

## **REPORT OF EEA LIFE SETTLEMENTS PCC MEETINGS 21<sup>st</sup> November 2014**

The Meetings took place at the EEA (IAG) offices in Guernsey and were chaired by Mark Colton (Chairman of the EEA Life Settlement Fund Protected Cell Company ), supported by lawyers from Ogier and staff from International Administration Group (IAG). Other attendees included three of the other five EEA directors (Simon Shaw and Christopher Daly absent), the Director and a Manager from Grant Thornton (Auditor), representatives from EEA Fund Management (Guernsey) Ltd (Fund Manager) and six shareholders (four from the EEA Investors Group and two former members) . The total shares represented in person or by proxy was around 220,500 (4.6% of the current 4.8m shares outstanding across all classes).

Appendix A is a list of attendees.

The purpose of the two formal meetings was to conclude the previously adjourned 2013 AGM and to hold the 2014 AGM . The Chairman also invited everyone to an informal “Discussion” after the AGMs to address any other questions and issues of interest to the investors.

### **CONCLUSIONS**

- 1 2013 AGM completed. No Resolutions. (Appendix B – 10 minutes)
- 2 2014 AGM opened and completed.. All four resolutions passed.(Appendix C – 1½ hours )
- 3 Discussion Session (Appendix D – 2 hours)

The two new independent directors (David Jeffreys and Stephen Burnett) gave strong presentations of their understanding of the position of the Company and their commitment to work with the Chairman and other Directors to improve investor communications and other Corporate Governance aspects of our Company. They were both re-elected. The Chairman and other three Directors present endorsed the concerns expressed by the investors (and the Investors Group) to understand why the policies in the current portfolio were not maturing as expected and not generating the redemption cash balances as quickly as expected. The Directors said that they were already reviewing this situation as a matter of priority plus the implications for managing the remaining portfolio.

The “New” Board and Investors present all stated their commitment to finding solutions that would improve the cash outcomes for the investors, and as quickly as possible. While the past could not be forgotten or ignored, everyone’s focus is now on improving the results for the future. The three key topics to address would be :

- A) Portfolio management and cash returns for redemptions
- B) Improved investor communications, in general
- C) Improved corporate governance, in general

We noted that all four Directors present were Guernsey or Jersey based, and not conflicted in terms of valuation-based performance fees. One of the Directors (Alison Simpson) had a minor interest in valuation-based charges and direct share ownership and the Chairman frequently referred to the “Independent Directors” and “Guernsey Directors”. During the Meetings, Mark Colton also announced that the Board had formed an Audit Committee, but no further details were given.

The Auditor (Grant Thornton, Guernsey) was present but, as previously advised, would not answer any of the investors’ questions addressed to him, apart from those relating to 2014 AGM Resolution 1. Some of the questions to the Auditor were answered by the Directors based on their prior discussions with the Auditor.

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**APPENDIX A**

**ATTENDEES**

<b>Ref</b>	<b>Attendee</b>
<b>BS</b>	<b>Brian Sugden</b> – representing shareholders *
<b>RN</b>	<b>Richard Norman</b> – shareholder, also representing other shareholders *
<b>JN</b>	<b>Judith Norman</b> – shareholder *
<b>DT</b>	<b>David Trinkwon</b> – shareholder, also representing other shareholders *
<b>CP</b>	<b>Charles and Carol Patch</b> – shareholders
<b>MW</b>	<b>Mark Woodall</b> – representing shareholders. Also a Director of the Administrator and the Fund Manager
<b>MC</b>	<b>Mark Colton</b> – a Director and Chairman also representing shareholders
<b>DJ</b>	<b>David Jeffreys</b> – a Director of the Company
<b>SB</b>	<b>Stephen Burnett</b> – a Director of the Company
<b>AS</b>	<b>Alison Simpson</b> – a Director of the Company and the Administrator (IAG) <i>[Christopher Daly[USA] and Simon Shaw [UK], Directors, were not available to attend the Meetings]</i>
<b>CS</b>	<b>Cyril Swale</b> – representing Grant Thornton Limited, Auditor
<b>CM</b>	<b>Cheelah Munoz</b> – representing Grant Thornton Limited, Auditor
<b>MH-R</b>	<b>Martyn Henley-Roussel</b> – a Director of the Fund Manager
<b>SH</b>	<b>Semelia Hamon</b> – representing IAG, Secretary and Administrator
<b>AE</b>	<b>Alison Ewins</b> – representing IAG, Secretary and Administrator
<b>FW</b>	<b>Frances Watson</b> - representing Ogier, Legal Advisers
<b>JC</b>	<b>James Cooke</b> - representing Ogier, Legal Advisers

