

The Offshore Feeder Fund

In determining beneficial ownership of an interest in the Offshore Feeder Fund, an interest held by (i) a partnership or entity treated as a partnership for U.S. federal income tax purposes or (ii) a PFIC, will be considered beneficially owned by its partners or equity holders, as the case may be. An interest held by any corporation other than a PFIC will be treated as held by a shareholder beneficially owning 50% or more of the stock of such corporation, measured by value. In addition, a holder of an option to acquire an interest will be treated as the beneficial owner of the underlying interest. As discussed above, the Offshore Feeder Fund is designed for Investors that are either (i) not “U.S. persons” as defined in Rule 902 under the Securities Act, as amended, and not U.S. Holders, or (ii) U.S. Tax-Exempt Investors that do not wish to receive UBTI but that are willing to have their income from an investment in the Offshore Feeder Fund potentially be subject to greater rates of withholding or other taxes as compared to the Onshore Feeder Fund. Investors that meet neither of the two foregoing definitions are “**U.S. Taxable Investors.**” It is intended that no U.S. Taxable Investors will invest in interests in the Offshore Feeder Fund. Any U.S. Taxable Investor that does so could become subject to adverse U.S. federal income tax consequences.

U.S. Taxation of the Offshore Feeder Fund. The Offshore Feeder Fund will elect to be treated as a foreign corporation for U.S. federal income tax purposes and will invest all of its assets available for investment (i.e., all assets not used or reserved for expenses of the Offshore Feeder Fund) in the Onshore Feeder Fund.

A foreign corporation (other than a dealer in securities) that engages in the United States, directly or indirectly, in investing in or trading securities (including contracts or options to buy or sell securities) for its own account is not deemed to be engaged in a U.S. trade or business if it meets certain requirements relating to the conduct of its business. No assurance can be given that Master Fund (and consequently the Onshore Feeder Fund and the Offshore Feeder Fund) would conduct their activities in such a way as to meet these requirements. Among other things, it is possible that the Master Fund may make investments in flow-through entities that are themselves engaged in a U.S. trade or business, which would result in the Onshore Feeder Fund, and consequently the Offshore Feeder Fund, being treated as engaged in a U.S. trade or business and would give rise to effectively connected income with the consequences described herein. Further, the Offshore Feeder Fund will be subject to U.S. withholding taxes in respect of U.S. source income, if any, as described in more detail below, and, to the extent that the Offshore Feeder Fund earns any U.S. source fee income, it may be subject to tax on a net income basis in respect of such fee income.

If the Master Fund were treated as engaged in a U.S. trade or business (including from an investment in “U.S. real property holding corporations”), the Master Fund’s effectively connected income would be subject to U.S. federal income tax and possibly to a branch profits tax of 30% as well. The imposition of such taxes would materially affect the Master Fund’s (and therefore the Onshore Feeder Fund’s and the Offshore Feeder Fund’s) ability to make distributions to Investors. In addition, the Offshore Feeder Fund may be deemed to be engaged in a trade or business in the United States as a result of break-up fees,