



MUSTARD COLONELS
Ad homage video still.

Poupon's 'pardon,' part deux

Grey Poupon's famous "Pardon Me" TV commercial is returning for a moment of Oscar glory.

After a 16-year hiatus, the mustard that mocked its own stuffy image in one of TV's most famous commercials will once again take to the airwaves during the Feb. 24 Academy Awards show.

The spot comes as Kraft Foods looks to boost sagging sales of the Dijon mustard, which is facing competition from a growing variety of high-end condiments on supermarket shelves.

The new ad begins in the same way as the original — an aristocratic English gentleman is being chauffeured in the countryside, when another car pulls up alongside them at a stop. The back window rolls down and a second man asks in an over-the-top snooty accent, "Pardon me, would you have any Grey Poupon?"

The first man courteously responds, "But of course" and hands him a jar out the window.

In the new version, however, the scene continues with the second car speeding off without returning the mustard.

Jokes aside, there's a seed of truth to that higher-end image; Grey Poupon customers tend to be skewed toward household incomes of \$70,000 or more. AP

Demand to split in two

Demand Media, operator of the EHow.com website, rose as much as 24 percent in extended trading after the company announced plans to split its content and domain-registration businesses into two public companies. Bloomberg

NOT VERY TAXING

Rich get richer with IRS loophole in sunny Bermuda

By PAUL THARP

Billionaire hedge-fund moguls are getting comfortable with a US tax loophole to fatten their already plump bottom lines.

All it takes to avoid tens of millions of dollars in taxes is a short trip to Bermuda — not by them, but their cash.

Hedgies like John Paulson and Steve Cohen are forming reinsurance companies in tax-free havens like Bermuda or the Cayman Islands — and then transferring cash from their funds to the reinsurance companies.

The cash, classified as insurance company reserves, is then transferred back into the funds as reserves to be invested for future claims.

Thanks to an IRS loophole, profits from these insurance companies aren't taxed — until the stake in the fund is sold, and that could be years down the line.

And here's the kicker: The taxes, when paid, are at the lower capital-gains rate and not as ordinary income.

Here's how Bermuda reinsurance cash can pay off: \$100 million of regular cash

invested in a fund returning 15 percent annually and taxed at the top rate will result in a \$50 million profit after taxes. But the Bermuda cash will produce a profit of \$77 million.

Paulson, for example, shipped \$450 million last year into a Bermuda company called Pacre Ltd., which is his own "brass plate" reinsurance company, according to Bloomberg, which reported on this growing trend yesterday.

Pacre Ltd. is basically an office mail-drop without employees.

Within months, that cash was recycled out of Bermuda and back into Paulson's hedge funds in New York, tax-free, to make him even richer without any tax bills for years into the future.

"These types of reinsurance companies are permitting US taxpayers to defer — indefinitely — US tax," lawyer David S. Miller, a tax expert at Cadwalader Wickersham & Taft, told Bloomberg.

He branded the move as "an unjustified benefit."

Washington has been promising for a decade to

John's spring break

That's hedgegie John Paulson in Bermuda, where hedge funds like his are funneling millions to take advantage of a tax loophole.



Post photo composite

shut this loophole — but hasn't gotten around to it.

More and more hedge-fund billionaires are relying on tax-haven reinsurance mail drops to legally avoid taxes — including Third Point's Daniel Loeb and Greenlight Capital Inc.'s David Einhorn, it was reported.

The companies set up by Paulson, Cohen and Loeb are located within a half-mile of each other in the narrow streets ringing Bermuda's capital, Hamilton,

according to Bloomberg.

Loeb's Third Point Reinsurance holds about \$785 million in funds, including \$75 million of Loeb's own money, the report said. Cohen's offshore reinsurer SAC Re holds about \$500 million, including \$125 million of Cohen's cash, Bloomberg said.

Bermuda's quaint, pastel buildings on a small commercial strip along Hamilton's harbor are affixed with scores of brass plates of reinsurance companies from

around the world.

Generations of investors have used reinsurance as an investment and tax-avoidance tool, but a decade ago the IRS vowed to clamp down on its abuses, with little today to show and no prosecutions.

Bloomberg said at least three new reinsurers backed by US hedge fund managers put a combined \$1.7 billion back into the managers' hands in the US.

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Einhorn odds are good

By KAJA WHITEHOUSE

A Manhattan federal court judge said he likes hedge-fund honcho David Einhorn's odds of winning a lawsuit against Apple over a governance proposal — but he stopped short of saying he will block shareholders from voting on the proposed change.

"I do think the likelihood of success is in favor of Greenlight," Judge Richard Sullivan said at a hearing yesterday, speaking of the merits of the entire case.

Sullivan said he would rule before the Feb. 27 vote.

The judge said he will decide the narrower issue of blocking the vote, in part, on whether or not Einhorn's Greenlight Capital hedge fund would be irreparably harmed if the vote at Apple's annual share-

holder meeting were to take place.

Earlier this month, Einhorn sued Apple for "bundling" three shareholder proposals.

His concern is that the bundling could affect the outcome of a proposal to require shareholder approval for Apple to issue preferred shares.

Einhorn has been pestering Apple to spend some of its \$137 billion cash hoard on investors by issuing tax-favorable preferred stock that carries a 4 percent dividend.

Apple rejected the proposal last year, but has since said it will consider Einhorn's request.

While investors say they tend to dislike when companies bundle proposals, heavy-hitters like the \$245 billion California Employees Public Retirement System have said they support Apple's move to require shareholders' OK to issue elite preferred shares.

Herbalife quarterly profits beat Street

Herbalife reported fourth-quarter profits that beat expectations — while raising its earnings forecast for this year — but shares dipped in after-hours trading.

The Los Angeles distributor of nutritional products and weight-loss shakes is the focus of a bruising battle between hedge-fund billionaires Carl Icahn and Bill Ackman.

Ackman on Dec. 19 called Herbalife, a multilevel marketing company, a pyramid scheme and made a \$1 billion short bet against it. The company denies the charge.

Icahn this month disclosed a 13 percent stake in the company, saying Ackman's theory is totally wrong.

The battle has commanded Wall Street's attention because of the size and certainty of each hedge's bet, and the fact that there is no love lost between the two.

In reporting a 12 percent rise in profits, Herbalife acknowledged that the Securities and Exchange Commission requested information on its business, and that it was responding to those requests.

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