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14th July 2014

Mr Mark Colton, Chairman
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Dear Mr Colton

EEA Life Settlements Fund PCC – Potential Sale of Run-off Shares

- A. On behalf of our Group of EEA shareholders, other EEA investors (beneficial and contractual owners) and associated Financial Advisors I am writing to object to the Run-off share sale process announced in your Letter to Shareholders dated 7th July 2014. Our members raised a number of immediate concerns which we conveyed to the Guernsey Regulator on 9th July (copy enclosed). Basically, we claim that the proposed process is unfair, and is biased against the interests of the prospective sellers on various counts. We have now received additional inputs from our members, and carried out further research and conclude that the proposals are potentially unfair to all EEA investors, and possibly illegal, as summarised below and in the Attachment to this letter.
- B. I must stress that we are not against a “proper” proposal to buy shares from the existing investors at a discount, as promised in the restructuring Circular last year, but we do insist on a fair and transparent process that is in the best interests of all investors, especially if it is supported by the Fund’s Board, which appears to be the case. Neither the Principles (IAG Private Equity Ltd or Canaccord Genuity Ltd) nor the Board have given any information about
- i. The identity of the Offerors and any existing or future possible connections with EEA Parties and employees
 - ii. The relationships between Mark Clubb (the bidders’ “book builder”) and his position as a Director of EEA FM (Guernsey) Ltd until recently
 - iii. Any (never mind sufficient) financial information on which to make an informed decision
 - iv. Any Board recommendation
 - v. Any supporting reasons or expert corroboration for your support
 - vi. Reasonable time to make a decision and respond
- C. You have presented this proposal as a means of helping distressed investors (many of whom are also aged, confused and improperly represented / advised) to raise some immediate cash from their shares. A cynic might argue that the Board have cooperated with and “sponsored” a proposal that would enable two (maybe three - possibly “friendly to EEA”) hedge funds to acquire 30-40% of the total Fund shares at a distressed price, without making a fair and transparent offer

to all (including Continuing) shareholders in accordance with normal tendering rules. An investor has also been previously told by EEA FM (London) that existing investors will not be allowed to bid for any of the offered shares.

- D. As you well know, the Fund's Directors have a responsibility to always act in the best interests of the Fund's investors and to make sure that you maximise the share price for the investors. Such investors are being given unreasonably short notice to make a decision on a process that is designed to deprive sellers and cause immense stress and aggravation. If we are not mistaken – different sellers will receive different prices and unless they are professionals they (and their Advisors, if applicable) will not properly understand the full ramifications of having a lowest price first execution.
- E. These do not appear to be proper arms length transactions. Far worse, it seems that the buyers might have received additional information (with the cooperation of the Board, the Fund Manager, the Administrator and possibly the Investment Advisor) as part of their due diligence. We believe that this would have included detailed information about the outstanding policy portfolio which the Company has repeatedly refused to give to investors or their Advisors, and is still not available to them as part of the proposed sale process. This implies possible insider trading in Guernsey, by one or more Regulated entities. The proposed sale might also be subject to the UK Panel on Takeovers and Mergers, but your documentation doesn't mention whether the tender process has been disclosed to or approved by them or any Regulator. The proposals appear to exceed the 1% dealing threshold required by the Takeover Code and jeopardize the 10% individual share limit in the Fund's Offering Memorandum.
- F. Your Letter states that Canaccord has confirmed that it has received non-binding indications of interest for more than \$100 million worth of run-off shares with bids in the range of 30% to 75% of the 30th May NAV. What the process should be doing is negotiating the best price to cover parcels of shares. It should match the sellers' shares with the highest price offered by bidders and not the lowest price considered by shareholders.
- G. Why is disclosure of your Shareholder Letter not permitted (except to Advisors etc) and why is it not published on the EEA website (now that CISE is not applicable) ? What has this Board of a (former) public company got to hide ? Will, you also now publish the Letter from CISEL stating why they refused the re-listing of the Fund's shares ? Has this information also been given to the prospective bidders (or the Regulator) ?
- H. We have seen correspondence from Scottish Widows and a European IFA that states that any shares sold under this process will not be eligible for the possible August redemption payment. This presumably originated from a Company source and is not disclosed in the information that you have circulated on behalf of the Board and IAG. As we understand it, the redemption payments are to be based on the situation at 30th June 2014, which precedes the proposed sale

date of 8th August 2014. We have also been told (via an investor and his IFA) that an EEA source has stated that the August redemption payment will be in the order of 10% (not the 1 – 4% implied by your other Shareholder Letter dated 7th July 2014 which ambiguously stated \$10-20m). This would make a material difference to any decisions made by potential sellers.

