

 **FoundationsProgram**

Foundations Program plc

3rd January 2012

Dear

This letter has been produced to enable me to access the mailing facility. Please ensure that you respond to the address set out below.

You will be aware that on 23 November 2011 the Isle of Man Court granted a winding up order over the company, along with FPA Limited, and A P Shimmin and I, were appointed Joint Official Receivers and Joint Provisional Liquidators.

The enclosed bundle of papers contains the following:

- 1 - Explanatory Note
- 2 - Formal Notice of the first meeting of creditors
- 3 - Proxy and proof of debt forms

You should read the documents carefully and, if necessary, consider taking your own legal advice.

All mailed responses should be sent to me at Heritage Court, 41 Athol Street, Douglas, Isle of Man, IM99 1HN. I can be emailed at mfayle@kpmg.co.im.

Yours faithfully,

M J Fayle - Official Receiver

Directors: L T Barkman, P A Montague

Company number: 110923c

**Foundations Program plc – in liquidation (“FPP”)
FPA Limited – in liquidation (“FPA”)**

Explanatory Note for Participants

The documentation accompanying this note invites you to attend the initial meeting of creditors of FPA to be held on 19 January 2012 for the reasons set out below please note the Participants have not been invited to attend the meeting of creditors of FPP hence the attached material relates solely to the FPA meeting. The details of the FPA meeting are set out in full in the attached material but in summary the meeting is called pursuant to the Isle of Man Companies Act 1931 (the “Act”) to confirm or otherwise the appointment of the Joint Official Receivers (“JORs”) as liquidators and to consider whether to form a Committee of Inspection.

The JORs were appointed on the application of the Isle of Man regulator, the Financial Supervision Commission (the “FSC”) to wind up FPP and FPA. On the 23rd November 2011 the Court heard the FSC’s application and ordered the winding up of FPP and FPA and appointed the JORs nominated by the FSC.

As the following paragraphs will explain, as a result of the nature of the Foundations product the position of the Participants in relation to their legal status in the liquidations of FPA and FPP is currently unclear. This note sets out the preliminary conclusions that the JORs have reached for the purposes of the initial creditors’ meetings in an effort to assist the Participants and to enable Participants to consider the position that they may wish to take at the first meetings.

The term ‘Participant’ is not a legal status – it is a relationship arising out of the specific terms of the Foundations Program and the acceptance of the terms contained in the Offering Document. Accordingly, the relationship between the Participants and FPP/FPA has to be considered from first principles. On this basis there are potentially three classifications relevant to the liquidation process which may not be mutually exclusive – contributories, creditors or debtors.

Contributories

A Contributory is defined by Section 157 of the Act as follows:

“Section 157 Definition of contributory

The term ‘**contributory**’ means every person liable to contribute to the assets of a company in the event of its being wound up, and for the purposes of all proceedings for determining, and all proceedings prior to the final determination of, the persons who are to be deemed contributories, includes any person alleged to be a contributory”.

Whilst to an extent the Participants have the “feel” of contributories because they stand to share in the profits and losses of the fund, they are not past and present members and are not liable under Section 156 of the Act to contribute to the assets of the company. On this basis, the JORs have concluded that the Participants are not contributories.

Debtors

Under paragraph 13.2 of the Offering Document a Participant who leaves the Program is liable to pay his share of losses to FPP. Failure to do so would permit FPA to realize the required sum from the assigned assets. Accordingly, in the first instance (assuming losses arise), the Participants are debtors of FPP. On this basis Participants have no right to attend the meeting of creditors of FPP.

Creditors

If Participants have discharged any debts due to FPP as required, FPP and FPA must take all reasonable steps to re-assign the Participants assets available for re-assignment (subject also to Lender Security). If on the other hand Participants do not discharge the debts due, FPP and/or FPA can encash all or any part of the assigned

assets (again subject to Lender Security) to effect the discharge of any debts due to FPP. In either of these circumstances, it is arguable that the Participants are contingent creditors of FPA. The contingency results essentially from the possibility that the present value of the assigned assets may not be sufficient to discharge all the debts due. The JORs take the preliminary view that the correct analysis is that Participants should be accorded the status of contingent creditors.

Meeting of creditors of FPA

Rule 117 of the Winding up Rules 1934 states, *“a creditor shall not vote in respect of any un-liquidated or contingent debt, or any debt the value of which is not ascertained”*.

As explained above, the JORs have taken the preliminary view that the Participants are contingent creditors of FPA and as such pursuant to Rule 117 would be entitled to attend the creditors meeting but would not be entitled to vote at this first meeting.

