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VERY URGENT

Emma Bailey
Guernsey Financial Services Commission
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St Peter Port,
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via email : EBailey@gfsc.gg

Dear Ms Bailey

EEA Life Settlements Fund PCC – Sale of Run-Off Shares

I enclose a Letter which EEA sent to registered shareholders dated 7th July announcing a process for selling Run-Off shares to third party buyers, as proposed in the Restructuring Circular last year. On behalf of the shareholders and other investors represented by our Group, I wish to bring the following concerns to your attention :

- a) Given the limited distribution of this letter and the well-known difficulties of communicating speedily via platforms and intermediaries, the ten-day timeframe for an initial response (with one month to the final sale date, including a further cycle of communication back and forth) is unreasonable and insufficient for Run-off shareholders / beneficial owners around the World to receive the information, consult their financial and tax advisors and respond by the deadlines mentioned. It's not clear what Regulatory regime this proposal is being made under (by EEA, IAG and/or CanAccord) but it seems unfair to the investors. It appears that this might be just a formality intended to limit the involvement of investors and is not intended to be taken seriously. EEA has acknowledged that the sale would probably only be attractive to distressed investors desperate for immediate cash (i.e. the most vulnerable investors) and this appears to be another example of Corporate Governance in Guernsey at its worst.
- b) IAG Private Equity Ltd appears to be acting as agents for the sellers (investors) and yet they will be matching bids and offers on the basis of lowest offers first. EEA and IAG as a whole (presumably including IAG PE Ltd) have a clear duty to act in the best interests of EEA investors, and therefore should be matching on a highest offer first basis – not in the best interest of the buyers. It would seem to be more normal in these “book-building” situations to calculate an average dealing price based on the sum of bids and offers, and close the deals at the same price for everyone. The proposed method will probably be most detrimental to the most vulnerable and desperate investors who will see other (less desperate) investors receiving a higher price for their shares. There is also no iteration in the proposal to allow for a normal “auction” process to take place whereby the sellers would receive the highest possible price for their shares in an open competition.
- c) We understand (from CanAccord) that at least two of the (largest) prospective buyers have carried out due diligence on the Fund or Portfolio and might have had access to privileged information within EEA, IAG or ViaSource (or their associated companies). You will recall our previous complaints ¹ that EEA and ViaSource repeatedly refuse requests from investors for more detailed information on the remaining policies within the portfolio, or any meaningful run-off projections. If the prospective buyers have

¹ EEA Investors' Group WP4 “Summary of Complaints to GFSC” Page 3 : Par 1(c) (Complaint No 5)

had access to such information then we suggest that this would prejudice the interest of the selling investors and possibly amount to a form of insider dealing.

- d) We question the Regulatory propriety of EEA and IAG being involved in this process at all, especially bearing in mind the conflicted interests of all the Directors concerned in the past operation of the two companies. If CanAccord wants to broker a series of private equity transactions between sellers and buyers of EEA shares (now delisted) then they should be quite capable of arranging such transactions without involving EEA or IAG in any way. If IAG PE Ltd is enjoying privileged access to EEA shareholder information held by IAG then this might be in breach of the Guernsey law which EEA claims prohibits them from making a copy of the EEA Shareholder Register available to us.
- e) We have never understood why the long awaited sale process is to be restricted to Run-off shareholders rather than also being made available to Continuing shareholders. We perceive that this might not be in the interests of the (conflicted) EEA Directors, but it should surely be up to CanAccord and the prospective purchasers themselves to decide. Given that the Run-off versus Continuing election process last October was itself flawed and open to criticism, with many Continuing shareholders now regretting their choice which was made under duress and misrepresentation at the time (as per our previous complaints and submissions to GFSC and the FCA), this just adds insult to injury.
- f) We are also suspicious that this sale is being rushed through on the basis of the May 2014 valuations, immediately before EEA will be reporting what we believe will be very poor results for June 2014. It would normally have made more sense to wait until after the June monthly Fact Sheet and Quarterly Portfolio statistics were published – normally around the 20th – 30th July. There must be a reason for this apparently indecent haste, given that it has taken almost six months already to produce these details, which were originally promised for February 2014.

Since time is very much of the essence, we would ask you to urgently review this situation and determine whether Regulatory action is needed to protect the interests of EEA shareholders, or whether this will become just another failure of the Guernsey authorities to protect the interests of investors, and another serious dent in Guernsey's reputation as a global financial centre.

We expect to receive further inputs from our members over the next few days, and will contact you again if additional concerns come to light.

Yours sincerely

(signed) *David Trinkwon*

On behalf of the Members of the EEA Investors Group

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Encl : EEA Letter to Shareholders dated 7th July 2014