

Tel: 07802 538315

Email: [EEAInvestors@gmail.com](mailto:EEAInvestors@gmail.com)

12<sup>th</sup> December 2013

Mr Mark Colton, Chairman  
EEA Life Settlement Fund PCC  
PO Box 282  
Regency Court, Gategny Esplanade,  
St Peter Port, Guernsey, GY1 3RH

via email: [mcolton@bwcigroup.com](mailto:mcolton@bwcigroup.com)

Dear Mr Colton

**EEA Life Settlements Fund PCC – Minutes of October 2013 Meetings**

We, the undersigned, attended the Class Meeting and EGM at your offices in Guernsey on 17<sup>th</sup> October 2013, and between us raised a number of questions and concerns which you addressed and responded to within the context of the Meetings and the Resolutions. The Minutes which we received last week from the Secretary do not form an accurate record of the meeting, because they do not record the questions / concerns raised or the responses given during the formal meetings. We attach our own summary of the items discussed during the formal meetings that day, and which should be properly recorded in the Minutes. We believe that your Minutes Secretary took notes from which she can compile the record, but we would be happy to assist from our own notes and recollections if necessary. Some of the topics were repeated during both meetings, and it would be acceptable to us if you simply attached a common record of the Discussions to the Minutes of both meetings, e.g. as an appendix referenced from within the Minutes themselves. We each went to considerable trouble and expense to attend the Meetings and prepare our questions and deserve to have our concerns and your responses properly recorded for the benefit of investors who didn't attend for various reasons. Please also confirm that you will make the (revised) Minutes available on your web site and / or on the CISX web site.

Yours sincerely

<i>(Signed via Email)</i>	<i>Mark Learmont</i>	<a href="mailto:mark@lindleyfinancial.co.uk">mark@lindleyfinancial.co.uk</a>
	<i>Charles Patch</i>	<a href="mailto:cipatch@cwgsy.net">cipatch@cwgsy.net</a>
	<i>Carol Patch</i>	<a href="mailto:cipatch@cwgsy.net">cipatch@cwgsy.net</a>
	<i>Richard Pipe</i>	<a href="mailto:richardpipe@searchlightinvestments.co.uk">richardpipe@searchlightinvestments.co.uk</a>
	<i>David Trinkwon</i>	<a href="mailto:trinkwon@compuserve.com">trinkwon@compuserve.com</a>
	<i>Simon de Zoete</i>	<a href="mailto:simondezoete@gmail.com">simondezoete@gmail.com</a>

CC : Mr M. Le Page, Guernsey FSC via email [MLepage@gfsc.gg](mailto:MLepage@gfsc.gg)

## **NOTES FROM EEA LIFE SETTLEMENTS PCC MEETINGS 17<sup>th</sup> October 2013**

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

Eight EEA shareholders or representatives (including two IFAs) were present, two of which had submitted 30 - 40 written questions ahead of time. The purpose of the two EEA meetings was to consider and vote on the relevant Class Meeting and EGM Resolutions detailed in the Offering Memorandum and Meeting Notice issued by EEA on 18<sup>th</sup> September 2013.

Mark Colton started both EEA Meetings with the appropriate formalities and stated that questions and discussion would be limited to matters related directly to the Resolutions, Any remaining questions and discussion would be held over to a follow-on meeting after the EGM.

### **INVESTOR QUESTIONS / CONCERNS RELEVANT TO THE RESOLUTIONS**

- 1) **The Meetings, Resolutions and Voting are Improper, because :**
  - a) There have been no approved accounts since December 2010
  - b) Only two of the four Directors were present at these very important and significant Meetings
  - c) There were no auditor or accounts people present<sup>1</sup> to address relevant questions and whether the Fund was actually viable to proceed as a going concern. The Proposed Restructuring would not seem to be appropriate for an Open Ended Investment Fund
  - d) There was no option to vote for winding up the Company or any simpler form of restructuring
  - e) Shareholders have been placed under duress by inappropriate, exaggerated and erroneous “threats” or “scaremongering” by EEA regarding the alternatives and consequences of “liquidation / administration”. These communications have not been corrected or retracted by the Company. Shareholders have been required to vote at short notice while not in possession of the full facts, and facing the “threat” of significant capital losses.
  - f) If the Proposed Restructuring takes place, shareholders would lose their current listing on the CISX but might not obtain a listing for the new shares. This would leave them outside the scope of any Stock Exchange regulation and protection.
  - g) The current Directors are unsuitable and three of the four are also beneficiaries of fees paid by the Fund under the applicable service contracts. They have not adhered to the GFSC Code of Corporate Governance and there is no option to vote on removing them

Martin Colton and Simon Shaw apologised for the absence of the other Directors due to scheduling conflicts. He also apologised for the erroneous communications regarding the “threats” of liquidation. They have been under severe pressure from a

---

<sup>1</sup> In fact Mark Woodall was present on behalf of IAG where he is the Chief Financial Officer. He is also the Director of Finance for EEA Fund Management (Guernsey) Ltd which is the Manager of the EEA LSF PCC. Mark was not called by the Chairman to address any of the questions related to the accounts or valuations of the Fund.

number of (very) large shareholders to “do something” and get this Fund moving again. They said that the situation concerning the accounts was well known and had been comprehensively communicated to shareholders for more than a year.

The various interests of the Directors are fully documented and there have been no actual conflict of interest visible to the Chairman.

The Board believed that the Proposals form the only fair basis for moving forward for shareholders as a whole. Other proposals considered would have involved some (impracticable) splitting or segregation of the underlying life policies.

Any alternative based on liquidation or administration / total run-off would unavoidably trigger a “disposal event” for all shareholders, whereas the “Continuing Shares” option should enable the relevant shareholders to maintain their investments and “Reporting Fund” status without triggering a disposal event.

