

Date: 7th MARCH 2017

**Gordon Waite Pullan
and
Walter Jürgen Pisarski
and
ARM Asset Backed Securities S.A.
and
Mark James Shaw and Malcolm Cohen
(as Provisional Liquidators of ARM Asset Backed Securities S.A.)**

SETTLEMENT AGREEMENT

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DATED 7th MARCH 2017

BETWEEN:

- (1) **GORDON WAITE PULLAN** of [redacted] as a Representative Party appointed pursuant to Civil Procedure Rule 19.7 by an order of the court dated 16 December 2015 to represent the interests of the Non-Pending Bondholders (as defined in this Agreement) (the "Non-Pending Representative");
- (2) **WALTER JÜRGEN PISARSKI** of [redacted] as a Representative Party appointed pursuant to Civil Procedure Rule 19.7 by an order of the court dated 16 December 2015 to represent the interests of the Pending Bondholders (as defined in this Agreement) (the "Pending Representative");
- (3) **ARM ASSET BACKED SECURITIES S.A.** (in provisional liquidation) a company incorporated under the laws of Luxembourg whose registered office is at 148, Avenue de la Falencerie, L-1511 Luxembourg, Grand Duchy of Luxembourg ("ARM" or the "Company");
- (4) **MARK JAMES SHAW** and **MALCOLM COHEN** in their capacity as Provisional Liquidators of ARM (the "PLs"), both of BDO LLP, 65 Baker Street, London W1U 7EU.

(The Non-Pending Representative, the Pending Representative, ARM and the PLs are together referred to as the "parties").

BACKGROUND

- A ARM was an offshore investment vehicle incorporated in Luxembourg to issue bonds to a large number of retail investors. Sometime after launching its bond program, it became apparent that ARM ought to have been licensed by the *Commission de Surveillance du Secteur Financier* (the "CSSF") in Luxembourg. ARM applied for a licence from the CSSF in 2009 and, pending the outcome of that application, the CSSF instructed ARM to cease issuing bonds.
- B ARM continued to market and collect subscription monies from investors in the period from 1 September 2009 to 1 July 2010. Some of these subscription monies were paid on to ARM by receiving agents in the UK, but a large proportion (approximately £18.5m) remains held in accounts now controlled by the PLs and in accounts under the control of Jarvis Investment Management Limited, which monies have become known as the "Pending Monies".
- C The CSSF did not approve ARM's application for a licence with the result that ARM's business became unsustainable. The directors of ARM caused it to present a winding up petition and the PLs were appointed as the provisional liquidators of ARM by order of the English court dated 9 October 2013.

- D On 13 February 2015, ARM, the Pending Representative, the Non-Pending Representative and their respective solicitors entered into the Representative Beneficiary Agreement (as defined below) whereby the Pending Representative and the Non Pending Representative agreed to act as representative beneficiaries in the Application (as defined below).
- E By the Application (as defined below) made by the PLs pursuant to sections 168 and 234 of the Insolvency Act 1986 (the "Act"), the PLs sought, among other things, the determination of certain questions relating to the estate of ARM. The Application was supported by evidence from the PLs in the form of a witness statement of Mark James Shaw dated 20 November 2015 (the "Witness Statement"). The Witness Statement sets out, at paragraph 6, the questions to which the PLs sought answers (the "Questions") and the further relief sought by the PLs.
- F The Questions sought to establish the respective rights of the Pending Bondholders and Non-Pending Bondholders (as defined in Clause 1.1 below) over the funds and assets of ARM, including in particular whether the Pending Monies were held on trust for Pending Bondholders, or whether they constituted an asset belonging to ARM, such that the PLs could distribute the assets of ARM to those legally entitled to them.
- G By order of the English court dated 16 December 2015, Snowden J (amongst other things) appointed, pursuant to CPR Rule 19.7, the Non-Pending Representative to represent the interests of the Non-Pending Bondholders and the Pending Representative to represent the interests of the Pending Bondholders. By the same order, and for the purposes of Question 5, (i) Mr Pisarski was appointed to represent the interests of those Pending Bondholders who would wish the rights of the beneficiaries of any trust of the Pending Monies to be ascertained as ranking *pari passu* by reference to their relative contributions; and (ii) the PLs were appointed to represent the interests of those Pending Bondholders who would wish the rights of the beneficiaries to be ascertained on the basis of *Clayton's Case*.
- H In the Application the Pending Bondholders have asserted, among other things, that they are beneficiaries under a trust over the Pending Monies. The Non-Pending Bondholders have asserted that the Pending Bondholders are ordinary unsecured creditors of ARM and, further, that the Pending Monies should be distributed as an asset of ARM amongst all of the creditors in ARM *pari passu* by reference to their investments.
- I The parties have agreed the terms on which the Application is to be settled and wish to record those terms of settlement in this Agreement. In summary, the Pending Bondholders have agreed that the Pending Monies (as defined below) will form part of the general assets of the Company available to Creditors (as defined below), in return for which certain Pending Bondholders will receive an Enhanced Dividend (as defined below). This Agreement, once executed by the parties, is to be submitted to the court for Court Approval (as defined herein).