- I. We therefore now ask that you urgently review the activities leading up to this proposal, and where applicable :
 - a) Issue a copy of the “Additional Information” provided to the prospective bidders to your own investors and their Advisors via an appropriate Bulletin.
 - b) Direct the Board to withdraw its apparent support for the proposed scheme and instruct the Registrar not to recognize any share transfer requests arising from the process.
 - c) Instruct the Directors / Owners of IAG that if they wish to pursue this (flawed) process, which is obviously biased against the best interests of the Fund’s investors, then they should produce their own documentation and resign their Directorships with the Fund and the Fund Manager and not consume the resources of the Fund.
 - d) Ask that If other Directors of the Fund, the Fund Manager, the Investment Advisor and/or the Fund’s Marketing Agents have been improperly involved in the development of this proposal, and assisting the prospective bidders to gain an unfair advantage over the Fund’s investors, that they should also be asked to resign and / or terminate their contracts with the Fund.
 - e) In the light of these latest (of several) failures of the (conflicted) Fund Board to act in the best interests of its investors over the years, or adhere to principles of good Corporate Governance, consider your own position very carefully, and report to the shareholders accordingly at the forthcoming 2014 AGM.

Yours sincerely

David Trinkwon

Medley Systems Ltd
Coordinator – EEA Investors’ Group

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Encl : EEA Investors’ Group Letter to GFSC dated 9th July 2014

INVESTOR CONCERNS ABOUT EEA / IAG RUN-OFF SALE PROPOSAL**1. SCHEME STRUCTURE & CONFLICTS OF INTEREST**

- 1.1. The EEA Shareholder Letter dated 7th July 2014 states that “None of the EEA Parties is in any way responsible for, and/or is in any way endorsing the proposed sale process”. This is consistent with the statement made by an EEA FM (London) representative to an IFA earlier in 2014 that it would not be legal for EEA or the Fund Manager to be involved in any sale process, or to act on behalf of any buyers or investors. However, we know (from other emails) that the Fund Manager has been very active over many months in working with potential institutional buyers and others to develop a process, and to provide information to prospective buyers and brokers. Investors and Advisors have also been told that EEA will not allow Continuing shareholders to participate in any sale and neither will existing shareholders be allowed to bid for more shares. A potential bidder has also been told that EEA insist on knowing his/her identity before discussions can proceed. It appears that EEA Parties might have been “controlling” critical aspects of the development process rather than just facilitating its development on behalf of (and in the interests of) EEA investors
- 1.2. Creating this secondary market in these shares through a connected company is yet another way of ensuring that the supposedly “arms length” EEA Directors control the process.
- 1.3. Canaccord and IAG Private Equity Ltd appear to be brokers and brokers do not normally trade in shares. If they do they become parties to the transaction. They are therefore not honest brokers. They could make a turn on the shares. By being informed of the lowest price that the vendor will accept and the highest price the purchaser will pay they can make a turn on the difference. Under paragraph 1.4 which deals with fees commissions and expenses it is clear that Canaccord and IAG PE Ltd will charge certain fees but it is not clear whether they are able to take a turn on the share price over and above the declared fees.
- 1.4. EEA have admitted that “Additional Information” has been provided to the prospective bidders, and we understand that this might have included the active cooperation of ViaSource. This information has not been made available to investors or their Advisors. In fact EEA have repeatedly said that they publish sufficient information to investors through their Reports, Fact Sheets, Portfolio Statistics, Annual Reports, and Maturity Schedules etc and that no additional information is needed to assess the valuation and run-off projections / profitability for the portfolio (although we strongly disagree).
- 1.5. The EEA Investors’ Group has reviewed the information provided by the Company and has been unable to accurately assess the likely Run-off proceeds and timeframes without the additional information which we believe has been made available to the prospective bidders. Such expert estimates that we have been able to make with the information currently available to us suggests that the portfolio valuation is half what EEA says it is and the run-off period will be twice as long (or more). EEA’s scant run-off and maturity projections have always been proven to be materially over-stated and never achieved in practice.
- 1.6. We have recently informed the Auditor of our concerns and do not believe that any sale could fairly proceed unless or until there is an expert assessment of the portfolio (on behalf of investors) independently of EEA and ViaSource. By making such additional information available to the prospective bidders the sale process appears to have been biased heavily in favour of the buyers, with the full connivance of EEA and the Fund Manager. Further information on our estimations will shortly be published by the Group in the form of a Working Paper.

