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Private & Confidential

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28 January 2016

Dear Loan Note Holder

**Re: Foundations Program Plc (in liquidation) ("FPP") and FPA Limited (in liquidation) ("FPA") Calculation of Interim Distribution
Loan Note Holder name - «F3» («Aid»)**

NB THIS IS AN IMPORTANT UPDATE AND LOAN NOTE HOLDERS ARE REQUESTED TO CONSIDER THIS LETTER CAREFULLY SO AS TO ENSURE THE LIQUIDATIONS OF FPP AND FPA PROGRESS AS EFFICIENTLY AS POSSIBLE.

We write in our capacity as Joint Liquidators and Joint Official Receivers ("JL&JORS") of FPP and FPA further to the update provided to Participants and loan note holders ("LNHs") on 24 November 2015. As foreshadowed in that update, the JL&JORS have now completed their reconstruction and recalculation of Participants' points from historical data provided by the various life companies. These points calculations have then been used by the JL&JORS to calculate each Participant's share of program losses. These calculations have been sent to each of the Participants along with a detailed letter explaining the methodology by which the calculations have been carried out with reference to the terms of the Foundations Program Offering Document ("OD").

The methodology affecting the Participants is complex but has been set out in detail in a letter to them; a copy of this letter can be found on the FPP website <http://foundations.kpmg.co.im/>. This more detailed explanation may assist LNHs' understanding of the interaction between the Participants and LNH claims in the liquidation of FPA.

The calculations pertaining to LNHs have also been concluded by reference to the information available to JL&ORS, in particular the records obtained by the United

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States Securities and Exchange Commission (“**SEC**”) which formed the substance of the SEC’s civil action in the United States District Court for the Northern District of Illinois, Eastern Division. The SEC asserted that Loan Notes had been fraudulently issued to at least 74 investors in an aggregate amount of US\$5.6m from June 2009 to the end of September 2010.

The calculations relevant to your claim as a LNH are set out in the tables at the end of this letter.

Although much of the background and description of the Program has been set out by us previously, we provide you with a short summary to assist your understanding of this matter.

Background

Terms and Conditions of the Foundations Program

Assets assigned to FPA by Participants which primarily consisted of unit-linked or with-profits life assurance savings plans or bonds, secured (by way of sub-assignment) a loan facility from Barclays Private Clients International (“**Barclays**”). This facility was used by the Program to finance the Program’s investment activities. These investment activities were carried on by FPP which was also the entity liable to repay the Barclays’ loan.

Each of the Assigned Assets had a different value, which value was to be reduced by a risk factor peculiar to each one in accordance with the OD.

Steps taken to calculate LNH’s and Participants’ shares of Losses

On 13 October 2014 the period expired for any appeal of the determination by Deemster Doyle on 6 August 2014 that no trust existed over the Assigned Assets either upon their initial assignment to FPA or when they (or their proceeds) were assigned back to FPA by Barclays. On 14 October 2014 the JL&JORS provided an update explaining the steps that would need to be taken to ascertain the amounts (if any) which would fall to be repaid to Participants from the proceeds of their Assigned Assets. These steps, and the actions that have been taken in the interim to implement them may be summarised as follows:

- Barclays has recovered the monies owed to it under the facility by commencing the process of realising all of the Assigned Assets. Although a matter for Barclays, while the aggregate value of the Assigned Assets was likely to exceed the amounts outstanding under the facility, there was no real basis upon which Barclays could pick and choose which Assigned Assets to

realise. The realisation process has proved extremely testing and time consuming and to date (for reasons already explained in earlier updates) approximately 30% of the policies remain unrealised.

- In addition to the monies owed to Barclays, Program Losses also include the claims of additional creditors of FPP. The total of these claims are not expected to exceed \$2.2m. Program Losses accumulated to the date of the Liquidation fall to be debited to the Participants' Ledger Accounts in accordance with their Participation Points.
- Due to inadequate recording keeping and/or collection of data by FPP/FPA, the JL&JORS have recreated records from the valuation data now available as best they can.
- The JL&JORS have set off Program Losses against the value of the Participants respective Assigned Assets as at the date of Liquidation, in essence treating all Participants as if they had elected to redeem as at the date of Liquidation. The net value of the Assigned Assets after recovery of the debit amounts forms the basis for the Participants' resultant claim in the liquidation of FPA.
- In the event that the proceeds which would have been realised from a Participants' Assigned Assets at the date of liquidation are less than an individual Participant's allocation of Program Losses, FPP is entitled under the terms and conditions of the OD to recover the shortfall from the relevant Participant ("Negative Account").
- Whilst recovery of any Negative Accounts is pending, the JL&JORS consider that in the circumstances described above an unresolved Negative Account constitutes a loss arising in the liquidation of FPA and does not constitute a new Program Loss. Accordingly the balance of the Negative Accounts does not fall to be reallocated as a further Loss solely among the other Participants but is a loss of FPA which would therefore be borne *pari passu* by both Participants and LNHs and other creditors in the liquidation of FPA.
- In the event that a Participant's share of Losses is less than the value of their Assigned Assets at the date of Liquidation, this positive balance will represent the value of their claim (proof of debt) which will rank *pari passu* with all other creditors of FPA, and in particular other LNHs and the Participants.