## **2) Lack of Approved Documents**

The Offering Memorandum and Supplements are only available in Draft form. Signed final versions were supposed to be available at the EGM for inspection by shareholders. Do they exist, have they been signed and can we see them ?

Marin Colton (and James cook – lawyer) advised that no changes to the “black-line” drafts had yet been made and that none are currently anticipated. However, the documents are being held in draft form pending any changes that might arise as a result of any discussions with the Regulator. Shareholders will be informed of any material changes that occur before finalisation. They also confirmed that the “Investment Policy” for the Run-off shares would be amended to clarify that redemption payments would include the return of capital PLUS an appropriate proportion of NAV growth etc.

## **3) Fund Performance and Tracking**

It appears that the life policies held by the fund had not been maturing in line with the assumptions made when the Fund was set up, resulting in a reduction in the actual NAV growth rate compared with the 8-10% pa previously targeted and reported. When did the Directors become aware that the results were diverging from plan, why didn't they track and publish the actual results on a monthly basis, and with past returns appearing to be nearer 3-4% pa, how could the directors now project a more attractive outcome going forward ? The directors had claimed that the 2013 Revaluation had resulted in a 10% drop in value for the Fund whereas the actual reduction applied in June 2013 was 20%.

Martin Colton stated that the Directors had to calculate and publish previous NAVs in accordance with the original Fund documents until such time as evidence showed that a different formula should be used. The directors were first aware of the deviations during 2011, and this was emphasised by the questions from the Auditor in early 2012 who had decided to take a different approach to the auditing of the Fund. As a consequence of the apparent deviations, the Directors had commissioned a review of the valuation methods and assumptions used, resulting in the revaluation of the Fund in June 2013 and the report to shareholders in August 2013. The 10% reduction in value related to the period since the shares were last tradable (i.e. November 2011) and the date of the revaluation. He agreed that the actual difference between the NAV at 31<sup>st</sup> May and 28<sup>th</sup> June 2013 was a 20% reduction.

The directors agreed to consider making monthly performance and cashflow information available to shareholders via the EEA website. Simon Shaw advised that the current priority was to establish enough liquidity to meet two years of projected premium payments (approximately \$140m at current burn rates).

**4) Payments of Fees and Expenses**

Why had the Fund apparently paid \$55m of fees for 2011 while the Fund had been suspended, and the auditors eventually disclaimed the accounts and valuations etc. Why weren't the fees put into escrow, who signed off the payments, and why were performance fees paid for this and previous years when it appears that the effective NAV growth had been much less the 8% pa hurdle rate ? With three of the four Directors receiving fees under these arrangements, who was the independent Director(s) looking after shareholder interests in these matters ?

Martin Colton stated that he was the independent Director responsible for safeguarding shareholder interests in these matters, but that the other directors had properly declared their interests and had not acted against the interests of shareholders. The last payment of performance based fees was \$1.6m paid in June 2012. Other fees were being paid under appropriate contractual arrangements and he was not prepared to break such legal commitments.

**5) The Irish "New Fund"**

Why was the New Fund based in Dublin (rather than Guernsey), and would the Guernsey Fund sell any of its current life policies to the New Fund as part of its Run-off proposals ?

Martin Colton and Simon Shaw responded that the choice of Ireland as the base for the New Fund was caused by changes in various US and EU rules over the past nine years, especially with regard to double taxation agreements. There are no current plans or intentions to sell existing policies to the New Fund, but nothing could be ruled out for the future.

**6) Meteor Redemption Options**

Current Meteor (UK) investors have an option to receive automatic monthly/yearly redemptions up to the equivalent of an 8% pa NAV growth rate. How will this apply under the Proposed Restructuring ?

Martin Colton and James Cook responded that this was a matter for Meteor to address. Meteor would not be able to draw any cash from the EEA Fund except as provided for in the Restructuring Proposal.

**CONCLUSION OF EEA MEETINGS**

The voting results were given as follows :

<b>Vote</b>	<b>Class Meeting</b>		<b>EGM</b>	
For	3,012,127	95.4%	3,070,302	95.5%
Against	145,842	4.6%	144,826	4.5%
Total	3,157,970	64.2%	3,215,128	65.4%
<i>Eligible (Est)</i>	<i>4,918,956</i>	<i>100%</i>	<i>4,918,956</i>	<i>100%</i>

Mark Colton offered to read out a breakdown of the voting figures, but this was considered to be unnecessary at the time. The Resolutions were duly declared as approved by the Meetings.

The investor representatives thanked Mr Colton for his patience and help throughout the meetings, but repeated their regrets that the auditor and other Directors had not been present, and that Simon Shaw had to leave for a 3 pm meeting in London as soon as the formal meetings concluded. Some investor representatives also had to leave at varying times before the Q&A session had concluded. Everyone thanked the EEA and IAG staff for their hospitality and help in arranging and supporting the meetings.

**SUBSEQUENT ACTIONS**

At 10:29 am on Friday 18<sup>th</sup> October, the Board posted a notice

<http://www.cisx.com/listedsecuritynewsdisplay.php?newsID=209011>

on the CISX web site announcing the results of the voting the day before. However, this Notice also contained a paragraph :

*“The Board reserves the right to accept Forms of Election (including Forms of Election amending previously submitted Forms of Election) received after the deadline of 11.15am on 15 October 2013 provided such Forms are received before 5pm Guernsey time on 31 October 2013, but shall not be obliged to do so. Shareholders who have not yet returned a Form of Election are urged to do so as soon as possible.”*

This “concession” had not been disclosed or discussed at the Meetings on Thursday and raises questions as to why the concession is necessary, and could it affect the voting results or the proportion of shareholders electing for Run-off versus Continuing shares etc..