*\* Members of the EEA Investors' Group*

*Disclaimer (Added 9<sup>th</sup> September 2014) :*

*This Report was compiled by David Trinkwon from his notes and recollections of the meetings and discussions plus subsequent comments received from Richard Norman. A draft version was sent on 1<sup>st</sup> December 2014 to EEA and other (investor) attendees for review and comment.*

*An email from Mark Colton dated 8<sup>th</sup> December 2014 stated :*

*“Thank you for providing me with the draft notes that you made at the recent AGM. However, the Board does not consider it appropriate to comment on the accuracy of your notes, and does not endorse those notes as a record of the meeting.”*

*.”*

[ END OF APPENDIX A ]

**QUESTIONS & RESPONSES for Reconvened 2013 AGM (10 minutes)**

*[Questions relate to matters arising from the 2012 Consolidated Report and Financial Statements]*

MC carried out the opening formalities and introductions. The first part of the 2012 AGM had taken place on 31<sup>st</sup> December 2013 and there was only one agenda item outstanding - (Other Business – To Receive the 2012 Report and Accounts). This was now to be addressed.

**1 The Investment Advisor (C Daly)**

Written questions relating to the 2013 Mortality Review had originally been submitted in February 2014 by DT on behalf of the Investors' Group. It was agreed to deal with these questions during the 2014 AGM under the similar discussions about the 2013 Accounts

RN and DT asked why Mr Daly was absent, in person or by phone. *AS explained that he lived in the USA and it was now very early in the morning there.*

**2 The Auditor (Grant Thornton)**

Written questions relating to the 2012 audit had originally been submitted in March 2014 by DT on behalf of the Investors' Group.

*CS had written to DT in November 2014 to state that the Auditor's Report was presented to the Company as a whole and Grant Thornton was not required or obliged to answer specific questions from investors*

BS asked for the Meeting to record that the Directors and Auditor had in fact received and considered the matters referred to by DT and those that he (BS) had discussed by telephone with Mr Clarke at Grant Thornton during 2014. He specifically asked about the matters of the concerns and qualifications raised by Ernst & Young for the 2011 Financial Statements in 2012 / 2013 and the possible contingent liabilities for previous over-valuations and overpayments. These qualifications and potential liabilities had been referenced by Grant Thornton for the 2012 Statements but then not carried over into the 2013 Statements (to be discussed later). It appeared that these very serious matters were now being swept under the carpet, or that the Auditor had received further information from the Directors that now meant that the matters had been resolved to the Auditor's satisfaction.

*This matter was deferred to the discussion of the 2013 Accounts.*

The 2013 AGM was then closed.

[ END OF APPENDIX B ]

**QUESTIONS & RESPONSES for 2014 AGM (1½ hours)**

MC carried out the opening formalities and introductions.

DT asked why Simon Shaw was not able to be present at the AGM and noted that he had also been absent last year.

*No explanation was available.*

Mr Daly's absence had already been noted during the previous Meeting.

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

DT to Grant Thornton - Please describe your team's expertise and experience in the auditing and valuation of Life Settlement Funds, and the extent to which you are able to verify and validate all the specialist factors involved in this asset class

*CS : Grant Thornton (Guernsey) audits one other Guernsey Life Settlement fund valued at a few hundred million dollars. We are fully qualified and experienced to carry out this work to the relevant standards.*

BS – Can you please clarify whether the audit is carried out by Grant Thornton (Guernsey) or under the umbrella of the larger Grant Thornton organisation. Do you carry enough Professional Indemnity (PI) insurance to cover the EEA Fund's NAV ? The reasons behind the questions are that because of the qualifications and resignations of Ernst & Young in 2013, investors are very heavily dependent on the opinion of the Auditor concerning the current valuations and Financial Statements and need to understand the asset base or PI insurance cover in case shortcomings arise in future years which might lead to action being taken against the Auditor for his opinions on the 2012 and 2013 Financial Statements.

