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

FREQUENTLY ASKED QUESTIONS - SUBMITTED WEEK ENDED 10 JANUARY 2014

#### **Q 10.1**

**What are you hoping to achieve by holding the meeting of Bondholders? Will any issues require a vote, and if so will there be provision for voting by proxy?**

The Provisional Liquidators have received feedback that the Bondholders felt that the directors of the Issuer did not engage sufficiently openly or frequently with Bondholders prior to the provisional liquidation commencing. Further, the Provisional Liquidators would like to follow the principle of what an administration of the Issuer would have been; there would have been a creditors' meeting in an administration.

As far as they are able, the Provisional Liquidators would like to present to Bondholders in a real time situation the Issuer's position, and the hurdles they face to returning value to Bondholders. The formation of an ad hoc committee of Bondholders is intended to assist the resolution of these issues, as it will allow the Provisional Liquidators to consult with representative Bondholders/other creditors in connection with these issues.

All of the above is standard practice in UK insolvencies and illustrative of the "creditor centric" approach we have in the UK.

Further details pertaining to the meeting will be released this week.

The Provisional Liquidators propose to hold a vote to elect an ad-hoc Bondholder/creditor committee. There will be provisions to allow those Bondholders/creditors not attending in person to vote, whether by the use of proxies or otherwise.

#### **Q 10.2**

**In the event that you decide against any form of restructure, would you consider making an interim or phased pay-out from funds immediately available rather than waiting for future payments to come from FCIL?**

The Provisional Liquidators intend to seek out as much flexibility and optionality for Bondholders/other creditors as is possible.

It is presently anticipated that Bondholders/other creditors will be given an opportunity to vote on the outcome of the process from a range of feasible options identified by the Provisional Liquidators.

**Q 10.3**

**In estimating the value of ARM assets as between 34 - 45%, has account been taken of any payments paid or future payments owed, by FCIL?**

The estimate of the value of the Issuer's assets as a percentage of its liabilities took into account all of the sums payable by FCIL. We repeat the specific caveats and limitations made with the disclosure in question.

**Q 10.4**

**Have any funds at all been received from FCIL?**

Please refer to Q 8.10.

**Q 10.5**

**Have the Provisional Liquidators received any response whatsoever to their correspondence to FCIL?**

The Provisional Liquidators are in correspondence with FCIL.

**Q 10.6**

**Have the Provisional Liquidators got access to the Issuers' company accounts or is this information in the personal hands of the sole remaining director?**

The Issuer's books and records are in the possession of its lawyers in Luxembourg.

For the avoidance of doubt, the directors of the Issuer remain in office but their powers of management have been suspended, except as expressly directed by the Provisional Liquidators.

**The following questions are, we believe, already covered by current FAQs as published on our website:**

- I understand that the fund is now in liquidation and ask what action is required from me in order to be included in any future distribution? Answered in FAQs dated 21 October 2013.
- Have the Provisional Liquidators got access to the Issuer's bank accounts? Answered Q 8.6.
- Has the final policy been transferred to FCIL? Answered Q 3.9, Q 4.3, Q 8.10, Q 8.11.