

From: Ari Glass <[REDACTED]>

To: "jeevacation@gmail.com" <jeevacation@gmail.com>

Subject: FW: IDF overview - internal

Date: Thu, 09 Nov 2017 19:38:27 +0000

Attachments: Asset_Manager_IDF_Presentation.pdf

Jeffrey

Firstly, I am very grateful for your accommodation. The fact that it was primarily done for my benefit and not yours is meaningful to me, so thanks.

Secondly as a follow up on our IDF (Insurance dedicated Fund) conversation, please see memo below as well as the attached from the insurance company.

Best
ari

From: Peter Bremberg

Sent: Thursday, November 09, 2017 12:36 PM

To: Ari Glass <[REDACTED]>

Subject: RE: IDF overview - internal

Boothbay is in process of launching an insurance dedicated fund ("IDF"), which will allow investors to access our strategy through either a Private Placement Variable Annuity, or Private Placement Life Insurance. As a result, the end-investor will become a policy holder, and the gains on their policy's investment would grow either tax-deferred (annuity) or without tax (life insurance).

The fund is expected to launch January 1, 2018. Below is a brief summary of: 1) how the structure and flow of funds work generally, and 2) the benefits to an investor.

Also attached is a presentation with additional details, from Lombard International. Lombard is one of the most active insurance carriers in the IDF market, along with Zurich and Prudential. Slides 5-6 of the presentation provide a more detailed overview. We are in process of being on-boarded by Lombard as an acceptable investment, but should an investor want to utilize a different insurance carrier (e.g. Prudential, Zurich) then our IDF would simply need to be approved by that relevant insurance company as well.

1. **Potential Benefits to end investors** (see slide 5-6)

From Lombard's presentation:

"What is an Insurance Dedicated Fund (IDF)?

•An investment fund offered exclusively by insurance carriers and purchased through:

•**Private Placement Variable Annuity ("PPVA")**: For 45-55 bps annually, a policyholder defers taxes on the investment gains until distribution, death, or expiration of the contract at age 100 at which time all gains are taxed at the ordinary income tax rate

•**Private Placement Life Insurance ("PPLI")**: For ~1% annually, the policyholder may eliminate taxes completely, depending on various factors (age, health, etc.)"

Although an annuity only defers tax (vs. eliminates), it is less expensive as mentioned above, and simpler setup/on-boarding (1-2 months), since it does not require the insurance company to do any underwriting. The life insurance

product could take 2-4 months to setup depending on the insurance company's underwriting process, but ultimately may provide greater tax efficiency to the policyholder over the long term.

For Boothbay specifically, since our fund is a 475 election ("Mark-to-Market" election), all of our returns are treated as short-term gains and taxed as such. Therefore, if Boothbay produces positive net returns, over time there could be a significant improvement to an investor's net after-tax returns via the IDF product vs. our standard LP investment.

2. Structure (see slide 6)

Flow of funds: Policyholder (end investor) → Insurance company (Insurance Company's separate, segregated account) → Boothbay-IDF (Jan 1 launch) → Boothbay Flagship strategy*

An investor (an individual, trust, company, etc) purchases private placement annuity or life insurance from an insurance company.

The investor/policy holder instructs the insurance company to invest their premium into the Boothbay IDF.

Investment returns then flow back to the insurance company who is the actual LP in the IDF, and then to the policyholder.

*Technically, in addition to investing into Boothbay's fund, the IDF will need to own 4 other investments to pass the IDF-diversification test. At least 95% of the IDF is expected to be invested into the Boothbay flagship fund, and the balance 5% will be invested in instruments such as US treasuries, Agency paper, or other highly-rated, low risk investments.

Are there other hedge fund IDFs?

While the concept has been known to various members of the alternative investment and insurance industry for many years, the number of hedge funds creating IDFs has meaningfully accelerated in the past few years. Examples of hedge fund managers who now have an IDF vehicle include: Millennium Management, Neuberger Berman, York Capital Management, GoldenTree Asset Management, and Golub Capital are a few. SALI Fund Services, the largest administrator of IDFs, currently administers 100+ IDFs.

How does an investor purchase private placement insurance or annuity?

The investor/policyholder must work with an insurance broker to purchase either private placement product. Boothbay is in touch with 3 of the most active/experienced brokers in the PPVA/PPLI IDF market and can provide an introduction to any or all of them if helpful. However, any licensed insurance broker can potentially work with Lombard or another insurance carrier to place the insurance.

Important note: the above is not official tax or legal advice, please consult with your own counsel.

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