

➤ **Warnings**

EEA keep telling me that I am confusing and misleading investors (and others) because I misrepresent EEA's positions on various issues and only selectively present their explanations in my updates and other correspondence. I disagree, but please be very careful to take my comments with a pinch of salt and only rely on whatever EEA says..

They are the "real experts" who have been looking after our hard-earned money for the past 5-10 years and who promised to return it to us on a monthly basis at any time with knobs on (and who have collected more than \$150m of valuation based fees in the process). If anyone tells you that we just have to wait for everyone to die and we will get (all) our money back, please don't believe them.

Meanwhile, if you perceive that I am misrepresenting something, or confusing and misleading you then please let me know immediately so that I can make appropriate corrections, explanations and clarifications. If you believe that EEA is incorrect in their views, about me or anything else, then please feel free to email Mark Colton (Chairman) at [mcolton@bwcigroup.com](mailto:mcolton@bwcigroup.com) with a copy to [cosec@iaq.co.gg](mailto:cosec@iaq.co.gg) and myself [David@EEAInvestors.com](mailto:David@EEAInvestors.com)

➤ **Run-off Share Redemptions and Payments**

EEA have now paid out the \$102m of redemption payments to each Run-off shareholder and the cash should now be in your bank or platform accounts. If not, then contact your platform (or in the case of Direct shareholders, IAG in Guernsey on +44 (0)1481 740900 or via email to [shareholderservices@iaq.co.gg](mailto:shareholderservices@iaq.co.gg) ). The payments amount to between 27% and 38% of your November 2015 valuation (15 – 25% of your original investment) depending on which Cell / Currency your shares are in. I am still concerned about how much should have been paid out plus issues around the November and December redemption dates, and that Run-off shareholders have lost an average reduction of \$42.12 (34%) per share in future cash return as a result of the Policy Sale. See below for more details.

Run-Off Cell	Effective Distribution per Run-Off Share	Proportion of Nov 2015 Valuation Redeemed	Number of Shares Redeemed	Value of shares Redeemed
USD X	<b>\$31.54</b>	29.45%	77.3k	\$8.3m
USD Fund Dist	<b>\$19.91</b>	29.37%	11.4k	\$0.8m
USD Fund Acc	<b>\$25.95</b>	32.22%	5.7k	\$0.5m
USD Fund Class I	<b>\$26.89</b>	31.27%	41.2k	\$3.5m
Swedish Krona Class X	<b>33.39 kr</b>	38.05%	93.7k	\$0.9m
Euro X	<b>€ 33.82</b>	28.11%	32.6k	\$4.1m
Euro Fund Dist	<b>€ 23.02</b>	28.12%	6.3k	\$0.5m
Euro Fund Acc	<b>€ 23.12</b>	27.32%	1.0k	\$0.1m
Euro Y	<b>€ 22.18</b>	27.95%	3.9k	\$0.3m
GBP X	<b>£27.49</b>	29.27%	139k	\$19.7m
GBP Dist	<b>£20.66</b>	29.41%	61.3k	\$6.5m
GBP Acc	<b>£31.04</b>	29.43%	285k	\$45.3m
Meteor SLS	<b>£29.81</b>	30.74%	46.5k	\$6.8m
Meteor SLS Fund II	<b>£25.65</b>	29.50%	23.8k	\$3.1m
Way LS Fund	<b>£23.93</b>	28.29%	10.2k	\$1.3m
<b>TOTALS</b>		29.53%	<b>839k</b>	<b>\$102m</b>

➤ **Continuing Share Redemptions and Payments**

In a Notice dated [20<sup>th</sup> January 2016](#) plus the updated Q&A document dated [22<sup>nd</sup> January 2016](#), EEA announced that they would increase the total amount paid out to redeeming Continuing shareholders from \$79m to \$88m. Contract notes started to go out last week and payments appear to be going into bank and platform accounts at the moment.