*CS : Grant Thornton (Guernsey) is a standalone subsidiary affiliated to the International GT organisation. We do carry PI insurance but I am unable to disclose the amounts or cover.*

Ordinary Resolution 1	FOR	AGAINST	DISCRETION TO CHAIRMAN
Total votes by poll	978.676	14,108.679	0.000
Add: votes by proxy	169,583.244	33,232.479	2,574.944
Total votes by poll and proxy	170,561.920	47,341.158	2,574.944
Votes at Chairman's discretion	2,574.944		
Total votes by poll, proxy and at C. discretion	173,136.864	47,341.158	
Less: proxy votes overridden by poll votes	0.000	0.000	
<b>TOTAL SHARES VOTED</b>	<b>173,136.864</b>	<b>47,341.158</b>	
<b>% voted</b>	<b>78.53%</b>	<b>21.47%</b>	
<b>all shares voted</b>	<b>220,478.022</b>		
Total shares in issue	4,838,650.230		
% voted	4.6%		

BS – Can the Auditor please confirm that he has received and considered all the matters raised by myself and David Trinkwon in our phone calls and letters over the past year ?

*DJ Response : I have discussed the various matters with the Auditor and can confirm that all such communications were received and considered.*

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

No questions or discussion

Ordinary Resolution 2	FOR	AGAINST	DISCRETION TO CHAIRMAN
Total votes by poll	14,546.254	541.101	0.000
Add: votes by proxy	201,033.678	1,658.895	2,574.944
Total votes by poll and proxy	215,579.932	2,199.996	2,574.944
Votes at Chairman's discretion	2,574.944		
Total votes by poll, proxy and at C. discretion	218,154.876	2,199.996	
Less: proxy votes overridden by poll votes	0.000	0.000	
<b>TOTAL SHARES VOTED</b>	<b>218,154.876</b>	<b>2,199.996</b>	
<b>% voted</b>	<b>99.00%</b>	<b>1.00%</b>	
<b>all shares voted</b>	<b>220,354.872</b>		
Total shares in issue	4,838,650.230		
% voted	4.6%		

**Resolutions 3 and 4 (Re-Election of New Directors)**

DT (to DJ and SB) - Can you please say when you were first asked to consider becoming Directors, what explanation was given to you for the reasons to appoint two additional Directors at this time, what due diligence you carried out about the Company and its affairs before accepting the invitations and what previous experiences you have that are relevant to directing a \$1bn Life Settlements Fund. ?

*DJ and SB Responses (paraphrased after some confusion over actual dates and chronology ): We were first approached by Mark Colton in early 2013, then it went quiet for a while and then we were contacted again in the Summer of 2013. After ongoing discussions and meetings with Mr Shaw and Mr Daly we were formally appointed in April 2014. We have both done a lot of due diligence on the activities and issues of the Company and are fully committed to improving investor communications and corporate governance. We are both qualified accountants with experience as directors and non-executive directors of various Companies.*

BS (to DJ) How many Board Meetings have you attended since your appointment ?

*DJ Response : I don't remember. There are normally four meetings per year plus ad hoc discussions.*

DT (to DJ and SB) - Are you prepared to consider that the other Directors (In conjunction with the Fund Manager, Investment Advisor and Administrator) appear to have mis-managed and misrepresented the Fund to investors over the past years, possibly for the benefit of their associated interests and companies, and are you prepared to consider that the Chairman (and other Directors) have paid (and continue to pay) lip service to the Guernsey Finance Sector Code of Corporate Governance and if so are you able to help bring about appropriate improvements for the benefit of shareholders and other investors?

*DJ and SB Responses (paraphrased): We have open minds on all the matters concerned with the Company and have invested considerable time and effort in reviewing all the documentation related to its affairs and investor concerns. We have spent a lot of time discussing matters with the Auditor and are committed to improving corporate governance standards at the Company.*

DT (to MC) - Would you please say a few words about why the Board took the action to appoint two independent Directors at this time ? EEA FM (London) told an IFA that it was because of a requirement by the Irish Regulator. Others have suggested that some current Directors are looking to resign or retire.

*MC Response : The reasons for the appointments were given in my Letter to Shareholders posted on CISX on 9<sup>th</sup> April 2014 and related to improving the independence, experience and expertise of the Board. There was no relevance to the Irish Regulator and EEA FM (London) have confirmed that they issued no such statement.*

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DT (to MC) – Given the concerns and criticisms that many investors have about the corporate governance of the Company, and the (poor) relationship between retail investors and the Board, will you now appoint a Senior Independent Director as the primary interface between the Board and Retail Shareholders / Investors ?

