

basis will be adjusted for this purpose by its allocable share of the Onshore Feeder Fund's income or loss for the year of such sale. Any gain or loss recognized with respect to such a sale generally will be treated as a capital gain or loss (except that the gain will be ordinary income to the extent attributable to the Investor's allocable share of certain ordinary income assets of the Master Fund) and will be long-term capital gain or loss if the Interest has been held for more than one year (except if the selling Investor made an additional capital contribution to the Onshore Feeder Fund within the one-year period ending on the date of the sale, part of such gain or loss will be short-term).

**Limitations on Deductions and Losses.** Investors who are (i) individuals, (ii) certain closely held corporations, (iii) trusts and estates or (iv) partnerships that have one of the foregoing as a partner should be aware that they could be subject to various limitations on their ability to use their allocable share of Onshore Feeder Fund deductions and losses. The net effect of these limitations is to potentially increase the effective tax rate on distributions from the Onshore Feeder Fund (although many of these limitations defer rather than disallow the use of losses, so the Investor may suffer only a timing detriment with respect to taxes payable on the income of the Onshore Feeder Fund). Such limitations include those relating to amounts "at risk," "passive activity losses," "investment interest," and "miscellaneous itemized deductions."

If the Onshore Feeder Fund borrows funds to make up its over-commitment to the Master Fund, interest on such borrowings will be subject to these limitations. The Onshore Feeder Fund Management Fees and the General Partner's Fee will generally be classified as miscellaneous itemized deductions that may be deducted only to the extent that the sum of all such deductions exceed 2% of an individual's adjusted gross income. Further, the alternative minimum tax disallows any tax benefit for miscellaneous itemized deductions.

All Investors should be aware that syndication expenses of the Onshore Feeder Fund are not deductible and organization expenses of the Onshore Feeder Fund may not be amortized over less than 180 months. Prospective Investors should consult their own tax advisors regarding the application of these rules with respect to an investment in the Onshore Feeder Fund.

Prospective Investors should also be aware that they could be subject to limitations on their ability to deduct any capital losses deemed to arise with respect to an investment in the Onshore Feeder Fund.

**Investments in Non-U.S. Entities.** The Master Fund may invest in non-U.S. entities that could be classified as "passive foreign investment companies" ("PFICs") or "controlled foreign corporations" ("CFCs") (each as defined for U.S. federal income tax purposes). For U.S. federal income tax purposes, these investments may, among other things, cause an Investor to recognize taxable income without a corresponding receipt of cash, to incur an interest charge on tax liability that is deemed to have been deferred and/or to recognize ordinary income that would have otherwise been treated as capital gains. Prospective Investors are urged to consult with their own tax advisors regarding the application of the U.S. federal income tax rules concerning an investment in these types of entities. If the Master Fund invests in an entity classified as a PFIC, the Onshore Feeder Fund intends to