<b>Continuing Cell</b>	Proportion of shares for which valid requests for redemption were received	Proportion of redemption requests redeemed on 31 Dec Redemption Day	<b>Estimated Effective Redemption Value per share held at 30 Dec</b>	Est. No of shares to be redeemed on 31 Dec Redemption Day	Est Value of shares to be redeemed on 31 Dec Redemption Day
USD Class X	36.85%	96.07%	<b>\$38.56</b>	85,887	\$9.36 m
USD Dist	33.62%	100.00%	<b>\$23.20</b>	10,159	\$0.70 m
USD Acc	49.60%	76.65%	<b>\$31.20</b>	11,031	\$0.91 m
Swedish Krona Class X	40.36%	100.00%	<b>34.76 kr</b>	83,277	\$0.82 m
Euro Class X	38.22%	90.06%	<b>€ 40.76</b>	62,756	\$7.85 m
Euro Dist	11.64%	100.00%	<b>€ 9.36</b>	1,426	\$0.12 m
Euro Acc	78.39%	44.67%	<b>€ 29.37</b>	5,289	\$0.47 m
Sterling Class X	40.13%	87.93%	<b>£34.10</b>	176,757	\$25.71 m
Sterling Dist	44.16%	78.40%	<b>£25.02</b>	43,279	\$4.71 m
Sterling Acc	43.79%	79.35%	<b>£37.70</b>	187,174	\$30.57 m
Meteor SLS Sterling Fund	48.59%	72.16%	<b>£34.95</b>	27,135	\$4.07 m
Meteor SLS Sterling II	50.66%	68.23%	<b>£30.90</b>	24,525	\$3.30 m
WAY Life Settlements	3.56%	100.00%	<b>£3.09</b>	185	\$0.02 m
<b>Totals (Current View)</b>	<b>41.55%</b>	<b>35.31%</b>		<b>719k</b>	<b>\$88.6m</b>
<b>Previous (15 Dec) view</b>	<b>41.55%</b>	<b>32.15%</b>		<b>655k</b>	<b>\$78.6m</b>

The payments amount to between 44% and 100% of your requested redemptions (35 – 90% of your original investment) depending on which Cell / Currency your shares are in. We are still concerned about how much should have been paid out. See below for more details.

➤ **Policy Sale, Premium Reserve and Available Cash**

In my last Update I said that I had estimated the two year premium reserve to be \$60m at November / December 2015, and on that basis there should have been at least \$230m of Available Cash for redemptions, v/v the \$180m proposed by EEA at the time.

I had sent two letters to EEA dated [9<sup>th</sup> December 2015](#) and [23<sup>rd</sup> December 2015](#) asking various questions regarding the Policy Sale and the November / December 2015 redemptions. EEA responded but avoided answering the critical questions and mounted a swingeing criticism of my communication skills and activities on behalf of the Group. These are my annotated versions of their responses dated [11<sup>th</sup> January 2016](#) and [25<sup>th</sup>](#)

January 2016. I disregarded their email response of 17<sup>th</sup> December because it hadn't properly addressed my questions and I was also busy visiting members and doing other things.

EEA issued a Notice dated 20<sup>th</sup> January 2016 (my annotated version) which among other things stated that the two year premium reserve is now \$94m (rather than my estimated \$60m), based on a new (and more conservative) definition which assumed zero maturities over the next two years.

This would reduce the total available Cash at November / December 2015 to \$195m whereas they proposed to pay out \$102m + \$88m = \$190m. However, the Continuing Cells would only have \$66m of Available Cash for 31<sup>st</sup> December and the Run-off Cells would still have \$36m remaining to pay out. The decision to base the Run-off redemptions on November also meant that the Continuing Cells benefited from a higher proportion of new accrued cash during December v/v the Run-off Cells.

I need to investigate the details further and then contact EEA plus the Regulator and Auditor if applicable.

➤ **Investor Information Meetings**

Next week (8<sup>th</sup> – 13<sup>th</sup> Feb) I will be meeting members in Spain and then the UK North and Scotland (22<sup>nd</sup> – 25<sup>th</sup> Feb). If you would like to meet for a chat and haven't already heard from me then email [Meetings@EEAInvestors.com](mailto:Meetings@EEAInvestors.com) .

Thanks to all of you that I have already met over the past two months – your support and endorsement has been very welcome. I often feel that I'm beating my head against brick walls, but with your support and encouragement I will keep on banging away until cracks appear and daylight shines through.

➤ **EEA Litigation Group (EEALIT) [www.EEALIT.com](http://www.EEALIT.com)**

Thank you to everyone who has registered their interest in receiving more information about the EEALIT Litigation Group. This week we will be sending out the final Q&A Bulletin plus the Application Forms which need to be completed and returned by the end of February with initial subscriptions due by the end of March 2016. If you haven't yet registered your interest then please do so now by email to [Register@EEALIT.com](mailto:Register@EEALIT.com) . There is no obligation to join but the sooner you do then the sooner that we can get the legal investigations underway.

