

Smith & Williamson

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TO CREDITORS

4 June 2009

Our Ref:
SRC/ACS/MCH/GH8/EC051

Your Ref:

Dear Sir/Madam

Echelon Wealth Management Limited (in Liquidation) (“the Company”)

I am writing to provide creditors with an update with regard to the current position of the Financial Services Compensation Scheme (“FSCS”) in terms of dealing with compensation claims for the creditors of the Company.

Creditors may be aware that the FSCS is the UK’s statutory fund of last resort for customers of financial services firms. The FSCS may pay compensation if a financial services firm is unable, or likely to be unable, to pay claims against it which are eligible for compensation. Once these conditions are satisfied, the firm may be declared “in default”, enabling the FSCS to start paying compensation.

The liquidators have been liaising closely with the FSCS to assist them in making a decision about the default declaration. I am pleased to inform creditors that the FSCS have now confirmed that Echelon is “in default” and, consequently, the FSCS is now in a position to pay compensation to creditors with claims that are eligible under the Scheme’s rules. To speed up the claims process, the FSCS have asked the liquidators to proceed with the task of adjudicating claims. We have agreed to this request. We consider that it would be in the best interests of creditors for the liquidator to do this work as it will result in a significant number of creditors being able to claim compensation earlier than they would ordinarily have been able to. We expect this adjudication process to be substantially completed in the next four weeks.

Unless you have already done so, please could you complete the attached proof of debt form and return it to the liquidators at the above address together with any documentation to substantiate your claim. Failure to do so is likely to result in a delay in adjudicating your claim and therefore a delay in any compensation to which you may be entitled.

Directors acting as insolvency practitioners contract without personal liability
Stephen Cork is licenced to act as an insolvency practitioner by the Insolvency Practitioners Association
Anthony Spicer is licenced to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales

Smith & Williamson Limited

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The FSCS will be sending its own claim form to creditors of the Company as part of the default process. The forms are expected to be sent out by the end of June. Once the FSCS has received the liquidators' adjudication work and also your completed FSCS claim form it will consider claims for any outstanding losses. Claims will be considered by the FSCS under its own rules (the "COMP Rules", which can be found in the "Redress" section of the FSA's Handbook at: www.fsa.gov.uk).

The FSCS have requested that, until you receive their own claim form, you should continue to liaise with the liquidators. Should you have any queries, please contact Gavin Hart on 020 7131 4000.

If you have not heard from the FSCS by the end of June, you should contact its helpline on 020 7892 7300 or by email: enquiries@fscs.org.uk. Further information about FSCS is available on its website: www.fscs.org.uk.

Yours faithfully



Stephen Cork
Joint Liquidator

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Statement of Claim by Creditor

Pursuant to Rule 4.15(2)(a) of the Insolvency (Scotland) Rules 1986

WARNING

It is a criminal offence

- for a creditor to produce a statement of claim, account, voucher or other evidence which is false, unless he shows that he neither knew nor had reason to believe that it was false; or

- for a director or other officer of the company who knows or becomes aware that is false to fail to report it to the liquidator within one month of acquiring such knowledge.

On conviction either the creditor or such director or other officer of the company may be liable to a fine and/or imprisonment.

Notes

(a) Insert name of company (a) Echelon Wealth Management Limited

(b) Insert name and address of creditor (b)

(c) Insert name and address, if applicable, of authorised person acting on behalf of the creditor (c)

(d) Insert total amount as at the due date (see note (e) below) claimed in respect of all the debts, the particulars of which are set out overleaf.

I submit a claim of (d) £ _____ in the liquidation of the above company and certify that the particulars of the debt or debts making up that claim, which are set out overleaf, are true, complete and accurate, to the best of my knowledge and belief.

(e) The due date in the case of a company
 (i) which is subject to a voluntary arrangement is the date of a creditors' meeting in the voluntary arrangement;
 (ii) which is in administration is the date of the administration order;
 (iii) which is in receivership is the date of appointment of the receiver; and
 (iv) which is in liquidation is the commencement of the winding up.

Signed _____
 Creditor/person acting on behalf of creditor

The date of commencement of the winding up is
 (i) in a voluntary winding up the date of the resolution by the company for winding up (sect. 86 or 98); and
 (ii) in a winding up by the court, the date of the presentation of the petition for winding up unless it is preceded by a resolution for voluntary winding up (section 129)

Date _____

PARTICULARS OF EACH DEBT

Notes

A separate set of particulars should be made out in respect of each debt.

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| <p>1. Describe briefly the debt, giving details of its nature, the date when it was incurred and when payment became due</p> <p>Attach any documentary evidence of the debt, if available.</p> | <p>1. Particulars of Debt</p> |
| <p>2. Insert total amount of the debt, showing separately the amount of principal and any interest which is due on the debt as at the due date (see note (e)). Interest may only be claimed if the creditors is entitled to it. Show separately the VAT on the debt and indicate whether the VAT is being claimed back from HM Customs and Excise.</p> | <p>2. Amount of Debt</p> |
| <p>3. Insert the nature and amount of any preference under Schedule 6 to the Act claimed in respect of the debt.</p> | <p>3. Preference claimed for Debt</p> |
| <p>4. Specify and give details of the nature of any security held in respect of the debt, including:-</p> <p>(a) the subjects covered and the date when it was given;</p> <p>(b) the value of the security</p> | <p>4. Security for debt</p> |

Security is defined in section 248(b) of the Insolvency Act 1986 as meaning 'any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off)'. For claims in administration procedure security also includes a retention of title agreement, hire purchase agreement, agreement for the hire of goods for more than three months and a conditional sale agreement (see Rules 2.11 and 2.12).

In liquidation only the creditor should state whether he is surrendering or undertakes to surrender his security; the liquidator may at any time after 12 weeks from the date of commencement of the winding up (note (e)) require a creditor to discharge a security or to convey or assign it to him on payment of the value specified by the creditor.

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| <p>5. In calculating the total amount of his claim in a liquidation, a creditor shall deduct the value of any security as estimated by him unless he surrenders it (see note 4.). This may apply in administration (see Rule 2.11).</p> | <p>5. Total amount of debt</p> |
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