

ARM ASSET BACKED SECURITIES SA - IN PROVISIONAL LIQUIDATION

The Joint Provisional Liquidators' monthly
update to Bondholders and other creditors for
the period 1 June 2014 to 6 July 2014

Definitions

AHC	the Ad-Hoc Committee of Bondholders elected at the Bondholders' Meeting
BDO	BDO LLP
Bondholders	all those who invested money in the Issuer, irrespective of the Issue in which they invested (including other creditors for ease of reference)
Bondholders' Meeting	the meeting of the Bondholders that took place on 3 February 2014
CIGL or Catalyst	Catalyst Investment Group Limited
CSSF	the Commission du Surveillance du Secteur Financier, the Luxembourg financial services regulator
FCA	the Financial Conduct Authority
FCIL	Financial Credit Investment I Limited, the counterparty to the sale of the Issuer's SLS policies in 2012
FSCS	the Financial Services Compensation Scheme
Issuer	ARM Asset Backed Securities SA (in provisional liquidation)
MFSA	the Maltese Financial Services Authority
Period	1 June 2014 to 6 July 2014
Pending Investors	those Bondholders who invested in Issues 9 to 11 and whose investment makes up the Pending Monies (the term Bondholder here is used for ease of reference and without prejudice to the determination of the issue of whether the relevant Bonds were issued or not)
PLs or Provisional Liquidators	the provisional liquidators, namely Mark Shaw and Malcolm Cohen of BDO (who act as agents of the Issuer and without personal liability at all times)
Pending Monies	the monies which were frozen by the Financial Services Authority (as it then was), representing part of Issue 9 and all of Issues 10 and 11
PIG	the Pending Investors' Group
SLS	Senior life settlement policies

1 Introduction

- 1.1 The Provisional Liquidators of the Issuer were appointed by the English High Court of Justice on 9 October 2013, under case number 6914 of 2013.
- 1.2 The purpose of this report is to provide Bondholders with an update as to the progress made in the provisional liquidation during the Period. The PLs are not obliged by statute to report to Bondholders in this manner, but wish all the same to do so to keep all parties updated of progress which has been made. Disclosure will not be made in respect of issues which may prejudice Bondholders' interests, for example because of legal privilege or commercial confidentiality reasons.
- 1.3 The events leading up to and progress made in the provisional liquidation to 25 April 2014 were detailed in the PLs' presentation to Bondholders dated 3 February 2014 and the monthly reports dated 28 March 2014, 2 May 2014 and 4 June 2014. Copies of these documents remain available on the PLs' website:
<http://www.bdo.co.uk/arm-abs-sa/>
- 1.4 This report should be read in conjunction with that presentation and the prior reports; the PLs have not therefore repeated the background of the provisional liquidation or the progress made in the period to 30 May 2014 in this report.

2 Progress of the provisional liquidation

Luxembourg liquidation application

- 2.1 As detailed in the RNS announcement dated 30 June 2014, the second hearing pertaining to the Luxembourg liquidation application took place on 22 May 2014. The Issuer was represented by Bonn & Schmitt, the PLs' Luxembourg counsel and Mark Shaw attended in person. A copy of the order made by the English Court in response to the PLs' application for declaratory relief had previously been provided to the Luxembourg Public Prosecutor, the CSSF and the Luxembourg court.
- 2.2 The position taken by the Public Prosecutor and the CSSF at the hearing remained consistent with their initial position, such that liquidation proceedings should be opened in Luxembourg, albeit that they should be stayed until the English provisional liquidation and any subsequent process has been concluded. The PLs' counsel repeated the arguments previously made, and reference was made to the order of the English court which fully supported the PLs' position.
- 2.3 The Luxembourg court considered the arguments put forward at the hearing, and was due to hand down its judgment on 26 June 2014. The written judgment of the Luxembourg court was provided to us on the afternoon of Friday 27 June 2014.
- 2.4 Its key points were:
 - The Luxembourg court declined to make an order liquidating the Issuer in Luxembourg under the Securitisation Law of 2004 as requested by the Luxembourg Public Prosecutor, at the insistence of the CSSF.
 - The Luxembourg court has, in effect, deferred such a decision until after the completion of the English insolvency proceedings.
 - This means that the Issuer's affairs will be dealt with exclusively in England by the PLs and its assets will be realised by the English PLs.
 - The Luxembourg liquidation may, therefore, in effect be used solely to dissolve the Issuer in Luxembourg after its affairs would have been wound up in England.
 - The Luxembourg court confirmed the broad and exclusive powers which the English PLs have in relation to dealing with the Issuer's affairs.

- 2.5 In addition to this, the CSSF released a statement on 9 July 2014 confirming that the Luxembourg liquidation proceedings had been suspended until after the English proceedings had been completed. We now therefore consider this matter to be closed.

The FSCS claims process

- 2.6 We understand that the FSCS has begun to compensate a number of Bondholders.
- 2.7 All Bondholders should have received their application forms now. If you have not received an application form, please contact the FSCS's Initial Contact Team on Freephone 0800 678 1100 or 0207 741 4100.

The Ad-Hoc Committee

- 2.8 The third meeting of the AHC is anticipated to be held in or near to the last week of July.
- 2.9 To the extent possible, the matters discussed at the AHC meetings will be communicated to the Bondholders through these monthly update reports.

The Pending Investors Group

- 2.10 The PLs met with the spokesperson of the PIG on 19 June 2014. At that meeting, the spokesperson presented the case of the PIG in respect of the proper treatment of the Pending Monies.
- 2.11 The PLs are considering the information presented and would like to thank the PIG for the considerable amount of time and effort they have spent in collating this information.
- 2.12 The PLs anticipate a further meeting with the spokesperson for the PIG in or near to the last week of July.
- 2.13 For the avoidance of doubt, any actions or decisions taken by the PLs in relation to the Pending Monies will be based on independent legal advice obtained by the PLs.

Pending Monies and ranking of the Bonds

- 2.14 The PLs met with both their UK and Luxembourg lawyers in early June in order to discuss the optimum strategy to resolve both matters. These discussions were very productive and the PLs are continuing to liaise with their legal counsel in order to develop the most appropriate legal strategy to deal with these issues. At this stage, we are not able to provide the Bondholders with any further details, but we will endeavour to provide updates when appropriate.

Restructuring proposals

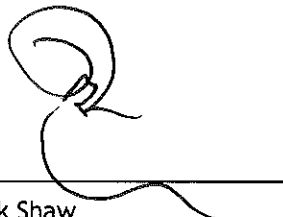
- 2.15 The PLs have received a restructuring proposal which they are in the process of reviewing.

Bondholder queries

- 2.16 No general queries have been submitted by Bondholders during the Period. Although the formation of the AHC has changed how we engage with Bondholders, Bondholders should still feel free to submit questions to us via the usual email address of arm.abs.sa@bdo.co.uk.

3 Next report from the PLs

- 3.1 It is the intention of the PLs to provide their next progress report to Bondholders in or near to the first week of September.



Mark Shaw
Joint Provisional Liquidator

11 July 2014