*MC / DJ / SB Response :: We have appointed an audit committee, but do not intend to nominate a SID. None of the Directors can devote the time to dealing with the volume of phone calls and letters / emails that would be anticipated. We recognise that it is more efficient to deal with questions from the Investors' Group where answers then go to many investors rather than just one or two. We are committed to improving investor communications and corporate governance.*

**Voting Results : Res 3 = D.Jeffreys, Res 4 = S.Burnett**

Ordinary Resolution 3	FOR	AGAINST	DISCRETION TO CHAIRMAN
Total votes by poll	15,087.355	0.000	0.000
Add: votes by proxy	202,162.023	68.942	2,892.036
Total votes by poll and proxy	217,249.378	68.942	2,892.036
Votes at Chairman's discretion	2,892.036		
Total votes by poll, proxy and at C. discretion	220,141.414	68.942	
Less: proxy votes overridden by poll votes	0.000	0.000	
<b>TOTAL SHARES VOTED</b>	<b>220,141.414</b>	<b>68.942</b>	
<b>% voted</b>	<b>99.97%</b>	<b>0.03%</b>	
all shares voted	220,210.356		

Total shares in issue 4,838,650.230  
 % voted 4.6%

Ordinary Resolution 4	FOR	AGAINST	DISCRETION TO CHAIRMAN
Total votes by poll	6,375.690	8,711.665	0.000
Add: votes by proxy	175,408.737	26,822.228	3,159.702
Total votes by poll and proxy	181,784.427	35,533.893	3,159.702
Votes at Chairman's discretion	3,159.702		
Total votes by poll, proxy and at C. discretion	184,944.129	35,533.893	
Less: proxy votes overridden by poll votes	0.000	0.000	
<b>TOTAL SHARES VOTED</b>	<b>184,944.129</b>	<b>35,533.893</b>	
<b>% voted</b>	<b>83.88%</b>	<b>16.12%</b>	
all shares voted	220,478.022		

Total shares in issue 4,838,650.230  
 % voted 4.6%

**3. 2013 Accounts – Matters Arising**

3.1 (DT to MC) You publish various projections of future maturities, including in the 2013 Financial Statements, but none of them have ever been achieved in practice <sup>1</sup> Your September 2013 projections were also used as the basis for the restructuring prospectus and EGM voting in October 2013. Do you agree that investors were possibly mis-informed at that time and that we cannot rely on any of your projections ?

*MC and AS Response : The statements in the 2013 Financial Statements are matters of fact and these questions are not relevant to the AGM. They can be discussed after the AGM. <sup>2</sup>*

<sup>1</sup> A summary table was included in the written question, and expanded tables / charts are also published as EEA Investors' [Group Working Paper WP7C](#)

<sup>2</sup> In the subsequent discussions, MC, DJ and SB agreed that they were concerned about the current maturity performance and cash builds v/v expectations, and this was currently being reviewed as a matter of priority

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3.2 (DT to MC) Note 1 (Page 19 - Participating shares) states that

*A financial instrument that provides for redemption on a specific date or at the option of the holder meets the definition of a financial liability if the issuer has an obligation to transfer financial assets to the holder of the share. Accordingly the participating shares have been classified as financial liabilities in accordance with IAS 39.*

Accordingly, why isn't the outstanding share capital of \$804m shown under "Commitments" in Note 20, alongside the future premium payments ?

*DJ and SB Response : Shareholder capital is shown on the balance sheet as assets attributable to shareholders and is therefore not a "liability" or "commitment" in the terms of Note 1 and Note 19. This is a standard accounting practice.*

3.3 DT (to CD) A major event during 2013 was the Mortality Review and subsequent 20% devaluation of the Fund at 30<sup>th</sup> June 2013. This forms the current basis for the run-off projections and valuation-based fees, charges and redemption payments going forwards.

a) *How many policies (or lives) were selected for review (by Fasano Associates) and what was the basis for selecting these policies or lives from within the portfolio ?*

*MC Response (for CD) : ALL policies<sup>3</sup> were submitted for Review by Fasano. Approximately fifty were returned as being unsuitable for review.*

b) *Where did the 33 months figure come from for the rest, and how it was applied to the existing ("Original") LEs ?*

