UPDATE 10th May 2015

If the links in this update (or on our web page www.EEAInvestors.com) don't work for you then please let me know

➢ Class Action against the FCA

As anticipated, the FCA has rejected the recent claim by Peter Lihou's Action Group on behalf of the 500 or so EEA investors who registered for Stage One.

Peter is now making an application to the European Court of Human Rights to determine their ability and willingness to hear the case.

There were no costs incurred for Stage One, and no costs are expected for the current application to the European Court.

If the case is accepted then Peter will explain the process for pursuing the case and covering the legal costs involved.

You will then have the opportunity to withdraw or continue before incurring any Stage Two costs.

Any investor who registered for Stage One who does not wish to be part of Stage Two should complete this **Exit Form** on Peter's web site.

Anyone who now wishes to join the proposed Class Action, and who didn't previously Register should complete this **Registration Form** on Peter's web site **before 17th May 2015**.

Also, make sure that you sign-up to follow the blog on Peter's website. He doesn't send out individual email updates or bulletins.

Click Here for Further Information ---> :

Claim Letter to FCA **Response from FCA** **Peter's Website** **Our Background Bulletin**

➢ EEA Notice to Shareholders

EEA has issued a **Notice to Shareholders** dated 6th May 2015 which describes some further changes (reductions) in management charges, minor updates to the Scheme Particulars and a Fund Commentary for the first quarter (Jan – March) 2015. This is my **annotated version**

EEA is still avoiding any explanation as to why policies (especially the $850m of higher face policies) are not maturing as expected and what they are going to do about it.

They are now quoting (different) predictions from ViaSource and Maple Life, neither of which match the actual performance.

They still lack any credibility over their characterisation and management of the portfolio and we will be writing to them again with our updated concerns.

We are hearing rumours from our USA contacts that Maple Life is already selling some policies on the tertiary market,

and that ViaSource is not too pleased about the appointment / involvement of Maple Life, or the apparent transfer of some policy servicing tasks to Maple Life.

It seems that Chris Daly from ViaSource will be visiting the UK again soon (even though he has been unable or unwilling to attend the last five General Meetings in Guernsey) and we will try to get a meeting with him (and the other Directors) to address our ongoing questions / concerns. It's also not clear why we need to be paying both Maple Life and ViaSource to manage the portfolio, and why ViaSource (unlike the Fund Manager) has not waived any right to future performance fees.

➢ 2015 EEA Performance (January - April)

The portfolio continues to seriously underperform in terms of maturities and the cash balances available for redemption payments to investors.

In their 6th May Fund Commentary letter, EEA states that ViaSource predicted $201m for the 12 months to March 2015, of which $80m was expected in the Jan – March 2015 quarter. EEA also states that Maple Life expected $45.6m in the Jan – March 2015 quarter.

Last year, EEA / ViaSource had also forecast $227m of maturities for the 12 months to March 2015 based on the (more accurate) 2 x LE prediction method

Actual Maturities for the Jan-March 2015 quarter were $13m, and $123m for the 12 months.

The current premium run-rate is $68m per year, suggesting a two-year premium reserve level of around $135m. This means that there is currently no cash available for redemption payments at the appropriate times

(June 2015 for Run-off shares, December 2015 for continuing shares) unless there are significant improvements in Maturities during May / June and May – December respectively.

EEA have made a puzzling statement in their 6th May Fund Commentary about a $5.4m (additional) cash reserve for Continuing Cells, which we will seek to clarify.

So far there has only been one Maturity reported for April 2015, as shown below.

Description	Policies	Lives	Gross NDB
Historic Average for Jan	*7.5*	*6.7*	*$7.00m*
Feb	*8.0*	*5.0*	*$7.20m*
March	*7.2*	*6.2*	*$15.70m*
April	*6.7*	*5.8*	*$12.70m*
Total Jan - Apr	*29.4*	*23.7*	*$42.60m*
2015 Actual - Jan	8	6	$ 8.73m
Feb	4	4	$2.35m
March	1	1	$0.25m
April	1	1	$1.50m
Sub-total Jan - Apr	*14*	*12*	*$12.83m*
Late Postings from 2014	*4*	*2*	*$7.75m*
Totals	**18**	**14**	**$20.58m**

EEA hasn't yet released the May Fact Sheet and 30th April cash balance figures so we have provided our own estimate below.

Cash b/f from 31st Dec 2014	**$134.07m**	
Estimated Premium Payments and Expenses	$(28.00)m	
Continuing share Redemptions (Feb)	$(4.09)m	
Gross Income (NDB) from Maturities	$20.58m	
Adjustments and Other Items	$6.50m	
Estimated Cash Balance at 30th April 2015	**$129m**	To be Confirmed

➢ Possible Fraudulent Mis-representation

EEA (London) and Chris Daly of ViaSource regularly told IFAs, Investors and the media throughout 2006 – 2011 that the Fund was purchasing policies with an average LE of two years and a maximum of four and only from people diagnosed with terminal illnesses, even though the Scheme Particulars allowed up to eight years and any form of illness or impairment. They also told us that in the event of a liquidation, the portfolio could be sold for full NAV value within 23-29 months, and that this had been confirmed by the auditors (Ernst & Young) in 2009. During the 2013 restructuring process they also (wrongly) claimed that rejection of the restructuring would result in liquidation and "huge capital losses".

