or mechanical relationships between related securities and invest in the spread. For example, they may bet on one bond being overvalued relative to another bond from the same issuer. These strategies are almost always market neutral, but may vary from moderately to highly leveraged, concentrated versus diversified, or from HFT (high frequency trading) to a longer term investment horizon. Examples of sub-strategies in this category include fixed income arbitrage, convertible arbitrage, and statistical arbitrage.



- **Multi-Strategies:** Multi-Strategy hedge funds are those which will actively employ several of the other major hedge fund categories. Typically, hedge funds may do more than one thing, but to be a true multi-strategy, a hedge fund must have meaningful allocations of capital to at least 3 of the other four major categories: equity, credit/event, relative value, and macro/CTA. A true multi-strategy hedge fund should not have 50% to 70% of NAV invested in one strategy or 50% to 70% of the historical return attribution from one strategy. Finally, most multi-strategy hedge funds have their roots in one specific style and have evolved into multi-strategies over time.
- **Global Macro:** Macro strategies are those that make directional bets on major markets or asset classes instead of individual securities. Global macro funds are typically diversified across 3 of the 4 major liquid markets: equity indices, credit/debt, currencies/rates, and commodities. These strategies are often quantitative or discretionary, or shorter term/market timing versus longer term/macroeconomic focused. Finally, some traders may focus largely on certain markets, such as rates or currencies, trading on fundamental economic signals.
- **CTA/Commodity/Currency:** Managed Futures or CTAs will trade the same markets as global macro funds (i.e. equity indices, debt markets, currencies, and commodities) but will focus heavily on price or other technical signals, instead of fundamental or economic data. CTAs tend to be purely systematic (black-box) or discretionary, shorter to longer term and will employ either trend following/momentum strategies or counter-trend/ mean reversion. Similar to macro funds, some CTAs focus purely on certain markets, such as commodities or currencies.
- **Other:** Strategies in this category, sometimes referred to as alternatives to alternatives, tend to be the most highly uncorrelated strategies. These may not be true “alpha” generators, as they often are simply accessing extremely unique and non-competitive markets, looking to harvest systemic risk premia found in these markets. However, the “betas” they are accessing are truly idiosyncratic. These strategies are much smaller and tend to have a bit higher illiquidity than other hedge funds. Examples of sub-strategies that fall in this category would be intellectual property, weather risk, and insurance strategies.

The Absolute Return allocation shall seek to achieve the following.

- 1) **Short-term benchmark:** For periods less than five years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the appropriate benchmark (HFRI Diversified Fund of Fund Composite), net of all investment management fees, with similar risk relative to the benchmark.
- 2) **Strategic benchmark:** For periods greater than five years or a full market cycle, the allocation should not only outperform the short-term benchmark, but also achieve a rate of return that exceeds the appropriate long-term benchmark (1 Year Treasury Bill Rate + 500 basis points) as well.

## Portfolio Guidelines

No more than 10% of the total net assets of the Absolute Return portfolio may be invested in any one single manager hedge fund. No more than 15% of the total net assets of the Absolute Return portfolio may be invested in any one single separately managed account, mutual fund, or other registered investment vehicle.

No more than 15% of the total net assets of the Absolute Return portfolio allocation may be invested with any one single hedge fund manager (excluding Funds of Funds). No more than 25% of the net assets of the Absolute Return portfolio allocation may be invested with any one single investment manager (excluding Funds of Funds).

No investment in any commingled open-ended limited partnership may account for more than 20% of the net assets in that limited partnership.

No investment with any one single manager may account for more than 25% of that manager's total assets under management (including Funds of Funds).

Policy allocations and ranges for the strategies in the Absolute Return allocation as a whole are:

|                           | Allocation Targets | Range         |
|---------------------------|--------------------|---------------|
| Equity Strategies         | 15.0%              | 5.0% to 35.0% |
| Event Driven Strategies   | 15.0%              | 5.0% to 35.0% |
| Credit Strategies         | 15.0%              | 5.0% to 35.0% |
| Relative Value Strategies | 15.0%              | 5.0% to 35.0% |
| Multi-Strategies          | 10.0%              | 5.0% to 35.0% |
| Global Macro              | 15.0%              | 3.5% to 30.0% |
| CTA/Commodity/Currency    | 10.0%              | 1.5% to 20.0% |
| Other                     | 5.0%               | 0% to 15%     |

As the Absolute Return allocation can invest in various investment vehicles and strategies with differing liquidity profiles, it is important to consider liquidity as a separate risk spectrum. In order to manage the portfolio and provide the system liquidity as necessary, but remain flexible enough to capture returns available in moderately illiquid opportunities, the Absolute Return allocation will adhere to the following liquidity targets:

At all times, at least 25.0% of the Absolute Return portfolio as a whole is to be available in quarterly or better liquidity vehicles.

