

ARM ASSET BACKED SECURITIES SA - IN PROVISIONAL LIQUIDATION

The Joint Provisional Liquidators' monthly
update to Bondholders and other creditors for
the period 26 April 2014 to 30 May 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	26 April 2014 to 30 May 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 and 2 May 2014. Copies of these documents are 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 25 April 2014 in this report.

2 Progress of the provisional liquidation

Luxembourg liquidation application

- 2.1 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.
- 2.2 As previously disclosed, a copy of the order made by the English Court in response to the PLs' application for declaratory relief was provided to the Luxembourg Public Prosecutor, the CSSF and the Luxembourg court. The position taken by the Public Prosecutor and the CSSF at the subsequent 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 again firmly rebutted this position.
- 2.3 The Luxembourg court is considering the arguments put forward at the hearing, and is due to hand down its judgment on 26 June 2014. In the meantime, the PLs will continue to progress the provisional liquidation.
- 2.4 The PLs do not want to speculate as to the outcome of the case, but wish to ensure Bondholders that all actions will be considered with their interests at the forefront. However, we are confident that the legal merits very much support the position taken by the PLs.

The FSCS claims process

- 2.5 The FSCS began sending application forms to Bondholders on 28 March 2014, as confirmed by the following link:
<http://www.fscs.org.uk/news/2014/march/fscs-is-now-inviting-claims-ag-0kat96d1w/index.html>
- 2.6 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

- 2.7 The second meeting of the AHC was held on 13 May 2014; all members of the AHC were present either in person or via conference call.
- 2.8 All AHC members have signed a non-disclosure agreement, which was a condition of membership to the AHC. The purpose of this was to allow the PLs openly to share information that may be confidential or legally privileged with the representatives of the Bondholders to obtain their views. Without these agreements being in place, the PLs could not disclose this information.
- 2.9 The role of the AHC members is not to canvas the views of the wider Bondholder community or to disseminate information shared at the AHC meetings. Indeed, as a result of entering into these agreements, members of the AHC are legally prohibited from sharing confidential information with third parties, including other Bondholders. The AHC acts as a 'sounding board' to the PLs; it has no formal powers and will not make decisions on behalf of the Bondholder community.
- 2.10 To the extent possible, the matters discussed at the AHC meetings will be communicated to the Bondholders through these monthly update reports.

Transfer of Bonds

- 2.11 The Bond Transfer Protocol was published on the PLs' website on 24 April 2014, and can be viewed at the following link:
http://www.bdo.co.uk/_data/assets/pdf_file/0003/178185/Bond-Transfer-Protocol.pdf
- 2.12 A limited number of Bond Transfer Application Forms has been received, and the PLs aim to respond to each request within 2 weeks of receipt.

Receipt of sale proceeds

- 2.13 As disclosed in the PLs' RNS dated 10 March 2014, the consideration due to the Issuer from the sale of the underlying SLS is paid over time in annual instalments, with the last instalment being due on 31 December 2021.
- 2.14 Following constructive discussions with FCIL over a period of time, the instalment which was due on 31 December 2013, totalling \$7,227,877, was received in full into the PLs' UK bank account on 20 May 2014.

Engagement with the FCA to have the Pending Monies become interest-bearing

- 2.15 This matter remains with the FCA and the PLs will continue to follow this up to obtain a satisfactory result for Bondholders.

Pending Monies and ranking of the Bonds

- 2.16 The PLs and their UK lawyers remain in discussions with Bonn & Schmitt, their independent Luxembourg counsel on both of these topics, and they have scheduled meetings with all parties including leading counsel in the coming month in order to discuss the optimum strategy to resolve these matters.

The Pending Investors Group

- 2.17 The PLs are due to meet with the spokesperson for the PIG on 19 June 2014.

Minutes of the Bondholders' meeting

- 2.18 Minutes of the Bondholder meeting held on 3 February 2014 and a schedule of questions received and answers given at the meeting were uploaded to the PLs' website on 12 May 2014.

Restructuring proposals

- 2.19 The PLs will be considering all restructuring proposals submitted in a timely manner. No new proposals have been received during the Period.

Bondholder Queries

2.20 No 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 the first week of July.

Mark Shaw
Joint Provisional Liquidator

4 June 2014