Ernst & Young correctly identified in early 2012 that the LEs and subjective valuation factors had not been properly reviewed or updated since inception and that the Fund was overvalued by at least $100m (in reality nearer $200m as evidenced by the 2013 devaluation). Such an overvaluation amounted to an effective annual NAV growth rate of 2-3% pa since inception (rather than the 8-12% claimed by EEA) which means that $71m of performance fees were inappropriately triggered and a large amount of other valuation based charges and share purchases / redemptions were over-priced by around 6% pa.

During 2011 (before the suspension) EEA and the Fund Manager improperly allowed the Fund's liquidity to fall to $56m and were effectively relying on potential new investment to pay the expenses and returns to the existing investors (in essence a form of Ponzi scheme). But the FSA announcement in November 2011 and the subsequent suspension caught them with their pants down and they needed to buy 2-3 years' time and implement a convoluted restructuring to try and rebuild liquidity. Even that failed because the policies aren't maturing as EEA or ViaSource expected or predicted, even after the 2013 Mortality Review and 20% de-valuation, for reasons which we and Baco have been pointing out for more than a year. None of this happened because all the policyholders lived longer or got better – the Fund management and methodology appears to have been flawed and mis-represented since day one and similar things have happened to other (but much smaller) Life Settlements Funds, and for similar well-known reasons.

We are now examining whether these past actions, omissions and mis-representations constitute a possible basis for referral to the Fraud authorities in London and Guernsey under the relevant laws, regardless of the Regulatory aspects involved. We (or the investigating authorities) might need to request supporting information, affidavits and statements from investors and IFAs as part of these investigations. Please review your files, recollections and other documentation and let me know what you have that could support these investigations or allegations.

- **Potential Litigation**

The latest responses and Notices from EEA suggest that we have to more seriously consider litigation against the Directors, Fund Manager and other parties in order to protect our investment and assets, and extract the maximum possible cash returns from this failing Fund in a sensible time frame. This means that we will have to establish a "fighting fund" equal to 2-5% of our original investment in order to cover the necessary legal and consulting fees. Our current voluntary donations of 0.1% of original investment don't cover such costs, and most IFAs in the Group have so far chosen not to donate on behalf of their clients or enable us to contact their clients directly. We will continue to press the Guernsey Regulator to take appropriate action to protect investors, but it seems increasingly likely that we will also have to take additional actions ourselves.

This also means that we will have to reach out further to the institutional and professional investors concerned and the major LifeCos or platforms, as well as the IFAs and their insurers who have also been financially damaged by EEA's actions, mis-representations and mis-management. I would like to hear from those of you willing or able to help with this effort while I concentrate on the underlying issues and facts. I would also like to hear from any members or associates who can provide specialised help in a litigation sub-committee dealing with these aspects.

➢ Guardian Wealth Management

A member currently living in Holland has been advised by Belgian lawyers that he should proceed with a mis-selling case against Guardian Wealth Management. They have also mentioned that he could potentially pursue the wrapper/insurance providers, SEB Life and Skandia/ Old Mutual in Ireland / Isle of Man respectively. Any members who can help with these matters or interested in joining any action / approach should let me know and I'll put you in touch with the member concerned.

➢ Mansion Students Accommodation Fund

The Fund Manager of Mansion (also based in Guernsey) has also issued a **Notice** to its investors on 6th May. In summary, it says :

> *"… the Board of the Fund appointed Knight Frank LLP "…to undertake a strategic review of the portfolio and to consider all options in achieving liquidity", to enable the Board to consider whether it should look to proceed with a series of further individual property sales, the sale of a group of properties, or the sale of the portfolio as a whole. Knight Frank's instructions were to include recommendations for achieving 'best value' for the Fund and its shareholders.*
>
> *Following the conclusion of their review, Knight Frank's recommendation to the Fund was that the MSAF portfolio be brought to market as a single portfolio, as it was their opinion that this approach will achieve higher value than transacting individual elements separately. Following the Board's considerations of Knight Frank's recommendations and their conclusion to follow them, the Board are looking to Knight Frank to bring the MSAF portfolio to the market as a single portfolio under the description of "Project Ardent"…"*

If only the EEA Board could be so open and honest in their dealings with their Investors, and stop hiding behind lawyers and protecting their own self-interests.

Kind Regards

David Trinkwon
Director, Medley Systems Ltd
Coordinator – EEA Investors' Group
Tel : +44 (0) 7802 538 315 Skype : david.trinkwon
Email : EEAInvestors@gmail.com
Web : www.EEAInvestors.com