At all times, no more than 50.0% of the Absolute Return portfolio as a whole is to be committed to vehicles that provide liquidity on a greater than annual basis.

No investments to vehicles with a greater than 3 year lock-up are permitted in the Absolute Return portfolio.

## IX. Standards of Measurement

### Performance Measurement

The Kentucky Retirement Systems (“KRS”) overall fund performance is measured relative to the KRS Pension or Insurance Total Fund Benchmark. The benchmark is calculated by means of a weighted average methodology. This method is consistent with industry-wide standards and the practices utilized by the CFA Institute. It is the product of the various component weights (i.e., asset classes’ percentages) by their respective performance (returns). Due to market fluctuations and acceptable divergence, the asset classes’ weights (percentages) are often not equivalent to the benchmark’s weights. Therefore, the performance may indicate that the Funds have outperformed (underperformed) relative to their respective benchmarks, even when the preponderance of lesser weighted categories have underperformed (outperformed) their indices.

KRS measures its asset classes, sub-asset classes, sectors, strategies, portfolios, and instruments (investment) performance with indexes that are recognized and published (e.g., S&P 500 & Barclays Aggregate Bond Index). These indices are determined to be appropriate measures of investments and composites of investments with identical or similar investments profiles, characteristics, and strategies. The benchmarks and indexes are intended to be objective, investable, replicable, representative and measurable of the investment mandate and, developed from publicly available information that is acceptable to KRS and the investment manager/advisor as the neutral position consistent with the underlying investor status. KRS’ investment consultant and staff recommend the benchmarks and indexes. These measures shall be subject to the annual review and approval of the KRS Investment Committee and ratification of the Kentucky Retirement Systems’ Board of Trustees.

The KRS Total Fund Benchmarks and sub-components, indexes, are described in Appendix A and B of this document.

The following descriptions represent general standards of measurement that will be used as guidelines for the various classes of investments and managers of the Kentucky Retirement Systems. They are to be computed and expressed on a time-weighted total return basis:

#### Total Public Asset Class Allocations

##### Short-term

- For periods less than five years or a full market cycle, the Asset Class Allocation should exceed the returns of the appropriate Index.

##### Intermediate & Long-term

- For periods greater than five years or one market cycle, the Asset Class Allocation should exceed the appropriate Index, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group.



Volatility, as measured by the standard deviation of monthly returns, should be comparable to the Index.

*Individual Public Security Portfolios:* Individual portfolios shall be assigned a market goal or benchmark that is representative of the style or market capitalization of the assignment. Individual accounts should be monitored using the following Standards:

Short-term

- For periods less than five years or a full market cycle, individual portfolios should exceed the returns of their market goal or benchmark.

Intermediate & Long-term

- For periods greater than five years or one market cycle, individual portfolios should exceed the return of their market goal or benchmark, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the benchmark.

Alternative Assets:

In addition to exceeding the appropriate benchmark listed in Appendix A and B, the Alternative portfolio should also seek to achieve the following:

Short-term

- Alternative investments should earn a Net IRR that place the investment above the median Net IRR of other similar funds, of the same vintage year, as reported by Venture Economics.

Intermediate & Long-term

- The private equity portfolio should earn a return that meets or exceeds the KRS Private Equity Index. Individual private equity investments should earn a Net IRR above the median Net IRR of other similar funds, of the same vintage year, as reported by Venture Economics.

## Real Estate

The Total Real Estate allocation of the fund shall be benchmarked to the appropriate benchmark and are listed in Appendix A and B.

