

Leon G. Cooperman, C.F.A.
Chairman & Chief Executive Officer



April 24, 2012

**OPEN LETTER TO THE BOARD OF DIRECTORS OF TETRAGON FINANCIAL GROUP LIMITED
(TETRAGON)**

Gentlemen:

I find myself compelled to write to you, for the second time in a year, to air, in the only forum that you have, as a practical matter, afforded me and other, like-minded investors in Tetragon, my long-standing concerns about the Company's direction, management's self-serving behavior, and your own irresponsible, dismissive treatment of your non-voting shareholder constituency. Regrettably, I do not anticipate a constructive response, in either word or deed, from you or management, as both my experience and your very attitude of cavalier disdain that makes this plaint necessary suggest otherwise. Nonetheless, quixotic though it may be, I feel that I must speak out again.

As you are aware, I am an experienced, long-term-oriented investor who controls approximately ten percent of Tetragon's outstanding shares. I believe that our stock is woefully underpriced – a situation that I attribute squarely to what I perceive as the Board's fawning deference to management's abject disregard of shareholder interests. Having issued non-voting stock may give you the power to abuse "outside" shareholders, but not the right, much less the duty – despite what one might reasonably infer to the contrary from your ostrich-like behavior.

I have tried unsuccessfully, on multiple occasions, to express these concerns in the more standard context of Tetragon conference calls. Characteristically, management has stonewalled all such attempts. The Company, with the Board's acquiescence, has steadfastly refused to hold interactive calls, instead insisting that written questions be submitted in advance for vetting and then failing to address any of the substantive issues raised by me and other compliant shareholders. I have also requested, more than once, to meet with management and the Board to discuss these matters in person. To my chagrin, all such advances have been consistently rebuffed. Your collective conduct has been nothing short of a disgrace (and, if there's any justice in the world, a Harvard Business School case-study-in-the-making).

Therefore, I ask you once more, in this admittedly unorthodox forum to which you have effectively relegated me, to address the following issues that for some time now have been troubling me. This letter is a reflection of my frustration with management's and the Board's continuing failure to attend to what I believe is their proper mission of maximizing shareholder value, as distinct from management's own, and to treat the Company's non-voting shareholders in something better than the adversarial manner that has arguably become the hallmark of Tetragon investor relations.

- *Lack of Transparency.* What lies behind management's and the Board's unwillingness to provide important information (such as Tetragon's investment management agreement with Polygon) repeatedly requested by shareholders, and to respond to fair questions about the Company's operations and governance? Why does the Company refuse to hold interactive conference calls, requiring instead that written questions be submitted in advance so they can be culled and the inconvenient ones routinely ignored? Why has the Board, for going on three years now, refused to meet with me, despite repeated entreaties, to discuss my views as an informed, long-term shareholder concerning what I and others believe are problematic policies of Tetragon management? Don't you, as Tetragon's corporate stewards, realize that your patent aversion to hearing anything but a Hallelujah Chorus of praise could be perceived by the market as an abdication of fiduciary responsibility that may ultimately be (and that indeed, in this investor's view, already has been) negatively discounted in Tetragon's share price?
- *Dividend Policy.* Why is it that from the date of the Company's IPO in March 2007 through the end of 2011, cumulative management and incentive fees paid by Tetragon to Polygon, at \$300 million-plus, exceeded cumulative dividends distributed to Tetragon shareholders by more than 50 percent, despite the fact that the Company's shares have consistently traded below their IPO price? A number of IPO participants with whom I spoke uniformly recalled management's assurances, in the course of the road show, that cash flow generated would be returned to shareholders in the form of dividends. While the quarterly dividend was initially set at 15 cents per share, it has languished at much lower levels since then – most recently, at 10.5 cents per share, despite substantially higher cash earnings (approaching \$3 per share), cash position (\$1.91 per share as of this January 31st, up more than 5 percent from the previous month-end), and book value. What possible justification is there for this diversion of shareholder value?
- *Management and Incentive Fees.* How can the Board justify paying management and incentive fees to Polygon through 2011 of \$100 million-plus in the aggregate **more** than the dividends paid to Tetragon stockholders during that period? Is it your intention to reward management for delivering a stock price that sits about 40 percent below the Company's book value while two comparables, KKR Financial and Carador Income Fund, trade at book and at a premium to book, respectively? What was the Board thinking when it permitted management to establish an "accelerated loan loss reserve" of more than \$400 million, based on management's own model, and to then pay itself a 25 percent incentive fee of more than \$100 million when it subsequently reversed that questionable write-down? Despite the absence of any high-water-mark requirement, it seems to me that a fair-minded management would voluntarily abjure at least a portion (if not all) of its incentive fee under these circumstances, and that a diligent Board would vigorously admonish them to do so.
- *Share Repurchase Policy.* With so little cash devoted over the years to distribution-by-dividend, and with share repurchases almost *pari passu* with new issuance under Tetragon's dividend reinvestment (DRIP) plan, why hasn't the Company used a bigger portion of its resources to buy back more of its own stock in the marketplace? I fully appreciate the accretive and other benefits of significant, thoughtfully structured share buy-back programs, as well as the fact that resources devoted to such programs are then unavailable for dividends. But here, those benefits, modest to begin with due to