- J Financial Services Compensation Scheme Limited has read and considered this Agreement and, subject always to complying with its own rules, has agreed (as recorded by its letter of even date to this Agreement) to give effect, where relevant, to the terms of this Agreement. A copy of the letter from the FSCS is included at Schedule 3 to this Agreement.

AGREED TERMS

1 Definitions and Interpretation

1.1 The following terms and expressions shall have the following meaning:

Act	Insolvency Act 1986.
Alternative Claims	Claims by the Pending Bondholders and Non-Pending Bondholders against ARM on the basis of misrepresentation, negligent mis-statement or fraud (or their equivalent under foreign law).
Application	The application dated 20 November 2015 (in proceedings numbered 6914 of 2013) and made by the PLs pursuant to sections 168 and 234 of the Act.
Bonds	Asset-backed bonds issued by ARM to the Non-Pending Bondholders.
Capital Investment	The subscription monies actually paid by an investor to a receiving agent appointed by ARM and/or CIGL, or to ARM or CIGL directly, in respect of any Bonds or Pending Bonds and which have not been refunded to such investor.
Capital Growth Bonds	The Bonds issued and Pending Bonds intended to be issued at a discount to their maturity value and in respect of which no periodic payments of interest were required to be made.
CIGL	Catalyst Investment Group Limited, which marketed the Bonds and Pending Bonds.
Contractual Claims	Claims by the Pending Bondholders and the Non-Pending Bondholders against ARM in contract.

Court Approval	Approval of the terms of this Agreement by the Companies Court (Chancery Division) of the High Court of Justice pursuant to Civil Procedure Rule 19.7(5).
Creditors	The investors and all other persons entitled to vote at a CVA creditors' meeting of ARM or who would have been so entitled to vote had they been given proper notice of the same (but excluding any preferential creditors).
Cross Investor	An investor who invested in and holds both Bonds and Pending Bonds.
CVA	The company voluntary arrangement to be proposed in accordance with Part 1 of the Act and which will carry into effect the terms of this Agreement, subject to any non-material modifications proposed at a meeting of Creditors.
Date of Liquidation	The date on which the Court orders that the Company is to be wound up.
Effective Date	The date on which each of the conditions at clause 2.1 of this Agreement have been satisfied.
Enhanced Dividend	The dividend payable to those Pending Bondholders whose Net Loss in ARM is not fully reimbursed as a result of receiving the Standard Dividend and FSCS Compensation, calculated in accordance with clause 7.
Enhanced Dividend Cap	The aggregate total sum of £950,000.00.

Estate Assets	<p>The aggregate of the following:</p> <ol style="list-style-type: none"> 1. all those assets belonging to ARM, including, without limitation, the FCIL Receivable and the Pending Monies (including any assets received or recovered in the future); and 2. the proceeds of any claims which may be brought by the PLs, a Liquidator, or the Supervisor of the CVA, whether in his own name or in the name of and on behalf of ARM (including, without limitation, claims under sections 212, 234, 238, 239, 213, 214, 245 and 423 of the Act) ("Antecedent Transactions"), <p>in each case net of any costs and expenses incurred by the PLs, the liquidator or the supervisors of the CVA.</p>
FCIL	Financial Credit Investment 1 Trust D (a Delaware statutory trust).
FCIL Receivable	The receivable payable by FCIL to ARM as a result of ARM's sale of its portfolio of life policies to FCIL in the total sum of USD \$68,778,774 and payable to ARM by instalments. Instalments of \$7,227,877 remain to be paid on the last business day of each of 2017, 2018, 2019, 2020, and 2021 (each a "FCIL Receivable Instalment").
FSCS	Financial Services Compensation Scheme Limited.
FSCS Compensation	A monetary award paid by the FSCS to an Investor arising out of or in connection with a Non-Pending Bondholder's purchase of Bonds or a Pending Bondholder's subscription for Pending Bonds (as the case may be).

