

"subpart F income" and investments in U.S. property of the Issuer. Among other items, and subject to certain exceptions, "subpart F income" includes dividends, interest, annuities, gains from the sale of shares and securities, certain gains from commodities transactions, certain types of insurance income and income from certain transactions with related parties. It is likely that, if the Issuer were to be treated as a CFC, predominantly all of its income would be subpart F income. U.S. Holders should consult their tax advisors regarding these special rules.

If the Issuer were a CFC, for the period during which a Preferred Shareholder is a U.S. 10% Shareholder of the Issuer, such holder generally would be taxed on its pro rata share of the Issuer's subpart F income and investments in U.S. property under the rules described in the preceding paragraph and not under the PFIC rules, which are described below. A U.S. Holder that is a U.S. 10% Shareholder of the Issuer subject to the CFC rules for only a portion of the time during which it holds Preferred Shares should consult its own tax advisor regarding the interaction of the PFIC and CFC rules.

*Investment in a Passive Foreign Investment Company.*

A non-U.S. corporation will be classified as a Passive Foreign Investment Company ("PFIC") for U.S. federal income tax purposes if 75% or more of its gross income (including the *pro rata* share of the gross income of any subsidiary corporation in which the corporation is considered to own 25% or more of the shares by value) in a taxable year is passive income. Alternatively, a non-U.S. corporation will be classified as a PFIC if at least 50% of its assets, averaged over the year and generally determined based on fair market value (including the *pro rata* share of the assets of any subsidiary corporation in which the corporation is considered to own 25% or more of the shares by value) are held for the production of, or produce, passive income.

Based on the assets that the Issuer expects to hold and the income anticipated thereon, it is highly likely that the Issuer will be classified as a PFIC for U.S. federal income tax purposes if it is not classified as a CFC. The following discussion assumes that the Issuer will be a PFIC and not a CFC.

If the Issuer is not classified as a CFC and unless a U.S. Holder elects to treat the Issuer as a "Qualified Electing Fund" ("QEF") (as described in the next paragraph), upon certain excess distributions (generally, a U.S. Holder's ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by such U.S. Holder in the shorter of the three preceding years or the U.S. Holder's holding period or, if shorter, the U.S. Holders holding period for the Preferred Shares) by the Issuer and upon a disposition of the Preferred Shares at a gain, the U.S. Holder will be liable to pay tax at the highest tax rate on ordinary income in effect for each period to which the income is allocated, as if such distributions and gain had been recognized ratably over the U.S. Holder's holding period for the Preferred Shares. An interest charge is also applied to the deferred tax amount resulting from the deemed ratable distribution or gain recognition. Losses recognized upon disposition will be capital losses and will be long-term capital losses if the U.S. Holder held the shares for more than one year. The deductibility of capital losses is subject to limitations. Classification as a PFIC may also have other adverse tax consequences, including in the case of individuals, the denial of a "step up" in the basis of the Preferred Shares at death.

Assuming the Issuer is not treated as a CFC, if a Preferred Shareholder elects to treat the Issuer as a QEF, excess distributions and gain will not be taxed as if recognized ratably over the U.S. Holder's holding period and there will be no interest charge applicable to deferred tax, nor will the denial of a basis step up at death described above apply. Instead, a U.S. Holder that makes a QEF election is required for each taxable year to include in income the U.S. Holder's *pro rata* share of the ordinary earnings of the QEF as ordinary income (which will not be eligible for the corporate dividends received deduction) and a *pro rata* share of the net capital gain of the QEF as capital gain, regardless of whether such earnings or gain have in fact been distributed. In this regard, prospective U.S. Holders of Preferred Shares should be aware that it is