

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH DIVISION
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IN RE: Case No.: 12-30081-BKC-EPK
CLSF III IV, Inc., et al., Chapter 7
Debtors. (Substantively Consolidated)

MAATSCHAP QI COLLECTIEF'S MOTION ON
NEGATIVE NOTICE FOR RELIEF FROM THE
AUTOMATIC STAY TO PURSUE LITIGATION IN
BELGIUM

Any interested party who fails to file and serve a written response to this Motion within fourteen (14) days after the date of service stated in this Motion shall, pursuant to Local Rule 4001-1(c) be deemed to have consented to the entry of an Order granting the relief requested in the Motion.

Maatschap QI Collectief ("MQIC" or "Movant"), moves pursuant to sections 361 and 362 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 4001(a)(1) and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 4001-1, and 9075-1 of the Local Rules of the United States Bankruptcy Court for the Southern District of Florida (the "Local Rules"), for the entry of an order modifying the automatic stay to allow MQIC and any other affected investors to bring litigation against the Strategic Life Settlement Fund ("SLSF") and related entities in Belgium (the "Motion"). In support of the Motion, MQIC states as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this case under 28 U.S.C. §§ 157 and 1334. This matter constitutes a core proceeding under 28 U.S.C. § 157(b)(2). Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

2. The Court is familiar with the background of these substantively consolidated cases and MQIC. MQIC and other European investors¹ with an interest in joining the potential litigation in Belgium seek stay relief to initiate litigation against SLSF and its affiliates and related entities and individuals that engaged in a pre-petition transaction with Deborah Peck to transfer ownership of a majority of the insurance policies owned by the various Florida entities that have been consolidated in these cases.

3. On May 31, 2012, SLSF acquired 56 life insurance policies with a total insured face value of \$340 million from Deborah Peck and the various Florida LLCs and corporations that she was administering. The transfer was memorialized in an agreement dated June 8, 2012.² SLSF is or was an entity related to Life Settlement Consulting, an entity run by Ian Stamp. In an issue of the Life Settlements Report dated June 7, 2012, Stamp said of the impending transaction to transfer the life insurance portfolio: “Quality [Investments] is agreed. Everything is signed.” **Ex. A.** After the transaction documents were executed, neither SLSF nor any of its affiliates or related entities paid the necessary premiums to maintain the policies despite having funding available to pay the premiums. As is well-known to the Court, Peck has previously informed investors that, after the revelation of the PCI fraud, she did not have sufficient funds to pay premiums on the policies as they became due.

¹ Investors in the various CLSF and BGI Funds whose investments were damaged by the transactions described herein, may wish to be claimants in the potential case in Belgium.

² Certain aspects of this transaction were set forth as a basis for the emergency appointment of a trustee in the *Petitioning Creditors’ Omnibus Emergency Motion for Order Directing Immediate Appointment of Interim Trustee* [ECF# 3, p.8, ex. D].

4. The transaction unfolded when MQIC threatened to sue all concerned for engaging in fraudulent transfers, aiding and abetting fraudulent transfers, breaches of fiduciary duty, breaches of the trust agreements, and breaches of securities laws. The damage to the portfolio, however, had been severe and as much as 50% of the policy portfolio irretrievably lapsed while in the custody of SLSF or its affiliates. Despite the steps that Peck, SLSF, and Ian Stamp took to cancel the transaction, MQIC believes that SLSF and the other entities involved in the transaction have liability to the investors for the permanent loss of value in the Quality Investments life insurance portfolio.

5. MQIC has discussed the potential case against SLSF and its related entities with the Trustee, and the Trustee has declined to bring a similar case on behalf of the consolidated estates. The Trustee's deadline for bringing avoidance and related actions on behalf of the consolidated estates was September 25, 2014. Accordingly, MQIC asserts that there is no prejudice to the consolidated estates in the stay being lifted for the limited purpose of bringing a suit in Belgium against SLSF and related entities. Moreover, the estates will not have to pay for the costs of prosecuting the proposed lawsuit in Belgium that MQIC intends to initiate.

6. The Trustee, however, has not made a decision regarding whether she supports, takes no position on, or opposes this Motion. Accordingly, MQIC files this Motion with all rights to object to the Motion being reserved to the Trustee.

7. MQIC will notice its members and the list of investors that have consented to electronic service in this case that the "Writ of Summons"³ has been filed and of any procedures that explain how interested investors can participate in the case.