Gross Loss	<p>The total loss incurred by an investor which shall be:</p> <ol style="list-style-type: none"> 1. In the case of an investor who subscribed for Income Bonds: <ol style="list-style-type: none"> (a) the principal amount outstanding in respect of such Income Bond; and (b) all amounts of accrued and unpaid interest on that Income Bond up to the earlier of: <ol style="list-style-type: none"> (i) the final maturity date of that Income Bond; and (ii) the Date of Liquidation. 2. In the case of an investor who has subscribed for Capital Growth Bonds, the amount that would have been paid to that investor on the earlier of: <ol style="list-style-type: none"> (a) the final maturity date of that Capital Growth Bond; and (b) the Date of Liquidation (in which case such amount shall be the amount payable under (a) above discounted at the growth to maturity rate of the relevant Capital Growth Bond). <p>For these purposes, Pending Bonds will be treated as having been issued to Pending Bondholders in the types and amounts for which they subscribed.</p>
IFA	<p>An independent financial advisor based in the United Kingdom and regulated by the FSA or FCA, which advised a Pending Bondholder in relation to its investment in ARM and which has been judged by the FSCS to be in default under the rules of the FSCS. For the avoidance of doubt, the term IFA shall include but is not limited to Rockingham Independent Limited.</p>

Income Bonds	The Bonds issued and the Pending Bonds intended to be issued in respect of which periodic payments of interest were required to be made.
Initial Period	The period of three calendar months beginning on the Effective Date.
Investors	The Pending Bondholders and the Non-Pending Bondholders.
Interim Interest	The aggregate value of interest payments received by an Investor from the Company in respect of the Bonds and / or Pending Bonds in the period beginning on the date the Investor subscribed for the Bonds and / or Pending Bonds and ending on 31 July 2011 (or such later date as evidenced by the relevant Investor or as shall otherwise become apparent).
Liquidators	The liquidators to be appointed to ARM pursuant to the Act (being the PLs and Sarah Megan Rayment, all of BDO LLP).
Net Loss	An Investor's: (a) Capital Investment; <i>less</i> (b) any Interim Interest received by the Investor.
Non-Pending Bondholders	Those persons who subscribed for bonds issued by ARM as issues 1 to 8 in the period from 2006 to 31 August 2009 (and as defined in Schedule 1 to the Order of Snowden J dated 16 December 2015) or any assignee of the rights of any such persons (including, for the avoidance of doubt, the FSCS).
Notional Standard Dividend	As defined in Clause 6.2.3.
Pending Bonds	The bonds which ARM intended to be issued from 1 January 2010 onwards as Issues 9 to 11.

Pending Bondholders	Those persons who subscribed for Pending Bonds in the period from 1 September 2009 to 1 July 2010 (and as defined in Schedule 1 to the Order of Snowden J dated 16 December 2015) or any assignee of the rights of any such persons (including, for the avoidance of doubt, the FSCS).
Pending Monies	<p>The subscription monies paid by Pending Bondholders in connection with the Pending Bonds and which are held in the following accounts and in the following amounts:</p> <p><u>Monies transferred from SLC</u></p> <p>£9,621,975.71 €1,643,307.09 \$192,744.81</p> <p><u>Monies transferred from SquareMile</u></p> <p>£2,240,569.53 €3,802,503.28 \$375,673.96</p> <p><u>Monies held by Jarvis</u></p> <p>£1,513,151.38</p>
Position Papers	<p>The Position Papers submitted in the Application by (a) the Pending Representative and the Non-Pending Representative detailing their respective claims, entitlements and responses to the Questions and (b) the PLs, including:</p> <ul style="list-style-type: none"> a. The Pending Representative's papers dated 19 February 2016 and 27 July 2016; b. The Non-Pending Representative's papers dated 19 February 2016 and 27 July 2016; and c. The PLs' papers dated 22 April 2016 and 8 February 2017.
Proof of Debt	A proof of debt submitted in the CVA.

Representative Beneficiary Agreement	The agreement dated 13 February 2015 and entered into by the Pending Representative, Thomas Eggar LLP, the Non-Pending Representative, Proskauer Rose (UK) LLP and ARM, as amended and restated by the amendment and re-statement agreement relating to the Representative Beneficiary Agreement dated 15 December 2015.
Rules	The Insolvency Rules 1986 or the Insolvency (England & Wales) Rules 2016, as applicable.
Shortfall Claim	A claim by a Pending Bondholder for any shortfall from trust assets against any general assets held by ARM.
Standard Dividend	The dividend payable to all Creditors calculated in accordance with clause 7.
Supervisors	The supervisors of the CVA.
Trial	The hearing of the Application listed in a five day window starting 27 February 2017 (and with a time estimate of 8-10 days).
Total Compensation	Means, with respect to a Pending Bondholder, the sum of (i) any FSCS Compensation received; (ii) any Standard Dividend received in accordance with the terms of the CVA; and (ii) any Enhanced Dividend received in accordance with the terms of the CVA.
Winding Up Petition	The winding up petition presented by the Company, acting by its directors, on 4 October 2013 in respect of ARM.
Witness Statement	The witness statement of Mark James Shaw dated 20 November 2015.

