

THIS DOCUMENT IS PUBLISHED BY THE PROVISIONAL LIQUIDATORS ON BEHALF OF THE COMPANY. THE PROVISIONAL LIQUIDATORS ACT AS AGENTS OF THE COMPANY AND WITHOUT PERSONAL LIABILITY.

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF BONDHOLDERS. IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD SEEK THEIR OWN FINANCIAL AND LEGAL ADVICE IMMEDIATELY FROM THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL OR LEGAL ADVISER.

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

FREQUENTLY ASKED QUESTIONS - SUBMITTED WEEK ENDED 25 OCTOBER 2013

### **Q 3.1**

The Terms and Conditions under which the Issuer issued bonds state in paragraph 12.2 that "seniority will always be granted based on the issue date". Could you please confirm the implications of this in the present situation?

The Provisional Liquidators are currently reviewing with their legal advisers the documentation governing the issue of the Bonds. This includes the respective rankings of the various Bond issues as against each other and as against creditors who are not Bondholders.

### **Q 3.2**

Can you confirm in specific cases whether stock was transferred between SIPP providers where requested?

The Provisional Liquidators are not currently in a position to answer queries of this nature.

### **Q 3.3**

I thought liquidators were supposed to be independent; how is it that Tim Roberts was allowed to choose partners in BDO to be appointed as Provisional Liquidators of the Issuer?

There was no prior relationship between BDO LLP on the one hand and the Issuer, Catalyst or Tim Roberts on the other hand. BDO LLP was recommended by the Issuer's lawyers as an appropriate firm based on their experience in financial services insolvencies, and specifically in cases similar to this one.

Whilst the witness statement was made by Tim Roberts, the Provisional Liquidators are officers of the Court and answer to the Court. The Provisional Liquidators' duties are to maximise the returns to creditors whilst balancing the risks in achieving those returns.

It is standard market practice in the UK for the debtor company to name the proposed provisional liquidators in circumstances such as these.

For the avoidance of doubt, Tim Roberts no longer has any powers as a director of the Issuer and has been informed of this.

### **Q 3.4**

Why have you met with Bob Sharpe, who cannot prove he has the support of hundreds of investors, but will not answer Gordon Pullan, who can?

The Provisional Liquidators have made it clear that they are keen to engage with Bondholders, although it is not practical to meet with each Bondholder individually.

To date, the Provisional Liquidators have met with both of Bob Sharp and Gordon Pullan. The information provided in these meetings is consistent with the information released through the FAQs.

**Q 3.5**

**Can you provide an indication of how much the life settlement policies backing the bonds were sold for, the timescale for the receipt of the proceeds and an estimate of the percentage of issued bond value that the net realisable assets will produce?**

Whilst certain information may have been provided by other parties, the Provisional Liquidators are currently taking legal advice in respect of certain confidentiality requirements. Of utmost importance to the Provisional Liquidators is ensuring that the Bondholders/other creditors of the Issuer are not prejudiced in any manner by any actions the Provisional Liquidators take. As soon as the Provisional Liquidators are comfortable that releasing information will not prejudice the Bondholders/other creditors, they will release that information.

For the avoidance of doubt, the Provisional Liquidators are keen to provide as much information as possible to the Bondholders/other creditors.

**Q 3.6**

**Are the general unsecured creditors unlikely to receive any payment from the insolvent Issuer?**

The Provisional Liquidators are currently taking legal advice in respect of any priority of creditors, as set out above. They are aware that, in addition to the Bondholders, there are other unsecured 'trade' creditors.

**Q 3.7**

**Could I please have a copy of the witness statement of Tim Roberts in order to establish how the High Court of Justice was persuaded that the Issuer's COMI is within the UK?**

The Provisional Liquidators were served with a copy of this document. However, for commercial and legal reasons, the Provisional Liquidators are not able to release this statement.

**Q 3.8**

**Pending Investors have not been able to see the legal opinions of the Issuer or the FCA regarding the frozen monies. Will you be able to see them as Provisional Liquidators? If so, will you share them with us?**

The Provisional Liquidators are given certain statutory powers to obtain information which may assist in discharging their duties. The Bondholders are assured that the Provisional Liquidators will be using these powers to obtain all information they believe is of relevance to the discharge of their duties. This includes any legal advice which the Issuer had received before the Provisional Liquidators were appointed.

The Provisional Liquidators have engaged their own independent legal advisers (in the UK and Luxembourg) and will be instructing them to consider this matter and provide their independent opinion.

The Provisional Liquidators see the Pending Monies issue as one that needs to be resolved as soon as possible, subject to due process being observed for fairness among the parties.

It may not be possible to disclose legal advice which the Issuer has received in order to prevent a waiver of what is known as “legal professional privilege”. For the same reason, the Provisional Liquidators may not be able to obtain the FCA’s legal advice on this issue.

However, Bondholders and other creditors should rest assured that the Provisional Liquidators will adopt a policy of maximum openness, wherever that is possible.

**Q 3.9**

**Could you confirm if life settlement policies are still held or assets with maturity linked risk?**

It is the understanding of the Provisional Liquidators that only one life settlement policy is still held by the Issuer.

**Q 3.10**

**I purchased bonds via an IFA and have not received a pension. Am I considered to be a bondholder or a creditor?**

If you have purchased an ARM bond through an intermediary, you will still be a Bondholder of the Issuer, unless your Bond was redeemed prior to the Provisional Liquidators being appointed.

**Q 3.11**

**Are Tranche 9 investors Pending Investors?**

As previously advised, the Provisional Liquidators are reviewing the position of the Pending Monies and this includes which investors form this category. The Provisional Liquidators will confirm the position of the Pending Investors as soon as practicable. As mentioned above, the Provisional Liquidators respect that this is an important issue, particularly for those investors in Tranches 9-11.

**Q 3.12**

**What is the role of Bingham McCutchen (London) LLP in the Provisional Liquidation?**

The Provisional Liquidators have engaged Bingham McCutchen (London) LLP to act as their legal advisers in the process. Bingham McCutchen have significant experience in dealing with this type of situation.

Bingham McCutchen also assisted the Issuer to make the application to place the Issuer into provisional liquidation. Bingham McCutchen were not lawyers to the Issuer prior to the consideration of the issues which led to the provisional liquidation.

**Q 3.13**

**What is the difference between a Luxembourg insolvency process and a UK insolvency process?**

Insolvency processes in the UK are generally found to be more creditor-centric and more flexible than processes elsewhere. The majority of the issues which the Issuer needs to deal with are “UK” issues as opposed to Luxembourg issues.

**Q 3.14**

**Will the Provisional Liquidators be using advisers appointed by the Issuer prior to the Provisional Liquidation?**

The Provisional Liquidators are independent and officers of the Court. Therefore the Provisional Liquidators will be appointing their own advisers in this matter. They are keen to keep the channels of communication open with those advisers previously involved with the Issuer as they would like to ensure that knowledge is not lost where that is appropriate.

**Q 3.15**

**Will the accounts be completed?**

The Provisional Liquidators have formally requested that the directors bring the outstanding statutory accounts up to date. The appointment of the Provisional Liquidators does not remove the obligation for the filing of these accounts.

**The following questions are, we believe, already covered by current FAQs as published on our website on 16 October 2013 and 21 October 2013:**

- When are you going to address the issue of the frozen Pending Investor funds with the FCA?
- Will you be publishing details of the financial position of the Issuer?
- What information do you need from SIPP operators in order to assist with any claims for our customers?