



## A new solution for holding illiquid assets

### **Background**

The concept behind the Asset Resolution Company SPC ("ARC") is quite straightforward. ARC is a segregated portfolio company that can receive and hold otherwise difficult to house asset problems, helping either to facilitate the closure of a fund or alternatively to provide a cost effective structure in which illiquid or slow realising assets can be held to maturity.

### **Who would use the ARC structure?**

Frequently we are approached by offshore investors and service providers to offshore entities who need to find someone who can take custody or possession of an interest and to economically hold it to maturity for the ultimate beneficial owner(s). ARC can also be used to dispose of positions with no expected future value.

As a result any investor, manager, liquidator or service provider who is trying to resolve the problem of moving an asset off the books might be interested in using the services of ARC.

The issues associated with any kind of illiquid asset that is not due to mature for a number of years might include:

- Directly or indirectly held investments for which there is no palatable short term solution
- Holdbacks, escrow amounts, provisions or claims that are subject to a future date or event occurring
- Amounts due to parties who cannot be presently traced
- Crammed down assets where a future event may provide liquidity

We are also frequently approached by parties who simply need someone to take low or nil value positions off their hands to facilitate the closure of an existing structure and to allow them to move on with their future plans. Depending on the nature of the situation we are often able to acquire such positions and assist with this process.

### **What is ARC and how does it work?**

ARC is a Cayman Islands registered segregated portfolio company. ARC is controlled by experienced Cayman Islands based directors who have a background in liquidations and restructuring.

Typically a transaction with ARC involves the assignment or contribution in kind of an asset(s) or a claim(s) into a dedicated segregated portfolio cell which can be left either to mature on its own or be monitored more actively to maturity. There is no co-mingling of assets with other cells and each cell has its own terms relating to the asset and future distributions and fees, and its own bank account where necessary.

Shares in the cell can be issued to a nominee or directly to the beneficial owners, allowing the original vehicle, which is often disproportionately expensive to maintain, to be dissolved thereby saving the considerable service provider costs associated with normally keeping such vehicles open. Upon realisation or maturity and pursuant to the term sheet, shareholders will receive distributions directly from the cell.



The term sheet produced for each cell can be tailored to the needs of each client. In addition to dealing with the contribution of the asset and the issuance of shares in the cell, other typical terms would include the level of reporting, the frequency of any distributions and the fee structure, which are typically agreed on a fixed fee or percentage of realisations basis.

Whilst most parties prefer the cell approach for the cost savings and segregation, sometimes other considerations are more important in which case we are able to provide stand-alone special purpose vehicles outside of the ARC structure.

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