2 Effect of this Agreement

- 2.1** This Agreement shall be conditional on: (a) the Court Approval being obtained; (b) the CVA being approved by the Creditors; and (c) the period during which the CVA can be challenged expiring without a challenge being made or (if any such challenge is made) any such challenge being dismissed or (if successful) not resulting in the revocation or suspension of the CVA, and shall become a settlement final and binding on the parties on the Effective Date.
- 2.2** The purpose of this Agreement is to:
- 2.2.1** record the basis on which the parties agree to resolve the Questions in the Application; and
 - 2.2.2** provide a framework for the preparation and proposal of the CVA.
- 2.3** The terms of this Agreement will be carried into effect by the CVA which it is intended will be proposed by the Liquidators, once the PLs (and Sarah Megan Rayment) have been appointed to that office.
- 2.4** This Agreement shall not operate so as to limit or interfere in any way with the rights of Investors to seek or participate in FSCS Compensation and / or to assign to the FSCS / or to request that the FSCS assign back any claims, and the right to prove in the CVA, or (if applicable) the liquidation of ARM.

3 The Pending Monies

- 3.1** On the terms of this Agreement only, and entirely without prejudice to the parties' respective positions if any one or more of the conditions referred to in clause 2.1 is not satisfied:
- 3.1.1** The parties agree that the Pending Monies form part of the Estate Assets.
 - 3.1.2** The Pending Bondholders will waive and forego all and/or any actions, claims, rights, demands and set-offs, whether in this jurisdiction or any other, whether or not presently known to the parties or to the law, and whether in law or equity, that they, or any one of them ever had, may have or hereafter can, shall or may have (including without limitation any argument raised by the Pending Representative in the Position Papers) to be entitled to the Pending Monies to the exclusion of the Non-Pending Bondholders and / or other Creditors.

- 3.1.3 The Pending Bondholders acknowledge that no trust or analogous interest has arisen or is present over the Pending Monies whether in this jurisdiction or any other and whether pursuant to the arguments raised by the Pending Representative in the Position Papers during the course of the Application or otherwise.

4 The FCIL Receivable

- 4.1 On the terms of this Agreement only, and entirely without prejudice to the parties' respective positions if any one or more of the conditions referred to in clause 2.1 is not satisfied:

- 4.1.1 The parties agree that the FCIL Receivable forms part of the Estate Assets.
- 4.1.2 The Non-Pending Bondholders waive and forego all and/or any actions, claims, rights, demands and set-offs, whether in this jurisdiction or any other, whether or not presently known to the parties or to the law, and whether in law or equity, that they, or any one of them ever had, may have or hereafter can, shall or may have (including without limitation any argument raised by the Pending Representative in the Position Papers) to be entitled to the FCIL Receivable to the exclusion of the Pending Bondholders and / or other Creditors.

5 The CVA

- 5.1 The PLs shall, as soon as reasonably practicable, use all reasonable endeavours to place ARM into liquidation and to procure their appointment as Liquidators (together with Sarah Megan Rayment).
- 5.2 Thereafter and if appointed as Liquidators, the PLs shall use all reasonable endeavours to propose (in their capacity as Liquidators) the CVA. The PLs shall procure that Sarah Megan Rayment adheres to the terms of this Agreement as if she had been a PL.
- 5.3 Following approval of the CVA, the Supervisors shall promptly advertise (a) the CVA and (b) for Creditors to submit their claims as widely as they determine to be reasonable, including by advertising the same on an appropriate website and on the portal used by the Investors.

6 Proving claims

6.1 Subject to clause 5, above, the CVA shall include (without limitation) provisions to the following effect:

6.1.1 The Supervisors shall be responsible for considering Proofs of Debt in accordance with the terms and rules of the CVA which shall reflect the terms of this Agreement;

6.1.2 The Supervisors shall determine on a case by case basis a Creditor's entitlement to payment of a dividend in accordance with the CVA; and

6.1.3 The Supervisors shall use a proof of debt form in order to capture information relevant to the calculation of the Notional Standard Dividend, the Standard Dividend and the Enhanced Dividend in accordance with the terms of this Agreement and the CVA.

6.2 The Supervisors will:

6.2.1 Invite claims from all Investors to be submitted within the Initial Period;

6.2.2 Not admit any Proofs of Debt submitted after the Initial Period by an Investor for Enhanced Dividend payments (but may, for the avoidance of doubt, admit claims for Standard Dividend from such an Investor);

6.2.3 At the expiry of the Initial Period calculate a notional standard dividend (in accordance with the methodology used in clause 7.3.1) on the basis of (i) all Proofs of Debt submitted by Investors as at that date which have been admitted (and to the extent that they have been admitted); (ii) an assessment of claim values of such Investors on the basis of their Gross Loss (the "Notional Standard Dividend"); and

6.2.4 When assessing the value of any claim by any Investor that submits a Proof of Debt in the CVA, and when calculating the Notional Standard Dividend and calculating an Investor's entitlement to the Standard Dividend to be paid to the Investor in the CVA, the Supervisors shall assess such loss on the basis of the Gross Loss with each Investor (whether a Pending Bondholder or a Non-Pending Bondholder) being treated on a pari passu basis.