*MC Response (for CD) : This was an average for the policies that were reviewed by Fasano, and was applied to the non-reviewed policies until such time as they could later be reviewed.*

c) *Can you provide some examples, and also explain how the 2 x LE buffer is applied in practice, and how this differs from the previous LE + 12 method ?*

*MC and AS Response : This is covered in the Offering Memorandum. The 2 x LE is applied to all policies, as was the earlier LE + 12 buffer*

d) *Who carried out the additional review of 30 policies implemented in May 2014 ?*

*MC and AS Response : This would have been Fasano – ViaSource is only using Fasano now.*

3.4 DT (to MC) You know that we have raised several questions about the validity and credibility of the 2013 Maturity Review on which all the current valuations and forecasts are based. Many of our questions to the Auditor were about the extent to which he had been able to audit the Review and form an opinion on the validity and credibility of the results. Since the Auditor chooses not to answer our questions, does the Board fully endorse the validity and credibility of the Review and its results.

*DJ Response : The Board fully supports the credibility and results of the Review and I can also confirm from my discussions with the Auditor that he stands behind the credibility of the 2013 valuations.*

3.5 BS (to MC) We were told that in 2008/09 it was possible for Ernst & Young to test the fair value of the portfolio against the secondary market for policies. Has that now been done for the portfolio as at December 2013, either by the Board or the Auditor ? The aim of all these valuation mechanisms is to determine a "correct" value that, if anything, errs on the side of prudence and yet policies don't appear to be maturing in accordance with the forecasts and valuations. The Investment Advisor reports that the US Life Insurance and Life Settlements markets are very buoyant at \$21trillion and over \$10bn per annum, respectively.

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<sup>3</sup> According to ViaSource data, there were around 550 policies outstanding at the time of the mid-2013 Review, and 30 were stated to be unsuitable for review. These 30 were subsequently reviewed during 2014

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*DJ Response : Each policy is unique and it is not possible to test it against other policies in the secondary market. International accounting standards allow for valuations to be based on subjective estimates through fair value of profit and loss. I can confirm from my discussions with the Auditor that he also stands behind the valuations and assumptions in the Report.*

3.6 BS (to MC) In Ernst & Young's Report for the 2011 they found that the Fund was over-valued by at least \$100m (and the Directors subsequently reduced the valuations by around \$200m). They couldn't express an opinion on the valuation based fees, charges and redemption payments made during 2011, and stated that there might have been overpayments which might (now) be outstanding assets or liabilities for the Fund. These qualifications were carried over by Grant Thornton in their 2012 Report but there is no further reference to these matters in the 2013 Report. Is this because additional information has now been provided to the Auditor such that he has been able to over-ride the previous Auditor's qualifications and determine that no potential assets or liabilities are actually outstanding, or is this an erroneous omission from the 2013 Report ? Can the Auditor please confirm that these aspects have been drawn to his attention ?

*MC and DJ Response : There are no such liabilities or assets outstanding as of 31<sup>st</sup> December 2013.*

3.7 DT (to MC) In my written questions to the Fund Manager, I stated that in the two year period from December 2011 to December 2013 the cash balance only rose from \$56m (6%) to \$92m (12%) and is now only approaching \$136m (15%) for year-end 2014. The Fund was always stated to hold 10-15% of cash as a reserve for premium payments, distributions and "normal" redemptions. The Fund will have now been below the two-year premium reserve waterline (\$145m) for most of the last four years, and investors will be expecting suitably aggressive redemption payments from December onwards. What are you going to do to further reduce the total overheads and outgoings of the Fund and significantly improve the cash position to pay premiums and make more aggressive redemption payments going forwards ?

*AS Response : The cash balance at December 2013 is a statement of fact and this discussion should therefore be referred to the discussions following the AGM<sup>4</sup>*

3.8 DT (to MC) The 2013 Report states that future premium commitments amount to \$240m at 31<sup>st</sup> December 2013. You are aware that we believe that they might exceed \$670m. How can we investigate and resolve this material difference between us ?

*AS Response : The premium commitment at December 2013 is a statement of fact and this discussion should therefore be referred to the discussions following the AGM<sup>5</sup>*

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<sup>4</sup> In the discussion following the AGM, MC responded that there was never any obligation to keep 10 – 15% as a cash reserve, indeed keeping large cash balances was against the interests of investors. The two year premium reserve is written into the Scheme Particulars and cannot be varied by the Directors, except by changing the OM Supplements. The two year reserve amount currently sits at \$136m (not \$145m). DT agreed that the September 2014 Portfolio statistics had shown a \$2m pa drop in premium payments, and he would now accept \$140m as a forward view, but also noted MC's figure of \$136m which is based on EEA's current projections / forecasts.

