

The Onshore Feeder Fund may also elect to be treated as an “electing investment partnership” (“EIP”) if it is eligible to do so and, as a result, avoid making section 754 adjustments that otherwise would be mandatory with respect to certain transfers. If the Onshore Feeder Fund elects to be treated as an EIP, special partner-level loss limitation rules apply. In general, under these rules, a transferee Investor’s distributive share of losses from the sale of the Onshore Feeder Fund’s investments is disallowed, except to the extent it is established that such losses exceed the losses recognized by the transferor Investor. The Onshore Feeder Fund will notify Investors if it elects to be treated as an EIP. Special reporting rules apply to transfers of interests in EIPs.

Notwithstanding the Onshore Feeder Fund’s intention of not making an election under section 754 of the Code, the General Partner will have the authority to require any Investor engaging in a transaction that requires a section 754 adjustment (for example, a transfer of the Investor’s Interest) to bear the ongoing administrative and other costs incurred by the Master Fund or its Investor in connection with these basis adjustment rules. These costs, which could be significant, may be charged to an Investor without regard to whether the General Partner made either of the elections described above on behalf of the Onshore Feeder Fund. Furthermore, each Investor will be required to provide the Onshore Feeder Fund with any information necessary to allow the Onshore Feeder Fund to comply with its obligations to make section 754 adjustments and/or its obligations as an EIP.

Tax Audits. The IRS may audit the Onshore Feeder Fund information tax returns at the Onshore Feeder Fund level in a unified entity proceeding. The Tax Matters Partner (as defined in the Onshore Feeder LP Agreement) would represent the Onshore Feeder Fund at any such audit. The Tax Matters Partner has considerable authority to make decisions affecting the tax treatment and procedural rights of the Investors and the General Partner. The Tax Matters Partner also may enter into settlement agreements with the IRS that bind Investors and may consent on behalf of the Onshore Feeder Fund to extend the statute of limitations for assessing a deficiency with respect to an Onshore Feeder Fund item. Successful adjustments by the IRS of Onshore Feeder Fund items of income, gain, loss, deduction, expense, or credit could adversely affect an Investor’s U.S. federal income tax liabilities.

Foreign Taxes. It is possible that certain dividends and interest directly or indirectly received by the Master Fund from sources within foreign countries will be subject to withholding taxes imposed by such countries. In addition, the Onshore Feeder Fund, through its investment in the Master Fund, may also be subject to capital gains taxes in some of the foreign countries where the Master Fund purchases and sells securities. Tax treaties between certain countries and the United States may reduce or eliminate such taxes. It is impossible to predict in advance the rate of foreign tax the Onshore Feeder Fund will directly or indirectly pay since the amount of the Onshore Feeder Fund’s assets to be invested in various countries is not known.

The Investors will be informed by the Onshore Feeder Fund as to their proportionate share of the foreign taxes paid by the Master Fund, which they will be required to include in their income. The Investors generally will be entitled to claim either a credit (subject, however, to various limitations on foreign tax credits) or, if they itemize their deductions, a