

2011 ANNUAL CLIENT MEMO
**Continuing
Statutory
Obligations of
Cayman Islands
Investment Funds**
CIMA Registration

Cayman domiciled entities (hereinafter "Funds"), which offer redeemable equity interests to investors will need to register as a mutual fund with the Cayman Islands Monetary Authority ("CIMA") unless they fall within one of several exemptions.

The main exemptions from registration are (i) that the interests are not redeemable at the option of the investor; or (ii) that the Fund has fifteen or fewer investors who have the power by majority vote to remove the operator of the Fund, or (iii) if a foreign fund, the same is incorporated or established in a country approved by CIMA.

Please contact us immediately if you have any entity registered with us which issues redeemable interests and which might fall within CIMA's registration requirements.

Audit Requirements for CIMA Registered Funds

All registered Funds are required to file audited financial statements within six months of the Fund's year-end together with an annual return. To reduce delays in finalising and filing the audited financial statements, particularly for Funds that have independent directors, please note:

1. Director Approval of Financial Statements

The draft audited financial statements need to be circulated to all Directors and to Trident for comment as soon as they are available. Even on those Funds where Trident is not performing NAV calculation services, we frequently have comments especially with respect to the notes to the financial statements and especially on Funds where the primary audit work is done outside the Cayman Islands.

The Board of Directors as a whole is ultimately responsible for the Fund and will need to evidence, by means of a Directors' resolution, its approval of the Fund's financial statements and the related management representation letter to the auditors. The Cayman regulators require that the Directors formally approve the annual audited financial statements. Accordingly, the Fund's audited financial statements should be signed off by the auditors, filed with CIMA, and distributed to third parties only after the Board of Directors has documented its approval of the audited financials.

2. Management Representation Letters

Auditors may request that Trident sign off on their standard audit representation letter. Such letters often contain representations on matters that fall outside our role and knowledge. In such cases we will provide a more limited audit representation letter. In addition, if the Fund has independent directors, they are likely to require some form of comfort letter from the Investment Manager, and possibly from Trident, before they approve the audited financial statements and the audit representation letter. Please notify us promptly about any request for administrator representation letters, to reduce the risk of delaying completion of the audit.

3. Electronic Reporting Initiative

The Auditors, rather than the Administrator or Registered Office, are responsible for the electronic filing with CIMA of Fund's audited financial statements along with the Fund's annual return. More information on the Electronic Reporting Initiative may be obtained from CIMA's website (www.cimoney.com.ky). We will require a copy of the electronic receipt from CIMA supporting the filing of Fund's financial statements with CIMA.

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4. Filing Extensions with CIMA

Filing extensions for late reporting of audited financial statements, after the six month filing deadline, will be granted by CIMA for a period of one month at a time. The first one-month extension is normally unquestioned, but should a further extension be required, CIMA will require a letter from the Fund's auditor explaining the reason(s) for the delay. In practice CIMA will approve a third month extension only under special circumstances, and will not in practice approve extensions beyond the third month. There is a filing fee of US\$244 with respect to requests for filing extensions.

CIMA has recently proposed a new Rule on Regulatory Reporting Standards introducing significant penalties in the event of unauthorised late filings of audited financial statements or other core information. Originally this rule was to be effective as of August 1, 2011 but implementation has now been postponed until further notice. We will notify clients should any substantive changes in the current CIMA filing regulations be brought into effect.

Offering Document

Each Fund which is registered with CIMA must have its current Offering Document filed with CIMA unless exempted by CIMA. The Document must describe in all material respects the equity interests which are being offered, and must contain sufficient information to allow a prospective investor to make an informed decision as to whether or not to subscribe. A Fund is not in compliance with this requirement if it is currently offering redeemable interests and the Offering Document on file has not been updated within twenty one days with respect to material changes in the operations of the Fund or with respect to the prescribed details previously filed with CIMA.

Other Filing Requirements

Other matters that must be notified to CIMA on a timely basis with respect to registered mutual funds include:

- Resignation by a Director. Our notification letter to CIMA needs to include the reason(s) for the resignation, which accordingly must be advised to us. An updated Offering Memorandum must be filed with CIMA in due course.
- Appointment of new Director. Our notification letter to CIMA should include the resume/C.V. of the new Director. An updated Offering Memorandum must be filed with CIMA in due course.
- Issuance of an updated Offering Document, a copy of which must be filed with CIMA.
- Change in Auditors. CIMA requires a letter from the resigning auditors stating the reason for the change, along with a letter of consent from the new auditors.
- Change to the Registered Office of the Fund.
- Change to the Principal Office of the Fund.
- Change to the Trustee of the Fund (for a unit trust).
- Change to the Administrator of the Fund.

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CIMACConnect for Financial E-Business

CIMA has launched an e-business portal that enables online access for the completion and submission of requests for CIMA authorization, along with any required documents. The initial release is for the processing of new fund authorizations but over time further functional improvements will be made allowing for other types of requests to be submitted via the portal.

Fees

Mutual fund licence fees (generally US\$3,658.54 per annum) are payable to CIMA by 15 January of each calendar year, after which date penalties are charged for late payment.

Due Diligence

As part of Trident's due diligence procedures on the promoters and managers of mutual funds, we may require additional information from potential promoters and managers of new funds about their suitability to form and operate such funds. Trident's obligations to CIMA in this respect are set out in Section 16 of the Mutual Funds Law, 2009 Revision.