

3rd April 2009

We are writing to inform you of some important changes to PATF which will come into effect on 1st May 2009. The changes are being brought about by a change in legislation in the Isle of Man where the Fund is incorporated, whereby the Experienced Investor Fund Regulation is being withdrawn and replaced. The Board of Directors of PATF have nominated to convert PATF to a Qualifying Type Experienced Investor Fund, commonly referred to as a Qualifying Investor Fund or a 'QIF'.

Background

The revised legislation provides a clear definition of “qualifying” investors and means that when a potential investor is certifying their status they have a clear benchmark against which they can judge their eligibility. This criteria, combined with improved risk warnings and investor certifications are designed to ensure that only suitable investors are able to invest in the Fund.

These improvements are entirely supported by the PATF Board and PDL.

Definition of a “qualifying investor”

A qualifying investor is a person or body who, in relation to a qualifying investment fund, has certified that they are sufficiently experienced to understand the risks associated with an investment in that fund and who, at the time of the investment falls into one of the following categories:

- a) a person, partnership, other unincorporated association or body corporate whose ordinary business or professional activity includes, or it is reasonable to expect that it includes, acquiring, underwriting, managing, holding or disposing of investments, whether as principal or agent, or the giving of advice concerning investments;
- b) a functionary to the qualifying investment fund or an associate of a functionary to the qualifying investment fund;

a person who is an employee, director, consultant or shareholder of or to a functionary of the qualifying investment fund or an associate of a functionary to the qualifying investment fund, who is acquiring an investment in the qualifying investment fund as part of his remuneration

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- a) or an incentive arrangement or by way of co-investment;
- b) any employee, director, partner or consultant to or of any person referred to in a) above;
- c) a trustee of a family trust settled by or for the benefit of one or more persons referred to in paragraphs b) or c);
- d) a trustee or operator of any employment benefit or executive incentive scheme or trust established for the benefit of persons referred to in paragraphs b) or c) or their dependants;
- e) a government, local authority, public authority or supra-national body in the Isle of Man or elsewhere; or
- f) a person whose expertise, experience and knowledge to adequately appraise the investment is certified in accordance with the requirements under this legislation.

What do these changes mean to you?

The revised legislation focuses on the conduct of new business and requires investors to certify their eligibility to invest in the fund. There is no requirement for existing shareholders to certify their eligibility with regards to their existing investments.

Investments made via life companies:

Life Companies will have to certify that they have procedures and controls in place to obtain client declarations from policyholders which include confirmation that the policyholder has the opportunity to read the offering documents for relevant funds, where they wish to do so, and as such has information about the levels of risk attached to a fund which is not intended for retail sale to private investors (such as qualifying investment funds or their equivalent under the laws of any other jurisdiction); and the policyholder, where necessary, meets the minimum criteria of a class of investor, such as a qualifying investor.

Those who have clients who have already invested with an offshore life company will be familiar with this process.

Investments made by other professional entities:

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Investments made by a corporate entity, such as private banks, stockbrokers, nominees etc., on behalf of another will be required to complete a declaration similar to the above.

Direct Investments:

Where investment in the Fund is made directly in the Fund certification will need to be completed by a regulated financial adviser

This certification is to be completed by the regulated financial adviser who has advised the investor is a qualifying investor.

The certification will confirm that the IFA is the appointed regulated financial adviser for the client and that he/she has discussed the features and risks attendant to an investment in a non-regulated fund of this type with the client. The IFA will also have to certify that he/she has discussed the specific risks attendant to an investment in the Protected Asset TEP Fund as set out in the offering document dated and the client has confirmed that they understand these risks and wish to proceed with the investment. The final declaration to be made by the IFA will confirm that he/she is not aware of any information that would lead to the belief that the client does not understand and accept these risks.

The declaration will be included in the application form.

Unregulated brokers and IFAs

With effect from the 1st May 2009 it will not be possible to accept direct business from a broker who is not regulated.

Communication with shareholders

As the changes detailed in this letter originate from a change in legislation it is necessary to amend the fund's Articles of Association and Scheme Particulars. These changes will be notified to shareholders together with notice of an EGM, to approve the changes, by letter on the 3rd April. The EGM will take place on the 30th of April.

A copy of the shareholder notification is attached.

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