

deduction (subject to the limitations generally applicable to deductions) for their share of such foreign taxes in computing their U.S. federal income taxes.

Tax Credit Limitations. Each Investor's share of any foreign income or withholding tax imposed on the income and gains of the Onshore Feeder Fund generally will be treated as a foreign income tax that the Investor may elect to deduct in computing its U.S. federal income tax liability or, subject to generally applicable limitations and conditions under the Code, to credit against such liability. These limitations include a rule limiting the amount of the credit to the U.S. tax liability that otherwise would be imposed on foreign source income of the Investor in the same category as the income giving rise to the foreign tax (as determined after deducting related expenses, including an allocable portion of the Investor's overall interest expense). In many cases, capital gains of the Onshore Feeder Fund will be treated as U.S. source income and therefore an Investor may not be to use a foreign tax credit for any foreign tax that might be imposed on the gains. Further, U.S. Holders will not generally be entitled to an indirect foreign tax credit with respect to foreign taxes paid by a portfolio company treated as a foreign corporation for U.S. federal income tax purposes. Certain losses arising from the Onshore Feeder Fund may be treated as foreign source losses, which could reduce the amount of foreign tax credits otherwise available.

Qualified Dividends and Certain Capital Gains. Reduced U.S. federal income tax rates currently apply to (a) capital gains received by individuals and other non-corporate taxpayers and (b) "qualified dividend income" received by individuals and other non-corporate taxpayers from certain domestic and foreign corporations. The reduced rates applicable to capital gains will also apply to capital gains recognized by Investors who sell Interests that they have held for more than one year. The reduced rates, which do not apply to short-term capital gains, generally apply to long-term capital gains from sales or exchanges (and Onshore Feeder Fund allocations of such long-term gains). It is unknown whether the Master Fund will receive any qualified dividend income from any of its investments.

Reportable Transactions. U.S. Treasury Department regulations require that each taxpayer participating in a "reportable transaction" must disclose such participation to the IRS. The scope and application of these rules is not completely clear. An investment in the Onshore Feeder Fund may be considered participation in a "reportable transaction" if, for example, the Onshore Feeder Fund recognizes significant losses that exceed a prescribed threshold or enters into a "listed transaction." If an investment in the Onshore Feeder Fund constitutes participation in a "reportable transaction," the Onshore Feeder Fund and each Investor may be required to file Form 8886 with the IRS, including attaching it to their U.S. federal income tax returns. Advisors to the Onshore Feeder Fund may also be required to report such "reportable transactions" and certain other information to the IRS. In addition, the Onshore Feeder Fund and its advisors may be required to maintain a list of the Investors and to furnish this list and certain other information to the IRS upon its written request. Also, an Investor that disposes of its Interest at a taxable loss that exceeds the prescribed threshold may be subject to such disclosure requirements. Investors are urged to consult their own tax advisors regarding the applicability of these rules to an investment in the Onshore Feeder Fund.