EEALIT also held its first info meeting for Financial Advisors in London on 14<sup>th</sup> January and are currently planning further meetings and incentives for IFAs and other intermediaries to encourage their investor clients to register their interest and to join EEALIT.

➤ **2015 Fund Performance**

One maturity (\$12.4m in three policies) has been reported for December 2015.

Description	Policies	Lives	Gross NDB
<i>Historic Average Jan-Mar</i>	22.7	17.8	\$30.00m
<i>April-June</i>	20.5	15.8	\$30.80m
<i>July - Sept</i>	16.8	13.3	\$30.5m
<i>October - December</i>	16.4	14.7	\$23.2m
<b>Total Jan - Oct</b>	<b>75.9</b>	<b>61.7</b>	<b>\$114.7m</b>
2015 Actual Jan - Mar	13	11	\$ 11.33m
April - June	10	10	\$36.15m
July - Sept	9	8	\$30.65m
October - December	10	6	\$16.98m
<b>Sub-total Jan – Dec 2015</b>	<b>42</b>	<b>35</b>	<b>\$95.11m</b>
<i>Late Posts from 2014</i>	5	3	\$7.95m
<i>Termination of Cover</i>	1	1	\$(0.50m)
<i>Policy Sale</i>	188	Est 145	Est (\$418m)
<b>Totals 2015</b>	<b>236</b>	<b>Est 184</b>	<b>Est (\$315m)</b>

EEA=\$80m. ML F'cast=\$46m  
 Maple Life F'cast = \$33.3m  
 ML F'cast July - Dec = \$68m  
 ML F'cast Oct – Dec \$17.5m  
 ML F'cast Jan- Dec = \$147.5m

<b>Cash b/f from 31<sup>st</sup> Dec 2014</b>	<b>\$134.07m</b>
Estimated Premium Payments, Expenses & Other	\$(90.00)m
Continuing share redemptions (Feb)	\$(4.09)m
Gross Income (NDB) from Maturities	\$92.00m
Adjustments and Other Items (Feb)	\$6.50m
Run-off Share Redemptions (Dec)	\$(101.73)m
Other Adjustments	\$29.85m
Policy Sale	\$130m
<b>Cash Balance at 31<sup>st</sup> Dec 2015</b>	<b>\$196.6m</b>

EEA 2-year Premium Reserve (Post Policy Sale) = \$94m  
 Estimated Current Available Cash = \$103m

➤ **2016 Fund Performance**

As at 28<sup>th</sup> January 2016 there have been three policies matured (two lives) reported for a total NDB of \$8.75m.

The historic average for January is 7.6 policies, 6.6 lives and \$7.2m NDB.

➤ **BIS Release Paper Showing the Mind-Boggling Complexity of the Intermediated Shareholding Model**

The UK Government BIS Department have released a Research Paper entitled "Exploring the Intermediated Shareholding Model". It shows in 160 odd pages the existing share registration models in the UK and the underlying systems that support shareholder rights (including voting). In essence it demonstrates perfectly the need for reform.

It shows that private investors often do not know what rights they have in nominee accounts or indeed that there are alternative ways of holding shares. Even if they are aware they should have rights, they often do not know how to exercise them, and few brokers actively encourage them to do so.

Institutional holders are also baffled by the complexity of the intermediary chain and cannot easily determine whether their votes have been cast. As it says in the Paper: "In both communities, investors had become systemically distanced from the companies they invested in over time".

The Paper does not of course propose any remedies for all the failings it makes plain - that may come out of the BIS in due course. But it makes it clear why we need a better alternative to nominee accounts that is readily available and a good electronic form of holding shares to replace paper share certificates, for which ShareSoc has been campaigning for some time. Plus of course why ISAs and SIPP's should not require the use of nominee accounts which are currently mandated by almost all brokers although legally that was not the original intention.

The BIS Paper can be found here:

<https://www.gov.uk/government/publications/shareholding-the-role-of-intermediaries>

More analysis and comment on the Paper by ShareSoc can be found here:

<http://www.sharesoc.org/BIS-Paper-Shareholding-Model.pdf>

Don't hesitate to contact me if you need clarification or further information on any topic.

Note that I'm not an expert or an auditor or a lawyer or a (regulated) financial advisor and don't provide advice – just information and personal opinions and I sometimes disagree with EEA.

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