³ A writ of summons is the equivalent of a complaint under Belgian law.

RELIEF REQUESTED AND BASIS THEREFOR

8. MQIC seeks relief from the automatic stay in order to prosecute a civil case against SLSF in Belgium. The potential case could help to enlarge recoveries by investors, who have already suffered irretrievable losses at the hands of Quality Investments, Deborah Peck, and those with whom they did business, including SLSF. MQIC asserts that the estates bear no risk if the stay is lifted for MQIC to prosecute its case in Belgium.⁴

9. Under section 362(d) of the Bankruptcy Code, the Court “shall grant relief from the stay provided under [section 362(a)], such as by terminating, annulling, modifying, or conditioning such stay . . . for cause.” 11 U.S.C. § 362(d)(1). “Whether cause exists to grant stay relief must be determined on a case by case basis, based upon the totality of the circumstances in each particular case.” *In re Mack*, 347 B.R. 911, 915 (Bankr. M.D. Fla. 2006) (citing *In re Aloisi*, 261 B.R. 504, 508 (Bankr. M.D. Fla. 2001); *In re Wilson*, 116 F.3d 87, 90 (3d Cir. 1997)); *In re Paxson Elec. Co.*, 242 B.R. 67, 70 (Bankr.M.D. Fla. 1999) (noting that “cause” is not defined in the Bankruptcy Code, and “therefore, courts must determine when relief from stay is appropriate on a case by case basis.”).

10. Further, although the party seeking the relief has the initial burden to demonstrate cause for relief, “[o]nce the movant meets its burden, the burden then shifts to the debtor opposing the relief to establish the absence of ‘cause.’” *Id.* Moreover, “[i]n making a determination of whether ‘cause’ has been shown, a court must balance the potential hardship that will be incurred by the party seeking relief if the automatic stay is not lifted, against the potential prejudice to the debtor and the debtor’s estate.” *In re Paxson Elec. Co.*, 242 B.R. at 70.

⁴ MQIC will not be seeking any relief from Peck or the consolidated entities in the potential litigation.

11. Here, “cause” exists to modify the automatic stay to permit MQIC to initiate a case against SLSF. The Trustee has discussed the potential case against SLSF, and she does not intend to bring such a case on behalf of the consolidated estates. In addition, there is no prejudice to the estates if the stay is lifted for this limited purpose. The estates will not have to fund the litigation, pay estate funds to serve pleadings, or otherwise impair or alter any existing cases being pursued by the Trustee. By contrast, the litigation against SLSF represents potential additional recoveries for the investors, which would be lost if MQIC does not bring the case against SLSF. Accordingly, cause exists to lift the stay to permit MQIC to pursue litigation against SLSF and others in Belgium. MQIC will notice investors and those that consented to electronic service in this case with such procedures that are issued by the court in Belgium to participate in the case once it is commenced.

12. A proposed order granting this Motion is attached hereto as **Exhibit B**.

WHEREFORE, MQIC respectfully requests that the Court enter an order: (i) GRANTING this Motion, (ii) lifting the automatic stay to allow MQIC to pursue litigation against SLSF and related entities in Belgium, and (iii) for any additional relief that the Court deems just and proper.

I HEREBY CERTIFY that I am admitted to the Bar of the United States District Court for the Southern District of Florida and I am in compliance with the additional qualifications to practice in this Court set forth in Local Rule 2090-1(A).

Respectfully submitted by:

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Exhibit “A”

THE LIFE SETTLEMENTS REPORT

NEWS, INFORMATION, & ANALYSIS OF THE SECONDARY MARKET FOR LIFE INSURANCE

Volume VI, No. 10

lifesettlements.dealflow.com

June 7, 2012

IN THIS ISSUE

TOP STORIES

- Fortress lobbied for life settlement legislation in five states.
- Life Settlement Consulting says it will restructure Quality Investments' portfolio.
- A U.S. appellate court ruled in favor of life settlement investors.....2
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NEWS IN BRIEF

New York state judge ordered AIG to pay death claim; Life Partners, SEC agreed to mediation; AARP supports life settlements; Michael Fasano challenged competitors to publish LE estimates, results; Veris Settlement Partners' Russel Dorsett is heading a public company in life settlements; Tranen Capital sued by its fund-raising adviser; Bryan Freeman lost his seat on the LISA board; Aliya LifeSpan may merge with publicly traded Forum National Investments; Deutsche Bank hired Bryan Hodges; Fred Schlosser joined Forum board; Miravast hired actuary David Beckelman..... 4

