

06/2022

**GENERAL UPDATE - X Shares (Dedicated Liquidation Side Pocket)**

Dear Valued Investor,

Further to previous communications in the form of the Investor letter distributed in January 2022 from the Board of Directors of Premium Alternative S.A. SICAV- SIF Commercial Finance Opportunities ("the "AIF" or the "Fund"), concerning the updates on the X Share Classes as a side pocket of the investment holdings in TCA Global Credit Fund, L.P. (the "TCA Investment" or "TCA") we, as the Board of Directors of "the Fund", would like to update you on the current situation.

These developments over the preceding months are from both the Joint Official Liquidators ("JOL") at EY Cayman and US Receiver: Jonathan E. Perlman, Esq and raised across the various calls, discussions, and officially issued reports.

Since our last Letter to Investors in January 2022, the US Receiver has filed a Seventh and Eighth Quarterly Status Report covering the period November 2021 to May 2022. In addition to this in May 2022, the Cayman JOL issued the Third Report of the JOL covering the period from May 2021 to May 2022. Highlighted below are the summary points from the various Reports from both the US Receiver and the Cayman JOL.

- **Distribution Plan and First Interim Distribution – Q1 2022**

In our communication dated January 2022 reference was made to an upcoming distribution plan. This was received by the Fund in late February 2022. The distribution policy is based on a pro rata methodology called "Rising Tide", which, at the behest of the US Receiver, was considered as the best method under the circumstances for investors to receive the greatest distribution.

The Receiver would deduct the amount of the claimant's pre-receivership disbursement after calculating the claimant's pro rata share of distribution i.e. withdrawals are considered part of the distribution received by the investor. If the result is negative, the claimant does not receive from that distribution, but may from later distributions.

The initial distribution was set at USD 55.5 million being 83% of the Receivership cash balance and would be paid to 670 net losers that have received a return of less than 25% of their cash investment. USD 11.5 million would then be left in the Receivership estate. The Receiver did not propose to create a special class for redemption claims, i.e. those investors who had put in redemption notices.

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On approval of the plan, each unsubordinated investor would need to submit sworn certificates attesting to various points e.g. that the net loser owns the claim and the proposed interim distribution reflects an accurate accounting of the net loser's cash invested and withdrawals. Interested parties had until 22 April 2022 to submit comments on the proposed distribution plan. The Fund disagreed with how its positions were represented and have challenged the US Receiver on its reflection of the Fund's investments. This was done in early April 2022, and reconciliation efforts are on-going.

- **EY Cayman Issuance of its Third Joint Official Receiver Report – May 2022**

As referenced above, this report covers the period May 2021 to May 2022. During this reporting period, the JOL had held one formal meeting with the Liquidation Committee. The JOL's had previously filed a Certificate of Doubtful Solvency with the Cayman Court and currently still considers the Doubtful Solvency determination as appropriate. Highlights were made attesting to the current state of the TCA Cayman Feeder Fund Assets:

- In July 2021, the JOL received USD 12,300 from Caledonian Bank, being 0.5 cents in the dollar of the Fund's claim. Prior to the JOL's appointment, the bank had declared a liquidation dividend of 90.7 cents in the dollar. The JOL does not expect to make any major recovery from this asset.
- The US Receiver has ultimate control over the assets within the TCA Group.
- The JOL does not have any other assets outside of the control of the Receiver, thus do not have any assets to distribute. Any distributions remain dependent upon the asset realisation by the Receiver at the Master Fund Level.
- The JOL will not adjudicate any claims until such time as assets become available for distribution.

An important development was that in June 2021, the JOL was admitted formally as foreign representatives in the US courts on behalf of Cayman investors in the US receivership proceedings. The District Court granted the recognition of the JOL as foreign representatives of the Fund

Reference was made to The Receiver's Distribution Plan; the "Rising Tide" method does not accord with Cayman Law as it rearranges the priority of distribution under Cayman Law and treats multiple classes of stakeholders differently than the Cayman law requires. It also does not make provision for the JOL's expenses. The JOL filed an opposing response on 29 April 2022 highlighting the above factors.

It is not the intention of the JOL to delay the first distributions but requests the US Receiver and the Securities Exchange Commission (SEC) to negotiate with the JOL in good faith. To that end an objection was filed with the US Receiver and submitted to the US Courts. The Receiver duly responded which is covered in a further update below.

Of particular note were the JOL's elaboration of its fees and expenses. Currently, there is insufficient funding to discharge the fees and the costs of the liquidation in full. To date, close to USD 3.45 million in fees have been approved by the Cayman Court. USD 441,000 of this are legal fees and the JOL time cost summary has amounted to USD 264,300. The JOL will continue to manage the affairs, business and property of the Fund to achieve its purpose of liquidation. The Fund Manager to the Fund will be making an assessment on recovery impact of liquidation fees if they continue at this pace.

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- **Summary of the Annual General Meeting of the JOL – May 2022**

On 12 May 2022, an AGM of the stakeholders of the JOL was held. The main topic was the opposition to the US Receiver's Distribution Plan as elaborated above. Comments were made in that it disregards certain aspects of Cayman Law in the US Courts and that Creditors of TCA have certain expectations according to Cayman local law. The Receiver's focus is on net winners (redeem more than invested) and potential claims against them where Cayman Law does not hold by claims against net winners.

