

income would otherwise be excluded as dividends, interest, gains or other similar income. A U.S. Tax-Exempt Investor whose interest will be debt-financed should consult with its tax advisors concerning the taxation of such interest under the PFIC rules that may be applicable to its investment in the Offshore Feeder Fund.

The Offshore Feeder Fund will be a PFIC as defined for U.S. federal income tax purposes. If an investor becomes a U.S. Taxable Investor after investing in the Offshore Feeder Fund, the investor could become subject to the adverse tax consequences of the PFIC regime. Such an investor should consult its own tax advisor as to the U.S. tax implications to it of the PFIC rules. In addition, U.S. Tax-Exempt Investors and Investors that become U.S. Holders may be required to file an annual or other report with respect to the Offshore Feeder Fund or any portfolio company that is treated as a PFIC.

Treasury regulations provide that tax-exempt persons generally are not subject to the potentially adverse effects of the PFIC rules. An investor that is a U.S. Tax-Exempt Investor may not make a QEF election with respect to the Offshore Feeder Fund unless the investor is taxable under the UBTI rules with respect to distributions received from the Offshore Feeder Fund (which would occur generally only if a U.S. Tax-Exempt Investor itself borrowed to make its investment in an interest). The Offshore Feeder Fund and the Fund have not committed themselves to providing the information that an investor would need to make a QEF election.

A U.S. Tax-Exempt Investor that transfers cash to the Offshore Feeder Fund in exchange for an interest will be required to file a Form 926 or a similar form with the IRS if (1) such person owns immediately after the transfer at least 10% by vote or value of the Offshore Feeder Fund or (2) the transfer, when aggregated with all related transfers under applicable regulations, exceeds \$100,000. In addition, U.S. Tax-Exempt Investors owning 10% or more of the total value of a foreign corporation such as the Offshore Feeder Fund will be required to file an information return with the IRS containing certain disclosure about the filing investor, other Investors and the Offshore Feeder Fund. The Offshore Feeder Fund has not committed itself to providing the information necessary to complete this return. In the event that a U.S. Tax-Exempt Investor that is required to file such information returns fails to do so, such investor could be subject to substantial penalties. Further, certain U.S. Tax-Exempt Investors may be subject to an excise tax if the Offshore Feeder Fund engages in a "prohibited tax shelter transaction" or a "subsequently listed transaction" as defined in Section 4965 of the Code. If the Offshore Feeder Fund engages in a prohibited tax shelter transaction, U.S. Tax-Exempt Investors may be subject to substantial penalties if they fail to comply with special disclosure requirements, and their managers may also be subject to substantial penalties. Prospective investors are urged to consult their own tax advisors regarding the applicability of these rules to an investment in the Offshore Feeder Fund.

Additional Reporting Requirements. Although Investors in the Offshore Feeder Fund are currently not required to file a Report of Foreign Bank and Financial Accounts ("FBAR") form with the U.S. Treasury Department with respect to an investment in the Offshore Feeder Fund, U.S. Treasury Department has announced that it is considering these requirements and intends to issue regulations clarifying the application of the FBAR filing obligation in relation to entities such as the Offshore Feeder Fund. Under the