



Our ref: RHD/JAGA/VT/TW/A2047.A

**Carter Backer Winter**  
Chartered Accountants  
and Business Advisors  
Enterprise House  
21 Buckle Street  
Aldgate East  
London E1 8NN

**cbw.co.uk**

**TO ALL KNOWN CREDITORS AND MEMBERS**

22 December 2009

t: + 44 (0)20 7309 3800

Dear Sirs

f: + 44 (0)20 7309 3801

**Arc Capital and Income Plc – In Administration**  
**In the High Court of Justice No. 20,074 of 2009**  
**Company Number: 01673650**

DX 513 London City

info@cbw.co.uk

**Partners**

I refer to the appointment of myself, John Alexander and Melvyn Carter as Joint Administrators of the above named Company on 26 October 2009.

John Alexander  
FCA FABRP

In accordance with The Insolvency Act 1986, a meeting has been convened for 15 January 2010 to consider and vote on the Joint Administrators' Proposals.

Melvyn Carter  
FCA CTA FABRP

Robin Davis  
FCA FABRP

I enclose, for your attention, the following documents:

David Kramer  
FCA

1. Form 2.17B, Notice of the Joint Administrators' Proposals together with the formal statement, pursuant to paragraph 49 of schedule B1 of the Insolvency Act 1986 of the Joint Administrators' Proposals;
2. Form 2.20B, Notice of the Meeting of Creditors to consider the Joint Administrators' Proposals;
3. Form 4.25, a Proof of Debt Form, in order that you may submit your claim if you have not already done so;
4. Form 8.2, a Proxy Form, in order that your voting intentions for the acceptance or rejection of the Proposals can be taken into account.

Harry Lipman  
FCCA

Peter Luscombe  
FCA MAE

Vipul Shah  
FCCA

Paul Smethurst  
FCA MAE

Malcolm Somerston  
FCA

Edward Tsui  
FCA

A creditors' guide to office holders' fees issued by the Association of Business and Recovery Professionals (R3) can be obtained from their website at: <http://www.r3.org.uk/publications>. (Select Statements of Insolvency Practice, then number 9.) A hard copy can be provided on request.

Andrew White  
FCA

Peter Winter  
FCA

No further information will be available at the meeting and your presence is not required to ensure that you participate in any payments to be made to creditors in due course. However, it is important that you complete and return the enclosed Proxy Form, duly signed, supported by a Proof of Debt Form if you have not already submitted one, so that your wishes regarding the Proposals can be taken into account.

Paul Woosey  
FCCA

Should you require any further information please do not hesitate to contact Tess Whitney of my office.

Yours faithfully

**R H Davis**  
**Joint Administrator**

Please contact  
e: [tess.whitney@cbw.co.uk](mailto:tess.whitney@cbw.co.uk)

d: +44 (0)20 7309 3824

The Insolvency Act 1986

# Statement of Administrators' Proposals

Name of Company <b>ARC CAPITAL AND INCOME PLC</b>	Company number <b>01673650</b>
In the <b>High Court of Justice</b> [full name of court]	Court case number <b>20,074 of 2009</b>

(a) Insert full name(s) and address(es) of administrator(s)

We (a) Robin Hamilton Davis, John Alfred George Alexander and Melvyn Julian Carter of Carter Backer Winter LLP, Enterprise House, 21 Buckle Street, London E1 8NN

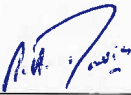
\* Delete as applicable

attach a copy of our Proposals in respect of the Administration of the above company.

A copy of these proposals was sent to all known creditors on

(b) Insert date

(b) 22 December 2009

Signed   
Joint Administrator

Dated: 22 December 2009

### Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

R H Davis	
Carter Backer Winter LLP Enterprise House	
21 Buckle Street London E1 8NN	Tel : 020 7309 3800
DX Number : 513	DX Exchange : London City

Companies House receipt date  
barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

**Companies House, Crown Way, Cardiff, CF14 3UZ  
Cardiff**

**DX 33050**

**ARC CAPITAL AND INCOME PLC – IN ADMINISTRATION  
IN THE HIGH COURT OF JUSTICE NO. 20,074 OF 2009  
COMPANY NUMBER: 01673650**

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**PROPOSALS BY THE JOINT ADMINISTRATORS FOR ACHIEVING THE PURPOSE OF THE  
ADMINISTRATION, PURSUANT TO PARAGRAPH 49(1) OF SCHEDULE B1 OF THE  
INSOLVENCY ACT 1986 AND RULE 2.33 OF THE INSOLVENCY RULES 1986**

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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the action you should consult your  
solicitor, accountant or other professional advisor immediately.

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A notice convening a meeting of creditors to be held on **15 January 2010** is attached. A proxy form is enclosed which should be completed and returned to me by the date of the meeting if you cannot attend and wish to be represented.

In order to be entitled to vote at the meeting under Rule 2.38 you must give to me, not later than **12.00 noon** on **14 January 2010**, the day before the date of the meeting of creditors, details in writing of your claim.