In addition to the timing of the Distribution being unclear, it was pointed out that under Cayman Law, a Master Fund must distribute to the Feeder Fund and then the Feeder Fund distributes to the registered investors of the Feeder Fund. What the Receiver is proposing will bypass the Feeder Fund and distribute monies straight to the Investors, not taking into account Investors with creditor status. The Cayman Island Monetary Authority is aware of the issue but so far has not intervened.

A final judgement of the JOL's opposition to the US Receiver's distribution plan can be expected by no earlier than August / September this year as an estimation. It was also pointed out that there has never been a "Rising Tide" distribution plan in the Cayman Islands. Minutes of the meeting are so far unavailable; however, we expect these imminently.

- **Summary of the Eighth Status Report of the US Receivers – May 2022**

On 25 May 2022 the US Receiver issued its Eighth Status Report. Within this time frame, the Receiver made updates on several underlying loan positions which will be elaborated below. The Receiver continued to serve individuals and financial institutions with subpoenas for documents and information. Of note, the US receiver expects to complete the sale of the loan portfolio during the next reporting period. It also concluded settlement negotiations with Edison Learning who agreed to pay USD 5.4 million and resolved litigation in New Zealand regarding claims to JLE Holdings. The court has now approved settlement.

In relation to fraudulent transfer lawsuits the US Receiver continues to issue demand letters to third parties to clawback fraudulent transfers. The forensic accountants at Yip Associates analysed investor queries which resulted in updates to the distribution analysis. Yip Associates also analysed the source of funds out of which redemptions during period January 2018 to May 2020 were paid. As above, the Fund submitted several queries, that were not responded to and so far, we are not able to determine if our specific concerns were analysed by Yip Associates.

Of the 1400 investors, 15 filed objections or submitted negative comment and the Receiver sent 60 demand letters to Net Winners which amounts to USD 70 million.

Several points of concern were highlighted in relation to the Cayman JOL objection to the Distribution Plan. The Receiver expressed his willingness to the Cayman JOL to discuss ways on how they can work together to increase amounts available for distribution including working together on foreign litigation and arbitration matters. No cooperation proposal has been received.

The Receiver said that the JOL's objection to the Distribution plan is in contravention to US Federal Law, and that the objection would not benefit investors at all but would pay USD 1 million to the underserving JOL who have not provided any benefit to the Receivership Estate.

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In June 2022, a formal motion was filed in the US Courts strenuously objecting to the claims made by the Cayman JOL in their objection to the Distribution plan. According to the Receiver, if Cayman Law was applied, 0.03% of investors would take 81% of the available distribution, whereas under the "Rising Tide" method, 736 investors would be paid up to 23.17% of their claims. The Receiver urges the Court to grant the Receiver's motion to Approve the Distribution Plan.

Priorities for the next Reporting Period were also elaborated such as obtaining final approval for distribution plan and the completion of the sale of the Receivership's loan portfolio.

It has been mentioned previously that the value of assets in the Receiver's possession is far less than stated on the Funds' NAVs reported to investors and prospective investors. Substantial litigation recoveries are essential to maximising stakeholder distribution.

As reported in January 2022, in September 2021 Robert Press (former CEO and Principal of TCA) entered into a settlement with the SEC with respect to various SEC claims against Mr. Press, with Mr. Press having to pay the Receiver USD 5.5 million over the next 18 months. On 30 September 2021, the first instalment of USD 1.4 million had been received and in April 2022 a further USD 500,000. These settlements do not resolve the Receiver's claims against Mr. Press. To date, the Receiver has recovered USD 74.1 million overall for the Receivership Estate, and uplift from the USD 71.8 million reported recovered in June 2022.

As to the position on the Fund on these matters, we must await the outcome of the US Courts decision in relation to these legal challenges between the US Receiver and Cayman JOL. It has not gone amiss that the "Rising Tide" method being objected to by the JOL of TCA, is also being applied to the liquidation proceedings of DLIFF, where the JOL of DLIFF have so far not raised any objections. The Fund is in talks with its Cayman legal representative on why this may be the case and has raised the issue with both JOLs. So far this has not been responded to.

We remain in contact with EY Cayman, as Joint Official Liquidator of TCA in the Cayman Islands across a number of fronts. There are no more material updates in this regard, i.e. from the Cayman JOL, since our last communication. We continue to monitor this situation closely and we expect a further update before the end of September 2022, as we are owed a status update by the Cayman JOL by this time. We will of course contact you again ahead of this should we have any material updates to share with you.

As before, you may wish to note that there is a website set up by the US Receiver, Jonathan E. Perlman which contains documentation related to the recovery efforts of the TCA Group, including the full report we have referenced and summarised above: <https://www.tcafundreceivership.com/index.html>

As a final remark, please be aware that any information provided is correct at the time of communication and may be subject to change without notice.



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By: Jonathan Scott  
**Director**

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## INTERNATIONAL FUND REFERENCE CODES:

### X Share Classes

CURRENCY	ISIN Code	BLOOMBERG Code
USD	LU2228214107	PCMFOXU LX
EUR	LU2228214016	PCMFOX E LX
GBP	LU2228214289	PCMFOXG LX
CHF	LU2228214446	PCMFOX C LX
SEK	LU2228214529	PCMFOX S LX

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