- 1.7. The proposed scheme is being run by IAG Private Equity Ltd and Canaccord as principles, as described. The ultimate Directors and owners of IAG (Guernsey) Ltd are Mark Woodall and Alison Simpson who are also Directors (respectively) of the Fund Manager and the Fund. By running such a scheme which is biased against the interests of EEA investors they appear to be in breach of their duties to EEA and its investors. If they intend to proceed with this scheme under their Direction then they should resign their Directorships with the Fund Manager and the Fund.
- 1.8. It is clear that the Fund Manager has been instrumental in arranging and negotiating these proposals with Canaccord and the prospective buyers, and possibly also with certain financial advisors and large investors who we know have been contacted (informally) from time to time to discuss the proposed scheme. Simon Shaw is a majority shareholder (and a Director) of the Fund Manager and is also a Director of the Fund. By supporting the activities of the Fund Manager on bringing this flawed and biased scheme into fruition he appears to have subordinated his primary responsibilities to the Fund's investors and should resign his Directorship of the Fund.
- 1.9. By facilitating the provision of additional information to the prospective buyers, while repeatedly blocking its release to investors and financial advisors, Christopher Daly has subordinated the interest of EEA Investors to the commercial interests of his own company and the prospective buyers. He should therefore resign his Directorship of the Fund.
- 1.10. The Canaccord employee responsible for their "book building" activity is understood to be Mark Clubb. Until recently, he was listed in the EEA Offering Memorandum (July 2011 and January 2012) as a Director of the Fund Manager. Canaccord was identified by EEA FM (London) as the "broker" for the potential run-off sale in January 2014. This therefore strengthens the view of an undisclosed relationship between the Fund Manager and the "independent" broker(s) for this process, and was undoubtedly known to the Board of the Fund throughout that period.

2. IMPLICATIONS FOR SHAREHOLDERS

- 2.1 The EEA shareholder Letter gives an illustration of a possible sale of \$100m at a 35% valuation. This would result in the two or three prospective bidders (assumed to be hedge funds) acquiring \$286m worth (1.656m) of run-off shares, representing 34% of the total 4.9m EEA shares currently in issue (possibly a higher percentage after any June 2014 run-off redemptions). This would apparently breach the restriction in the Offering Memorandum that no entity can own more than 10% of the outstanding shares, and would have serious implications for all shareholders in terms of their ability to pass or block future Resolutions, or influence the Board.
- 2.2 The EEA Shareholder Letter states "It is not currently intended that EEA Parties will participate as bidders to purchase, or as sellers of, Run-Off Shares. All recipients of this Letter will be notified in the event this changes". This does not appear to preclude EEA Parties having current or future links with the bidders, and working together to restrict the interests of other investors.
- 2.3 A tender of this size and significance should normally be made on documentation provided by the Offerors concerned, with full disclosure, and should probably be governed by the Takeover Code, which has had statutory effect in Jersey and Guernsey since 2009. The only documentation for this scheme has been provided in the EEA Letter to Shareholders (which denies any responsibility or endorsement of the scheme) and a "Statement of Interest" agreement furnished by IAG Private Equity Ltd.

3. OTHER BIDDERS

- 3.1 At one time EEA FM (London) was telling advisors that the Fund Manager was having discussions with 6 or 7 potential bidders. There is no indication that there has been any form of open competition to attract bidders in order to increase the potential value to the selling investors. If it has turned out to be difficult to attract investors then it is even more important for all investors to understand the credentials and intentions of the two or three remaining bidders, especially because of their potential impact on the interests of the remaining investors, as noted above.
- 3.2 We also understand that there is no information pack available to any other potential bidder, and although investors don't know the identity of the current bidders, EEA insists on knowing the identity (in this supposedly arms length process) of any other bidders before making any additional information available.
- 3.3 Investors' interests would be better protected and served by some form of open auction or matching process based on average pricing or highest-offer-first execution based on shared knowledge of the same information.

