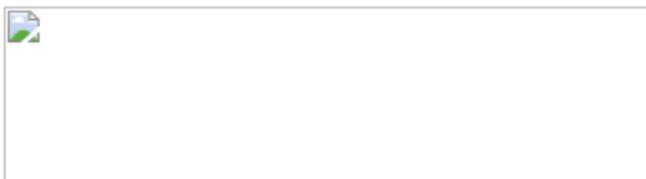


From: Richard Kahn <[REDACTED]>
To: "jeffrey E." <jeevacation@gmail.com>
Subject: Tax Alert: FATCA Deadlines Looming
Date: Wed, 10 Dec 2014 17:36:58 +0000

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From: Sadis & Goldberg Tax Group <[REDACTED]>
Date: Thu, Dec 4, 2014 at 9:33 AM
Subject: Tax Alert: FATCA Deadlines Looming
To: [REDACTED]



TAX ALERT

December 4, 2014

FATCA Registration Deadline Looms for Offshore Funds Based in Cayman and BVI

For further information about this *Alert*, please contact:

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Alex Gelinas
Partner

Please feel free to discuss any aspect of this *Alert* with your regular Sadis & Goldberg contact or with any of the partners whose names and contact information can be found at the end of the *Alert*.

Offshore investment funds organized under the laws of the Cayman Islands or the British Virgin Islands will need to register on the IRS FATCA Registration System no later than December 31, 2014 to comply with various international tax compliance obligations.

Background

The provisions of the Internal Revenue Code known as FATCA are designed to reduce evasion of US tax by US citizens and residents who hold offshore assets. To accomplish this objective, FATCA requires "foreign financial institutions" ("FFIs") (which term includes most offshore private investment funds) to register with the Internal Revenue Service ("IRS") and undertake the responsibility to perform due diligence to identify their US accounts and report the income earned by them to the IRS. A foreign financial institution that does not comply is subject to 30% US withholding from any payments of most

types of US-source investment income and, commencing in 2017, the gross proceeds of sales of US stock and debt instruments. Offshore funds generally cannot recover FATCA tax withheld unless a tax treaty provides, thus funds in non-treaty jurisdictions (such as Cayman and BVI) will have no ability to obtain a refund. The FATCA withholding requirements and other compliance requirements were phased in beginning in July of 2014.

Registration with the US Internal Revenue Service

The Cayman Islands and the British Virgin Islands have each entered into a "Model 1 Intergovernmental Agreement" ("IGA") with the United States which modifies the applicable FATCA compliance rules for investment funds organized in such jurisdictions. The general FATCA requirement that foreign financial institutions register with the IRS and obtain a Global Intermediary Identification Number ("GIIN") by July 1, 2014 was delayed until December 31, 2014 for the funds based in Cayman and BVI (and funds in certain other jurisdictions). Thus, under FATCA as modified by the IGAs, offshore funds based in Cayman or BVI would become subject to US 30 percent withholding on January 1, 2015 if they have not registered with the IRS and obtained a GIIN. Certain collective investment vehicles that are classified as "Non-Reporting Financial Institutions" under the terms of such IGAs are exempt from these IRS registration requirements, but the typical offshore fund generally would not be covered by such exemptions.

Action Plan for Sponsors of Cayman and BVI-Based Investment Funds

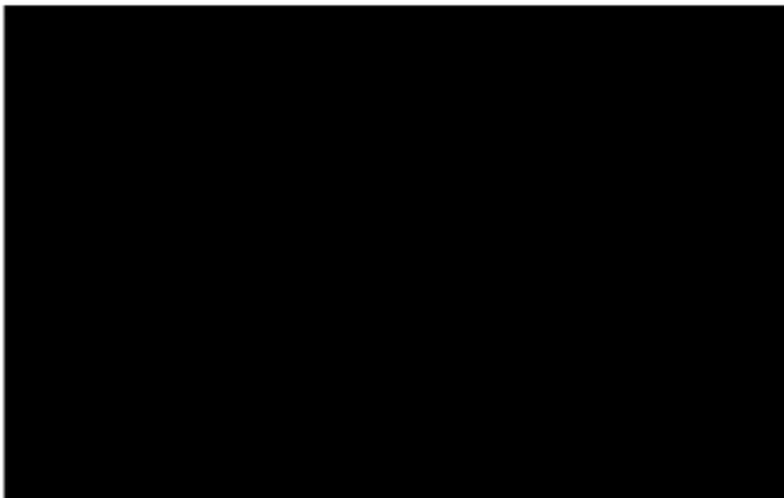
The principal tasks for fund managers include the following:

- **Entity Classification** - Determine the FATCA characterization of each of their investment entities;
- **IRS Registration** - Register their non-US funds by December 31, 2014;
- **Investor Onboarding** - Consider what changes should be made to the investor onboarding process in order to satisfy the requirements of the FATCA Regulations and the applicable IGA;
- **Investor Due Diligence** - Review existing investor data in light of the due diligence standards set forth in Annex 1 of the applicable IGA, including several new provisions that permit reliance on existing documentation in certain circumstances;
- **Review of Fund Documents** - Consider updating critical legal documents, including fund offering documents, corporate charters or partnership agreements, etc. and service provider agreements; and
- **Possible Outsourcing** - Consider whether certain FATCA compliance matters should be handled by third party service providers.

If you have any questions about dealing with FATCA, or would like to discuss this *Alert* further, please contact Tax partners Steven Etkind at [212.573.8412](tel:212.573.8412) or Alex Gelinas at [212.573.8159](tel:212.573.8159).

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