In addition, target returns for value added investments should be 9% to 12% per year (net of fees and promoted interest). Target returns for Opportunistic investments should be in excess of 12% (net of fees and promoted interest) in order to compensate for the additional risk commensurate with the increased risk compared to core property investments.

## Real Return

The total Real Return allocation shall seek to :

- (1) Achieve a rate of return that exceeds the appropriate benchmark annually over a complete market cycle (historically 3-5 years), net of all investment management fees.
- (2) Achieve a rate of return that exceeds the appropriate real return composite index over a complete market cycle (historically 3-5 years), net of all investment management fees.
- (3) Achieve a positive risk/reward trade-off when compared to similar style real return Investment Managers.

## Absolute Returns

The total Absolute Return allocation shall seek to :

- (1) Achieve a rate of return that exceeds the appropriate benchmark annually over a complete market cycle (historically 3-5 years), net of all investment management fees.
- (2) Achieve a positive risk/reward trade-off when compared to similar style FOF return Investment Managers.

## X. Investments Performance Review Procedures

On a timely basis, but not less than quarterly, the Investment Committee, on behalf of the Board of Trustees, will review the performance of the portfolio for determination of compliance with this Statement of Investment Policy. On an annual basis, a comprehensive review of each asset class and underlying portfolios shall be conducted by the staff and presented to the Investment Committee. The review shall consist of an organizational, performance and compliance assessment.

The Compliance Officer shall perform tests each month to assure compliance with the restrictions imposed by this policy. These tests shall be performed at the asset class and total fund level. Quarterly, the Compliance Officer shall prepare a report to the Investment Committee detailing the restrictions tested, exceptions, the cause of the exception and the subsequent resolution. The Investment Committee shall report the findings to the Board of Trustees at the next regularly scheduled meeting.



The following restrictions shall be tested monthly:

- ▶ The amount of stock in the domestic or international equity allocation in any single corporation shall not exceed 5% of the aggregate market value of the Systems' assets.
- ▶ The amount of stock held in the domestic or international equity allocation shall not exceed 3% of the outstanding shares of any single corporation.
- ▶ The amount of stock in any one industry in the domestic equity allocation shall not exceed 10% of the aggregate market value of the Systems' assets.
- ▶ Investment in “frontier” markets (those countries not included in the MSCI EM Index) shall not exceed 5% of the System’s international equity assets.
- ▶ The duration of the total fixed income portfolio shall not deviate from the KRS Fixed Income Index by more than 25%.
- ▶ The duration of the TIPS portfolio shall not deviate from the KRS TIPS benchmark by more than 10%.
- ▶ The amount invested in the debt of a single issuer shall not exceed 5% of the total market value of the Systems' assets, with the exception of U.S. Government issued, guaranteed or agency obligations (or securities collateralized by same), and derivative securities used for exposure, cost efficiency, or risk management purposes in compliance with Section VII of this policy.
- ▶ The amount invested in SEC Rule 144a securities shall not exceed 15% of the market value of the aggregate market value of the Systems’ fixed income investments.

The Chief Investment Officer shall develop a comprehensive set of investment guidelines for each externally managed account. These guidelines should ensure, at the total fund and asset class level, that the restrictions set forth above are preserved. The Compliance Officer shall perform tests each month to assure compliance with the guidelines. Quarterly, the Compliance Officer shall prepare a report to the Investment Committee detailing the restrictions tested, exceptions, the cause of the exception and the subsequent resolution. The Investment Committee shall report the findings to the Board of Trustees at the next regularly scheduled meeting

## XI. Additional Items

The KRS Board recognizes that the voting of proxies is an important responsibility in assuring the overall performance of the Fund over a long time horizon. The Board has delegated the responsibility of voting all proxies to an outside Proxy Voting service provider or contracted external investment manager. The Board expects that the proxy voting service will execute all proxies in a timely fashion, and in accordance with the voting policy which has been formally adopted.

The Board has adopted the ISS U.S. Proxy Voting Guidelines as the System’s approved Proxy Voting Policy for all internally voted items. This policy is updated at least annually by ISS and hereby incorporated by this reference. The policy can be found publically using the following link:

<http://www.issgovernance.com/files/2012USSummaryGuidelines1312012.pdf>

A. Brokerage Policy dated May 2011



The Investment Committee brokerage policy is hereby incorporated by reference.

