

Arc Capital and Income Plc - in Administration ("the Company")

Information for Investors as at 14 January 2010

The Joint Administrators appreciate that there is a certain degree of confusion amongst investors following the transfer of the business of plan management to Merchant Capital Limited in terms of what payments will be made, and when. The purpose of this advisory note is to clarify the position in respect of outstanding income payments and maturity payments, and provide further general information to investors.

The Joint Administrators are currently holding just over £18 million of client monies.

We recognise that investors are concerned and uncertain of what is happening with their investments. This is a complicated matter which has required the involvement of many different bodies including the Court, the FSA and the FSCS. We are working hard to progress matters but with so many stakeholders, and due to the complexity of the matter, it is inevitable that things are may not be moving as quickly as everyone would like.

Please continue to monitor this website for further updates.

Please see below a number of frequently asked questions.

Q. *I have not received one or more income payments from my investment since September/October. Will I receive the funds I am due? If so, when?*

A. The Joint Administrators have reconciled all client monies and those monies representing income due to be paid to investors are currently held in client accounts under the control of the Joint Administrators. However, as a consequence of the Administration, the funds have been frozen in accordance with the Client Assets Rules of the Financial Services Authority ("FSA").

We are currently seeking directions from the Court and the FSA as to who will have the responsibility of paying out these funds to investors.

Income Payments received before the date of Administration (26 October 2009)

As Merchant Capital has taken over the management of the plans of the Company, any income payments received before the date of Administration will be paid over to Merchant Capital who will pay them to investors without deduction once the FSA authorises the Administrators to release them. The Joint Administrators are currently working with the FSA to ensure that the process is conducted within FSA guidelines. We hope to shortly be in a position to advise you further. This website will be updated when we have further news.

**Income Payments received after the date of Administration
(26 October 2009 to 20 November 2009)**

The Court has directed that any income payments received after the date of Administration will be distributed to investors by the Administrators, after deducting the Administrators' specific costs in dealing with these funds, which are also held in a client account under the control of the Administrators.

Therefore, you will not receive the full amount of the income payment due to you as our costs, estimated at approximately 3 pence in the pound, will be deducted from this sum. Based on current information, we anticipate that investors will therefore receive approximately 97% of the value of their outstanding income payment(s).

Due to certain technicalities we require further directions from the Court before we can make the payments due. However, in the meantime, we are preparing to make the payments as soon as possible after the Court's directions are received. Regrettably, we are waiting for a Court date which we hope to receive before too long. Again, this website will be updated when we have further news.

Income Payments received after the date that the business of Plan Management was transferred to Merchant Capital (20 November 2009)

Any income payments received after the date that the business of plan management was transferred to Merchant Capital will be distributed by Merchant Capital in the usual way.

Q. I have not received any funds upon the maturity of my investment. Will I receive the funds I am due? If so, when?

A. As with income payments, any investments that have matured since the date of Administration have been reconciled and these funds are currently held in client accounts under the control of the Joint Administrators. However, these funds have also been frozen in accordance with the Client Assets Rules of the FSA.

We are currently seeking directions from the Court and the FSA as to who will have the responsibility of paying out these funds to investors and will update this website when we have any information.

**Maturities received before the date of Administration
(26 October 2009)**

As Merchant Capital has taken over the management of the plans of the Company, any maturities received before the date of Administration will be paid over to Merchant Capital who will pay them to investors without deduction once the FSA authorises the Administrators to release them. The Joint Administrators are currently working with the FSA to ensure that the process is conducted within FSA guidelines, and we hope to shortly be in a position to advise you further which we will do on this website.

**Maturities received after the date of Administration
(26 October 2009 to 20 November 2009)**

The Court has directed that any maturities received after the date of Administration will be distributed to investors by the Administrators, after deducting the Administrators' specific costs in dealing with these funds which are also held in a client account under the control of the Administrators.

Therefore, you will not receive the full amount of the maturity due to you as our costs, estimated at approximately 3 pence in the pound, will be deducted from this sum. Based on current information, we anticipate that investors will therefore receive approximately 97% of the value of their outstanding maturity value.

Due to certain technicalities we require further directions from the Court before we can make the payments due. However, in the meantime, we are preparing to make the payments as soon as possible after the Court's directions are received. Regrettably, we are waiting for a Court date, which we hope to receive before too long. We will update this website when we have further news.

Maturities received after the date that the business of Plan Management was transferred to Merchant Capital (20 November 2009)

Any maturities received after the date that the business of plan management was transferred to Merchant Capital will be distributed by Merchant Capital in the usual way.

Q. *I was sent a cheque by the Company prior to Administration but it was returned by my bank as 'refer to drawer'. Will I receive this funds? If so, when?*

A. These funds are currently held in client accounts under the control of the Joint Administrators. However, as a consequence of the Administration, the funds have been frozen in accordance with the Client Assets Rules of the FSA.

These monies will be paid to you by Merchant Capital once the FSA has authorised the Joint Administrators to release the funds to them. We will update this website when that happens.

Q. *What about interest? Am I entitled to interest on the funds held?*

A. We understand that the arrangements between the Company and the investors provided that interest would be payable to the investors on funds held at a rate of 0.5% below the Bank of England rate. Because the base rate is currently 0.5%, no interest is payable on funds held.

Please continue to monitor this website for further updates.