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EEA INVESTORS' GROUP

Life Settlements Funds

The UK Financial Conduct Authority (FCA) today published **Decision Notices** fining three Executives of KeyData Investments Ltd more than £79m ($115m). In the FCA's view, KeyData designed and sold investment products to retail investors via IFAs. The products were underpinned by Luxembourg based Life Settlements Bonds. In the FCA's opinion the KeyData Executives failed to act with integrity and also misled the then Financial Services Authority (FSA) on a number of occasions in relation to the performance of the investment products.

Coincidentally, the EEA Investors' Group has just **sent a letter** to the Directors of the Guernsey-based EEA Life Settlements Fund with their updated concerns about the ongoing mis-management and mis-representation of that Fund, specifically :

1) **Distributable Cash -** The amount of cash available for distribution to investors continues to fall, in spite of policy maturities.
2) **Portfolio Maturities and Management -** The Board MUST explain the reasons for the failure of the portfolio to mature as expected (especially following the 2013 Review) and how they plan to resolve it.
3) **Maturity Predictions -** It is clear that none of EEA's prediction methods have any credibility or accuracy, and yet this was a key factor in the 2013 restructuring proposal.
4) **Cash Balances and Liquidity -** The Fund has failed to adequately rebuild its cash balance and liquidity position since 2011.
5) **Sale of Policies -** Under the restructuring particulars adopted by investors in October 2013, there is no mandate to sell policies to meet redemption requests from Continuing shareholders
6) **Fund Manager -** Given the documented failures of the Fund Manager plus his appointed Investment Advisor and Marketing Agent (apparently since inception) then we believe that their contract(s) should have been terminated
7) **ViaSource -** Why are we paying for both Maple Life and ViaSource ?
8) **Cumulative Premium Costs & Termination of Coverage (TOC) -** The cashflow profile is deviating significantly from EEA expectations and the future premium commitments appear to be materially understated. A disciplined risk approach is now required to come to terms with it.
9) **Continuing Shareholders -** EEA is short-changing the redemptions for Continuing shareholders, and must give proper publicity to the future redemption options.
10) **Safeguarding of Documents and Communications –** The Directors must ensure that all files and records are preserved and safeguarded with a view to potential civil litigation, internal investigation, audit and/or regulatory or criminal investigation into possible liability and culpability for breach of duty, mis-management, misrepresentation or fraud.

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BACKGROUND

The EEA Life Settlements Fund was launched in Guernsey in 2005, and has purchased 926 policies on the lives of United States persons diagnosed with illnesses or 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.

EEA Fund Management Ltd and Meteor Investments Ltd in London plus Riverstone Alternative Solutions Ltd in Mauritius and South Africa marketed the Guernsey-based Fund to investors in the UK and around the world during 2006 – 2011, promising target returns of more than 8% per annum. They sold more than $1.5bn (£1,000m) of shares to thousands of investors, of which just over half is still stuck within in the Fund with diminishing prospects of investors getting their money back, even after five, ten or fifteen years.

Research by the EEA investors’ Group and independent experts shows that the Fund has been mis-managed and mis-represented to investors, Financial Advisors and Regulators almost since inception, based on flawed valuation and portfolio management by the Guernsey based Fund Manager, Directors and a US Investment Advisor called ViaSource Funding Group LLC.

EEA and ViaSource and their connected companies have taken more than $186m of fees, charges and other expenses over the years, 85% of them based on flawed valuations controlled by Directors associated with the companies concerned.

In November 2011 the Fund was suspended as a result of warnings issued by the Financial Services Authority (now the FCA) following the collapse of KeyData and other Traded Life Policy Investments (TLPIs). In June 2013 the auditors Ernst and Young heavily qualified the delayed accounts for 2011 on the basis of overstated valuations and other factors. Ernst and Young subsequently resigned as auditors to the EEA Fund in August 2013 because they “could not foresee reaching agreement with the EEA Directors in any future audit”.

The Fund was revalued in June 2013, losing 20% ($200m) of its “fair value”, and was restructured in October 2013 under threat of “liquidation and heavy capital losses” if investors didn’t support the proposals. Since then, the remaining life insurance policies have failed to mature in accordance with EEA’s revised predictions, and the Fund had been unable to pay the expected share redemptions during 2014.

The EEA Investors’ Group has made many representations to EEA, the Guernsey Regulator and the UK FCA but we have yet to achieve the necessary degree of protection and returns for the stranded investors.

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