ARTICLE FOR UK & US PRESS **EEA INVESTORS' GROUP**

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EEA Fund Announcement – Run-Off Share Redemptions

The Board of the Guernsey based EEA Life Settlements Fund has confirmed [1] that it will make redemption payments totalling **$102m (£70m)** over the next month to holders of Run-off shares in the EEA, Meteor and Way Life Settlement Funds, in accordance with the terms of the 2013 restructuring. The EEA Investors' Group believe that these actions by EEA are far less beneficial to Run-off investors than they might at first appear, and especially when compared with the $900m (£600m) of losses expected to be incurred by investors compared with their original investment and expected returns.

The Group acknowledges that these short-term pay-outs will be very welcome to investors after four years of being locked into this failing Fund, with one minor redemption to date (2.9% in October 2014) and no access to their capital. But these payments are mostly possible only because of the recently announced sale of half the remaining policies in the EEA portfolio to an unnamed buyer for $130m. A spokesman for the EEA Investors' Group said that one consequence of the policy sale is a **loss** to the 80% majority of investors (including Run-off investors) of an estimated **$170m** in future cash. This is in addition to the **$150m** of previous cash over-payments to various entities based on what appears to have been misrepresented valuations over the past ten years.

Medley Systems Ltd, coordinator of the EEA Investors' Group, said that the total potential losses for investors make this the biggest of the recent failures of Guernsey based investment Funds. EEA is believed to be the largest Open End Life Settlements Fund outside the USA. This might not be the full extent of the catastrophe as future decisions to be taken by the EEA Directors can't be predicted at this stage.

According to EEA, Investors still have to wait another 5-10 years to receive the remainder of up to 50-90% of their original capital. The total subscriptions to the Fund were $1,500m, of which almost $800m has remained trapped since it was suspended in November 2011 (58% now held within Run-off shares). Investors were told to expect cumulative returns of 8 -10% pa when they originally bought their shares, based on promotional literature and monthly Fact Sheets. These stated that the Fund was a "Low Risk, Absolute Return, Uncorrelated Investment", actually generating the claimed returns over "more than 48 successive months" until the Fund was devalued in June 2013 and again in December 2014, indicating a zero effective growth rate since inception.

The Guernsey-based shares were marketed and promoted in the UK by EEA Fund Management Ltd (London), Meteor Asset Management and Way Group and in the rest of the World by Riverstone Alternative Solutions, based in Mauritius, usually via investment platforms, offshore bonds, investment linked assurance schemes (ILAS) and networks of Financial Advisors.

The recent announcement setting up an EEA Investors' Litigation group (EEALIT) was a major step forwards in the process of protecting investors and obtaining appropriate redress. The purpose of EEALIT is to determine to what extent investors' losses have been caused by any of the parties involved in managing, advising or auditing the EEA Fund since its inception, and where merited to bring legal actions in Guernsey, the UK and/or the USA to recover those losses.

[1] Click Here to see the EEA Announcement and Click Here for the EEA Investors' Group annotated version

BACKGROUND

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 of shareholders and investors. The Group is funded by voluntary donations from its 300 members in more than a dozen countries worldwide.

The Group has since made several representations to the Company, the Auditors 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 and Fund Manager.

The EEA Life Settlements Fund was suspended by its Board in November 2011 following a scathing **announcement** by the UK Financial Services Authority (FSA) that such Funds were typically "Toxic" and "Ponzi-like" and that the FSA was launching a Consultation to determine whether their sale to retail investors should be banned within the UK. The Consultation ended in April 2012 with no change in the Guidance which meant that such investments could continue to be recommended to retail investors by authorised Financial Advisors, although this was changed later in 2012 to a full ban.

The EEA Fund remained suspended because of a lack of liquidity, and because the Directors wanted to propose a restructuring arrangement to investors, which included "Run-off" and "Continuing" shares. Meanwhile, the Fund's Auditor at the time (Ernst and Young) heavily qualified the valuations and other factors in their Report on the 2011 Financial Statements and subsequently **resigned** on professional grounds after the Report was published (twelve months late) in July 2013. A new Auditor (Grant Thornton) was appointed and the proposed restructuring was approved by investors in October 2013, by the Guernsey Regulator in December 2013 and became effective on 1st January 2014.

The Run-off redemption payments confirmed by EEA for December 2015 are the first significant payments [2] to be made to the stranded investors since the suspension, and have been significantly boosted by the policy sale rather than just relying on the maturity of the underlying life insurance policies, which continues at a historically consistent rate, but well below EEA's various predictions, projections and valuations. The EEA Investors' Group published a detailed analysis [3] in October 2014 that concluded that maturities would take at least five years longer (and return 70% of the net cash) than predicted by EEA and that the Fund had been mismanaged and misrepresented by the Directors almost since inception.

David Trinkwon
Director – Medley Systems Ltd
Coordinator
EEA Investors' Group

www.EEAInvestors.com
EEAInvestors@gmail.com
Tel : +44 (0) 7802 538315

[2] There was a 2.9% payment to Run-off shareholders in October 2014 and an optional 5% redemption payment to requesting Continuing shareholders in February 2015. This effectively became 4% because of a last minute devaluation of the Fund dated 31st December 2014, the day that valuations were to be used for calculating the Continuing share redemption amounts.

[3] See EEA Investors Group **Working Papers 7A, 7B, 7C and 7D** available from www.EEAInvestors.com