<sup>5</sup> In the discussion following the AGM, MC advised that the premiums forecast would also depend on the review of maturities etc that he and the new Directors were carrying out.

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- 3.9 DT (to MC) In Note 2(b) of the 2013 Financial Statements you state that the future 8% hurdle rate will apply from the Provisional NAV values at June 2012. Surely they should be from the “highest” water mark which was the Provisional NAV at 30th May 2013 ?

*AS and DJ Response : June 2012 is when the last performance fees were paid to and therefore this is the correct starting point for assessing future hurdle rates.*

- 3.10 DT (to AS) At the initial 2013 AGM you protested that I had included you within the description of “three conflicted directors”. Since you are one of the Directors responsible for approving the valuations and their subjective inputs, then you do come within my description of “conflicted”. Do you agree with this clarification ?

*AS Response : The discussion in December 2013 related to Performance Fees, which my Company does not receive. We do receive a small valuation-based Administration charge.*

- 3.11 DT (to AS ) Under “Directors Interests” (Page 3 of the Consolidated Report) you are declared as the only Director holding shares in the Company. We note you dramatically increased your investments during 2009 and quickly redeemed them in 2010 and 2011 when the NAV reached its historic peak and just before the suspension of the Fund. Ironically, the risk warnings stated in the Offering Memorandum advocate that “Investments in the Cells should be considered as medium to long term investments”. Would you like to make any comment on the apparent short-term nature and timing of your investments ?

*AS Response : These investments and redemptions were made for personal reasons and did not benefit from access to any privileged information.*

- 3.11 DT (to AS) Kendall Nominees is a material registered shareholder. Kendall is an authorised fiduciary, jointly with IAG Ltd, Hirzel Ltd and three other IAG subsidiaries. The named Directors of Kendall and Hirzel are yourself, and Mark Woodall, a Director of the Fund Manager. Both Hirzel and Kendall were the signatories (actually Mark Woodall signing once for each Company) to the original Articles of Association for EPIC Investment Funds PCC Ltd in April 2005 – which became EEA Life Settlements Fund PCC in August 2007.

We’re not suggesting anything improper, but the declarations by EEA LSF PCC Ltd only relate to the holdings of the Fund’s Directors. Conflicts of interest could also arise if the Directors and other employees of the Fund Manager, Administrator and/or the Investment Advisor were beneficial owners of EEA LSF redeemable shares.

Will you please arrange for any shareholdings by Directors or employees of these three Companies, or any connected companies and persons (whether via Kendall Nominees or otherwise) to also be declared forthwith. Please also provide a list of all share dealings by these persons and entities since inception ?

*AS Response : The Company is under no legal obligation to declare these matters, and in any case we don’t know who the beneficial owners of Kendall Nominees are.*

- 3.12 RN (to MC) : I submitted three written resolutions to you on 28<sup>th</sup> October and in your reply dated 10<sup>th</sup> November you stated that the Board would not add these Resolutions to the Business of the Meeting since you believed that they would not be in the interests of investors as a whole. I don’t understand or agree that these would not be of interest to all investors and I now wish to propose these as Motions from the floor of the Meeting, to be voted on accordingly. The three Motions are :

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- i. THAT the Company shall appoint a Senior Independent Director (SID) as the primary interface between the Board and Retail Investors
- ii. THAT the Company shall commission and publish to shareholders a review by the Auditor (employing appropriate independent Life Settlements experts not connected to EEA or ViaSource) of the outstanding portfolio and future run-off projections.
- iii. THAT the Company shall henceforth publish Minutes or Notes of discussions at General Meetings within 30 days of the Meeting and vote on their approval at the next General Meeting of the Company.

