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22 January 2016

Dear Participant

Re: Foundations Program Plc (in liquidation) ("FPP") and FPA Limited (in liquidation) ("FPA") Calculation of Participant Points and Share of Losses / Interim Distribution
Assignment id - «Aid»
Participant name - «F3»

NB THIS IS AN IMPORTANT UPDATE AND PARTICIPANTS 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 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.

The calculations are set out in the attachment to this letter. The remainder of this letter explains the methodology by which they have been carried out by reference to the terms of the Foundations Program Offering Document dated 30 April 2009 (the "OD"). An electronic copy of this document will be provided upon request. Unless the contrary is stated, capitalised terms used in this letter are defined in the OD.

Although much of the background and description of the Program has been set out by us previously, we provide you with a further summary to assist your understanding of this complex matter. In addition to assist in your understanding of our description below, we attach a diagram at Appendix B. The diagram provides an overview of how the liquidation realisation process will operate.

KPMG LLC, an Isle of Man limited liability company, number 618L, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative "KPMG International", a Swiss entity.

Members of KPMG LLC
Michael Fayle FCA
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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. On the basis that these variables affected the ability of FPP to draw down on the Barclays’ facility, the Foundations Program operated a points system which was intended to allocate a proportionate share of profits and losses to Participants. As summarised on page 6 of the OD:

“Allocated profits are apportioned among the Participants in proportion to the relative values of the security for borrowing provided by their respective Assigned Assets. These values are based on the value of each Assigned Asset, as adjusted (among other things) by an appropriate risk factor in order to arrive at a Notional Value, and are calculated using a system of ‘Participation Points’ that are allocated to Participants in accordance with the detailed ‘Foundations Formulae’”

Part V of the OD sets out five broad categories of assets and ascribes estimated risk factor discount rates as follows:

- Cash: 100%
- AA rated corporate or sovereign debt: 90%
- Endowment with profit policies: 80%
- Quoted securities or funds: 70%
- Others: discretionary

Part V of the OD also provides that *“the Directors have an absolute discretion to reduce or to increase any Discount Rate, either generally or on a case-by-base basis”*. While the discount rate applied to the initial investments to the Program were generally weighted by the Directors, subsequent additions or alterations were generally not weighted. The JL&JORs have sought to weight these investments by extrapolation from the criteria described above. As set out in the update of 23 February 2015, at the beginning of 2015 the JL&JORs conducted a review of the discount that they had applied to various investments held within the Assigned Assets and made adjustments following representations from Participants.

Pursuant to Part V of the OD, Participation Points were to be awarded on a monthly basis on the basis of which profits and losses were allocated to a Ledger Account for each participant pursuant to Part III, clause 6 of the OD. Insofar as profits are concerned, a distinction was drawn between Allocated Profits which (at the Directors' discretion) were immediately to be added to each Participant's Ledger Account in accordance with their respective Participation Points, and Unallocated Profits which were to continue to be invested as part of the program's activities and only allocated to Participants upon redemption (assuming that this took place after the minimum investment period of five years).

As for losses, under Part III of the OD "**Loss**" is defined as the amount by which any accumulated unallocated profit for each program quarter is exceeded by "net loss". "Net loss" is to be calculated by deducting the outstanding loan balance under all loan facilities (including the Barclays' facility) from the aggregate value of all assets excluding the assigned assets, profits already allocated to participants and shares in subsidiaries (see "Program Portfolio" in the definitions section).

More particularly, to the extent that Losses are not absorbed by Unallocated Profits, Part III, clause 9.1 of the OD provides that:

"the Directors shall apportion the entire amount of the Loss between the Participants in proportion to the relative numbers of Participation Points credited to them during the relevant Program Quarter, in accordance with the Foundations Formulae".

These apportioned Losses were to be debited to each Participant's ledger account (together with an allowed debit for fees and charges) in accordance with their respective Participation Points. Further, and as summarised in Part I of the OD, Participant's Assigned Assets were to be used to satisfy such Losses in the following manner:

"Upon redemption of his Participation, a Participant's Assigned Assets will normally be re-assigned or re-transferred to him. However, if the Participant's Ledger Account is in deficit...then the Participant will become liable to pay the amount of the deficit to Foundations. He will not be entitled to the re-assignment or re-transfer of his Assigned Asset until he has discharged this liability and, if he does not do so within a period of three weeks, Foundations may sell or otherwise realise his Assigned Asset(s) or an appropriation proportion thereof in order to obtain the sums due."

Clauses 5.2 to 5.3 of Part III of the OD expand upon this summary by making clear that while all reasonable endeavours are to be used to procure the reassignment to the Participant of the Assigned Assets, *“the obligations of the Program to the relevant Participant under each Participation are neither guaranteed nor secured and shall rank pari passu amongst themselves, equally and rateably without discrimination or preference”*.

Further, in circumstances where Assigned Assets have been realised, clause 13.6 provides that the proceeds arising therefrom are to be used to discharge the obligations of the Participant in respect of any negative balance in a Participant’s Ledger Account and the balance then paid over. While clause 13.6 refers to this occurring in circumstances where the Program realises Assigned Assets after making a demand for repayment, the JL&JORs consider that there is no reason why this should not also occur where Assigned Assets have been realised by Barclays to repay the facility and the balance from such realisation is paid over to FPA.

