

1st March 2017

Dear [investor],

Important notice to all clients with a Harlequin Investment

To all known creditors,

On February 24, 2017 the High Court of St. Vincent and the Grenadines heard Harlequin Property (SVG) Limited's ("**Harlequin SVG**") application for a third extension of time to file a proposal, the previous extension having expired on January 30, 2017. Harlequin put before the court the latest version of its proposal, a draft of which was attached to an affidavit of Dave Ames filed on February 23, 2017. The final version of the proposal was settled, signed and submitted by Harlequin SVG to the Proposal Trustee on February 24, 2017, while the hearing was in process.

At the hearing, counsel for the Proposal Trustee pointed out to the Court the several aspects of the proposal that were extremely detrimental to the interests of the creditors, including the following:

- It would divest purchasers of vested proprietary rights in the properties that they had contracted to purchase. As we have previously advised in the property information circular ([https://home.kpmg.com/content/dam/kpmg/bb/pdf/2017/02/Harlequin-Property\(SVG\)Ltd-Property-Information-feb232017.pdf](https://home.kpmg.com/content/dam/kpmg/bb/pdf/2017/02/Harlequin-Property(SVG)Ltd-Property-Information-feb232017.pdf)), many of the purchasers may have the right to insist on the conveyance of their units to them, even in the event of bankruptcy of Harlequin SVG, and the proposal sought to erase that right, and to leave those purchasers to recover cents on the dollar of the purchase monies paid by them.
- Some 500 purchasers have paid deposits estimated to be in excess of £25 million to Harlequin SVG to purchase units in Saint Lucia, Dominican Republic ("DR") and Barbados, which were not in fact owned by Harlequin SVG, but by other entities controlled by Mr. Ames. The proposal would leave those creditors to claim against the Harlequin SVG assets alone, leaving the properties in Saint Lucia, the DR and Barbados unencumbered by the liability to those creditors.
- Mr. Ames has recently been charged with fraud by the Serious Frauds Office in England. This development would likely have an adverse impact on Mr. Ames' ability to deliver on his proposal to transfer his shares in Harlequin SVG for the benefit of creditors.

The Lifetime SIPP Company Ltd 8th Floor, 25 Marsh Street, Bristol, BS1 4AQ

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Registered office: Vicarage Court, 160 Ermin Street,
Swindon SN3 4NE

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- Harlequin SVG's assets are valued at less than one third of its unsecured liabilities. Consequently, under the BIA, the Court had no power to approve the proposal unless Harlequin SVG provided security for payment of not less than 25 cents on the dollar on all the provable unsecured claims. This requirement is for the protection of all creditors. However, the proposal made no provision for any such security.
- The proposal was largely based on speculation, with little or no supporting financial data. No current valuations have been obtained for the Buccament property and the financial statements of the Company have not yet been produced.

The Judge hearing the application ruled that Harlequin SVG had not demonstrated that it was acting in good faith or that it was likely that it would be able to submit a viable proposal to creditors. On that basis he refused the application for the extension of time, and the proposal process will not go forward.

The effect of the Court's ruling is that Harlequin SVG is deemed to have made an assignment of its assets to the trustee in bankruptcy, who (for all the purposes of the BIA) will be Proposal Trustee, Brian Glasgow, unless he is replaced by a vote of the majority of creditors at a meeting of creditors to be held sometime in March. In effect, based on the ruling of the Court, the assets of Harlequin SVG, must now be administered under the bankruptcy regime.

The Proposal Trustee is aware that a number of creditors supported Mr. Ames' efforts to make a proposal, and for whom Friday's decision by the Court will be a disappointment. However, the Proposal Trustee genuinely believes that creditors have not always been provided by Harlequin with all the relevant facts and information; and that the proposal put forward was one that might ultimately have resulted in Harlequin Group retaining intact several valuable properties, while creditors and purchasers would be left with only a minimal recovery of the monies owed to them. There were many hurdles that the Company needed to remove in order for the proposal to be deemed viable. In the Court's opinion the Company had made insufficient progress and some of the major concerns did not have an apparent resolution.

The Proposal Trustee has always acted in the best interests of the creditors, and will, as trustee in bankruptcy, continue to do everything in his power to safeguard your interests and maximize your recovery. During the course of the next three weeks we will be communicating with creditors to ensure that they understand their rights, the relevant time lines and the process going forward. We look forward to continuing to work with you to secure all your rights.

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We will keep creditors up to date with information via email and our website but should you have any further questions please do not hesitate to contact the Trustee at harlequin_trustee@kpmg.bb

Kind regards

Brian A. Glasgow

Trustee of

Harlequin Property (SVG) Limited

(and not in his personal capacity)*

*Brian Glasgow was appointed as Trustee pursuant to the Laws of Saint Vincent and the Grenadines. He nor KPMG, its partners, employees or agents shall incur any personal liability pursuant to his appointment or the performance of his duties as Bankruptcy Trustee.

Yours faithfully

Angela Murphy
Compliance Manager, 01.03.17

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