**SUMMARY**

Robin Hamilton Davis, John Alfred George Alexander and Melvyn Julian Carter of Carter Backer Winter LLP, Enterprise House, 21 Buckle Street, London, E1 8NN were appointed Joint Administrators of Arc Capital and Income Plc ("the Company") on 26 October 2009.

The purpose of Administration as laid out in Paragraph 3(1)(a) of Schedule B1 of the Insolvency Act 1986, that is to rescue the Company as a going concern, is not achievable as the business of the Company was transferred following our appointment as Joint Administrators.

The Proposals outlined in this document need to be implemented in order to achieve the purpose of the Administration as set out in Paragraph 3(1)(b) of Schedule B1 of the Insolvency Act 1986, as amended, that is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration).

The appointment of Joint Administrators was made by the Company's directors pursuant to paragraph 22 of Schedule B1 of the Insolvency Act 1986, as amended. In accordance with Paragraph 100 (2) of Schedule B1, the Joint Administrators are authorised to act jointly and severally.

The Company was adversely affected by potential claims by investors in Lehman-backed products. The Company arranged the underlying investments for its structured products with a range of different banks. Three of the Company'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 review by the Financial Services Authority ("FSA"). The Company estimated that it could face claims arising out of these products with an estimated value of £5.75 million. After allowing for the maximum payout of £3 million from professional indemnity insurance cover, the directors concluded that the Company was insolvent.

The Joint Administrators' Proposals are to continue realising the Company's assets and to move the Company to Creditors' Voluntary Liquidation to continue realising the debts due to the Company so that a dividend can be paid to creditors, if there are sufficient funds.

It is the Joint Administrators' opinion that these Proposals are the most effective way to achieve the purpose of the Administration. Accordingly, creditors are strongly urged to vote in favour of the attached Proposals.

Dated this 22 December 2009



**R H Davis**  
**Joint Administrator**

**ARC CAPITAL AND INCOME PLC – IN ADMINISTRATION****STATEMENT OF THE JOINT ADMINISTRATORS' PROPOSALS**

Following our appointment as Joint Administrators on 26 October 2009, these are our Proposals for creditors' consideration. In addition to our Proposals, we are required to provide you with certain statutory information.

**Statutory Information**Company Details

The Company's former registered office at 22 Lovat Lane, London EC3R 8EB was changed following our appointment to Enterprise House, 21 Buckle Street, London, E1 8NN. The Company traded from its former registered office and, on being placed into Administration, ceased trading on 26 October 2009. The registered number of the Company is 01673650.

The premises at 22 Lovat Lane, London EC3R 8EB were leased by an associated company, Arc Fund Management Limited. Rent had been paid to 24 December 2009. Arc Fund Management Limited, as well as Arc Equities Limited, another associated company, were placed into Administration on 17 December 2009. Cameron Gunn of Resolve Partners LLP has been appointed Administrator.

Directors and their Shareholdings

The Company's Directors at the date of appointment of the Joint Administrators were John Gracey and Wing On ("Tommy") Ip. John Gracey was also the Company Secretary. The sole shareholder of the Company is Tradeking Limited, which is wholly owned by John Gracey.

**Circumstances leading to Administration**

The Company was primarily involved in the business of creating structured financial products and their sale to investors, primarily through intermediaries such as Independent Financial Advisors ("IFA's"). The Company had a high profile in the IFA market. It managed funds with a value of approximately £97.2 million (based on a mid-price as at 12 October 2009). The maturity dates of these funds ranged from 2009 to 2015. The Company dealt with approximately 10,000 UK investors.

The Company was adversely affected by potential claims by investors in Lehman-backed products. The Company arranged the underlying investments for its structured products with a range of different banks. Three of the Company'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 review by the Financial Services Authority ("FSA"). The Company estimated that it could face claims arising out of these products with an estimated value of £5.75 million. After allowing for the maximum payout of £3 million from professional indemnity insurance cover, the directors concluded that the Company was insolvent and the Joint Administrators were appointed by the Directors pursuant to the provisions of paragraph 22 of Schedule B1 of the Insolvency Act 1986 on 26 October 2009.

**Joint Administrators and Court details**

The appointment of Robin Hamilton Davis, John Alfred George Alexander and Melvyn Julian Carter as Joint Administrators was made by the Company's Directors on 26 October 2009 pursuant to paragraph 22 of Schedule B1 of the Insolvency Act 1986, as amended. The Joint Administrators are authorised to act jointly and severally in accordance with Paragraph 100 (2) of Schedule B1.

A notice of the appointment of Joint Administrators was filed in the High Court of Justice, Strand, London, WC2A 2JY on 26 October 2009, under reference 20,074 of 2009.

**Achieving the Purpose of the Administration**

The purpose of the Administration is to achieve a better result for creditors as a whole than would have been achieved had the Company been wound up (having not been in Administration first). The Joint Administrators believe that the purpose has been achieved as the business and assets of the Company were transferred on 20 November 2009 to Merchant Capital Limited ("Merchant Capital"). Had the business not been transferred approximately 10,000 investors with collective investments worth in the