LEGISLATIVE UPDATE

The Life Settlements Report tracks proposals to regulate life settlements through state legislatures across the country 9

FORTRESS STEPS UP WAR AGAINST CARRIERS IN STATE LEGISLATURES

by Donna Horowitz

Fortress Investment Group, a major buyer of distressed life settlements, has taken a lead role in trying to push through state legislation this year to fight what market players consider egregious conduct by carriers.

So far, the private-equity firm has not been successful in the five states that it has pursued legislation. But that doesn't mean it won't be back next year to lend its clout when the legislative battle begins anew.

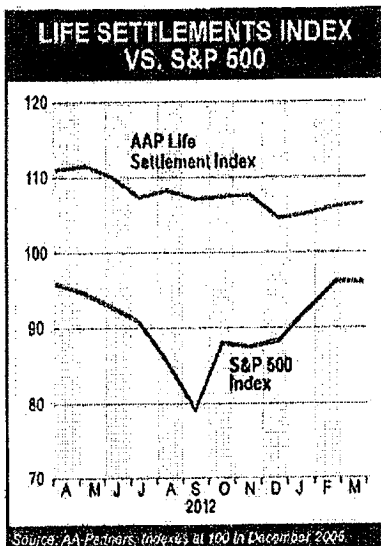
Life settlement market participants say they are encouraged that a firm of Fortress' size, with \$46 billion in assets under management, would put its muscle behind an effort to fight the vastly better-funded life insurance industry. Until now, provider Coventry First and, to a lesser extent, the Life Insurance Settlement Association

and the Institutional Life Markets Association, have been the main groups lobbying on behalf of the market during the past few years.

Fortress, which manages \$332.8 million in life settlement investments in two funds, was behind a bill in Connecticut that would have forced The Phoenix Cos. and other insurers to give notice of cost-of-insurance increases. It also pushed for other legislation in Minnesota, Florida and Delaware that would have prevented carriers from keeping premiums when voiding policies. In addition, Fortress was behind a bill in South Dakota that would have prevented policies from being issued unless premiums and interest can be returned.

Only legislation in Delaware, Senate Bill 220, which was heard June 6 at a

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INSETCO BACKS OFF ARM, LSC OFFERS TWO PROPOSALS

By Maria Brosnan Liebel

Insetco decided to not submit a proposal to acquire the ARM Asset-Backed Securities portfolio, while Life Settlement Consulting (LSC) submitted two restructuring plans attempting to preserve the investments of approximately 3,000 bondholders.

One of LSC's proposals would combine ARM's portfolio with that of another European fund that has come under a multi-national fraud investigation, Quality Investments BV, LSC Principal Iain Stamp said.

ARM's board of directors said on May 22 that it had received 11 proposals from 10 entities looking to restructure the Luxembourg-based bond issuer's life settlement portfolio.

ARM has been unable to raise capital since U.K. regulators ordered its distributor, Catalyst Investment Group of London, to stop sales in

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LSR

Insetco

Continued from front page

2010. ARM had been seeking a securitization license in Luxembourg, but Luxembourg's Commission de Surveillance du Secteur Financier denied the application last August and suspended payments and redemptions of existing bonds. The firm is now under the supervision of Ernst & Young.

ARM raised at least \$182 million from 2006 through 2009, mostly from European retail investors, for bonds that were listed on the Irish Stock Exchange.

The firm had been seeking restructuring proposals for its portfolio with about \$320 million in face value. The deadline to submit offers was May 11. It had been extended from April 27 after ARM said it received more interest than it anticipated.

"Only a short few weeks ago we had two and when that doubled to four we were very pleased," ARM Director Ronan Collins said May 22 in an email. "To now have 11 is a testament to the strength and standard of the portfolio ARM built up before regulatory interference."

ARM said the board and its appraisal committee will prepare a management report on the submittals. ARM said it did not know when the report will be completed because of the large volume of material. But the company said previously that it wanted to select a winning bid to present to bondholders in July.

The ARM board, citing confidentiality agreements, previously disclosed only two potential bidders from the U.K.: Life Settlement Consulting, which advises the Strategic Life Settlements Fund, and Insetco.

