

**Basis Yield Alpha Fund**  
c/o Fortis Prime Fund Solutions (Cayman) Limited  
Grand Pavilion Commercial Centre  
802 West Bay Road  
PO Box 2003  
George Town, Grand Cayman  
Cayman Islands

18 July, 2007

**Re: Basis Yield Alpha Fund (the "Company")**

Dear Shareholder:

We are writing to advise you that as of 17 July, 2007, based on advice from Basis Capital Funds Management Limited, in its capacity as the Company's investment advisor ("**Basis**"), and pursuant to the power granted to the Board of Directors pursuant to Article 72 of the Company's Memorandum & Articles of Association (the "**Articles**"), we have suspended payment of the Redemption Price in respect of the Participating Shares redeemed with effect on 30 June 2007.

For your reference, Article 72 of the Articles states as follows (**emphasis added**):

72 ***The Company may suspend the calculation of Net Asset Value and the issue and redemption of Participating Shares and the payment of the Redemption Price (or any portion thereof) in respect of any redemption of Participating Share during any period:***

- (a) *when any of the principal markets or stock exchanges on which a substantial portion of the investments of the Company or the Master Fund from time to time are quoted, listed, traded or dealt in is closed other than for ordinary holidays or during which valuations therein are restricted or suspended;*
- (b) *when, as a result of political, economic, military or monetary events or any other circumstances outside the control, responsibility and power of the Company or the Master Fund, disposal or valuation of a material portion of investments of the Company or the Master Fund is not, in the opinion of the Company or the Master Fund, reasonably practicable without this being seriously detrimental to the interests of the Shareholders or if, in the opinion of the Directors (under advice from the Investment Manager and/or Administrator), the NAV cannot be calculated fairly;*
- (c) *in which there is a breakdown in the means of communication normally employed in determining the price of any of the investments held by the Company or the Master Fund or when for any other reason the value of any of the investments or other assets of the Company or the Master Fund cannot reasonably or fairly be ascertained;*
- (d) ***when the Company, the Master Fund, the Investment Manager or the Administrator is unable to repatriate funds required for the purpose of making payments on redemption or during which any transfer of funds involved in the realisation or acquisition of assets or when payments due on redemption cannot in the opinion of***

*the Directors and/or the Investment Manager be effected at normal rates of exchange;*

- (e) when proceeds of any sale or redemptions of Shares cannot be transmitted to or from the account of the Company or the Master Fund; or*
- (f) during which the Master Fund has suspended the calculation of its net asset value, the redemption or repurchase of its shares or the withdrawal of capital or the right to receive redemption proceeds.*

We do not believe the Company is currently able to repatriate funds required for the purpose of making payments on payment of the Redemption Price in respect of the Participating Shares redeemed with effect on 30 June 2007.

In light of this, the Directors have resolved to suspend payment in respect of the above redemptions, under Article 72(d), until such time as payment of these redemptions can be restored.

Sincerely,

**BASIS YIELD ALPHA FUND**