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MEMORANDUM

TO: Clients and Friends

FROM: McQuadeBrennan, LLP

DATE: July 29, 2010

RE: Legislation on the Taxation of Carried Interest Update

Congress has yet to vote on the expiring tax extenders legislation, which includes a provision that would regulate the taxation of carried interest, and will not address the matter before the August recess.

The legislation's current form taxes 75% of carried interest at the ordinary income rates and 25% at capital gain rates, without regard to the character of the underlying income.

Industry groups such as the Private Equity Council and the National Venture Capital Association are continuing to make their voices heard inside the halls of Congress by educating Senators and Representatives about the vital role that venture capital plays in innovation and job creation, and the potential negative effects the bill could have within the industry, and more importantly, the broader economy.

Contact Melody Twigg at mtwigg@mcquadebrennan.com or (202) 296-3306 with your questions regarding this issue. Melody is a Senior Tax Consultant at McQuadeBrennan, LLP.

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