Investor Bob Sharpe of the ARM Help Steering Group, which established a website for bondholders, said it is reasonable to assume that some of the bids would have been placed by organizations which bondholders would not wish to gain control of the fund.

"It would be of little use to most bondholders for the fund to be sold for, say, 30 (pence) or 40 (pence) in the pound when what we need is a restoration of coupon," he said.

He said that he personally believes that the only suitable plans would utilize a structure to issue interest-bearing corporate bonds to replace the ARM bonds or a qualified investor scheme and special-purpose vehicle (SPV) structure like one proposed by LSC.

Sharpe said the steering group is continuing to press the ARM board to release the bid information.

ARM and Quality

One of LSC's proposals for the ARM portfolio is to set up a new sub-fund of the Ireland-listed Strategic Life Settlements Fund, which would issue shares to an SPV. The fund would contain both Quality Investments' and ARM's insurance policies.

The SPV would be the new issuer for ARM's bonds, which are already listed on the Irish Stock Exchange, although the terms would change to 10-year bonds offering different interest amounts. It would also issue 10-year bonds to Quality Investments' investors in exchange for their fractional interests in the policies.

"You can really drive out a much higher return" by combining the two portfolios and buying new policies with a line of credit LSC has available to build the total portfolio up to \$1 billion in face value, Stamp said.

Quality Investments raised more than \$200 million from European investors since 2007, mostly from the Netherlands and Belgium, according to Dutch authorities. The fractionalized life settlement investments were supposed to be bonded for longevity exposure by Provident Capital Indemnity in Costa Rica.

In September, the Dutch tax intelligence agency arrested four people

connected to Quality Investments on suspicion of forgery and fraud. And on April 30, a federal jury in the U.S. convicted Provident Capital President Minor Vargas Calvo of fraud for selling bogus bonds to Quality Investments and other life settlement investment firms.

The Quality Investments portfolio has \$350 million in face value held by about 2,000 investors, Stamp said. It has been overseen by a trustee, attorney Deborah Peck in Florida. Stamp said the trustee has agreed to the transfer of the portfolio, and the deal is expected to close this week. Peck did not respond to requests for comment.

"Quality is agreed. Everything is signed," he said.

Stamp said he is also in advanced discussions with two suspended funds based in Guernsey to transfer their assets to the Strategic fund.

LSC's other proposal is to move ARM's policies into the existing Strategic Life Settlements sub-fund. The bonds would be replaced with shares in the HC I Life Settlement Fund, a feeder fund that is authorized by the Financial Services Authority and managed by Host Capital (formerly Huet Capital). Stamp said the majority of ARM's investors are from the U.K.

Insetco's Unrest

Insetco last year offered to buy the ARM portfolio and issue new bonds to investors paying 7.5% interest. That offer fell through after regulators denied a securitization license to ARM and had a court appoint Jean-Michel Pacaud of Ernst & Young to oversee it.

But in the end, Insetco decided against submitting a proposal as the publicly traded company has been going through its own management restructuring, said Director Clive Cooke.

On May 24, Insetco shareholders voted off Director Sanjeev Joshi, who served as head of structuring and

EXHIBIT B
PROPOSED ORDER

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
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IN RE: Case No.: 12-30081-BKC-EPK
CLSF III IV, Inc., *et al.*, Chapter 7
Debtors. (Substantively Consolidated)

ORDER GRANTING MAATSCHAP QI COLLECTIEF'S
MOTION FOR RELIEF FROM THE AUTOMATIC STAY
TO PURSUE LITIGATION IN BELGIUM

THIS MATTER came before the Court on negative notice on *Maatschap QI Collectief's* ("MQIC") *Motion for Relief from the Automatic Stay to Pursue Litigation in Belgium* (the "Motion") [ECF#__]. The Court finds that it has jurisdiction over the Motion, that consideration of the Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and that venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. The Court has considered the Motion, the

Certificate of No Response filed by the movant, has reviewed the docket, and notes that no objections to the Motion were filed in the time prescribed by the Local Rules, and holds that the Motion should be GRANTED as set forth herein. Accordingly, the Court **ORDERS**:

1. The Motion is GRANTED.

2. The automatic stay is lifted so that MQIC may commence litigation in Belgium against the Strategic Life Settlement Fund and related entities.

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