7 Distribution of the Estate Assets

7.1 Subject to clause 5, above, the CVA shall provide that the Supervisors are to distribute the Estate Assets in accordance with its terms and conditions and payment mechanics, which shall include, amongst other things, provisions to the following effect:

7.2 Payment of dividends generally

7.2.1 Following payment of secured and / or preferential debts (if any), dividends will be paid to Creditors who have submitted a Proof of Debt which has been accepted by the Supervisors.

7.3 The Standard Dividend

7.3.1 After deduction of an amount sufficient to pay the Enhanced Dividend payable to those Pending Bondholders entitled to the Enhanced Dividend in accordance with clauses 7.4 and 7.5 of this Agreement, the Estate Assets shall be distributed pro rata and pari passu to all Creditors who have completed a Proof of Debt which the Supervisors have admitted (and to the extent that it has been admitted) (the "Standard Dividend").

7.3.2 The Standard Dividend will be payable in instalments (the timing of such instalments to be determined by the Supervisors and dependent on the receipt of the FCIL Receivable Instalments).

7.3.3 The Supervisors shall pay such instalments of the Standard Dividend at the earliest practicable date after (i) commencement of the CVA and the expiry of the Initial Period, and (ii) then after receipt of each FCIL Receivable Instalment.

7.4 The Enhanced Dividend - generally

7.4.1 Subject to clause 7.5.2 and the amount of the Standard Dividend which is ultimately paid to Creditors, the Enhanced Dividend is intended to compensate each Pending Bondholder in full up to the Pending Bondholder's Net Loss.

7.4.2 Where a Pending Bondholder would not be compensated in full up to the level of their Net Loss as a result of the Pending Bondholder receiving: (a) the Notional Standard Dividend; and (b) FSCS Compensation, the Pending Bondholder shall be entitled to payment of an Enhanced Dividend to be calculated in accordance with clause 7.5.

7.5 The Enhanced Dividend – calculation

7.5.1 The Enhanced Dividend payable to each Pending Bondholder (if any) shall be calculated as soon as practicable after the expiry of the Initial Period.

7.5.2 The Enhanced Dividend shall be calculated as follows:

(a) Value of Pending Bondholder's Net Loss

Less amounts which would be payable to the Pending Bondholder as calculated by reference to the Notional Standard Dividend calculated as being due to such Pending Bondholder

Less FSCS Compensation received by that Pending Bondholder, or any compensation from any other source as contemplated by clause 7.5.2(c)(iii) below, received by that Pending Bondholder

= value of Enhanced Dividend

(b) The Notional Standard Dividend shall be used only in calculating the Enhanced Dividend payable to Pending Bondholders. For the avoidance of doubt, the Notional Standard Dividend may not represent the Standard Dividend actually payable to Creditors.

(c) In assessing the value of FSCS Compensation received by Pending Bondholders for the purposes of calculating the Enhanced Dividend, the Supervisors shall:

(i) assume (whether or not it is in fact the case) that all Pending Bondholders have received compensation from the FSCS in respect of the failure of CIGL as the distributor of ARM Investments;

(ii) if the Supervisors have knowledge that a Pending Bondholder has received FSCS Compensation in respect of any claims brought by a Pending Bondholder in respect of any IFA, take account of such compensation in calculating the Enhanced Dividend due to such Pending Bondholder; and

(iii) if the Supervisors have knowledge that any Pending Bondholder has received any compensation from any source other than the FSCS, take account of such compensation in calculating the Enhanced Dividend due to such Pending Bondholder.

7.5.3 Where a Pending Bondholder has submitted a claim for FSCS Compensation but the FSCS has not determined that claim at the expiry of the Initial Period, then:

- (a) the Pending Bondholder will be paid an Enhanced Dividend as if the Pending Bondholder's application for FSCS Compensation had been approved;
- (b) the Supervisors shall retain sufficient funds from the total Enhanced Dividend pool (the "Retained Amount") to be able to pay each such Pending Bondholder an Increased Enhanced Dividend calculated on the assumption that each such Pending Bondholder's claim for FSCS Compensation will be refused; and
- (c) once the FSCS has actually determined the Pending Bondholder's claims for FSCS Compensation, the Supervisors shall:
 - (i) If (and to the extent that) the FSCS has refused such Pending Bondholder's claim for FSCS Compensation, pay the Retained Amount to the Pending Bondholder; and
 - (ii) if (and to the extent that) the FSCS accepts the Pending Bondholder's compensation claim and pays him FSCS Compensation, release the Retained Amount such that it becomes part of the Estate Assets.

7.5.4 When calculating the Enhanced Dividend payable to Cross Investors, any FSCS Compensation received by that Cross Investor shall be allocated first to the Cross Investor's investment in Pending Bonds.

