



Press release

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The Arc Capital and Income PLC ("ACI") business has been successfully transferred to preserve the interests of approximately 10,000 investors

The Joint Administrators of Arc Capital and Income PLC ("ACI"), Robin Davis, John Alexander and Melvyn Carter of Carter Backer Winter LLP ("CBW") successfully brokered a deal for ACI's business to be transferred to Merchant Capital.

Background

Along with other firms who have recently found themselves in the same situation, ACI was adversely affected by potential claims by investors in Lehman-backed products.

ACI arranged the underlying investments for its structured products with a range of different banks. Three of ACI's structured products were backed by firms in the Lehman Brothers Group. The marketing and distribution of these products, along with the wider structured products market, have been subject to a FSA review. It was these potential claims which brought about the administration of the company.

Although the other companies appear yet to be transferred, CBW has completed a deal with Merchant Capital to take over ACI's business. Effectively, this ensures the continuity of the business as all the funds under management will now be controlled by Merchant Capital.

What does this mean for investors?

Joint Administrator and partner at CBW, John Alexander says: "This is excellent news for the 10,000 investors because effectively their investments (collectively worth around £100m) will be accessible virtually without interruption."

Had CBW not been successful, investors would have suffered from additional costs that are incurred by the Administrators as they deal with the administration of investments. Ultimately, an inability to find a solution may have resulted in a liquidation and resulting significant losses.

What about investors in Lehman Bros backed products?

Those products backed by the Lehman Brothers Group will not be transferring to the new business. This affects investors in the Fixed Income Plan 6, the Stepped Kick Out Plan 5 and the Bull & Bear Enhanced Investment Plan 3. These funds are being ring fenced and will be dealt with separately. As reported previously, the Financial Services Compensation Scheme ("FSCS") is investigating whether it can accept claims for compensation from investors in these plans. The Joint Administrators continue to assist FSCS with their investigations. If

there is compensation for FSCS to pay, the Joint Administrators will work with FSCS to ensure that affected investors know what to do.

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