Steps taken to calculate 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.
- Notwithstanding this, Participants who believed that their Assigned Assets would have been especially valuable if kept intact were afforded the opportunity to pay in the realisation value in exchange for an assignment of the relevant Assigned Asset. No participant elected to do this.

- 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 \$2.2mIn accordance with the terms and conditions of the Program summarised above, Losses accumulated to the date of the Liquidation fall to be debited to the Participants' Ledger Accounts in accordance with their Participation Points.
- The JL&JORS investigations have also revealed that, contrary to the provisions of the OD, Participation Points were not properly calculated on a monthly basis or recorded by the Program's management. On many occasions profits and Losses were also not credited and debited to Participants' Ledger Accounts on a quarterly basis as envisaged by the OD.
- In these circumstances the JL&JORS have recreated records from the valuation data now available. In most cases the JL&JORS have obtained quarterly historic valuations and thereafter extrapolated to a monthly valuation in order to calculate Participation Points.
- The OD stated that the profits or Losses would be applied by quarterly Debit (or credit) entries to the Participants' Ledger Accounts in accordance with the Participants' Participation Points. The records of FPP do not provide quarterly profits or Losses and there is insufficient information available to reconstruct quarterly profits or Losses. The JL&ORS have determined that the closest method of applying Losses consistent with the intentions of the OD is to apply the Participant's share of total Participation Points to the accumulated losses.
- Although in circumstances of ordinary trading the terms and conditions set out above envisaged that Participants' would be given the opportunity to pay the debit balance and thereafter receive the reassignment of their Assigned Assets, in circumstances where Assigned Assets have been realised by Barclays and the Program ceased to operate as at the date of Liquidation, such a procedure would not be appropriate. The JL&JORS have therefore determined that any debit amounts in Participants' Ledger Accounts must be set off against the value of their 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 in Participants' Ledgers will form 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 the

debit balance on that Participant's Ledger Account, FPP is entitled under the terms and conditions of the OD to recover the shortfall from the Participants in question (see Part III., Clause 13.2). Any and all rights of recovery are hereby expressly reserved by the JL&JORs. If the balance shown in the "Assigned Asset Balance" column of the appended table is negative, you are a Participant falling within this "Negative Account" category.

- Whilst recovery of 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.
- In the event that a Participant's share of Losses are less than the value of their Assigned Assets, a positive balance will be shown in the "Assigned Asset Balance" column of the table Share of Program Loss at the end of this letter. Participants should note that this is not the amount that will ultimately be transferred to you at the conclusion of the liquidation of FPA, but rather the value of your claim which will rank *pari passu* with all other creditors of FPA, and in particular other Participants and the Loan Note holders (the quantum of claims of which remain uncertain but are anticipated to be in the region of US\$6 million).
- In the table Share of interim distribution at the end of this letter the JL&JORs have set out what 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.

Premiums paid subsequent to liquidation

A further issue which affects certain Participants is the treatment of premiums paid in respect of Assigned Assets subsequent to the liquidation. These have only recently come to the attention of the JL&JORs as part of the redemption and re-assignment process.

Subject to satisfactory evidence being produced to the JL&JORs, premiums paid in post liquidation date will be returned to Participants.

The JL&JORS therefore request that any Participants who consider they have paid in to their Assigned Asset any further premium after the liquidation date of the 23 November 2011 contact the JL&JORS by the 19 February 2016 and provide copies of policy statements or such other suitable documents to evidence the payments made and the manner in which they have been applied to the Assigned Assets.

Challenges to the JL&JORS decisions

The JL&JORS have provided the detailed account of the terms and conditions of the Program, and the methodology by which Participants' entitlements have been calculated so as to enable any challenges by Participants 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 it 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 final distribution any Participant who disagrees with the JL&JORS methodology and/or the calculation of Participation Points and Loss share must notify the JL&JORS (via email or post) by 19 February 2016.

When notifying you are requested to set out:-

- A) What aspect of the methodology you wish to challenge and why;
- B) What aspect of the calculation of Points (or other calculations) you disagree with and why;
- C) What alternative methodology and calculation should operate.

Please title the communication **"FPA Methodology Challenge"**

Once the JL&JORS have considered any methodology challenges received, 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.

Please note if you have individual questions in relation to the calculations themselves/amounts to be paid (as opposed to the methodology explained above), you should contact M Fayle (via email or post) and we request that you identify any personal inquiries of this nature as **"FPA Personal Calculation**

Inquiry” so as to enable us to identify those persons with individual questions (as opposed to questions of principle in relation to the calculation methodology).

Yours sincerely



Michael Fayle
Joint Liquidator and Joint Official
Receiver

Attached – Statement of points calculations
Bank details form
Details of premiums paid after 23 November 2011 form

Share of Program Loss

Accumulated Points	Total Points	% share of points	Value of policy at 23 November 2011 USD	Share of Program losses USD	Value of claim in asset pool USD
[REDACTED]	[REDACTED]	[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>	
Policy Number(s)	
Original Policy Name(s)	

Signature :

Signature :

Printed Name :

Print Name :

Dated :

Dated :



Please complete the following information in order that we may remit your funds directly to you

Policy Number:

Kindly list details of premiums paid after 23 November 2011

Date of Payment	Amount of Payment	Evidence of Payment – eg receipt from company or statement

Signature :

Signature :

Printed Name :

Print Name :

Dated :

Dated :