B. Transactions Procedures Policy dated August 2011

The Investment Committee transaction procedures are hereby incorporated by reference.

C. Securities Litigation Policy and Procedures dated May 2011

The Investment Committee securities litigation policy and procedures are hereby incorporated by reference.

D. Securities Lending Guidelines dated May 2011

The Investment Committee securities lending policy and procedures are hereby incorporated by reference.

E. Securities Trading Policy for Trustees and Employees dated February 2012

F. Manager and Placement Agent Statement of Disclosure Policy dated August 2012

Signatories

As Adopted by the Investment Committee  
Date: November 20, 2013

Signature:   
Dr. Daniel L. Bauer  
Chair, Investment Committee

As Adopted by the Board of Trustees  
Date: December 5, 2013

Signature:   
Randy J. Overstreet  
Chair, Board of Trustees



## Kentucky Retirement Systems

### Appendix A: Addendum to the Statement of Investment Policy Pension Fund – Asset Allocation / Benchmark Composite Effective January 1, 2013

This addendum to the investment policy is issued by the Board of Trustees of Kentucky Retirement Systems (Systems) in connection with investing the pension funds of the Kentucky Employees Retirement System, the County Employees Retirement System and the State Police Retirement System. This document supersedes all prior documents entitled Addendum to the Statement of Investment Policy.

#### I. Asset Allocation with Benchmarks

| KRS Pension Fund - Asset Allocation |                                 |        |                |       |                |       |                              |
|-------------------------------------|---------------------------------|--------|----------------|-------|----------------|-------|------------------------------|
| Asset Class                         | Benchmark                       | Target |                |       |                |       | Allowable Range (+/- Target) |
|                                     |                                 | KERS   | KERS Hazardous | CERS  | CERS Hazardous | SPRS  |                              |
| US Equity                           | Russell 3000                    | 22.0%  | 20.0%          | 20.0% | 20.0%          | 20.0% | 5.0%                         |
| Non US Equity                       | MSCI ACWI Ex-US Standard        | 20.0%  | 20.0%          | 20.0% | 20.0%          | 20.0% | 5.0%                         |
| Emerging Market                     | MSCI Emerging Markets           | 0.0%   | 4.0%           | 4.0%  | 4.0%           | 4.0%  | 2.0%                         |
| Core Fixed Income                   | Barclays US Aggregate           | 10.0%  | 9.0%           | 9.0%  | 9.0%           | 8.0%  | 3.0%                         |
| High Yield Bonds                    | Barclays US High Yield          | 5.0%   | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 2.0%                         |
| Global Bonds                        | Barclays Global Agg             | 5.0%   | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 2.0%                         |
| Real Estate                         | NCREIF ODCE                     | 3.0%   | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 3.0%                         |
| Absolute Return                     | HFRI Diversified FOF            | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 3.0%                         |
| Real Return                         | CPI + 300 bps                   | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 3.0%                         |
| Private Equity                      | Russell 3000 + 400 bps (lagged) | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 5.0%                         |
| Cash                                | Cit Grp 3-mos Treasury Bill     | 5.0%   | 2.0%           | 2.0%  | 2.0%           | 3.0%  | 2.0                          |

#### II. Total Fund Blended Benchmark Composite

| Pension Fund Composite |                                       |  |       |
|------------------------|---------------------------------------|--|-------|
| US Equity              | Russell 3000                          |  | 20.5% |
| Non US Equity          | MSCI ACWI Ex-US Standard              |  | 20.0% |
| Emerging Market        | MSCI Emerging Markets                 |  | 2.9%  |
| Fixed Income           | Barclays Universal Index              |  | 19.3% |
| Real Estate            | NCREIF ODCE                           |  | 4.5%  |
| Absolute Return        | HFRI Diversified FOF                  |  | 10.0% |
| Real Return            | CPI + 300 bps                         |  | 10.0% |
| Private Equity         | Russell 3000 (lagged 1 qtr) + 400 bps |  | 10.0% |
| Cash                   | Cit Grp 3-mos Treasury Bill           |  | 2.8%  |

At the November 3, 2011 Investment Committee meeting Staff was authorized to combine Public and Private Equity targets and exposures to help manage portfolio risks caused by the unintended overweight to Private Equity, which is caused by the denominator effect over time.