The JORs have also considered whether there is sufficient certainty in the value of a potential Participant claim to satisfy the requirement for certainty in relation to Rule 117. On the basis of the information available to the JORs, there are three significant uncertainties.

- There is some evidence to suggest that inaccurate portfolio valuations may have resulted in erroneous allocations of Participation Points.
- The latest valuations of the policies held by FPP are not current.
- The amount of losses to be borne by the Participants is uncertain as the realizable value of the assets owned by FPP is uncertain.

As a result of these uncertainties, the JORs are satisfied that there is insufficient information to ascertain the value of the contingent debt.

As a result and to assist the Participants understanding, the JORs have taken the preliminary view that the Participants may attend, but are not entitled to vote at the first meeting of creditors of FPA.

Informal vote

The JORs are very mindful that the Participants are the parties likely to suffer loss from the winding up of the FPP and FPA and the consequential realisation and termination of the fund. Accordingly, the JORs intend to conduct an informal vote of the Participants on each of the resolutions to be put to the meeting of FPA as set out in the notice. The results of the informal vote, either in person or by proxy, will be given to the Court when the JORs make their report following the completion of the first meetings.

Summary

The JORs consider the Participants to be contingent creditors of FPA and to be eligible to attend and be heard at the first meeting of creditors. Further, the JORs consider that Rule 117 of the Winding up Rules applies to the potential votes of the Participants and as such the Participants are not eligible to vote for or against the resolutions to be put to the first meeting of creditors of FPA. The JORs intend to take an informal vote of the Participants (as contingent creditors of FPA) to ensure that the Court is made aware of their views. The JORs do not consider that the Participants have any status as creditors or contributories at the first meetings of FPP.

This note is not a definitive statement of the law. Participants should consider whether they need to take independent legal advice in respect of these issues. In any event, the Participants should complete and return the proof of debt (to the best of their ability) and the proxy form(s) as they think appropriate.

M Fayle A P Shimmin

**Deemed Joint Official Receiver and Joint Provisional Liquidator
Foundations Program plc in liquidation and FPA Limited in liquidation**

No 71 (Rule 101)

NOTICE TO CREDITORS OF FIRST MEETING

FPA Limited

Under the order for winding up the above named Company dated the 23 day of November 2011

Notice is hereby given that the first meeting of creditors in the above matter will be held at the Cinema Auditorium, Villa Marina, Douglas, Isle of Man on the 19 day of January, 2012 at 11.30 o'clock in the forenoon.

To entitle you to vote thereat your proof must be lodged with us not later than noon on the 18 day of January 2012.

The following resolutions will be put to the meeting:

- 1 to determine whether or not an application is to be made to the Court to appoint a liquidator in place of the deemed joint Official Receivers and Joint Provisional Liquidators.
- 2 to determine whether or not an application shall be made to the Court for the appointment of a committee of inspection, and if so to propose members of such a committee.

Forms of proof and of general and special proxies are enclosed herewith. Proxies to be used at the meeting must be lodged with us not earlier than noon on 17 day of January 2012 not later than noon on the 18 day of January 2012.

Dated this 3rd day of January 2012

M Fayle A P Shimmin

Joint Official Receivers
41 Athol Street, Douglas, Isle of Man, IM99 1HN, British Isles

The statement of the Company's affairs has not been lodged.

NOTE – If a liquidator is not appointed by the Court the Official Receiver will be the liquidator

Form No 80 (Rule 124.)

GENERAL PROXY

FPA Limited

I/We _____ of _____
a creditor hereby appoint (1) _____ to be my/our
proxy to vote at the First Meeting of Creditors, to be held in the above matter on the 19th day
of January 2012, or at any adjournment thereof.

Dated this _____ day of _____ 20 _____

Signed (2):

Notes

(1) The person appointed general proxy may be the Official Receiver, the Liquidator, or such other person as the creditor may approve, and the proxy form when signed must be lodged by the time and at the address named for that purpose in the notice convening the meeting at which it is to be used.

(2) If a firm, sign the firms' trading title, and add "by A B, a partner in the said firm". If the appointer is a corporation then the Form of Proxy must be under its Common Seal or under the hand of some officer duly authorised in that behalf, and the fact that the officer is so authorised must be stated thus:

For the _____ company

J S (duly authorised under the seal of the company)

Certificate to be signed by person other than Creditor filling up the above Proxy

I, _____ of _____, being a (a)
hereby certify that all insertions in the above proxy are in my own handwriting, and have
been made by me at the request of the above-named _____ and
in his presence, before he attached his signature [or mark] thereto.

