

share of the Partnership's ordinary losses attributable to such Net Interest Expense and such losses would be carried forward to future years, in each case as described above. Although no guidance has been issued regarding the manner in which an election to deduct previously disallowed Net Interest Expense in a year prior to the year in which a bond is disposed of should be made, it appears that such an election would be made by the Partnership rather than by the Limited Partner. Section 1277 would also apply to the portion of interest paid by a Limited Partner on money borrowed to finance its investment in the Partnership to the extent such interest was allocable to securities held by the Partnership with market discount.

Limitation on Deductibility of Business Interest Expense. Section 163(j) of the Code limits the deduction of business interest expense attributable to a trade or business generally to the sum of the taxpayer's (x) business interest income and (y) 30% of adjusted taxable income relating to a trade or business (calculated by excluding business interest expense and business interest income). Any business interest expense not deductible pursuant to the foregoing limitation is treated as business interest expense of the taxpayer that carries forward to succeeding taxable years, subject to the same limitation. For these purposes, Limited Partners such as noncorporate taxpayers for whom the investment interest rules apply in respect of their interest in the Partnership (see "Limitation on Deductibility of Interest and Short Sale Expenses" above) generally are not expected to be subject to the business interest expense limitations determined by the Partnership.

The determination of what constitutes business interest expense in respect of the Partnership's operations is determined at the partnership level. As described above, the Partnership expects to be a trader in securities, in which case the foregoing limitations are initially calculated at the Partnership level. To the extent the limitation at the Partnership level applies to reduce the business interest expense deductible for a year, such excess shall carry forward to succeeding years and, subject to certain limitations, may be deducted by the Limited Partner to the extent the Partnership has sufficient excess taxable income that was not offset by business interest expense in such year. Any amount not utilized will form part of the investor's adjusted basis in its interest in the Partnership only at the time of disposition of such interest. Potential investors are advised to consult with their own tax advisors with respect to the application of the business interest expense limitation to their particular tax situations.

Deductibility of Partnership Investment Expenditures and Certain Other Expenditures. Investment expenses (e.g., investment advisory fees) of an individual, trust or estate are not deductible. For taxable years beginning after 2025, such expenses would be deductible only to the extent they exceed 2% of adjusted gross income, would be further restricted in their deductibility for individuals with an adjusted gross income in excess of a specified amount and would not be deductible in calculating alternative minimum tax liability.

Pursuant to Temporary Regulations issued by the Treasury Department, these limitations on deductibility should not apply to a noncorporate Limited Partner's share of the expenses of the Master Fund to the extent that the Master Fund is engaged, as it expects to be, in a trade or business within the meaning of the Code. However, there can be no assurance that the Service may not treat such expenses as investment expenses which are subject to the limitations. In addition, these limitations may apply to certain expenses of the Master Fund and the Partnership (including the Management Fee, the fee to the Administrator and payments made on certain derivative instruments) to the extent allocable to activities, if any, that are not part of the Master Fund's or