

Jeffrey Goldstein
Responses to Senate Finance Questions

- 1) Please specify the number and types of blockers created and/or utilized by Hellman & Friedman during any time Mr. Goldstein had any association with Hellman & Friedman.

Note: Responses to the following questions have been prepared based on the K-1s or equivalent tax information made available to the blocker entities for the taxable calendar years 2004 - 2008.

For the calendar years 2004 - 2008, I had a carried interest in ten (10) investments that utilized partnerships in which some investors participated through blockers. Of those investments, three (3) foreign investments each utilized one blocker organized in the Cayman Islands, two (2) domestic investments each utilized one blocker organized in the Cayman Islands, and five (5) domestic investments each utilized one blocker incorporated in Delaware. Please note that the Delaware blockers pay United States taxes on all income and the existence of a Delaware blocker is for the convenience of the investors. Since K-1s for 2009 have not yet been prepared, information with respect to 2009 has not been included. Please note, however, that there are no taxable sales or dispositions that will result in UBTI allocable to a foreign blocker in 2009.

- 2) Please list the addresses where each of these blockers is located and/or registered.

The registered address for each of the Delaware entities is:

The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801

The registered address for each of the Cayman Islands entities is:

Walkers Corporate Services Limited
Walker House
87 Mary Street
Georgetown, Grand Cayman KY1-9005

- 3) Please specify amounts of income earned by each blocker during the years Mr. Goldstein worked at Hellman & Friedman, and the number of domestic and foreign tax-exempt organizations associated with each blocker.



- 4) Please specify the amount of UBIT that would have been owed by Hellman & Friedman tax-exempt investors but for the use of blockers (both domestic and international blockers) by Hellman & Friedman.

As noted above, the Delaware blockers pay United States taxes on all income. Since the foreign blockers in the aggregate have a net UBTI loss, the amount of United States taxes that would have been owed would be zero.

- 5) Assuming that Hellman & Friedman's investors would not have changed their investment behavior because of the lack of blockers, please specify that amount, if any, that Hellman & Friedman's fee, profit, and/or income would have decreased if such UBIT had in fact been paid by Hellman & Friedman's tax-exempt investors/clients.

Had UBIT been paid by the investors in the blockers described above, Hellman & Friedman's fees, profit and/or income would be unchanged.

- 6) How do you view the use of blockers by tax-exempt organizations from a policy perspective?

I do not consider myself an expert on tax law and tax policy. I would, if confirmed, be happy to work with this Committee and the Administration on this issue.

- 7) If you think fully responding to any of these questions would violate a confidentiality agreement, please provide a copy of any relevant confidentiality agreements.



Senator Grassley Questions for Jeffrey Goldstein
February 9, 2010

1. Aside from tax-exempt organizations utilizing blockers to avoid Unrelated Business Income Taxes, what other types of investors utilize blocker corporations and what tax benefit do they receive for investing in them?

This is not my area of expertise but in looking into your question I have learned that in the investment fund context, I understand that many foreign investors use blockers, both domestic and foreign, to cause the blocker to file tax returns instead of the foreign investor. This allows one return to be prepared, usually, by the fund sponsor or its accountants, instead of separate returns by each foreign investor.

2. For [REDACTED] the [REDACTED] blockers you provided information on in your last written response, please indicate how many were tax-exempt, the type of entity, e.g., charity, private foundation, pension fund, etc., whether they are a U.S. or Foreign investor, and percentage ownership interest in the corporation.

- [REDACTED]
3. Since a U.S. blocker corporation likely pays U.S. Income tax, what benefits accrue to investors in such corporations? In other words, why do U.S. and foreign investors invest in U.S. blockers? Also, why would a U.S. investor invest in a "Foreign for U.S. Investment" blocker?

Again, this is not my area of expertise but in order to be able to respond to your questions I have learned that entities invest in U.S. blockers so that they can rely on the blockers to file income tax returns on their behalf.

4. Did Hellman & Friedman create blocker corporations in any country other than the Cayman Islands? If yes, please identify. Please explain specifically why blockers were set up in the Cayman Islands, or any other jurisdiction if they exist. What benefits accrue to investors from investing in a blocker corporation set up in the Cayman Islands versus another foreign jurisdiction?

I believe that Hellman & Friedman had blocker corporations only in the U.S. and the Cayman Islands. It is my general understanding that the Cayman Islands is preferred over alternative low-tax locations because it is viewed as having a reliable legal system, and experienced and efficient legal and administrative support service providers.

5. Please explain why the non-blocker entities, i.e., the entities in which blockers invest, are Cayman entities. What benefits accrue for participating in Cayman partnerships and corporations? What is the specific business purpose of operating in the Cayman Islands?

I am not certain as I did not make this level of decision on location but it is my understanding that partnerships in common law countries are generally treated in a similar manner as tax pass-throughs. With respect to foreign corporations, as discussed

above, the Cayman Islands is favored among alternative low-tax locations for both legal and administrative support reasons.

6. You have said that as a Managing Director and Partner of Hellman & Friedman, you had no role in the creation of blockers. Please describe your duties at Hellman & Friedman. How many other Managing Directors were there? Did you have input, or any opportunity to provide input, on the use of blockers? As Managing Director and Partner, did you not have any input whatsoever in deciding to do business in the Cayman Islands?