#### Signatories

As Adopted by the Investment Committee  
Date: September 19, 2012

Signature: Dr. Daniel L. Bauer  
Dr. Daniel L. Bauer  
Chair, Investment Committee

As Adopted by the Board of Trustees  
Date: October 5, 2012

Signature: Thomas K. Elliott  
Thomas K. Elliott  
Chair, Board of Trustees





## Kentucky Retirement Systems

### Appendix B: Addendum to the Statement of Investment Policy Insurance Fund – Asset Allocation / Benchmark Composite Effective January 1, 2013

This addendum to the investment policy is issued by the Board of Trustees of Kentucky Retirement Systems (Systems) in connection with investing the insurance funds of the Kentucky Employees Retirement System, the County Employees Retirement System and the State Police Retirement System. This document supersedes all prior documents entitled Addendum to the Statement of Investment Policy.

#### I. Asset Allocation with Benchmarks

| KRS Insurance Fund - Asset Allocation |                                 |        |                |       |                |       |                              |
|---------------------------------------|---------------------------------|--------|----------------|-------|----------------|-------|------------------------------|
| Asset Class                           | Benchmark                       | Target |                |       |                |       | Allowable Range (+/- Target) |
|                                       |                                 | KERS   | KERS Hazardous | CERS  | CERS Hazardous | SPRS  |                              |
| US Equity                             | Russell 3000                    | 20.0%  | 20.0%          | 20.0% | 20.0%          | 20.0% | 5.0%                         |
| Non US Equity                         | MSCI ACWI Ex-US Standard        | 20.0%  | 20.0%          | 20.0% | 20.0%          | 20.0% | 5.0%                         |
| Emerging Market                       | MSCI Emerging Markets           | 4.0    | 4.0%           | 4.0%  | 4.0%           | 4.0%  | 2.0%                         |
| Core Fixed Income                     | Barclays US Aggregate           | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 3.0%                         |
| High Yield Bonds                      | Barclays US High Yield          | 5.0    | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 2.0%                         |
| Global Bonds                          | Barclays Global Agg             | 5.0    | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 2.0%                         |
| Real Estate                           | NCREIF ODCE                     | 5.0    | 5.0%           | 5.0%  | 5.0%           | 5.0%  | 3.0%                         |
| Absolute Return                       | HFRI Diversified FOF            | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 3.0%                         |
| Real Return                           | CPI + 300 bps*                  | 10.0%  | 10.0%          | 10.0% | 10.0%          | 10.0% | 3.0%                         |
| Private Equity                        | Russell 3000 + 400 bps (lagged) | 10.0-  | 10.0%          | 10.0% | 10.0%          | 10.0% | 5.0%                         |
| Cash                                  | Cit Grp 3-mos Treasury Bill     | 1.0    | 1.0%           | 1.0%  | 1.0%           | 1.0%  | 2.0                          |

\*KERS 20% allocation to Real Return includes a 15% dedicated allocation to US TIPS, thus the benchmark for KERS is CPI +250 bps.

#### II. Total Fund Blended Benchmark Composite

| Insurance Fund Composite |                                       |       |
|--------------------------|---------------------------------------|-------|
| US Equity                | Russell 3000                          | 20.0% |
| Non US Equity            | MSCI ACWI Ex-US Standard              | 20.0% |
| Emerging Market          | MSCI Emerging Markets                 | 4.0%  |
| Fixed Income             | Barclays Universal Index              | 20.0% |
| Real Estate              | NCREIF ODCE                           | 5.0%  |
| Absolute Return          | HFRI Diversified FOF                  | 10.0% |
| Real Return              | CPI + 300 bps                         | 10.0% |
| Private Equity           | Russell 3000 (lagged 1 qtr) + 400 bps | 10.0% |
| Cash                     | Cit Grp 3-mos Treasury Bill           | 1.0%  |

At the November 3, 2011 Investment Committee meeting Staff was authorized to combine Public and Private Equity targets and exposures to help manage portfolio risks caused by the unintended overweight to Private Equity, which is caused by the denominator effect over time.

#### Signatories

As Adopted by the Investment Committee  
Date: September 19, 2012

Signature:   
Dr. Daniel L. Bauer  
Chair, Investment Committee

As Adopted by the Board of Trustees  
Date: October 5, 2012

Signature:   
Thomas K. Elliott  
Chair, Board of Trustees

**TAURUS MINING FINANCE FUND LLC**

FORM W-9

APP C-1

# Request for Taxpayer Identification Number and Certification

Give Form to the  
requester. Do not  
send to the IRS.

|   |   |  |
|---|---|--|
| Print or type<br>See Specific Instructions on page 2. | Name (as shown on your income tax return)<br><b>KENTUCKY RETIREMENT SYSTEMS INSURANCE TRUST FUND</b>  |  |
|   | Business name/disregarded entity name, if different from above  |  |
|   | Check appropriate box for federal tax classification:<br><input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate<br><input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____<br><input checked="" type="checkbox"/> Other (see instructions) ▶ <b>STATE INSURANCE FUND</b> |  |
|   | Exemptions (see instructions):<br>Exempt payee code (if any) <b>1,3</b><br>Exemption from FATCA reporting code (if any) <b>A,C</b>  |  |
|   | Address (number, street, and apt. or suite no.)<br><b>1260 LOUISVILLE ROAD</b><br>City, state, and ZIP code<br><b>FRANKFORT, KY 40601</b><br>List account number(s) here (optional)   |  |
| Requester's name and address (optional)               |   |  |

## Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

|                        |  |  |  |   |  |  |   |  |
|------------------------|--|--|--|---|--|--|---|--|
| Social security number |  |  |  |   |  |  |   |  |
|                        |  |  |  | - |  |  | - |  |

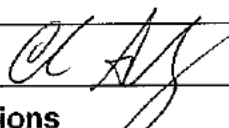
**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

## Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

|           |  |                          |
|-----------|--|--------------------------|
| Sign Here | Signature of U.S. person ▶  | Date ▶ <b>11/25/2014</b> |
|-----------|--|--------------------------|

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** The IRS has created a page on [www.irs.gov/w9](http://www.irs.gov/w9) for information about Form W-9, at [www.irs.gov/w9](http://www.irs.gov/w9). Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

### Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the

withholding tax on foreign partners' share of effectively connected income, and

4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

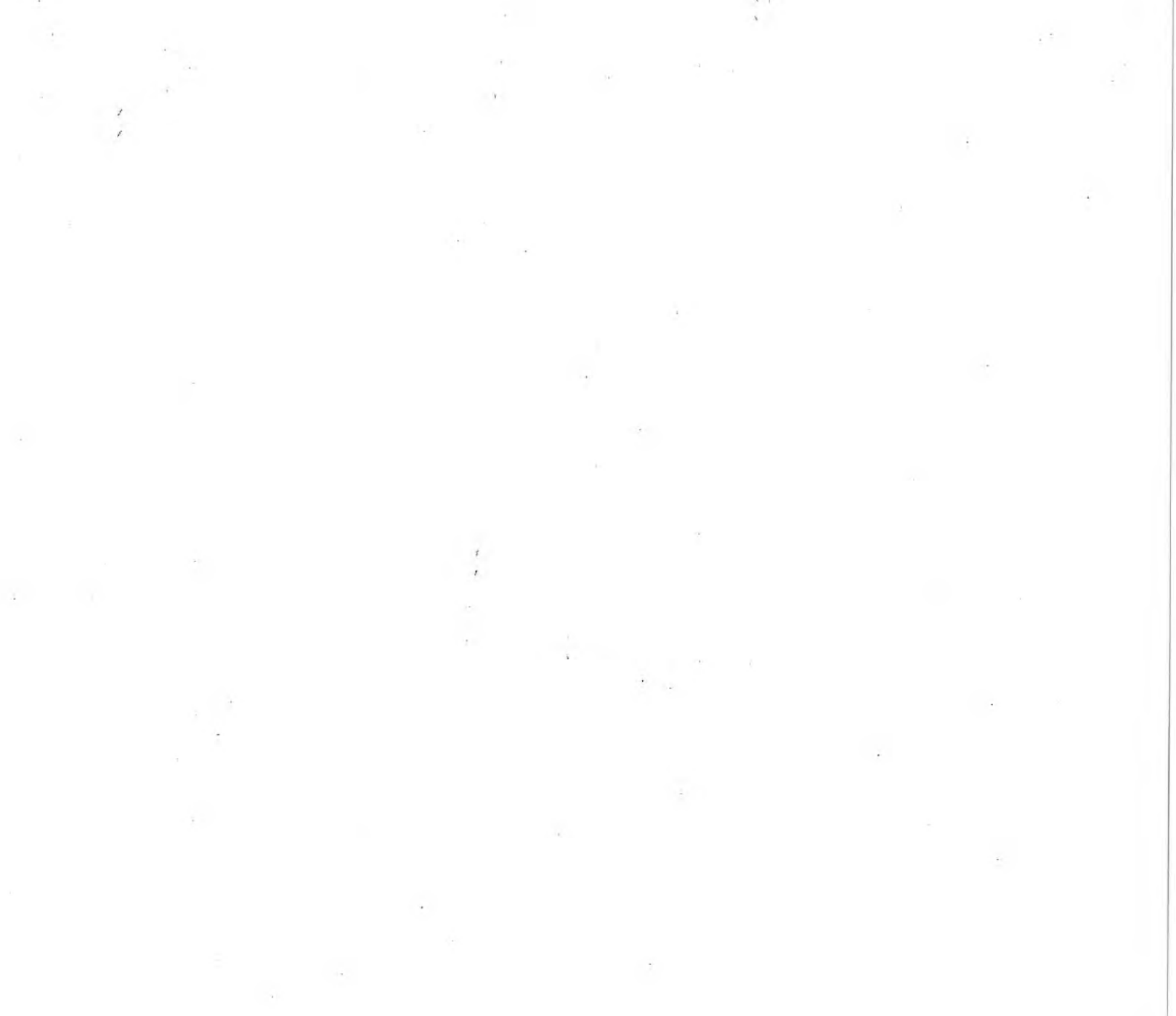
**Note.** If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.





