

U.S. Shareholder, notwithstanding the fact that generally the character of such gains otherwise would be preserved under the PFIC rules if a QEF election were made. Also, the PFIC rule permitting the deferral of tax on undistributed earnings would not apply.

A holder of Income Notes that is a U.S. Shareholder of the Issuer subject to the CFC rules for only a portion of the time in which it holds its Income Notes should consult its own tax advisors regarding the interaction of the PFIC and CFC rules.

Indirect Interests in PFICs and CFCs. If the Issuer holds a security of a non-U.S. corporation that is treated as equity for U.S. federal income tax purposes, U.S. holders of Income Notes could be treated as holding an indirect investment in a PFIC or a CFC and could be subject to certain adverse tax consequences. Holders should consult their tax advisors regarding the issues relating to such investments.

Distributions on Income Notes. The treatment of actual cash distributions in respect of the Income Notes, in very general terms, will vary depending on whether a U.S. holder has made a timely QEF election as described above. If a timely QEF election has been made, dividends (which are distributions up to the amount of current and accumulated earnings and profits of the Issuer) allocable to amounts previously taxed pursuant to the QEF election will not be taxable to U.S. holders. Similarly, if the Issuer is a CFC of which the U.S. holder is a U.S. Shareholder, dividends will be allocated first to amounts previously taxed pursuant to the CFC rules and to this extent will not be taxable to U.S. holders. Dividends in excess of such previously taxed amounts will be taxable to U.S. holders as ordinary income upon receipt, and will not be eligible for the dividends-received deduction (in the case of corporate U.S. holders) or the reduced rates of tax applicable to dividends from certain qualified foreign corporations (in the case of individual U.S. holders). Distributions in excess of any current and accumulated earnings and profits will be treated first as a nontaxable return of capital, to the extent of the holder's tax basis in the Income Notes, and then as capital gain.

In the event that a U.S. holder does not make a timely QEF election, then except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any dividends distributed with respect to the Income Notes may be considered excess distributions, taxable as previously described.

Sale, Redemption or other Disposition of Income Notes. In general, a U.S. holder of an Income Note will recognize gain or loss (which will be capital gain or loss, except as discussed below) upon the sale or exchange of such Income Note equal to the difference between the amount realized and such holder's adjusted tax basis in the Income Note. A U.S. holder's tax basis in a Income Note will generally equal the amount paid for such Income Note, increased by amounts taxable to such holder by virtue of a QEF election, or under the CFC rules, and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or represent a return of capital.

If a U.S. holder does not make a timely QEF election as described above, any gain realized on the sale or exchange of a Income Note will be treated as an excess distribution and effectively taxed as ordinary income under the special tax rules described above.

If the Issuer were treated as a CFC and a U.S. holder were treated as a U.S. Shareholder therein, then any gain realized by such holder upon the disposition of its Income Notes, other than gain constituting an excess distribution under the PFIC rules, would be treated as ordinary income to the extent of the U.S. holder's share of the current and accumulated earnings and profits of the Issuer. In this respect, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

The pledge of stock of a PFIC may in some circumstances be treated as a disposition of such stock.

#### **Tax Treatment of Tax-Exempt U.S. Holders**

In general, a tax-exempt U.S. holder of the Notes will not be subject to tax on unrelated business taxable income ("UBTI") with respect to income from the Notes regardless of whether they are treated as equity or debt for