

1.704-1(b)(2)(iv). Generally, tax allocations will follow book allocations. If the allocations made pursuant to the Onshore Feeder LP Agreement and other applicable agreements were successfully challenged by the IRS, the redetermination of the allocations to a particular Investor for U.S. federal income tax purposes could be less favorable than the allocations set forth in the applicable agreements.

Adjusted Tax Basis for Investor Interest. For U.S. federal income tax purposes, an Investor's adjusted tax basis for its Interest generally will be equal to the amount of cash such Investor contributes plus the adjusted basis at the time of contribution of any property contributed (the "**Capital Contribution**") and will be increased by (a) any additional Capital Contributions made by such Investor and (b) such Investor's allocable share of (i) items of Onshore Feeder Fund taxable income and gain and (ii) nonrecourse indebtedness of the Onshore Feeder Fund (as defined for U.S. federal income tax purposes and allocated among the Investors in accordance with their profit sharing ratios). Such adjusted tax basis generally will be decreased, but not below zero, by such Investor's allocable share of (i) items of Onshore Feeder Fund taxable deduction, expense and loss and (ii) cash distributions by the Onshore Feeder Fund (including, in certain circumstances, distributions of certain "marketable securities") or constructive distributions resulting from a reduction in such Investor's share of nonrecourse indebtedness of the Onshore Feeder Fund.

If the recognition of an Investor's distributive share of Master Fund losses would reduce its adjusted tax basis for its Interest below zero, the recognition of such losses by the Investor would be deferred until such time as the recognition of such losses would not reduce the Investor's tax basis below zero.

Distributions. Cash distributions, including distributions of certain "marketable securities," from the Onshore Feeder Fund to Investors are not generally taxable, and instead reduce the adjusted basis of the Investor's Interest in the Onshore Feeder Fund, as described above. However, to the extent that the Onshore Feeder Fund's cash distributions (or constructive cash distributions, as described above) were to reduce an Investor's adjusted tax basis for its Interest below zero, such distributions would constitute taxable income to the Investor and would be treated as gain from the sale or exchange of its Interest.

In general, distributions (other than liquidating distributions) of property other than cash (and, in certain circumstances, marketable securities) will reduce the basis (but not below zero) of an Investor's Interest by the amount of the Onshore Feeder Fund's basis in such property immediately before its distribution, but will not result in the realization of taxable income to the Investor, and the Investor will have a carryover tax basis and holding period in the distributed property.

Sale or Disposition of Interests. A sale of an Interest (including, in general, upon a liquidation of the Onshore Feeder Fund) generally will result in the recognition of gain or loss in an amount equal to the difference between the amount of the sales proceeds, including an Investor's share of nonrecourse indebtedness of the Onshore Feeder Fund, and the Limited Partner's adjusted tax basis for its Interest. Such Investor's adjusted tax