- The LNH's total quantum of claims remains uncertain but is anticipated to be in the region of US\$6 million.
- The Participants current total net claim is approximately \$23m but this figure may increase in due course in the event of further recoveries by FPP.
- In the table at end of this letter the JL&JORs have set out what interim dividend you may expect to receive taking into account the *pari passu* ranking of your claim with those of other creditors, together with an amount reflecting a proportionate share of the balance that the JL&JORs currently consider may prudently be distributed now on an interim basis.

Miscellaneous information relevant to the LNHs' claims

As explained above, LNH's claims in the FPA liquidation will rank *pari passu* (on an equal ranking) with all other creditors of FPA, and in particular with other Loan Note holders and Participants.

The full amount of your claim in the liquidation of FPA will be the value of your Loan Note as at the date of liquidation namely the 23 November 2011. This will be equal to the amount of your admitted proof of debt.

You will also note from the calculations, that interest applicable to Loan Notes has been calculated at the applicable contractual rate up to the 23 November 2011. Contractual interest is capped by statutory provision at a maximum rate of 5% per annum (section 248 Companies Act 1931 applying section 23(3) Bankruptcy Code 1892). Interest is not payable after the liquidation date.

Challenges to the JL&JORs decisions

The JL&JORs have provided the above account to enable the LNHs to understand the process by which dividends are intended to be calculated. LNHs will note, in particular from a review of the issues affecting Participants, that there are a number of complex matters affecting how Participants claims are calculated. These calculations will in part have an impact on how LNHs claims interact with claims made by Participants in FPA (as all claims rank *pari passu*).

The JL&JORs have provided these accounts to Participants and LNHs to enable any challenges by interested parties to be made now. While the final dividend to be paid will vary depending upon the final determination of FPA's liabilities to Loan Note Holders, Participants and other creditors, the same

methodology will be used in calculating the final dividend unless a challenge to the methodology and decision of the Liquidators is pursued.

If you wish to make a challenge, it must be made now to enable the matter to be resolved prior to final distribution. To ensure that any such challenge is resolved in good time prior to the date of first distribution any LNH who disagrees with the JL&JORs methodology and/or the proposed calculation of their Proof of Debt must notify the JL&JORs (via email or post) by 26 February 2016.

The email address is mfayle@kpmg.co.im and the postal address is as per this letter.

Once the JL&JORs have considered any challenges received (by Participants and LNHS), they will issue their final decision in relation to the methodology to be applied. The JL&JORs will advise those responding (and post on the program website) their final decision and provide such other information that may be appropriate having considered any challenges.

Yours sincerely



Michael Fayle
Joint Liquidator and Joint Official
Receiver

Attached – Value of claim
Share of interim distribution
Bank details form

Value of claim

Value of Loan Note USD	No of days interest claimable	Interest to date of liquidation @ 5%	Total claim USD
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Share of interim distribution

Your claim USD	Total claims USD	% share of claims	Total interim distribution USD	Your share of distribution USD
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]



Please complete the following information in order that we may remit your funds directly to your bank via electronic transfer. Only complete applicable entries.

Please note that the form must be signed by each original policy holder if the policy was in joint names.

Bank name	
Bank address	
Name of Routing Bank & Account Number	
SWIFT Code	
Sort Code	
IBAN	
Beneficiary Account Name & Address	
Account Number	
Confirm currency you wish to receive funds <i>Please note if you request a currency other than US\$ this will be converted using the spot rate at the time of the transfer. Any exchange rate costs will be borne by recipient</i>	

Signature :

Signature :

Printed Name :

Print Name :

Dated :

Dated :

Please provide an email contact address: