

## NOTES FROM EEA LIFE SETTLEMENTS PCC GENERAL MEETINGS 31<sup>st</sup> December 2013

The Meetings took place at the EEA office in Guernsey and were chaired by Alison Simpson (Director of the EEA Life Settlement Protected Cell Company (PCC) ), supported by lawyers and other staff from International Administration Group (IAG).

One EEA shareholder and one other shareholder representative was present, holding proxies for a further ten registered shareholders covering fourteen beneficial owners. A further six proxies had not been validated because of the difficulties processing them via nominees during the holiday period. . The purpose of the two EEA meetings was to conclude the previously adjourned 2012 AGM and to hold the 2013 AGM.

Alison Simpson started both EEA Meetings with the appropriate formalities and stated that questions and discussion would be limited to matters related directly to the agenda items. Any remaining questions and discussion would take place after the formal AGMs.

### **CONCLUSIONS**

- 1 2012 AGM completed. No Resolutions. 2011 Report & Accounts were “received”
- 2 2013 AGM opened. 2012 Report & Accounts item adjourned.  
Two Resolutions approved :
  - i. Re-election of Grant Thornton : For : 337,492.447 (98.93%)  
Against : 3,633.741 ( 1.07%)
  - ii. Auditor Fees : For : 324,697.007 (95.18%)  
Against : 16,429.007 ( 4.82%)
- 3 Questions and Responses / Results are summarised in **Appendix A, B and C**
- 4 It was noted that the Guernsey Financial Services Commission had approved the Company’s restructuring request, without conditions or modifications.  
Fund Restructuring becomes “Effective” at 00.00 on 1<sup>st</sup> January 2014.  
EEA will publish “final” Restructuring Articles and Offering Memorandum on 1<sup>st</sup> January 2014 and will apply for new share listings on the Channel Islands Securities Exchange (CISE – formerly CISX)

### **FUTURE ACTIONS**

1. David Trinkwon to submit written questions 2,3,4,10 (2012 AGM) for follow-up
2. David Trinkwon to inspect Shareholder Register
3. EEA to respond to Questions 2,3,4,10 ( 2012 AGM)
4. EEA to provide copy of EEA FM and ViaSource Contracts to Simon de Zoete
5. EEA to re-convene 2013 AGM during 2014 to “receive” 2012 Report & Accounts
6. EEA to publish 2013 Interim Financial Statements by 31<sup>st</sup> Dec 2013
7. EEA to publish 2013 audited Report & Financial Statements by 30<sup>th</sup> June 2014
8. EEA to hold reconvened 2013 AGM 2014 AGM by 31<sup>st</sup> December 2014

**QUESTIONS & RESPONSES for Reconvened 2012 AGM  
(Other Business – To Receive 2011 Report and Accounts)**

*[Questions from David Trinkwon unless otherwise specified  
and relate to the Consolidated Report and Financial Statements]*

*AS = Alison Simpson  
DT = David Trinkwon*

**1 To Alison Simpson**

I have asked the Secretary for a copy of the Calling Notice and Minutes for the original AGM on 29<sup>th</sup> October 2012. According to a shareholder who was at the Meeting, you twice stated that the 2011 accounts should be available within a week (someone else said more like three weeks). Can you now explain why the accounts (originally due by June 2012) weren't published until eight months later in June 2013 ? On what did the Directors base the 1-3 week statements and what unforeseen events occurred to delay the date by a further thirteen months. ?

**AS Response : A copy of the original Calling Notice has been given to you today. There is (was) no legal obligation to place the Notice on the CISX or EEA web sites. My discussion with the shareholder was after the formal meeting and was the best information that we had at that time.**

**2 To Chris Daly**

In the Investment Advisor's Report, you state that by the end of 2011, 926 policies had been purchased, of which 250 had matured since inception with a combined death benefit of \$342m. On average, the policies had matured within 58% of the original LE period (i.e. much sooner than expected). You then say that there were 674 policies outstanding, which leaves two policies missing. Apart from this minor discrepancy, it would be very helpful for future reports if you could include the current period statistics for maturities etc, rather than just since inception. Can you please confirm that during 2011 there were 92 matured policies providing \$140m of death benefit, and maturing within 81% of original LE (on average 10 months earlier than predicted) ?

This includes the 28 policies which matured later than the original LE for \$26m and an average 9 months later than expected. <sup>1</sup>

**AS Response : Mr Daly resides in the USA and cannot be present at the Meeting today. Please submit the question in writing and we will arrange for Mr Daly to respond.**

**3 To Simon Shaw**

The monthly Fact sheets and Periodic Portfolio statistics provided by EEA Fund Management (Guernsey) show a total of 921 policies purchased and both 247 and 250 matured during 2011 for a NDB of both \$342m and \$369m. Can you explain these discrepancies, both between the documents and v/v the Investment Advisor's Report, and ask the people concerned to take more care with their figures in future ?

**AS Response : Mr Shaw cannot be present at the Meeting today. Please submit the question in writing and we will arrange for Mr Shaw to respond.**

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<sup>1</sup> These 2011 statistics were compiled from the Maturity Schedules issued in the name of EEA LSF PCC Ltd

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**31<sup>st</sup> December 2013**

**4 To Mark Colton**

As noted at the bottom of Page 3, during the period of these accounts, the Board resolved to suspend the Fund with effective from 30<sup>th</sup> November 2011. Can you please refer to the Directors' Minutes at the time and provide the exact Articles and Clauses which were used to authorise the suspension. I have asked the Secretary to provide me with a copy of the relevant Directors Minutes and/or allow me to inspect them.

**AS Response : Mr Colton cannot be present at the Meeting today. We have not changed the reasons for the suspension in any way since November 2011. Shareholders do not have rights to inspect the Minutes of Directors Meetings and we do not keep a "Minutes Book" as such, or verbatim records of the Directors discussions. However, we agree to provide you with a written response as soon as possible setting out the exact Articles and Clauses which were relied on to authorise the suspension.**

**DT Response : The Directors have changed the apparent reasons for the suspension in their statement in the 2012 Report and Accounts. Please be clear - I am requesting the exact reasons and authorisations as they existed at November 2011, and not just "Article 34" or "Page 66/67 of the Offering Memorandum".**

**Lawyer Response : We understand the question clearly and will prepare an appropriate response.**

**5 To Alison Simpson**

On the same topic, the suspension announcement stated that any redemption requests held by the Company for the 1<sup>st</sup> December 2011 Dealing Day would not be effected during the suspension. Please state the number and value of any such requests and why there appears to be no relevant provision or note in the 2011 (or 2012) Accounts. What is the current status of these requests within the books of the Company ?

**AS Response : "Not be effected" means that all such redemption requests were cancelled by the suspension and there is no contingent liability on the fund arising from these requests. When the restructuring takes effect at midnight tonight (1<sup>st</sup> January 2014) there will be no outstanding redemption requests to deem as "cancelled or withdrawn".**

**6 To Mark Colton**

On page 5 you state that the Directors are not aware of any information or steps that should have been taken to ensure that the auditor had all the information he needed. But the auditor states quite clearly on page 8 that the "he was unable to obtain sufficient audit evidence as to whether and when during the year the Directors should have exercised their judgement to amend the buffer or change the policy NAV valuation methodology and accordingly our audit scope has been limited" He goes on to state that he was therefore unable to form an opinion as to whether NAV based fees were calculated properly and whether additional contingencies or liabilities should have been recorded. Given your declaration on page 5, why was the auditor unable to obtain the information that he believed that he needed to form the relevant audit evidence ?

**AS Response : The Directors provided all the information that was available for them to give. The auditor requested information that was not available for the Directors to provide**

**7 To Ernst Young**

You are one of the most respected auditing firms in the World. You have stated clearly that in your considered opinion, the life policies in the 2011 accounts are overvalued by at least \$100m. You state that this is in addition to the overvaluation not booked but referred to in note 21. This is a note written by the Directors who decided not to book the additional write down and used the overstated valuation to calculate the performance fees of \$33m paid to the companies which are connected to two of the Directors. You felt so strongly that you subsequently resigned on professional grounds rather than continue to work with the existing Directors. Can you elaborate on this situation insofar as it affected the interests of the Company and its Members ?

**AS Response : Ernst Young were invited to the Meeting but declined the invitation to attend.**

**8 To Mark Colton**

By valuing the policies in this way the Directors' associated companies have taken their performance fees before writing down the fund value by 20% in June 2013, - clearly recognising the over-valuation noted by the auditor. Whilst the fund was attracting new investment based on the overstated valuations you could buy policies and immediately revalue them to pay performance fees. The key question is "**why didn't you simply reduce the value as requested by the auditor (as you have since done) ?**" Then we could have avoided lots of fuss and delay - but of course you would then have to wait for the Fund to realise the shareholders' money before you could take the performance fees. As one of the two Directors not benefitting from the performance fees, and charged with ensuring that the Board operates fairly and in the best interest of the Company and its Members, why did you approve the calculation and payment of the performance fees in these circumstances, and what steps have you taken to recover any overpayments – or at least secure a credit against any future performance fee payments due to the beneficiaries concerned ?

**AS Response : The bulk of the performance fees for 2011 were paid in June 2011 in accordance with the contracts. Questions about the valuation and NAV methodology only arose during the preparation and audit of the accounts during 2013, following concerns which were noted during 2012. This hindsight had no bearing on the amount or legitimacy of the performance fees paid in 2011 and we do not accept that fees were overpaid. There is no legal requirement for the auditor or shareholders to approve these payments which were in accordance with the relevant contracts.**

**9 To Alison Simpson**

In the Auditor's Report (and elsewhere in the document) there are statements that during 2011 there was evidence that Life Expectancy was extending beyond the original estimates and that this was having an impact on the valuation of the Fund. However, as noted in the Investment Advisors Report and question 2.2 above, we saw that during 2011 all maturities had still been within 81% of the original LE (up from 68% in 2010) and still within 58% on all maturities since inception. That is - policies were still maturing sooner than originally expected. Why did the Company and the Auditor state that Life Expectancy and Maturity became a problem during 2011 ?

**AS Response : The valuation of policies for impaired lives is a complex / subjective / actuarial / analytical process which we have much more information and expertise about. The 2011 Report was written during 2013 with the benefit of hindsight from mortality experience during 2012 and 2013 which we reflected back into the 2011 Report.**

**DT Response : I accept what you say about the valuation of remaining policies, but I am referring to the analysis of the policies which actually matured from inception until August 2013, which included those that matured during the 2011 accounts period. These are actual maturity dates versus the originally estimated dates and our analysis (based on the Maturity Schedules issued by EEA) shows that although there was an upward trend from late 2011 and through 2012 and 2013, nonetheless the average maturity performance for all 376 matured policies over that period was within the originally predicted life expectancy. This was specifically true within the 2011 accounting period (and since inception to December 2011) and therefore we can find no evidence to support the statements made by the Directors and the auditor in the 2011 Report.**

**10 To Alison Simpson On page 19 (Note 4):**

- a) You state that the proceeds from maturity of investments were \$156.4m but the amount from the EEA Maturity Schedule is only \$139.7m, as noted in question 2.2 and also under "Investing Activities" on page 12. Can you explain this apparent discrepancy ?

**DT Comment : There was some confusion during the discussion on this question and I have resubmitted the question in writing to obtain a clear response.**

- b) You state that the cost of investments matured was \$89.4m. Can you please clarify whether this was the total cost of purchases, premiums etc paid within the year, or just the purchases, premiums and other costs accrued against the matured policies since purchase ?

**AS Response : \$89m refers to the accrued costs attributable to the policies which matured during the year.**

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**11 To Alison Simpson** On page 20 (Note 6):

- a) Please state how much was paid in trail / renewal commissions to distributors, IFAs and other intermediaries during 2011, and under which heading(s) these appear in the accounts. How much was paid after the Fund was suspended at the end of November 2011 ?

**AS Response :** These payments are made by the Manager (EEA FM (Guernsey) Ltd) and fall within the \$15m Management Fees item in the accounts. We (the Company or its shareholders) do not have any visibility or control over these payments which are in accordance with the relevant contracts. If our shareholders have issues or concerns about these fees and commissions then they should take them up with their Financial Advisors and/or the platform providers/ insurance companies concerned. It's not our problem.

**DT Comment :** I'm not convinced by this response. In my opinion, EEA is responsible for the activity of its contracted Fund Manager and should be able to hold the Manager to account for its charges and actions. We can check this further when we see the copy of the contract with the Fund Manager.

- b) Do the various contracts with EEA, IAG, ViaSource and your distributors / IFAs etc contain clauses which allow for fees to be withheld, modified or reclaimed in certain events, such as fund suspension, audit failure or fund re-valuations ? We have been asking for copies of such contracts so that we can examine whether the terms are fair to the shareholders. Can you provide a copy of such contracts to me before I leave today ?.

**AS Response :** We are collating this material (i.e. scanning it in) to respond to a request from a shareholder. I was not aware that it had been requested at the EGM in October and that Mr Colton had agreed then to provide it. We will send the information to the requestor as soon as possible. I would like to clarify (from our previous discussions) that IAG does NOT receive performance fees and that I personally am therefore not in any conflict of interest over the payment of performance fees to myself or my associated Company.

**DT Response :** The shareholder request was made at the EGM and followed up by an email request the same week, as listed on the "Outstanding Info" document. I am carrying the proxy for that shareholder at this meeting and am asking for the request to be fulfilled.

I am happy to agree and note the situation of AS and IAG with respect to performance fees and apologise for any misunderstandings that might have arisen previously.

[ END OF APPENDIX A ]

QUESTIONS & RESPONSES for 2013 AGM

*[Questions from David Trinkwon unless otherwise specified]*

AS = Alison Simpson  
DT = David Trinkwon

1. Resolution 1 (Re-election of Grant Thornton)

**To the Chairman**

Can you please summarise the process that the Board went through in choosing the new auditor and that you carried out the necessary due diligence. How many proposals / bids were sought / received / considered and what were the criteria used to decide on Grant Thornton ? A shareholder was told by Simon Shaw that Price Waterhouse Cooper would be appointed as the new auditor – did they decline the request ?

**AS Response : We compared bids from several auditors experienced in the field and Grant Thornton was considered suitable and competitive. We had no refusals and PWC were not asked to bid.**

2. Resolution 2 (Directors to Determine the Auditor's Fees)

**To Alison Simpson**

a) We are concerned that the auditor fees in the 2012 accounts are \$617k, compared with £131k in 2011. Can you say what the spend has been during 2013 and how much of that was to EY versus Grant Thornton. What figure is being budgeted for 2014 based on the contract that you have with Grant Thornton ?

**AS Response : The \$617k was probably the whole cost of EY for the 2011 accounts, accrued from each year in which the expenditures were incurred. There might be a residual amount in the 2013 accounts. Grant Thornton's fee for the 2012 accounts was £80k (in 2013) and we would expect a similar amount for the 2013 accounts in 2014.**

b) Will Grant Thornton be required / expected to resolve the outstanding issues from 2011 as part of the 2013 audit, given that they simply applied a "straight line" valuation approach from the disclaimed value of \$905m at Dec 2011 and the Directors' so far unpublished figure for June 2013 ?

**AS Response : No. They will assess the December 2013 valuations on their own merits and that will be the basis for going forwards into 2014.**

[ END OF APPENDIX B ]

**QUESTIONS & RESPONSES Following the Meetings**

*[Questions from David Trinkwon unless otherwise specified]*

*AS = Alison Simpson  
DT = David Trinkwon*

**1 To the Chair**

I sent Mark Colton a letter on 17<sup>th</sup> December on behalf of the EEA Investors Group asking you to cancel these meetings for various reasons. Semelia's response of 19<sup>th</sup> December didn't address the substantive issues. These include :

- i) Why the meetings weren't held around 17<sup>th</sup> October or any other (more convenient) date between June / August 2013 and early December.

