

Minutes

of the 22nd General Assembly of Members in Munich on March 28, 2011

Chairmen of the Meeting:

Christian Seidl (Executive Board) and Ingo Wichelhaus (Executive Board)

Minutes were recorded by: Kathrin Erhard

Attendees:

BVZL Executive Board:

Christian Seidl	Life Bond Management GmbH,
Ingo Wichelhaus	WestLB Life Markets

BVZL Advisory Board:

Eric Romba	VGf – Verband Geschlossene Fonds e. V.
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Full Members:

Johann Kirchmair	AVD
Jonathan Hogan	Back Bay Group, LLC / North Channel Bank GmbH & Co. KG
Andreas Graf von Rittberg	BVT Life Bond Management GmbH
Katie Romero	Coventry
James Gorman	Coventry
Moritz Dimde	König & Cie. GmbH & Co. KG
Joachim Gils	König & Cie. GmbH & Co. KG
Sofie Türk	Life Bond Holding GmbH & Co. KG
Michael G. Hoesch	Life Bond Holding GmbH & Co. KG
Kathrin Erhard	Life Bond Management GmbH
Simon Nörtersheuser	Policen Direkt Versicherungsvermittlung GmbH
Max Ahlers	Policen Direkt Versicherungsvermittlung GmbH
Vanessa Williams	Policen Direkt Versicherungsvermittlung GmbH

Sustaining Members:

Vince Granieri	21st Services, LLC
Beat Hess	AA-Partners AG
Mike Fasano	Fasano Associates
Roger Tafoya	ISC Services
Peter Jäderberg	Jäderberg & Cie. GmbH
Zohar Elhanani	Legacy Benefits, LLC
Anna M. Bailey	MLF LexServ, LP
Steven Shapiro	Q Capital Strategies, LLC
Wilfried van der Post	UniCredit Bank AG
Yvonne Kurkowski	UniCredit Bank AG

PR Agency:
Bernd Nobis
Lothar Trummer

NBB Kommunikation GmbH
Consultancy GmbH

Place: Sofitel Munich Bayerpost
Room "Bogenhausen I"
Bayerstr. 12
80335 Munich / Germany

Time: 14:00 hrs. – 17:00 hrs.

Agenda:

- TOP 1: Welcome and Agenda (Executive Board)
- TOP 2: Activities since last meeting and termination of membership
- TOP 3: Budget 2011 – Latest Developments (Executive Board)
- TOP 4: German Market (Ingo Wichelhaus)
- TOP 5: UK Market (Johann Kirchmair)
- TOP 6: US Market (Christian Seidl / Zohar Elhanani)
- TOP 7: International Markets (Peter Jäderberg)
- TOP 8: Legal and Tax
- TOP 9: Communication and Politics (Lothar Trummer)
- TOP 10: Miscellaneous and Next Meeting

TOP 1: Welcome and Agenda (Executive Board)

- Welcome of present representatives from 19 BVZL member companies by the Executive Board / the Chairmen
- The Agenda mailed with the invitation was not subject to alteration or amendment.
- No objections were raised against the Minutes of the 21st General Assembly (abbrev. GA) on 09/29/2010. Sofie Türk (Life Bond Holding GmbH & Co. KG) confirms to have performed a cash audit for the past financial year 2010 and that there was no reason for complaint. In view of the fact that Christian Seidl (managing director of Life Bond Management GmbH) was appointed member of the BVZL Executive Board as of 01/01/2011, he asks the attending members to consider that there might be an interest conflict if Mrs. Tuerk (also an employee of the Life Bond Group) continues to perform the annual cash audit. The members waived potential conflict matters and re-confirmed Mrs. Tuerk as cash auditor for the running financial year 2011.

TOP 2: Activities since the last meeting and termination of membership (Executive Board)

2a) New Members:

- Jäderberg & Cie: former Ahrens Jäderberg (see Withdrawals)
- Locke Lord Bissell & Liddell LLP

2b) Withdrawals:

- Augur Life Management: Takeover by cash.Life AG (membership continues under cash.Life AG)
- Ahrens Jäderberg: Membership runs now under Jäderberg & Cie.
- MM Insurance Services

2c) Results of the BVZL Members Poll: Increase of Membership Fees:

- During the last GA, a potential increase of membership fees was discussed
- A questionnaire was disseminated to gather the members' opinion on the following questions: Do you agree with an increase of the membership fee (if yes, to which extent)?
- A total of 15 members participated in the poll. 4 voted for increasing the membership fee to EUR 1,000, 3 voted for an increase to EUR 500. The other 8 members voted against increasing the membership fee. Consequently, no majority was established and BVZL is not going to pursue the increase of membership fees any longer.