*FW advised MC that if the Resolutions were passed they could not be "Effective" as worded because they sought to instruct the Directors what to do.*

*DT stated his understanding that albeit the Resolutions might not be effective as worded, it would be in order to vote on Motions proposed from the floor, and the Chairman would need to indicate the basis on which he had allocated his proxy votes on behalf of the shareholders concerned, rather than as a Director of the Company. It wasn't necessary for Resolutions to be posted 14 days prior to the meeting via a Notice to shareholders.*

*RN stressed the plight of the unfortunate investors remaining in the Fund, that the Directors (apart from AS) had no investment in the Company themselves (and thus appeared distant) and that there was a need for empathy, consultation and cooperation etc.*

*Re (i) - MC referred to the previous discussions that the Board would not appoint a SID, and was under no obligation to do so. None of the Directors was willing to take on this burden. However they did note and support the need to improve communications between the Board and retail investors.*

*Re (ii) – MC, DJ and SB confirmed that they shared our concerns about the maturities and cash situation and that an internal review is already underway as a matter of priority.*

*Re (iii) – MC and AS stated that this would be unusual practice, and was not a legal obligation. The Board would not be inclined to adopt such a proposal.*

*In the light of these comments, RN withdrew the Motions.*

[ END OF APPENDIX C ]

**DISCUSSIONS Following the Meetings (2 hours)**

1. CP (to MC) I have four questions :

i) After the October 2013 EGM I received an email from Mark Woodall saying that redemptions would be made *pro-rata* between Run-off and Continuing shares and he gave an example of 10%. It seems as though the recent June redemption was only around 2.5%. ?

*AS Response : Confirmed that the June 2014 redemption was just over 2.5% [DT : actually 2.9%]*

ii) The same email said that the redemptions would be paid within 4-6 weeks but the June payments were delayed until October. Will future redemptions adhere to the original timetable ?

*AS Response : Yes – now that we have sorted out the banking details etc there shouldn't be any such delays for the next payments, scheduled for January/ February 2015 based on 31<sup>st</sup> December 2014, but subject to the cash being available.*

iii) In the October 2013 EGM you stated that a \$150m premium reserve had to be kept before redemptions could be paid. Now that more than 100 policies have matured since October 2013 can some of this premium reserve now be released in order to pay more redemptions ?

*AS and MC Response : The premium reserve is automatically adjusted as the premium payments reduce because policies mature. This in turn automatically increases the cash available for redemption payments, subject to the overall cash balances of the Fund. The premium reserve is currently \$136m as mentioned previously. MC stated that the objective of all the Directors is get as much cash out to shareholders as rapidly as possible, which is the same objective as the investors.*

iv) The October 2013 EGM voted overwhelmingly in favour of the restructuring proposals, one of which was that the Board would make reasonable endeavours to arrange a matching share sale for investors who wanted to raise immediate cash by selling their shares to institutional investors at a discount to the NAV. On 7<sup>th</sup> July this year we received a letter saying that this had been achieved and then on 17<sup>th</sup> July another letter saying that the sale had been withdrawn "because of a number of communications on behalf of a minority of shareholders". What exactly could they have said that could cause the withdrawal of a proposal which had been voted for by such an overwhelming majority, particularly when the Board had been voted absolute discretion at that meeting ? Why didn't the Board foresee whatever obstacles or questions that were raised by whoever sent the communications ?

*MC Response : As a result of the communications referred to, our Regulator raised a number of questions which we wouldn't have time to answer before the deadline imposed by the [EU] AIMFD Directive in the UK and other markets. We therefore had no option but to withdraw the Sale offer and it would now be too late and too expensive to put together another offer.*

*BS Comment : It would be perfectly possible to put together some other mechanism (with the agreement of shareholders generally) to sell some policies at a discount to NAV (rather than hold them until maturity) to make a limited pot of cash available to provide accelerated redemption payments to distressed shareholders.*

*RN Comment : The proposed Sale was a process that was technically flawed and incapable of being accepted. Amongst other things, Information had been provided to the bidders which was not available to the shareholders, and there was no advice given to the shareholders by the Directors. This goes against best (or even good) corporate practice. It would still be straightforward to put together a tender offer based on a proper matching Sale process without impacting the interests of other investors.*

*DT Comment : One problem was that the Company only gave everyone ten days to consider the offer and respond. The UK AIMFD deadline had already been under one year's notice. I will email to CP the letters that we sent to the Company and the Regulator objecting to the proposed sale process.*

