

EU SAVINGS DIRECTIVE- REGISTRATION REQUIRED BEFORE JULY 1, 2005

The so-called “Savings Tax Directive” adopted by the European Union (“EU”) will affect offshore hedge funds (“Fund”) in circumstances in which Fund shares are held by a bank or other depository located in Switzerland (“Swiss Depository”) for the benefit of an owner resident in an EU member state. Unless a Fund takes steps to register with Telekurs Financial as a fund that is “out of scope” as regards the Directive, a Swiss Depository may be obliged to withhold tax, initially at a 15% rate, from distributions made by the Fund. Alternatively, the holder may request that the Swiss Depository make tax reports to the owner’s home jurisdiction in lieu of withholding. (Telekurs has been designated by the Swiss authorities as a data provider with respect to investment funds under the Directive.) Registration with Telekurs eliminates the requirement of withholding by the Swiss Depository by making known the fact of a Fund’s status as “out of scope” under the Directive. As we understand the rules, the vast majority of Cayman Islands’ incorporated hedge funds will qualify as “out of scope” under the Directive. The Directive’s withholding requirements take effect on July 1, 2005, so you may wish to consider registering promptly to avoid imposing burdens on any EU resident shareholders who hold through a Swiss Depository. At this point we do not believe that registration is required by any European jurisdiction other than Switzerland.

To register with Telekurs go to the Telekurs website: [http://www.telekurs-financial.com/tkfich_index/tkfich_customers/tkfich_customers_eu_interest_taxation.htm]

If you have any questions concerning the foregoing or would like further information, please call Roger Blanc (212-728-8206), Richard Reinhold (212-728-8292), Dan Schloendorn (212-728-8265) or the attorney with whom you regularly work.

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