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EEA INVESTORS' GROUP

EEA Investors' Group Releases Two New Working Papers

The EEA Investors' Group has released two new Working Papers which analyse the operation and performance of the EEA Life Settlements Fund over the years since inception.

The first Paper was compiled by the Investors' Group itself with support from three specialist Consultants. It analyses the historical data published by EEA and concludes that the Fund has been mismanaged and misrepresented to Investors almost since inception. It recommends an immediate review of the outstanding portfolio of life policies in order to resolve the differences between EEA's published future projections and the Group's conclusions, which are far more pessimistic.

EEA has repeatedly refused Investor and Financial Advisor requests to publish more detailed information about the policies remaining in the portfolio, and the Group argues that the current shortfall in the 2014 policy maturities appears to confirm their estimates rather than the Company's projections. This is in spite of a revaluation of the policies in mid-2013 which wiped 20% off the valuation of the Fund at that time, and the Group fears that the Fund might actually run out of cash before the last policies mature in 10-15 years' time (or more).

A spokesman for the Investors' Group said that the Fund was originally marketed as a Low Risk investment with a benchmark return of 8 – 10% pa, but that the effective rate since inception has actually been less than 2-3% pa based on the Company's valuations, which might still turn out to be optimistic.

Nonetheless the misrepresentation of the valuations and returns prior to the Fund's suspension in November 2011 led to payments of more than $110m of valuation based performance fees and charges plus another $24m of other expenses to companies associated with the Directors , who also controlled the factors used to determine the valuations.

In addition, $720m of shares were redeemed prior to the November 2011 suspension at prices based on the flawed valuations. The Company is still paying around $15m pa in valuation based charges and other expenses to its associated companies, even though maturities are not generating enough cash to support the two-year premium payments reserve and the expected redemption payments to Run-off and Continuing shareholders following the restructuring which came into effect in January 2014.

In December 2013 the Company projected that the run-off the 517 remaining policies would take 5 – 7 years (even though the last policy was purchased in September 2011). This is despite the fact that policies were only supposed to be purchased from insureds with a terminal illness and a life expectancy estimated to be between 2-4 years at purchase. The analysis by the Investors' Group concludes that, barring some significant changes in the Maturity performance of the remaining policies, the run-off period would incur $430m more in premium payments than EEA currently predicts, plus an additional $50m of operating expenses and $130m in losses due to policies running out of term or cover as time moves on.

The second Working Paper released by the Group contains extracts from three independent studies by the University of St Gallen (Switzerland) and the University of Warwick Business School (UK) into the structure, valuation methods and operation of the EEA Fund (and others) – concluding that there were many discrepancies and areas for improvement in the past, which corroborates the analysis of the Investors Group in the first Paper described above.

The Group's spokesman said that the Papers were intended to form the basis for information to its members, and to feed into further submissions to the Company, its Regulator and Auditor in the ongoing attempts to secure better and faster returns to all the investors. "Most of the damage has already been done" he said "but we can still make some worthwhile savings if we can persuade the Board to change its ways and/or the Guernsey Regulator and Auditor to intervene to better protect the interests of the investors."

EEA has just announced that it will be holding two annual General Meetings on 21st November, primarily to receive the 2012 and 2013 Annual Reports and Financial Statements. The Investors' Group will be attending the meetings armed with a list of questions as part of its campaign to improve the transparency and accountability of the Board, and to embrace better standards of Corporate Governance.

The EEA Investors Group is also keen to ensure that investors know about and exercise their option to request redemptions of up to 5% of "Continuing" shares by a 28th November 2014 deadline, and become aware of a recent notice published by the UK Financial Conduct Authority (FCA) about some upcoming deadlines for investors wishing to make use of Claims procedures through the UK Financial Ombudsman Service (FOS).

Investors, Advisors, Journalists and other interested parties can contact the EEA Investors' Group via their web site **www.EEAInvestors.com** or email **EEAInvestors@gmail.com**

BACKGROUND

The EEA Life Settlements Fund was launched in Guernsey in 2005, and has purchased 926 policies on the lives of 749 United States persons diagnosed with terminal illnesses or with otherwise short life expectancy of 2-4 years (exceptionally up to eight years). The Fund was suspended in November 2011, following a controversial announcement by the UK Financial Services Authority (FSA) that the investments in Traded Life Policies (TLPs) were "toxic" and possibly unsuitable for retail investors.

In 2013 the Company announced a 20% de-valuation of the Fund due to a re-assessment of the outstanding policies, and following severe qualifications by the Auditor (Ernst Young) of the much delayed 2011 Annual Report and Financial Statements. Ernst Young subsequently resigned and a new Auditor (Grant Thornton) was appointed in August 2013. The Company announced its long awaited Restructuring proposals in September 2013 and these came into effect on 1st January 2014. The Restructuring included dividing the original share "Classes" into Continuing and Run-off Cells on the basis of an irrevocable investor election in October 2013. Although investors and the Guernsey Regulator approved the Restructure, the Channel Islands Securities Exchange Authority refused to relist the EEA shares, which are currently not quoted on any stock exchange and can only be redeemed on the terms specified in the restructuring documents.

The EEA Investors' Group was formed in October 2013 to oppose the EEA Fund Director's restructuring proposals which they saw as being more in the interests of the Directors and their associated companies than the best interests of shareholders and other investors. The Group is funded by voluntary donations from its 180 members in more than a dozen countries worldwide.

The Group has since made several representations to the Company, the Auditor and the Guernsey Regulator to try and obtain better (and faster) returns for the investors, to reduce the expenses and charges borne by the Fund going forwards and to improve the Corporate Governance, transparency and accountability of the Board. They also want to specifically improve the options and prospects, especially for retail and elderly investors, many of whom are suffering severe financial hardship because of the suspension and run-off delays.

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