7.6 The Enhanced Dividend – payment

7.6.1 No Enhanced Dividend shall be payable to any Pending Bondholder who submits a Proof of Debt after expiry of the Initial Period.

7.6.2 Notwithstanding any other provision in this Agreement or the CVA, the amount available to pay the Enhanced Dividend shall not at any time exceed the Enhanced Dividend Cap.

- 7.6.3 In the event the total aggregate amount of the Enhanced Dividend payable (as calculated in accordance with clause 7.5) would exceed the Enhanced Dividend Cap, the Enhanced Dividend payable to each Pending Bondholder shall abate pari passu in proportion to the value of each Pending Bondholder's remaining loss after deducting from the Pending Bondholder's Net Loss the Notional Standard Dividend due to the Pending Bondholder as calculated in accordance with clause 6.2.3.
- 7.6.4 In no circumstances shall the Total Compensation received by a Pending Bondholder exceed 100% of such Pending Bondholder's Net Loss.
- 7.6.5 A worked example of the calculation of the Enhanced Dividend is set out in Schedule 1 to this Agreement.
- 7.6.6 Those Pending Bondholders who, at the date of this Agreement, are anticipated to be entitled to an Enhanced Dividend are shown in the spreadsheet at Schedule 2 to this Agreement.
- 7.6.7 Payment of the Enhanced Dividend shall be made as soon as practicable after the Initial Period.
- 7.6.8 Save for Non-Pending Bondholders who are Cross Investors, Non-Pending Bondholders are not entitled to payment of an Enhanced Dividend.

7.7 Ranking

Other than in relation to the Enhanced Dividend, all Bonds and Pending Bonds (together with the other unsecured and non-preferential creditors of ARM) will rank pro rata and pari passu between each other.

8 Release and discharge

- 8.1 The releases and discharges set out in this clause 8 shall take effect on the Effective Date.
- 8.2 Subject to Clause 8.3, this Agreement is in full and final settlement of, and each party hereby releases and forever discharges, all and/or any actions, claims, rights, demands and set-offs, whether in this jurisdiction or any other, whether or not presently known to the parties or to the law, and whether in law or equity, that it ever had, may have or hereafter can, shall or may have against the other party arising out of or connected with:
- 8.2.1 the Application;
- 8.2.2 the Questions; and

8.2.3 the Shortfall Claims, the Alternative Claims and the Contractual Claims.

(Collectively the "Released Claims").

- 8.3** Notwithstanding the releases set out in clause 8.2 and save that it is acknowledged and agreed that, if the CVA is implemented in accordance with its terms, the Creditors will be bound by its terms when proving for their debts and receiving a dividend, this Agreement does not affect or derogate from the rights that any Investor has or may have either against each other or any rights held in their capacity as a creditor under the Act or the Rules with regard to the conduct of the Company's provisional liquidation or the liquidation, including (without limitation) the right to vote at creditors' meetings (or on any matter for which sanction may be required under the Act or Rules), the right to sit on any liquidation committee, the right to requisition meetings and propose resolutions.

9 Agreement not to sue

- 9.1** Each party agrees not to sue, commence, voluntarily aid in any way, prosecute or cause to be commenced or prosecuted against the other party any action, suit or other proceeding concerning the Released Claims, in this jurisdiction or any other.
- 9.2** Clauses 8.2 and 9.1 shall not apply to, and the Released Claims shall not include, any claims in respect of any breach of this Agreement or the rights under clauses 21 and 22 of the Representative Beneficiary Agreement.

10 Obtaining Court Approval

- 10.1** The parties hereby consent to, and shall take all necessary steps to obtain, Court Approval.
- 10.2** The parties agree that, on execution of this Agreement, they shall take all necessary steps to give effect to this Agreement including, in particular, all appropriate steps to ensure that as soon as is practicable a court hearing is listed at which Court Approval will be sought.

11 Release and discharge of the Pending Representative and the Non-Pending Representative from their roles

- 11.1** On the Effective Date, the Pending Representative and the Non-Pending Representative shall be released and discharged from (i) their respective appointments as such and (ii) all liabilities both in respect of acts and omissions of theirs in relation to the representative capacity in which they have acted in this Application and otherwise in relation to their conduct as representatives.

11.2 At the court hearing at which Court Approval will be sought, the parties agree to seek an order from the Court (i) releasing and discharging the Pending Representative and the Non-Pending Representative from their respective appointments; (ii) releasing and discharging the Pending Representative and the Non-Pending Representative from all liabilities both in respect of acts and omissions of theirs in relation to the representative capacity in which they have acted in this Application and otherwise in relation to their conduct as representatives; and (iii) indemnifying the Pending Representative and the Non-Pending Representative from the Estate Assets against all claims, liabilities, costs and expenses that may be claimed against them within 1 year of the Effective Date arising out of acts and omissions of theirs in relation to the representative capacity in which they have acted in this Application and otherwise in relation to their conduct as representatives. ARM shall not be required (whether in the CVA or otherwise) to maintain any reserves from the Estate Assets to pay the indemnity described in this clause 11.2. That indemnity shall be an obligation of ARM alone and not any of the other parties including, for the avoidance of doubt, the PLs.

