

More “Distress” and losses for EEA Investors

Investors in the Guernsey based EEA Life Settlements Fund are currently deciding whether to sell their shares on a “distressed” basis to Tullett Prebon Alternative Investments (TPAI) or other brokers at a heavily discounted price compared with Net Asset Values (NAV) currently published by EEA. After losing up to 40% of their original capital to date, with future losses still to come because of the EEA policy sale in September 2015 investors are now facing another 70% discount to avoid being locked into this failed Fund for another ten years.

Offers worth several million pounds have already been registered with TPAI whose deadline for the receipt of confirmed offers to sell is Friday 24th June. A spokesman for the EEA Investors' Group expressed concern that many sellers are not currently aware that :

- a) By selling through TPAI, EEA Run-off investors will also lose the estimated 10-12% redemption payment scheduled for the end of June 2016. EEA have repeatedly refused requests to exercise their discretion to re-schedule their redemption date to avoid the clash with the share sale and pay the accrued cash to the existing investors. This means that the buyers of any shares will get an immediate “rebate” of almost half of their purchase amount, potentially followed by a similar amount over the next six months, and ongoing payments thereafter
- b) By selling through TPAI, EEA Run-off shareholders will also be missing out on the higher prices currently available from another regulated London broker, Southey Capital Ltd, who is offering 3-4 percentage points more per share than TPAI. Southey will also be taking the benefit of any upcoming redemption payment from EEA. There is no current deadline for offers to sell through Southey Capital.
- c) The Investors Group has seen evidence that EEA and TPAI have made privileged policy information available to TPAI buyers and intermediaries in preference to the potential sellers and other buyers. We have reported this apparent irregularity to the Guernsey and UK Regulators.
- d) Southey and a Guernsey registered broker, Ravenscroft, are also offering to buy EEA Continuing shares at 40-50% of the current EEA NAV. EEA have always restricted TPAI from offering to buy Continuing shares or making their “Data Room” available to shareholders or investors in general. EEA has previously sent two letters to shareholders (at Company expense) to publicise the TPAI sale process and terms, but has so far not sent any letters informing them of the other possible buyers and terms.

For more information, please visit www.EEAInvestors.com which has a specific page dedicated to the Share Sale.

NOTE : EEA changed the names of its UK Group Companies to Melquart Ltd, Anath Capital Ltd and Garraway Capital Management LLP during 2015, possibly to distance them from the tainted EEA Branding. Simon Shaw is Chairman of the Melquart Group and is also a Director of the Guernsey EEA Life Settlements Fund. Until April 2015 Simon was also a Director of the Guernsey Fund Manager responsible for the EEA Life Settlements Fund. The Group has set up a new Dublin-based EEA “Select” Life Settlements Fund which is currently awaiting investment cash to be transferred in on behalf of “Continuing” shareholders in the Guernsey Fund.

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 400+ members in more than a dozen countries worldwide.

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 GFSC in December 2013 and became effective on 1st January 2014. The EEA Fund NAV was devalued by 20% in June 2013 and by a further 25% in December 2014 following the appointment of Maple Life Analytics LLC as an independent Valuation Agent. Current shareholders have to date lost up to 40% of their original investment, depending on when they originally invested and in which of the Fund's four currencies.

In August 2015 EEA wrote to Run-off shareholders about a proposed secondary share sale process by Tullett Prebon Alternative Investments (TPAI) but the process was deferred when EEA then announced a significant sale of half its life policies in September 2015. The TPAI process was restarted in February 2016 but further delayed in April 2016 because the TPAI bidders apparently needed more time and more information to reach a "strike price". TPAI finally announced their "Strike Price" on 26th May 2016, with an offer deadline of 24th June 2016.

Southey Capital announced their offer to buy EEA Run-off and Continuing shares on 26th May 2016 following the TPAI announcement. Ravenscroft are currently only offering to buy EEA [Continuing](#) shares but might be able to add [Run-off](#) shares to their offer shortly.

So far, EEA have not written to shareholders about the Southey or Ravenscroft offers, although they have mentioned Southey Capital in a recent update to their "Q&A" bulletin on the EEA website.

David Trinkwon

Director – Medley Systems Ltd
Coordinator
EEA Investors' Group

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