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2. BS (to MC) (paraphrased) – Would it not be more constructive if the Board were to just come out and say to investors that there are problems with the portfolio and maturities and that we are carrying out a review of the best way to secure the maximum cash (and as quickly as possible) for the investors, rather than just sticking to the line that investors voted overwhelmingly last October to hold all policies to maturity, regardless. It's clear that something has been mismanaged in the past, possibly by the conflicted Directors and that's why I stressed that we are so heavily dependent on the Auditors, and might have to claim some compensation from them in due course. We are unlikely to recover any significant cash from the Directors concerned or their associated companies, but we can go after the Auditors and their PI Insurers. We need an independent review of the current portfolio going forwards, carried out by someone with appropriate insurance and life settlements expertise. Why can't we sell all the policies tomorrow (or over a reasonable period) and get the full NAV value for distribution to the investors? There are investors with mega-millions tied up in this Fund, and the Board effectively set themselves up as administrators last October. Now that we have new independent Directors can we not have a sensible change of approach to release cash as quickly as possible to the investors rather than just holding all policies to maturity?

*MC and DJ Response : (paraphrased): The Directors are fully aware of investor concerns about maturities and the cash position of the Fund and are already reviewing the portfolio and other aspects to determine how best to proceed. We all want to distribute as much cash as possible, and as quickly as possible, to the investors. We can confirm that there are no STOLI<sup>6</sup> policies within the remaining portfolio and we are looking at the possibility of not holding all policies to maturity. In my recent Commentary I pointed out that some policies had lapsed cover but these had already been written down in the NAVs and the net losses would reduce potential US taxes. It would not be appropriate for the Auditor to carry out or supervise an independent review, and we don't believe that the Regulator would take on this task.*

*DT Comment : We asked for the Regulator and/or Auditor to supervise an independent review because we didn't trust ViaSource or the "old" Board to supervise the task and report openly to investors. What we've heard today about the "New Board" with the independent Directors gives us some reassurance in this respect, but we would still want any review to be carried out by an independent specialist. Our concern is not so much whether EEA's projections are right or wrong, or our own projections are right or wrong. They are both based on the same core data and the issue is how do we (together) reconcile the difference and come up with the correct or best answer and monitor it going forwards?*

*The NAVs need to be tested against the secondary market for policies, and we need to understand whether it is better to sell the policies for NAV over a 23-29 month timeframe (as promised by Messrs Daly and Winders in the past) or hold them to maturity, or some combination. The basis for calculating the NAVs from the policy data is not as clear as you frequently suggest, and we have identified several apparent anomalies within the current policy fair values. It has been possible to liquidate Life Settlement portfolios in the recent past for their NAV value (possibly slightly more) as was done with LifeMark following the KeyData collapse.*

*RN Comment : Do you actually identify those policies which are not economic to hold to maturity and arrange to sell them off? We need to have an independent review of the portfolio and its management because there are clearly some serious concerns, and the management and valuations in the past have been carried out by the two companies (ViaSource and EEA FM) with the most massive conflicts of interest. You are presumably not specialists in a very technical industry and yet you must take responsibility for the Company's valuations and projections. It's therefore as much in your interests as ours (Mark Colton) and now the new Directors to have this independent review. It's even more in the interest of the Auditor who stands even more liable if things don't work out the way that the Financial Statements imply that they will because of possible flaws in the portfolio and its valuations.*

*AS Comment : Five policies were sold in 2011 and 2012. Three policies lapsed cover in August and September 2014.*

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<sup>6</sup> STOLI – Stranger Originated Life Insurance

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3. DT (to MC) Would the Company please be more careful and avoid the term “Distributions” when talking about the redemption payments. Some IFAs are telling investors (and hence the UK Financial Ombudsman Service) that the recent 2.9% redemption payments for Run-off shares, and (their) estimated 5 – 10% pa future redemption payments are “distributions”, analogous to the “promised” 8% pa benchmark returns of the past, whereas they are in fact a (partial) return of capital rather than a return on capital.

*MC Response : Noted*

4. BS (to MC) Would the new Directors now investigate the possibility of reclaiming the overpaid fees and charges based on over-stated NAVs as mentioned by Ernst & Young in their 2011 Report. ?

*MC Response : The NAVs and fees in 2011 were calculated according to the Scheme Particulars and contractual agreements at the time and there is no basis for reviewing them.*

5. BS (to MC) Was there a change in purchasing policy during 2009 – 2011 compared with previous years, and is this why we now seem to have a number of policies which are not now maturing as expected ?

*AS Response : There was no change in purchasing policy in that or any other period.*

[ END OF APPENDIX D ]