

DISCLOSURE NOTICE

BASIS YIELD ALPHA FUND

The Basis Yield Alpha Fund ("Fund") indirectly invests most of its assets into the Basis Yield Alpha Fund (Master) ("Master Fund"). The Master Fund has suffered the forced sale of some of its assets by secured creditors and the purported closing out of positions by some financiers as a result of a global market-wide increase in risk aversion and a general desire by the financiers to reduce their exposure to these assets. Both are likely to contribute to a reduction in the net asset value ("NAV") of the Fund's units.

The Master Fund is taking steps to protect its investors and, in particular, is considering its position with respect to the actions of its secured creditors. In a number of instances, the Master Fund has referred matters to its legal and financial advisors in order to explore all possible avenues, which may assist in maximising returns to all investors.

The situation in global structured credit markets remains fluid and uncertain. Basis Capital Funds Management Limited, the Investment Advisor to the Fund, has advised the Board that it is presently unable to accurately estimate the reduction in the NAV of the units in the Fund. On the 18th July 2007 the Fund disclosed that it estimated a reduction in the NAV of units in the fund to below one-half of the level as at 31st May 2007. Despite the best efforts of BCFML and the Master Fund to preserve the position of investors and the difficulties in obtaining accurate asset values it appears that because of further deterioration of market conditions and the actions of the Master Fund's financiers, BCFML estimates that the reduction in the Fund's NAV may exceed 80%. This does not allow for any potential claims against financiers.

Every effort is being made to calculate a 30th June 2007 NAV as expeditiously as possible and in accordance with the relevant Confidential Information Memorandum and Articles of Association.

The Master Fund recently appointed the Blackstone Group to act as its financial advisor. Blackstone is a leading global alternative asset manager and provider of financial advisory services, listed on the New York Stock Exchange (ticker symbol BX) with total assets under management of approximately \$88.4 billion, headquarters in New York and with offices in Atlanta, Boston, Chicago, Dallas, Los Angeles, San Francisco, London, Paris, Mumbai and Hong Kong.

Blackstone's role will include negotiating with investment banks to prevent adverse pricing and selling of assets, as well as adding to the international experience of the Master Fund's investment management and advisory teams.

The Board of the Fund, working together with BCFML continues to use its best efforts to monitor and control the position and will continue to advise and its investors as more precise information becomes available.

Yours sincerely

Basis Yield Alpha Fund
August 14th, 2007