

The Partnership intends to take the position that income and losses of the Partnership are not income and losses from a "passive activity" within the meaning of Section 469 of the Code. Accordingly, (i) the deduction by a Limited Partner of his or her share of the losses or deductions of the Partnership will not be restricted under Section 469 of the Code, and (ii) a Limited Partner who is an individual will not be able to deduct losses from other "passive activities" against his or her share of income of the Partnership.

Since the Master Fund may invest in the securities of foreign issuers, the Partnership's income may be subject to foreign income taxes, including withholding taxes. A Limited Partner may elect either to deduct such Partner's share of such foreign taxes in computing such Partner's Federal taxable income or treat such Partner's share of such foreign taxes as a credit against Federal income taxes, subject to certain limitations. No deduction for foreign taxes may be claimed by an individual who does not itemize deductions.

The Master Fund generally will not realize gain or loss on a short sale of a security (other than a short sale "against the box") until the Master Fund purchases the security to be delivered to the lender to close the transaction (or, in the case of a loss, until the security is delivered to the lender). Gain arising from the closing of a short sale generally is treated as short-term capital gain.

Certain options, regulated futures contracts and foreign currency contracts are considered "Section 1256 contracts" for Federal income tax purposes. Section 1256 contracts held by the Master Fund at the end of each taxable year will be "marked to market" and treated for Federal income tax purposes as though sold for fair market value on the last business day of such taxable year. Gain or loss realized on Section 1256 contracts generally will be considered 60% long-term capital gain or loss and 40% short-term capital gain or loss.

Pursuant to the "passive foreign investment company" ("PFIC") provisions of the Code, investments by the Master Fund in certain foreign corporations may cause a Limited Partner to (i) recognize taxable income prior to the receipt of distributable proceeds, (ii) pay an interest charge on receipts that are deemed as having been deferred, (iii) recognize ordinary income that, but for the PFIC provisions, would have been treated as capital gain, and/or (iv) become subject to certain reporting requirements with respect to such investments.

The Master Fund may use leverage in connection with its investments. In this regard, a tax-exempt entity will generally be subject to tax on the portion of its share of the Partnership's profits attributable to the use of certain leverage. Such portion will be considered "debt-financed income" and will be taxable as "unrelated business taxable income" under the Federal income tax law. It should be noted that the law is not entirely clear as to the proper way to determine what portion of a tax-exempt entity's share of the Partnership's profits is attributable to the use of leverage and therefore is "debt-financed income." Accordingly, while the Partnership will compute each tax-exempt entity's share of "debt-financed income" from the Partnership in a manner which the Partnership determines is reasonable, there can be no assurance that the IRS will accept the method of computation utilized by the Partnership.

The IRS has released final Treasury Regulations expanding previously existing information reporting, record maintenance and investor list maintenance requirements with respect to certain "tax shelter" transactions (the "Tax Shelter Regulations"). The Tax Shelter Regulations may potentially apply to a broad range of investments that would not typically be viewed as tax shelter transactions, including investments in investment partnerships and portfolio investments of investment partnerships. Under the Tax Shelter Regulations, if the Partnership or the Master Fund engages in a "reportable transaction," the Partnership and, under certain circumstances, a Limited Partner would be required to (i) retain all records material to such "reportable transaction"; (ii) complete and file IRS Form 8886, "Reportable Transaction Disclosure Statement" as part of its Federal income tax return for each year it participates in the "reportable transaction;" and (iii) send a copy of such form to the IRS Office of Tax Shelter Analysis at the time the first such tax return is filed. The scope of the Tax Shelter Regulations may be affected by further IRS guidance. Non-compliance with the Tax Shelter Regulations may involve significant penalties and other consequences. Each Limited Partner should consult such Partner's own tax advisers as to such Partner's obligations under the Tax Shelter Regulations.