TOP 3: Budget 2011 – Latest Developments (Executive Board)

- The budget plan for the year 2011 was discussed (a printout/overview was handed out to all attendees).
- Left side = Income
- Right side = Expenses
- Usually, the 36 members pay their membership fees diligently, although this year some companies have not paid their annual fees yet. Ingo Wichelhaus kindly reminds all members to effect payment within the next weeks to ensure planning safety for the Association.
- The BVZL Summit 2011 organized by the Association's own staff for the first time is expected to close for the Association with a slightly positive result thanks to sponsor funding and registration fees. Due to the efforts of NBB Kommunikation GmbH, the tight budget was not exceeded, which is considered to be a big success for the entire Association.

TOP 4: German Market (Ingo Wichelhaus)

- For the first time since 2007, the German market shows an increase in policy purchase volume (2010: EUR 160 million).
- Investors return to the market. The reason for this are the specific benefits as guaranteed interest rate, security, perfect inflation protection and return chances.
- The primary market indicated that compared with other investments, insurance companies generated viable returns (Guaranteed interest can probably be paid, no losses).
- Since 2000, the German secondary market sold approx. 100,000 insurance policies (surrender value volume approx. EUR 5 billion). In comparison with surrender values terminations, policy vendors paid additional monies to policy sellers in the amount of app. EUR 250 million. Besides sellers of German life insurances keep a certain death payment coverage, according to which beneficiaries were paid a total of approx. EUR 6.5 million. The current figures on premiums and contributions show roughly EUR 250 million per year – which indicates that the secondary life industry is one of the biggest sources of premium payments for the insurance carriers. .
- Regarding 2011, another increase of policy purchase volume is predicted (approx. EUR 200 million). Therefore, product innovations will be of major importance, whereas closed-end funds will lose their significance. Furthermore, institutional investors will be more in the focus of attention.
- A rather unsettling development can be observed on the 'Pseudo Secondary Market' in Germany. Enterprises offer policy purchase prices to the insured exceeding their surrender value by 200-300%. This return is supposed to be achieved by investing the freed money from the repurchase in products promising a 200-300 p.c. return within a few years which, in general, can hardly be achieved.

- Members advise BVZL that BVZL must find means and methods to counteract this trend. Ingo Wichelhaus explains that the Association has already contacted the Consumer Protection Agency and the Federal Financial Services Regulatory Authority (BAFin) in this matter. In addition, it plans to warn consumers against such suspect offers by press releases and by journalist information.
- The next area meeting is scheduled for May 6, 2011 at Policen Direkt in Frankfurt.

TOP 5: UK Market (Johann Kirchmair)

- The UK Secondary Market looks back on a mixed year 2010.
- During the last months, further market consolidation was observed (market makers disappeared from the market, financing banks withdrew from the business).
- At the beginning of 2011, only 3 BVZL members are still active on the UK secondary market.
- The estimated sales volume for 2010 is less than GBP 50 million.
- In addition, this investment class struggles with major image problems. The development of closed-end funds deviating from the prospectus caused very negative reporting in the press. In Germany, nothing was reported in reference to TEPs over the past months.
- While we observed further terminal bonus shortages during the year 2010, this development seems to have reversed during the first quarter of 2011. Many companies significantly raised the terminal bonuses. Unfortunately, there was one negative exception, the Aviva Group, which had decreased the terminal bonuses by another 50 per cent. This may be related to the reattribution (attribution of assets values to policy holders), the future development of which must be observed.
- The surrender values increased by about 11per cent which corresponds to the long-term average (10-12 years). In particular, this development is evaluated as very positive for the closed-end funds, since the increased surrender values cover borrowed money. Besides, many policies come to maturity now as a result of which funds do not longer have to struggle with liquidity problems which, on the contrary, allows them to effect distributions to investors or reinvestments.
- During the upcoming years, in particular, the funds management will play a decisive role. The correct decisions must be taken (e.g. regarding distributions) in order to improve the results for investors.
- The banks show growing confidence. Nevertheless, for instance, RBS intends to withdraw from the long-term credit business (> 1 year). This topic is subject of ongoing discussions.
- In view of the aforesaid we summarize that the market shows one activity (even if it is relatively small). Besides, in 2010, the reserve funds reached an average return of 10-12 per cent which is very impressive compared with the trend on the UK stock market. During the next months we must focus on getting positive press reporting and also on increasing direct investor marketing. In addition, the new AIFM directive -

coming into force in 2013 – will be a potential challenge for the market, even if regulation measures are basically considered to be very positive.

