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ARM ASSET BACKED SECURITIES SA - PROVISIONAL LIQUIDATORS APPOINTED (THE 'ISSUER')

We have attempted to make the vote for the informal ad-hoc creditors' committee a simplified and straightforward process which balances the need for pure democracy on the one hand and complexity and cost on the other hand. We have also tried to recognise that a £50k loss to one Bondholder could be as important as a £1m loss to another.

For this reason, we proposed a "one Bondholder, one vote" principle.

We have received feedback from a variety of Bondholders who hold their interests through SIPPs, raising what we believe to be an understandable concern.

We understand that there is concern that SIPPs will hold a single vote by virtue of the principle of "one Bondholder, one vote" and this would not properly reflect the interests of Bondholders who hold their Bonds using SIPPs.

We take these concerns on board and therefore propose the following solution. We would retain the "one Bondholder, one vote" principle but would allow SIPPS to provide us with their voting intent in advance of the meeting (or on attendance at the meeting) by way of a single voting form which attaches a schedule setting out "SIPP XYZ, for holder 123 - votes as follows", etc.

In other words, each person holding an interest through the SIPP could confirm its voting preference to the SIPP who, in turn, would provide a single consolidated voting form, setting out a scheduled breakdown of how that SIPP votes for each individual (by reference to the individual, not to its holding or percentage of interest). This allows the SIPP to take instructions from its customers, the underlying investors in the SIPP to have their voice heard and the principle of "one person, one vote" to be upheld in the interests of fairness and equal treatment.

Further, we would be willing to allow either the SIPP or a holder of a Bond through a SIPP to be eligible to be elected onto the ad-hoc committee.

Clearly, if an underlying investor did not respond to the SIPP when asked to indicate voting preference, then it would not have voted. Alternatively, such Bondholders could submit their voting instructions directly to us, making clear that they hold their Bond using a SIPP and providing details of the SIPP etc.

Where there are underlying investors who do not respond in any way to vote, we propose that the SIPP itself be entitled to vote, as a single person, for all non-respondents. This still upholds the principle but gives what we feel to be a fair voice to the SIPP, who would otherwise not have a vote directly in respect of itself because it would be consolidating all the votes of the underlying investors.

The same principle will also apply to other nominee/trustee holders of Bonds.