Dated this _____ day of _____ 20 _____

Signature

- (a) Here state whether clerk or manager in the regular employment of the creditor or contributory or a commissioner to administer oaths.

SPECIAL PROXY

FPA Limited

I/We _____ of _____
a creditor hereby appoint (1) _____ to be
my/our proxy to vote at the First Meeting of Creditors, to be held on the 19th day of January
2012, or at any adjournment thereof, to vote (a) _____ the resolution no 1 and to vote
(a) _____ the resolution no 2 in the notice convening.

Dated this _____ day of _____ 20

Signed (2):

Notes

(1) The person appointed general proxy may be the Official Receiver, the Liquidator, or such other person as the creditor may approve, and the proxy form when signed must be lodged by the time and at the address named for that purpose in the notice convening the meeting at which it is to be used. A creditor may give a special proxy to any person to vote at any specified meeting or adjournment thereof on all or any of the following matters:

- a) For or against the appointment or continuance in office of any specified person as liquidator or as member of the committee of inspection;
- b) On all questions relating to any matter, other than those above referred to, arising at a specified meeting or adjournment thereof.

(2) If a firm, sign the firms' trading title, and add "by A B, a partner in the said firm". If the appointer is a corporation then the Form of Proxy must be under its Common Seal or under the hand of some officer duly authorised in that behalf, and the fact that the officer is so authorised must be stated thus:

For the _____ company

J S (duly authorised under the seal of the company)

- (a) Here insert the word 'for' or 'against' as the case may require, and specify the particular resolution.

Certificate to be signed by person other than Creditor filling up the above Proxy

I, _____ of _____, being a (b)
hereby certify that all insertions in the above proxy are in my own handwriting, and have
been made by me at the request of the above-named _____ and
in his presence, before he attached his signature [or mark] thereto.

Dated this _____ day of _____ 20 .

Signature

- (b) Here state whether clerk or manager in the regular employment of the creditor or contributory or a commissioner to administer oaths.

Form 59 (Rules 70-74)

PROOF OF DEBT GENERAL FORM

FPA Limited

I (a) _____, make oath
of _____
and say:

(b) That I am in the employ of the under mentioned creditor, and that I am duly authorised by
to make this affidavit, and that it is within my own knowledge that the debt herin-after
deposed was incurred and for the consideration stated, and that such debt, to the best of my
knowledge and belief, still remains unpaid and unsatisfied.

(c) That I am duly authorised, under the seal of the company herein-after named, to make the
proof of debt on its behalf.

1 That the above-named company was, at the date of the (*) order for winding up the same,
viz, the 23 day of November 2012, and still is justly and truly indebted to (d)
_____ in the sum of _____ pounds and
_____ pence for (e) _____ as shown
by the account endorsed hereon, or by the following account, viz: _

For which sum or any part thereof I say that I have not nor hath (f)
_____ or any person by (g) _____ order
to my knowledge or belief or (g) _____ use
had or received any manner of satisfaction or security whatsoever, save and except the
following (h) :-

Continued over ...

	Date	Drawer	Acceptor	Amount £ p	Due date
Admitted to vote for £ the day of 2012					
Admitted to rank for dividend for £ the day of 2012					

Sworn at

This day of 2012

Signature

Before me

You should attend carefully to these directions

- (a) Fill in full name, address and occupation of deponent. If proof made by creditor, strike out clauses (b) and (c). If made by clerk of creditor strike out (c). If by clerk or agent of the company, strike out (b). (d) Insert “me and to CD and EF my co-partners in trade, (if any)” or, if by clerk or agent insert name, address and description of principal.
- (e) State consideration (as goods sold and delivered by me (and my said partner) to the company between the dates of (or moneys advanced by me in respect of the under mentioned bill of exchange or as the case may be).
- (f) “My said partners or any of them” or “the above named creditor” (as the case may be).
- (g) “My” or “our” or “their” or “his” (as the case may be).
- (h) [Here state the particulars of all securities held, and where the securities are on the property of the company assess the value of the same, and if any bills or other negotiable securities be held specify them in the schedule]. Bills of Exchange or other negotiable securities must be produced before the proof can be submitted.

NOTE – The proof cannot be admitted for voting at the first meeting unless it is properly completed and lodged with the Official Receiver before the time named in the notice convening the meeting.