12 Entire agreement

12.1 This Agreement constitutes the entire agreement between the parties and, save for the Representative Beneficiary Agreement, supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

12.2 Each party agrees that it shall have no remedies in respect of any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Agreement. Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Agreement.

13 Governing law and Jurisdiction

13.1 This Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England.

13.2 The parties irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation. The parties waive their rights to claim *forum non conveniens*.

14 Co-operation

The parties shall deliver or cause to be delivered such instruments and other documents at such times and places as are reasonably necessary or desirable, and shall take any other action reasonably requested by the other party for the purpose of putting this Agreement into effect, provided always that this clause shall not require or cause the parties to incur any personal liability.

15 Counterparts

15.1 This Agreement may be executed in any number of counterparts, each of which when executed shall constitute a duplicate original, but all the counterparts shall together constitute the one Agreement. For the purposes of completion, signatures by the parties' legal advisers shall be binding.

15.2 No counterpart shall be effective until each party has executed at least one counterpart.

16 Variation

16.1 No variation of this Agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives) and approved by the Court.

17 Provisional Liquidators

17.1 Nothing in this Agreement shall prevent the PLs from acting in accordance with their statutory duties and functions.

17.2 The PLs are the agents of ARM and, without prejudice to the express obligations on the PLs set out in this Agreement, shall not incur any personal liability of any kind under, or by virtue of, this Agreement, nor in relation to any related matter or claim in any jurisdiction or forum. For the purpose of any acknowledgements or agreements as to exclusions of liability given in favour of the PLs in this Agreement and the provisions of clause 12, references to the PLs shall mean and include their present and future firm or firms, partners and employees.

18 Third Party Rights

18.1 Save for those persons referred to in clause 17.2, a person who is not a party to this agreement may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

This Agreement has been executed on the date stated at the beginning of it.

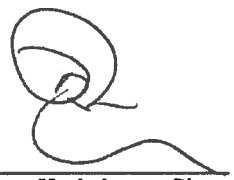
Signed by **WALTER PISARSKI**

Walter Pisarski
as Pending Representative

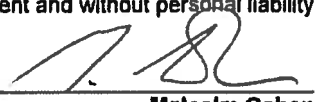
Signed by **GORDON PULLAN**

Gordon Pullan
as Non-Pending Representative

Signed for and on behalf of
ARM ASSET BACKED SECURITIES S.A.
acting by its Provisional Liquidators
MARK JAMES SHAW and MALCOLM COHEN




Mark James Shaw
as Provisional Liquidator of ARM as its
agent and without personal liability

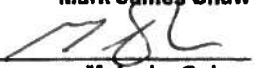


Malcolm Cohen
as Provisional Liquidator of ARM as its
agent and without personal liability

Signed by **MARK JAMES SHAW**
and **MALCOLM COHEN**
in their capacity as Joint Provisional
Liquidators of ARM



Mark James Shaw



Malcolm Cohen

Signed by **WALTER PISARSKI**

Walter Pisarski
as Pending Representative

Signed by **GORDON PULLAN**



Gordon Pullan
as Non-Pending Representative

Signed for and on behalf of
ARM ASSET BACKED SECURITIES S.A.
acting by its Provisional Liquidators
MARK JAMES SHAW and **MALCOLM COHEN**

Mark James Shaw
as Provisional Liquidator of ARM as its
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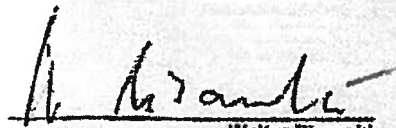
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and **MALCOLM COHEN**
in their capacity as Joint Provisional
Liquidators of ARM

Mark James Shaw

Malcolm Cohen

Signed by **WALTER PISARSKI**


Walter Pisarski
as Pending Representative

Signed by **GORDON PULLAN**

Gordon Pullan
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and **MALCOLM COHEN**
in their capacity as Joint Provisional
Liquidators of ARM

Mark James Shaw

Malcolm Cohen

SCHEDULE 1
Worked examples: calculation of Enhanced Dividend

SCHEDULE 1

Example 1 - Income Bond:		
	Note	£ (Equivalent)
Original Amount Invested:		220,150
Estimated Net Loss:	1	191,255
Compensation Received:	2	77,633
Estimated Standard Dividend - 26.15% of £273,812 (Gross Loss)	3	71,602
Enhanced Dividend Required	4	42,021
Notes 1. Original amount invested less estimated interest received 2. Joint investment, therefore double compensation received 3. Gross Loss: Date of Maturity : 31 December 2015 Quarterly Interest Rate: 1.875% Term: 5 years (20 quarters) Quarters between July 2011 and Maturity: 13 quarters Unpaid Interest to Maturity: £53,662 Gross Loss: £273,812 4. Enhanced Dividend required to compensate investor up to Net Loss (191,255 - 77,633 - 71,602 = 42,021)		