the insubstantial scope of the program, are further neutralized by the anti-accretive impact of the Company's DRIP plan and are accompanied by a meager dividend that, in totality, leaves an outsized amount of cash sidelined. For example, throughout the recent financial crisis, you sat on large cash balances and missed a golden opportunity to create value for your investors. In November 2009, when our stock was trading at \$3.50, I made this case to a representative of management, detailing how a tender offer for 10 percent of Tetragon's outstanding shares would, by my calculation, add 11 percent to *pro forma* earnings-per-share, increase book value by about 4 percent, be more accretive long-term (as subsequent growth would be spread amongst fewer shares), and not change the Company's risk profile materially. That's when management – predictably, in retrospect – stopped talking to me. How does this policy benefit any constituency other than management (by boosting the Company's aggregate net asset value and thus maximizing Polygon's fee income)?

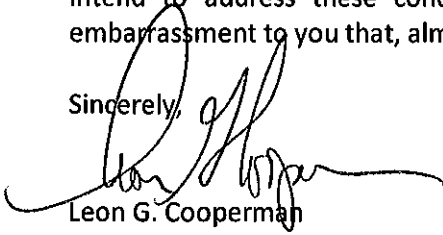
- *Treasury Issuance.* What is the Company's treatment of treasury shares reissued to management and subsidiaries? Do those shares – which appear, on the face of things, to be accretively excluded from the Company's NAV-per-share calculation – pay dividends to their holders? If so, then why wouldn't accounting rules require consistency of treatment and, possibly, a downward restatement of the Company's NAV-per-share to reflect the true, increased number of shares outstanding? The lack of detail in your shareholder reports only invites confusion, so a clarification on this point would seem to be both appropriate and long overdue.

These questions are not allegations of legal impropriety – not being a lawyer, I'm not in a position to judge – so much as sources of profound puzzlement for which the Board and management have, despite my and others' repeated prodding, offered no cogent explanations to date. What I said in my previous letter is of no less exigency today: It is incumbent on the Board to formulate and articulate a comprehensive remedial plan to address shareholder concerns regarding proper corporate governance (including increased transparency and disclosure, interactive conference calls, and the election of independent directors to credibly address any perceived and actual conflicts of interest), fair and equitable treatment of non-voting shareholders (including a stepped-up dividend policy and, where appropriate, share buy-back policy), and improved responsiveness to non-voting shareholder concerns (including enhanced communications with the Board and management).

In the final analysis, any corporate board is responsible for overseeing management. Here, with our stock trading around 60 percent of book value while two comparables are trading at or above book, and with management profiting far more than Tetragon shareholders from the value being created off our dimes, the Board has both the right and the responsibility to scrutinize management's policies and to meet with a well-intentioned, long-term investor to discuss matters of concern to many, if not all, of the Company's owners.

I closed my previous letter with a thinly-veiled plea: "I look forward to hearing about how you intend to address these concerns in a timely fashion." It should be a source of deep embarrassment to you that, almost a year later, I am still waiting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Leon G. Cooperman', written over the word 'Sincerely,'.

Leon G. Cooperman

LGC/mav

Members of the Board of Directors of Tetragon

Paddy Dear

Rupert Dorey

Reade Griffith

David Jeffreys

Byron Knief

Greville V. B. Ward