**AS Response : We planned to hold both meetings on the same day, and believed that the 2012 accounts would be available in time for the 2013 AGM, which must be held by the end of the year. This turned out not to be so, and we therefore decided to hold both meetings together on 31<sup>st</sup> December, and adjourn the 2012 Report and financial statements item.**

- ii) Why there are no Resolutions for shareholders to approve Minutes of previous General Meetings and/or the 2011 and 2012 Annual Report and Financial Statements

**AS Response : There is no legal obligation for the shareholders to approve General Meeting Minutes or the Report and Financial Statements for any period. This is the same under Guernsey and UK Company Law, although Company's can choose to do so under their own Articles or in response to appropriate shareholder resolutions.**

- iii) Why inadequate time has been scheduled to discuss the 2011 Annual Report and Financial Statements

**AS Response : We have made the time necessary to address the questions that have been asked within the relevant agenda items.**

- iv) Why very few investors or Nominee shareholders appear to have received the Notices and Proxy / Voting forms from the Company, or passed them on to the beneficial owners.

**AS Response : We post the Notices and other documentation to each registered shareholder in accordance with our legal obligations, but we are not responsible for any failure to deliver by the postal services or by nominees, platforms or other intermediaries. We use the Guernsey post for the smaller items but use a UK based printer / mailing service for the larger items such as Annual Reports and Offering Circulars. The 2012 Annual Report and Financial statements were mailed around 20<sup>th</sup> December 2013 and should be arriving with shareholders any time now.**



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**2 To the Chair**

We have provided you with a list of outstanding requests for information, many of which were needed for today's Meetings or are outstanding from the October Meetings. Would you please approve the requests and ask the Secretary to action them all before I leave today.

**DT Comment : see the attached listing for details**

**3 To the Secretary**

I gave good notice that I wished to inspect various documents and the shareholder register while in Guernsey today, but I learned on Christmas Eve that you are closing the Office at 2.00pm today. I doubt that the Meetings will be finished by then, but even so this will not give me time to carry out my tasks. Since the company was responsible for choosing this date for its business, can you arrange for someone to stay behind with me until I have been able to carry out my work ?

**AS Response : We will provide a copy of the Register and a room for your use and staff will remain to assist you until you are finished.**

**DT Comment : I was able to inspect the Register, as arranged, and will produce a separate report. I might return to gather additional information when I have examined the results further. Under Guernsey Company Law, I can only "inspect" the Register (185 pages) and cannot copy information from the register. I'm brushing up on my photographic memory skills !!!**

**I must add my thanks to Alison Simpson and all the IAG staff that I met during the day for their courtesy, hospitality, facilities and support, although obviously I am struggling to agree with all their responses to my questions. But we all got through it and lived to tell the tale.**

**NOTES FROM EEA LIFE SETTLEMENTS PCC GENERAL MEETINGS**  
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**LIST OF OUTSTANDING INFORMATION REQUESTS**

**17<sup>th</sup> October 2013 : Verbal Request from Simon de Zoete to Mark Colton at EGM**

**20<sup>th</sup> October 2013 : Email from Simon de Zoete to Mark Colton**

Please can you send me a copy of the contracts with EEA and ViaSource? They cannot possibly be open ended or inflexible in the event of a change in circumstances.

**AS Response : We will provide the copy of the two contracts, within two weeks if possible.**

**17<sup>th</sup> October 2013 : Verbal Request from Richard Pipe to Mark Colton at EGM**

**19<sup>th</sup> November 2013 : Follow-up email from Richard Pipe to Yannis Katsis & Barry John**

Please provide a list of all remaining policies in the Fund, the purchase date, the life expectancy placed on the policy at the outset, the sum assured and the premium payable. No sensitive information about the policyholder, policy number, insurance company, etc, is needed, so there really should be no reason that a list cannot be produced.