- For the UK area, no area meeting is currently planned, although there are regular meetings in Hamburg (e.g. with issuing houses) to discuss upcoming topics.

TOP 6: US Market (Christian Seidl / Zohar Elhanani)

- Christian Seidl explained that no good news was received from the German and European investment market in 2010. The press predominantly published headlines regarding the negative development of many closed-end funds which stayed way behind expectations due to the LE problems. As a result of this, no new business or new capital appeared on the market.
- During the past months, though, investors (e.g. Family Offices) returned to the market. The interest is growing even no new funds were established so far. Nevertheless, the investors' trust in this asset class seems to grow once again which is a positive sign for the entire market.
- Zohar Elhanani elaborated on the fact that the U.S. Life Settlement Market was relatively inert over the last 3 years because of the bad experience with the LE report. The tertiary market, however, picks up speed with an increasing number of bad funds are being sold and new investors enter the market expecting return chances.
- Besides, a consolidation of providers and private equity companies was observed (e.g. Kohlberg – Life Equity).
- The press currently still primarily focuses on reporting bankrupt funds, cases of fraud and unpaid credits.
- A positive trend is the progress regarding regulation in the U.S. On the Federal state level the development of regulations is far advanced which increases the trust in this asset class and the market.
- Basically, there is a growing interest in investments in U.S. Life Settlements, in particular, in the USA, Europe and the Middle East. Hedge funds and Private equity funds increasingly enter the market also.
- Nowadays the secondary market allows returns ranging from 16-20 per cent, on the tertiary markets from 20-30 per cent.
- Concerning LE underwriting, several LE providers (LEPr) joined together in drawing up a document on 'Best Practices'. This initiative was met in general with great approval since it contributes to more transparency and predictability. BVZL is requested to provide a statement regarding this draft.
- The policy volume on the secondary market has drastically dropped (by 50 per cent compared with the maximum level). Due to the lack of capital on the market, only low offers are made, for which no vendors can be found. This development needs to be adjusted in order to set a new balance.

- At the beginning of March, the first LISA Investors Conference took place. Besides, the LISA Spring Conference is scheduled for the beginning of May; the Dealflow Media International Life Settlement Conference will also take place in London in May.
- The BVZL Summit, especially the U.S. Special Day, shall provide the attendees with opportunities to discuss all topics around the U.S. Life Settlements Market. In addition, interesting panel discussions are planned.

TOP 7: International Markets (Peter Jäderberg)

- The past months basically did not show any new activities or new markets.
- Investors show interest, in particular, investors coming from the Middle and Far East and also from South America, although no transactions have been made so far.
- The cooperation with other organizations such as LISA and ELSA should be continued in any case. On the one hand, new members can be won (for example, from the UK), on the other hand, joint measures can be developed to counteract the negative reporting by the global press.
- The markets, in general, have an optimistic outlook on the future development, nevertheless, it takes time to reverse the trend into a positive direction.
- The BVZL should focus on measures to win new members, especially in the upcoming months.

TOP 8: Legal and Tax

- Due to the fact that there are no special topics or open questions, no member of the management of this BVZL section was present

TOP 9: Communication and Politics (Lothar Trummer)

- The BVZL organized this year's annual Summit for the first time with its own staff. About 100 participants are expected. Next to interesting lectures, a special evening event is planned.
- Thanks to funding from sponsors and participants, the costs of the conference are covered and no additional expenses should incur to the Association
- The cooperation between Lothar Trummer as department manager, the NBB Kommunikation GmbH and the BVZL runs smoothly and should be continued accordingly.
- Right after the General Assembly, a press conference is scheduled with 15 journalists.
- Christian Seidl acknowledges the members' petition to BVZL to intensify its international press work. For instance, in future not only German but also international press representatives should be invited to press events.

- Ingo Wichelhaus presented the idea of organizing a Press Webinar with a tentative date in September / October 2011 to invite journalists worldwide. Detailed information will be available to members latest by the next General Assembly.

TOP 10: Miscellaneous and Next Meeting

- Wilfried van der Post reports positive news from the banking business. After the credit business with the UK and German secondary life insurance market came to a complete hold last year, now this option is open once again and new credit lines will be available
- The next General Assembly is scheduled for second half of September, 2011. Once the final date has been fixed, the members will be notified accordingly after the Sum

Signed

(Executive Board: Christian Seidl)

(Executive Board: Ingo Wichelhaus)

(Keeper of the Minutes: Kathrin Erhard)