MEMORANDUM

To: Public File

From: Commissioner Roel C. Campos

Subject: Meeting to discuss Hedge Fund Registration Proposal

File No.: IA – 2266; S7-30-04

Date: October 21, 2004

Meeting Date and Time: October 21, 2004 and 10:30 a.m.

MFA Attendees: Adam Cooper and Jack Gaines

Patton Boggs Attendees: Billy Cooper, Donald Moorehead

Schulte Roth & Zabel, LLP Attendees: Paul Roth

SEC Attendees: Commissioner Campos, Heather Traeger, Lori Richards, Paul Roye, Robert Plaze, Arthur Laby and Martha Peterson

MFA, Patton Boggs & Schulte Roth and Zabel met with Commissioner Campos and the staff to discuss the Commission’s proposed rule on hedge fund registration, possible alternatives to registration generally, and possible alternatives to registration in the short term. MFA provided Commissioner Campos and staff with an interim proposal (see attached) and the group expanded on comments expressed in their various letters.
Elements of Interim Proposal

This Interim Proposal is intended to provide a workable framework within which to pursue, on an expedited basis, a consensus on meaningful and effective changes to the existing regulatory structure applicable to hedge fund managers.

- Temporarily defer vote on current proposal to permit implementation of Interim Proposal.

- Immediately form working group/forum to develop alternatives, which could include "Pilot Program" for hedge funds. Commission forms a working group with participation and support of heads of industry to identify, for example, information hedge funds could provide to the SEC, other ways to address SEC's needs/concerns.
  
   o Goals of Working Group:
     - Agree on precise definition of hedge fund.
     - Determine types of information that hedge fund managers should provide directly to the SEC.
     - Assess extent to which useful information is already available/accessible (see MFA's Government Resource List) and whether additional information-sharing arrangements are desirable.
     - Establish form/frequency of information that should be provided to the SEC.
     - Consider practical ways to directly address other areas of concern, e.g., valuation issues, conflicts of interest, capital introduction relationships, use of soft dollars.
   
   o Working group participants include hedge fund managers, investors and other stakeholders (e.g., prime brokers, other hedge fund counterparties).

   o Comment period on current rulemaking is reopened in light of this interim undertaking by the Commission.

- Establish expedited/specific timeframe for implementation of alternatives.

- Implementation of alternative. Based on working group findings/recommendations, Commission could launch pilot program of information filings/other undertakings by unregistered hedge fund managers.
  
   o Pilot program runs 9-12 months.

   o All hedge fund managers who claim exemption under 203(b)(3)-1 are required to participate in pilot program as condition of exemption.

   o Throughout pilot program SEC staff analyzes information received to assess whether SEC needs are being met by information provided.

   o Pilot program participants also agree to respond to special calls by the Commission when necessary to permit SEC to carry out anti-fraud/anti-manipulation provisions of securities laws.

- Adopt Final Rules. Based on analysis of pilot program results, SEC staff recommends that the Commission either:
  
   o make information filing/other pilot program requirements a permanent condition of registration exemption; or

   o pursue alternative form of regulation, which may include the current proposal in its current or modified form, to the extent the SEC's concerns are not met by the pilot program.