**DT Comment : Overlooked – not discussed. I Will follow-up in conjunction with Richard.**

**17<sup>th</sup> December 2013 : Email from David Trinkwon to the Secretary**

- a) Calling Notice for the 2012 AGM on 29<sup>th</sup> October 2012 **Received at the Meeting**
- b) Minutes of the 2012 AGM, including the record of the discussion with the shareholder present regarding the imminent availability of the 2011 accounts  
**Not Received. EEA do not keep a Minutes Book or record of discussions.**
- c) Revised Minutes of the 17<sup>th</sup> October 2013 Class Meeting and EGM, including the record of the discussions as per our letter to Mr Colton dated 17<sup>th</sup> December 2013  
**Not Received. EEA will not be updating the Minutes to include a record of the discussions.**
- d) Minutes of the Directors Meeting(s) on 28-30<sup>th</sup> November 2011 resolving to suspend the Fund (including the record of any discussion)  
**EEA do not keep a Directors Minutes Book. Shareholders do not have access to Minutes of Directors Meetings.**
- e) Minutes of the Directors Meeting on 17<sup>th</sup> October 2013 resolving to extend the election period to 31<sup>st</sup> October 2013 (including the record of any discussion)  
**EEA do not keep a Directors Minutes Book. Shareholders do not have access to Minutes of Directors Meetings.**
- f) Minutes of the Directors Meeting which resolved to call the two AGMs for 31<sup>st</sup> December 2013 (including the record of any discussion)  
**EEA do not keep a Directors Minutes Book. Shareholders do not have access to Minutes of Directors Meetings.**

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- g) Notices for Nov 2012, May and November 2013 extending the suspension by six months each time, as per Article 35

**These Notices do not exist and there is no legal obligation to produce them or post them on CISX. The Directors reviewed the suspension status monthly since November 2011.**

- h) While I'm in Guernsey, I would also like to inspect the Minutes Book and the Directors Minutes Book, as well as the Shareholder Register (in accordance with your recent emails to Simon de Zoete) .

**EEA do not keep a Directors Minutes Book. Shareholders do not have access to Minutes of Directors Meetings.**

**EEA do not keep a Minutes Book for the General Meetings and don't keep a verbatim record of the discussions. Shareholders can request a copy of the General Meeting Minutes at any time and this will be provided from the electronic record.**

**Arrangements have been made to inspect the shareholder register after the meeting.**

**23<sup>rd</sup> December 2013 : Email from David Trinkwon to Semelia Hamon**

- i) I ... request for a copy of the submissions made by the Company under the Guernsey Code of Corporate Governance for 2012 and 2013 and a confirmation of how many times this item has been discussed during the Directors Meetings since January 2012, as required under the Code.

**AS Response : The GFSC has removed the requirement to submit an annual assessment. The Company submitted its initial assessment in 2012 in accordance with the Code, but this document is not available to shareholders, and there is no legal obligation to make it available.**

- ii) Is it possible / permitted to have a list of the Chairman's proxies (names, number of shares) on the day ? **AS Response : No**

**24<sup>th</sup> December 2013 : Email from David Trinkwon to Mark Colton**

The Board has previously refused our many requests and decided not to release the Continuing versus Run-off election results from October 2013. However, EEA staff have been quoting figures to some IFAs by email and phone. Please change your decision and release the actual results immediately to shareholders, so that everyone has the benefit of the same information. In accordance with our original requests, we would like to see the figures as they stood at the EGM on 17<sup>th</sup> October plus the figures at the end of the Extension period on 31<sup>st</sup> October.

**AS Response : The information has now been posted on CISX following the receipt of approval for the Restructuring from GFSC. We do not have a breakdown of the results as at the EGM versus the extended deadline of 31<sup>st</sup> October 2013.**

[ END OF APPENDIX C ]