4. PLATFORMS & INVESTOR COMMUNICATIONS

- 4.1 We are very concerned at the ridiculously short time frames imposed on this process by IAG Private Equity Ltd and Canaccord, and apparently supported by EEA and the Fund Manager, who both know that a large proportion of EEA shares are held through platform and nominees, and by residents of a number of countries worldwide. They also know that July is a peak holiday season in most countries, when shareholders and their advisors are less likely to be available to promptly receive, review and respond to important documentation such as this. These aspects have been the subject of previous complaints to EEA on behalf of investors and advisors, which you brush off by referring to your minimum legal obligations (to registered shareholders only). It is not clear what Regulatory or Legal obligations apply in this situation where the offering parties are not EEA (supposedly) but IAG Private Equity Ltd and Canaccord. Nonetheless, the only information and documentation disseminated to investors has been a Shareholder Letter produced and distributed by and on behalf of the Fund, using its resources and shareholder register information.
- 4.2 The Letter was dated (and we believe posted from Guernsey) on Monday 7th July, and distributed by email the same day from EEA FM (London) to Advisors. Registered shareholders in the UK started to receive their documents on Weds 9th July and overseas even later. Indirect investors didn't receive any documentation via their platforms until Thursday or Friday 10th and 11th July, leaving only three working days to consider their positions, consult their advisors and respond (via the platforms) by Weds 16th July.
- 4.3 Meteor Asset Management in the UK (representing around 9% of EEA shares within their own nominee and two cells) did not receive clearance from EEA to release their own information to investors until the afternoon of Thursday 10th July. Their announcement also stated :

As you will see from the letter the timelines involved in responding are extremely short and in light of this there is insufficient time for us to write to all investors and obtain responses. Accordingly, we have emailed those investors for whom we hold email addresses and all relevant intermediaries.

You will appreciate from reading the document the possible range of values is extreme and appears to be designed to encourage clients to submit low values that they are willing to accept. Clearly we cannot comment on the merits or not of this offer; due to time

constraints we have not been able to fully assess the document and indeed there are a number of questions which we still have.

*In light of the fact that the submission is non-binding in nature (for now) we would request any interested client complete and return our abridged version of the 'Statement of Interest', either by email to adminteam@meteoram.com or by post to the address below. **Please note that we will need a written response from you by close of business next Wednesday 16th July 2014 at the latest.***

We can only apologise for the very short notice and tight deadline

EEA and their connected companies have therefore put Meteor and their advisors / investors in an almost impossible position to formulate a fair and meaningful consideration of the offer and to respond in time.

- 4.4 As of today (14th July) we are not aware that Transact (a platform / nominee holder of around 5% of EEA shares) has forwarded any information to its IFAs or investors.
- 4.5 Royal London 360 in the Isle of Man, another major platform representing a large number of EEA shareholders and shares, contacted their advisors and investors worldwide via email on Thursday 10th July and included the following :

*As per the attached, the Fund Manager has requested that we initially provide them with a 'Non-Binding Sale Price', that if accepted, they will respond to holders and ask for this price to be re-confirmed, as a 'Binding Sale Price'. **Please note that we will not be asking you to re-confirm your elected Sale Price and the Sale Price provided on your instruction will constitute as a 'Binding Sale Price', should it be accepted by the Fund Manager.***

...

*If no reply is received by RL360 by **9am GMT Tuesday 15th July**, then no bid will be made to sell for your policy holding.*

So RL360 investors have apparently lost their ability to make multiple indicative offers, or reconsider their offer before it becomes binding. And they only have two working days to consider their position, consult their advisors and get their responses back to RL360 from wherever they are in the World.

- 4.6 Royal Skandia (another major platform holder of EEA shares) has also advised their clients
- " Please note that we will not be asking you to re-confirm your elected Sale Price and the sale Price provided on your instruction will constitute as a 'Binding Sale Price', should it be accepted by the Fund Manager (sic)"*

- 4.7 We are awaiting further feedback from other members about the information received / not received and timescales from their platforms and advisors. We have also dealt with a number of questions from worried and confused investors (and IFAs) but without giving financial advice.