## **INVESTMENT MANAGER PRIVACY POLICY**

The Investment Manager recognizes and appreciates the importance of respecting your privacy. The Investment Manager is committed to safeguarding your information against unnecessary or unauthorized disclosure or access. This Privacy Statement sets forth the Investment Manager's current policies and practices with respect to non-public personal information of its clients and former clients. Please be aware that the Investment Manager may change this policy periodically. If it does, it will notify you.

The Investment Manager limits the collection, retention and use of individual client information to the minimum amount required to properly serve its clients and to meet regulatory requirements. The Investment Manager may collect directly and from questionnaires or other forms non-public personal information about clients such as name, address, social security number, financial information and transactions with it and investment funds managed by it.

The law permits the Investment Manager to share the information described above with both affiliated and unaffiliated third parties that provide processing and support services on your behalf. Otherwise, unless the Investment Manager has your consent, it will not share your personal information, except as provided by law. For example, your information may be disclosed for audit purposes, to attorneys or other professionals, or to law enforcement or regulatory agencies.

The Investment Manager and its affiliates emphasize to their employees the confidential nature of your information and the high level of importance it places on maintaining confidentiality. The Investment Manager restricts access to non-public personal information about you to those employees of the Investment Manager and its affiliates who need to know that information to provide products or services to you. To the extent the Investment Manager outsources processing functions and support services to unaffiliated third parties, it limits the information available to them to information necessary or appropriate to offer such processing and support services. The Investment Manager requires that these third parties hold the information provided in confidence subject to the Investment Manager's security standards and only for approved purposes.

In addition to protecting your privacy, the Investment Manager is committed to keeping your non-public personal information secure. To protect your non-public personal information, the Investment Manager maintains physical, electronic and procedural safeguards that comply with U.S. federal regulations. The Investment Manager's service providers also maintain physical, electronic and procedural safeguards that comply with U.S. federal regulations to guard your non-public personal information.

The Investment Manager strives to maintain complete and accurate information about you. If you ever believe the Investment Manager's records contain inaccurate or incomplete information, you should inform the Investment Manager immediately, and the Investment Manager will correct any inaccuracies as quickly as possible.

This notice complies with a U.S. federal law and U.S. Securities and Exchange Commission regulations regarding privacy. You may have additional rights under other applicable domestic or foreign laws.