Example 2 - Capital Bond:		
	Note	£ (Equivalent)
Original Amount Invested:		129,376
Estimated Net Loss:	1	129,376
Compensation Received:	2	50,000
Estimated Standard Dividend - 26.15% of £249,515 (Gross Loss)	3	65,248
Enhanced Dividend Required	4	14,128
Notes 1. Original amount invested but no interest paid on capital bonds 2. Estimated full Catalyst compensation of £50k 3. Gross Loss: Date of Maturity : 30 June 2017 Growth Rate: 100% Term: 7 years (28 quarters) Quarters to Liquidation: 26 quarters Growth to Liquidation: 92.86% Gross Loss: £249,515 4. Enhanced dividend required to compensate investor up to Net Loss (129,376 - 50,000 - 65,248 = 14,128)		

SCHEDULE 2
Pending Bondholders entitled to an Enhanced Dividend (as at the date of the Agreement)

First Name	Surname	Estimated Enhanced Dividend Requirement £ (Equivalent)

740,093

SCHEDULE 3
FSCS Letter

FSCS Ref: LEG/JL/ARM
(Please quote our reference when contacting us)



PRIVATE AND CONFIDENTIAL

Mark James Shaw and Malcolm Cohen of BDO LLP
Gordon Walte Pullan
Walter Jürgen Pisarski

7 March 2017

Dear Sirs

ARM Asset Backed Securities S.A. – In Provisional Liquidation (the Company)

Settlement Agreement

I adopt in this letter the defined terms used in the settlement agreement between Gordon Pullan, Walter Pisarski, ARM Asset Backed Securities SA and Mark Shaw and Malcolm Cohen (as Provisional Liquidators of ARM Asset Backed Securities SA) and dated 7 March 2017 (the Settlement Agreement).

I hereby confirm that the FSCS has reviewed the terms of the Settlement Agreement and agrees, subject to compliance with its own rules, to give effect to the terms of the Settlement Agreement. In particular, I confirm that:

1. Payment of compensation and dividends

1.1. The FSCS will pay on to an Investor his or her entitlement to:

- (a) FSCS Compensation;
- (b) Standard Dividend; and
- (c) Enhanced Dividend (if any),

which amounts shall not, in aggregate, exceed the full value of such Investor's Net Loss as assessed by FSCS.

1.2. The FSCS will pay to Investors, their SIPP operators, or any other person or entity the FSCS deems has appropriate legal entitlement, the amounts

Financial Services Compensation Scheme Limited
Registered as a Limited Company in England and Wales No 3943048.
Registered office: 10th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7QU



Protected

Freephone 0800 678 1100 Telephone +44 (0)20 7741 4100
www.fscs.org.uk claims@fscs.org.uk

described in paragraph 1.1 (b) and (c) above as soon as is reasonably practicable after the FSCS receives the equivalent payments in the liquidation and/or CVA (as appropriate).

- 1.3. Where an investor has suffered losses in excess of our compensation payment, FSCS COMP rule 7.6 requires that we consider whether any further sums are due to the investor from any recovery we make. Where an investor would have received more money by claiming first in the liquidation, before applying to FSCS for compensation, FSCS' rules require that we pay the investor all or part of the amounts we receive from the Company under their transferred rights to ensure that the investor is no worse off.

2. Proving in the CVA / liquidation (as appropriate)

- 2.1. the FSCS will prove in the liquidation and/or CVA (as appropriate) and we will submit within the Initial Period all Proofs of Debt which, at the date of submission, we are entitled to submit.
- 2.2. the FSCS will prove in the liquidation and/or CVA (as appropriate) based on the Investors' Gross Loss as provided to us by the Provisional Liquidators or Liquidators as appropriate.

3. General

- 3.1. the FSCS will determine applications for FSCS compensation made by Pending Investors who may be entitled to the Enhanced Dividend in accordance with its usual timescales.
- 3.2. as required by, and in accordance with COMP 7.2 of the COMP Rules, if the FSCS decides not to pursue any recoveries on behalf of an investor that has assigned its claims to the FSCS, the FSCS will reassign any such claims to such investor as soon as is reasonably practicable, giving priority to those requests necessary for the purposes of claiming against the estate or any other third parties, if that investor so requests in writing.

FSCS has agreed the above procedure in order to facilitate a settlement between the Pending and Non-pending Bondholders, and thereby maximise its own recoveries.

Yours faithfully

For and on behalf of the FSCS



Jenna Lee
Solicitor