

Smith & Williamson

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TO ALL KNOWN CREDITORS/INVESTORS

30 January 2009

Our Ref:
SRC/JEM/DM/PA758

Dear Sir/Madam

Pacific Continental Securities (UK) Limited (in Liquidation) ("the Company")

I refer to the Final Progress Report of the Administration dated 14 March 2008. Please note that Stephen Cork and I were appointed Joint Liquidators of the Company on 21 March 2008.

I have set out below a summary of the current position:

Client Interests

As you are aware, the Company purchased shares on behalf of its clients in the name of Pacific Continental Securities (UK) Nominees Limited ("Nominees"). These were held in the CREST system to the order of clients (the ultimate beneficiaries). The Company also operated several bank accounts which allegedly held funds on behalf of clients.

Following my appointment as Joint Administrator, I have endeavoured to identify the ownership of shareholdings held in the Nominees account together with the funds held in the alleged client accounts. However, this process has been hindered by the following matters:

- The Company's books and records were incomplete and poorly maintained and were not up to date at the date the Company entered Administration;
- The Company did not use accounting software to record client transactions;
and
- The sheer quantum of investors/creditors claims in this matter.

It is evident that not all holdings reconcile with the shares that individual investors believe they held. As such I am finalising an application to be brought before the High Court of

Directors acting as insolvency practitioners contract without personal liability
Stephen Cork is licenced to act as an insolvency practitioner by the Insolvency Practitioners Association,
Joanne Milner is authorised to act as an Insolvency Practitioner whose licence is issued by the Institute of Chartered Accountants in England and Wales

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Justice (“the Court”) seeking directions on the best method of reconciliation and distribution of the client interests.

I appreciate that this is a frustrating time for investors and creditors and that all investors want to recover their investments and funds as soon as possible. At present I cannot give any firm indication as to when the position regarding the client interests will be resolved, as this is contingent upon the Court judgment.

Financial Services Compensation Scheme (“FSCS”)

As you may be aware, the FSCS is an independent body set up under the Financial Services and Markets Act 2000 and protects deposits, insurance, investments and mortgage business. It can pay compensation for financial loss and its service is free to consumers.

I advise that the FSCS declared the Company in default on 28 January 2009. Accordingly, investors may be eligible for a compensation payment from the FSCS.

On current available information, the FSCS believes that up to 4,500 investors may be eligible for compensation. After investigating the Company’s financial position and examining Company records, the FSCS declared the Company in default, as it is unable or likely to be unable to pay compensatable claims against it.

The FSCS is expecting two main categories of claims from investors:

- Mis-selling of US ‘Regulation-S’ shares and AIM shares: many claims relate to allegations that shares sold by the Company were not suited to the investor’s risk profile or investment objectives.
- Claims for the return of property: for cash or shares which have not been returned.

The FSCS has received 375 claims against the Company to date. The FSCS expect to deal with the vast majority of claims within six months of receiving an application form. The FSCS will be sending application forms to all investors who have notified the Joint Liquidators that they wished to make a claim against the Company.

Please note that the current limit for compensation payment from the FSCS is £48,000 (100% of the first £30,000 and 90% of the next £20,000), per claimant, per company.

Investors who believe they may have a claim and have not yet received a claim form from the FSCS should call 020 7892 7300, or email enquiries@fscs.org.uk. Further information about the FSCS’s work is available from its website at www.fscs.org.uk.

Overseas Companies offering to purchase shares

I am aware of at least ten 'recovery rooms' who are targeting investors who bought shares through the Company. 'Recovery rooms' are firms that cold call investors and offer to buy their shares or put them in touch with another buyer – for a fee.

According to the Financial Services Authority ("FSA"), **this is a scam**. These firms, often calling from outside the UK, are not authorised by the FSA to approach UK investors. Although they are commonly known as 'recovery rooms', as soon as you pay the fee they disappear with your money and don't buy your shares.

The FSA advises that you should always check the FSA Register to make sure a firm is authorised before doing business with them. If they're not and things go wrong, you won't have access to the UK complaints and compensation procedures.


Further updates

Please be advised that due to the vast quantum of correspondence received, I am not able to respond individually to every query raised by investors as this would result in massive costs being incurred in the Liquidation. I would like to reassure all investors that all correspondence received is reviewed and the contents are noted and filed accordingly.

However, please visit the Company's website, www.pacconsec.com for further updates or information on the Liquidation as it becomes available.

Yours sincerely



 Joanne Milner
Joint Liquidator