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May 29, 2002

VIA E-MAIL

To Our Investment Adviser Clients and Other Friends

Re: *Gramm-Leach-Bliley Act* -- Privacy Regulations

In a letter dated March 2, 2001, we outlined the Privacy Regulations[1] adopted by the Securities and Exchange Commission (the "SEC") and the Federal Trade Commission (the "FTC"), including requirements applicable to investment advisers and private investment entities. Please let us know if you need a copy of that letter. The purpose of this letter is to remind you of an upcoming deadline under the Privacy Regulations.

Initial Compliance. Every investment adviser, whether or not registered with the SEC or any state securities regulatory agency, and every private investment fund or hedge fund by now should have (1) given an initial privacy notice to each of its "customers,"[2] describing the policies and practices of the adviser or the fund for collecting and disclosing nonpublic personal information, and (2) adopted policies and procedures to protect the privacy of customers' nonpublic personal information. In addition, if it discloses its customers' nonpublic personal information to an unaffiliated third party (other than pursuant to certain exceptions under the Privacy Regulations) under an agreement dated on or after July 1, 2000, that agreement should already require the third party to maintain the confidentiality of nonpublic personal information it receives under that agreement.

Investment advisers and hedge funds should now review each of their agreements with third parties (including those dated before July 1, 2000) to determine whether either (1) any

[1] The SEC adopted Regulation S-P, "Privacy of Consumer Financial Information," 17 C.F.R. Part 248, and the FTC adopted regulations entitled "Privacy of Consumer Financial Information," 16 C.F.R. Part 313. Both sets of regulations are referred to in this letter as the "Privacy Regulations".

[2] "Customer" includes generally any individual who obtains financial services for personal, family or household purposes.

disclosures under the agreement are within an exception under the Privacy Regulations, or (2) the agreement requires the third party to keep confidential any nonpublic personal information disclosed to it under the agreement. Some agreements may need to be amended. All agreements must comply with this requirement by July 1, 2002. Examples of the types of agreements that must be reviewed and possibly revised are solicitors and finders agreements, consulting agreements, marketing agreements, service agreements and joint back office agreements.

Annual Notice. The Privacy Regulations also require investment advisers and hedge funds to give their customers annual notices describing their information collection and disclosure practices. You should consider taking this opportunity to revise or update your initial privacy notice, to incorporate additional information in response to questions that have arisen since that initial notice, or to add other information that you want customers to have about your privacy practices.

Other Developments. The FTC proposed additional regulations in August 2001, specifying the standards for the privacy policies that must be adopted by all private investment funds (whether or not the sponsor of the fund is subject to FTC jurisdiction) and all investment advisers who are not SEC-registered. The FTC's proposal is more detailed and specific than the SEC's rule, and will require the policies of the entities it covers to address matters such as employee training, prevention of and responses to intrusions, and oversight of service providers.[3] If the rule is adopted as proposed, it will require compliance within one year from the date of adoption.

Contact us if you need assistance with reviewing or amending your third-party agreements or annual notice. If you have any questions about these matters, please contact Douglas Hammer, John Broadhurst, Carolyn Klasco, Christopher Rupright, Carolyn Reiser, John Milani, Monique Alonso, Joan Grant, Ellyn Roberts, Neil Koren, Anthony Caldwell, Latisha Brown or James Frolik.

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[3] We understand that various industry associations have asked the FTC to consider permitting state-registered investment advisers to substitute the SEC's more general standards for the FTC standards. The FTC has not finalized the regulations, but it has indicated that it does not think substituting the SEC's standards would be consistent with the requirements of the Gramm-Leach-Bliley Act.