My primary responsibilities as a Managing Director of Hellman & Friedman were to identify and assess market and investment opportunities, negotiate transactions, monitor and oversee investments and recruit and retain personnel.

There were 15 Managing Directors. I did not work on the tax structuring of our investments, including decisions whether to use blockers and where to locate blockers. These structures were established prior to my joining the firm in 2004.

7. Why was Walkers Corporate Services Limited selected by Hellman & Friedman to facilitate the use of blockers? What positions at Hellman & Friedman would have had any contact with Walkers Corporate Services.

As I have stated before, I was not involved in the creation or management of blockers, and did not make the decision to select Walkers Corporate Services Limited.

The persons who dealt with the Walkers would have been lawyers, finance executives and accountants at or retained by Hellman & Friedman.

8. You have stated that "I have a carried interest in ten (10) investments that utilized partnerships in which some investors participated through blockers." Please define carried interest, provide the value of each such interest, how the value was calculated, and explain how you account for such interests for tax purposes. If you will be divesting in these interests to comply with ethics rules, please describe how such divestiture will be treated for tax purposes.

Carried interest is a profits participation which is taxed in accordance with the character of the underlying income realized by the partnership. The majority of income earned by a private equity fund is in capital gains from the sale of portfolio companies.

I am divesting of these investments as described in Question 7 of Section F (Financial Data) of the Senate Finance Committee Questionnaire. Regarding the tax treatment of the divestiture, I expect that it will be treated as a combination of capital gains and ordinary income on my tax return.

9. Does Hellman & Friedman have any staff working in the Cayman Islands? What office space does Hellman & Friedman itself have in the Cayman Islands? Please describe in detail the extent of Hellman & Friedman's physical presence and staffing in the Cayman Islands.

Hellman & Friedman does not have staff or office space in the Cayman Islands. It is my understanding that Hellman and Friedman, like its peer competitor firms, principally relies on administrators such as Walkers Corporate Services Limited to perform the activities undertaken in the Cayman Islands.

10. On line 10 of the spreadsheet you gave us, the "Foreign for Foreign Investment" line, there are no U.S. Investors, and nine Foreign Investors. However, there are amounts listed as "Total Taxable Income per K1" and "Total UBTI per K1." Why would a U.S. Form K1 be issued? What is the U.S. nexus that causes that?

I am not certain of all of the reasons why but it is my understanding that investors prefer to receive information on a Form K-1, whether or not they technically are required, because it is easier for investors to incorporate the information into their systems and/or returns.

February 16, 2010 - Revised Question 5

5) *In response to your request for further clarification about the specific business purpose of operating in the Cayman Islands, I would note again that I am not a tax lawyer or tax expert, but I have been told that the business purpose for the choice of a Cayman Islands limited partnership (as opposed to a Bermuda or Canadian limited partnership or a Dutch partnership (CV)) as a foreign non-blocker entity relates to the efficiencies of locating as many entities in one jurisdiction as possible in order to reduce costs. I further understand that corporations tend to favor the Cayman Islands among alternative low-tax locations because of the efficiency of its legal and administrative support services. Unfortunately, I cannot speak to the specific reasons why Hellman and Friedman chose to operate in the Cayman Islands. I joined the firm in 2004 when I believe these structures were already in place. During my time at Hellman and Friedman I did not oversee or review the Cayman operations or the purpose of utilizing this location.*

FEBRUARY 23, 2010 - Addendum

As I have previously indicated, I am not a tax expert but in order to be as responsive as possible I have investigated this issue and have found the following. Investing in Cayman Island investment funds and corporate blockers is a common practice among US private equity and other investment firms. Advantages of US firms investing in the Caymans include a) no Cayman Islands income tax; b) a Commonwealth heritage, including a legal system with many similarities to the US legal system; c) English as a common language; d) a close geographic and time zone proximity to the US; and e) a stable government and investment structure.

Tax-exempt entities such as a pension fund may find investing in the Caymans through a corporate blocker desirable because it provides a way to maximize return on investment, resulting in enhanced pension security while minimizing costs to employers and employees. Without a corporate blocker, the investment earnings of tax-exempt entities on debt-financed funds are considered to be unrelated business taxable income and are subject to the unrelated business income tax. With a corporate blocker, such investment earnings are not considered to be unrelated business taxable income and thus the return on investment going back into the pension fund is greater. The blockers used by Hellman & Friedman for its tax-exempt investors help minimize or eliminate unrelated business income tax for those tax-exempt entities.

As I have stated previously, my primary responsibilities as a Managing Director of Hellman & Friedman were to identify and assess market and investment opportunities, negotiate transactions, monitor and oversee investments, and recruit and retain personnel. I did not work on the tax structuring of our investments, including decisions whether to use blockers and where to locate blockers. I believe that Hellman & Friedman operated in compliance with the tax laws in effect, and the use of corporate blockers is an ordinary practice within the industry on behalf of tax-exempt entities.

Further, I am aware of the concerns surrounding investments in offshore locations and whether earnings on those investments are properly reported for US income tax purposes. I understand the offshore proposals included in the Baucus/Grassley jobs bill draft and in the HIRE Act address these concerns, and would result in disclosure to the IRS of US account holders or, alternatively, 30% withholding on US source payments. I support the policy objectives of these offshore proposals.