

15 December 2016

Dear Investors

## **Update to investors in Providence Investment Funds PCC Limited (managed by Administration Managers) ('PIF')**

Please see below an update from the Joint Administration Managers in relation to the ongoing Administration of PIF and its manager Providence Investment Management International Limited ('PIMIL').

### **Background**

Alex Adam, Phil Bowers and Andrew Isham were appointed Joint Administration Managers of PIF and PIMIL on 9 August 2016 by the Royal Court of Guernsey, pursuant to an application by the Guernsey Financial Services Commission.

The group comprising Providence Global Limited and its subsidiaries (the 'Group') was established ostensibly to invest in Brazilian debt factoring (the financing of short term receivables in small and medium sized businesses). PIF was the principal fund structure set up to collect investors' funds and loan these to two Brazilian companies, Providence Fomento Mercantil Investimentos E Participações LTDA ('PFM') and BPA Fomento Mercantil, Investimentos E Participações LTDA ('BPA') (together the 'Fomentos').

Our update is therefore focussed on two areas: progress and prospects of any recoveries from the Fomentos in Brazil; and progress and prospects of any recoveries from the UK and Guernsey Group.

### **Brazil**

The offices used by the two debt factoring companies in Sao Paulo have been vacated, and all employees have left.

There are a number of lawyers working for Fomentos on recovering debts that have fallen into a judicial process (the total book value of such debts is GBP 1.9m). The lawyers have not been paid, and have outstanding fees due from the Fomentos. Of these debts, only one is deemed worthwhile to actively pursue, however recovery here is likely to be limited to perhaps GBP 0.25m on a total outstanding of GBP 1m. Furthermore, it is expected that any recovery will take 2 to 5 years.

There are also legal claims against the Fomentos, and with no defence lawyers paid to act, it appears likely that the Fomentos will incur additional liabilities.

There is one other share asset in Brazil, which may have some value but this is difficult to determine as there is a limited market for the trading of these restructured equity securities, and the proportion of those held by the Fomentos.

Ultimately, any recovery into a Fomento would remain under the control of its legal controller, Antonio Buzaneli. To replace Mr Buzaneli as controller appears to be possible, but would require legal

costs to be expended and a replacement controller to be identified. This is very challenging as any replacement would assume responsibility for historical issues under Brazilian law.

Any recoveries into the Fomentos will firstly pay local creditors in Brazil, then legal costs. There may also be competing claims on any remaining assets from parallel fund structures in the US and Asia, meaning that it is highly unlikely that there will be any recovery to PIF investors.

## **UK/Guernsey**

No significant assets have been identified in PIF or PIMIL.

The Administration Managers have been reviewing emails and the materials from the wider Providence Global Limited group's electronic document management system with a view to establishing whether they believe there are grounds for claims to be investigated against parties.

The preliminary conclusions are that there are potential claims which require further investigation, and the Administration Managers are currently working with their legal advisers to progress these investigations, and obtaining appropriate funding to continue remains a key focus for the Administration Managers.

While there have been a number of discussions with investors and their advisors, the Administration Managers would be pleased to hear from any investors who may be in a position to fund further work.

The Administration Managers continue to work closely with regulatory and criminal authorities to facilitate those agencies' investigations.

Yours faithfully



## **Alex Adam**

Joint Administration Manager

Providence Investment Funds PCC Limited and Providence Investment Management International Limited (both managed by Administration Managers)

*Alex Adam, Andrew Isham and Phil Bowers were appointed Joint Administration Managers of Providence Investment Management International Limited (the "Manager") and Providence Investment Funds PCC Limited (the "Fund") (both Managed by Administration Managers) by order of the Royal Court of Guernsey dated 9 August 2016. Each Joint Administration Manager has the power to act jointly and/or severally. The Joint Administration Managers act as agent for the Fund and Manager and contract without personal liability.*