

Dear Bondholder

Forthcoming creditors' meeting - 24 April 2019 - 1pm - London Capital & Finance plc ('LCF' or 'the Company')

We thought it would be helpful to provide an update to bondholders as regards the forthcoming creditors' meeting.

Purpose of the meeting

The formal business of the meeting is to establish a creditors' committee and elect its members. However, there will be the opportunity to present questions to the joint administrators.

Agenda for the meeting

We plan to structure the meeting as follows:

- Update from the administrators. We anticipate that this will be about 1 hour.
- Questions (we recognise that there will be many questions from bondholders and we have already received many questions which we will answer as part of our initial update at the meeting.). You can ask whatever question you believe would benefit the meeting.
- Formal voting on the establishment of a creditors' committee and the identity of its members. We expect that there will be a short adjournment whilst this process is finalised.
- Announcement of the voting results as regards the members of a creditors' committee.

There is no predetermined length for the meeting, but we would imagine that it will last at least 2 hours.

Who can attend?

The meeting is for creditors (and that is mostly bondholders). Therefore one of the following can attend:

- **You.** You can attend in person, if you are the actual bondholder. Please bring personal identification, as that will need to be presented as part of the registration process.
- **Proxy holder.** You can send a proxy holder to attend and to vote on your behalf. The proxy holder might be a family member and the proxy means the person is given authority to act for you. We previously wrote to you on this (see letter dated 29 March 2019). You will need to submit a proxy form to us by 4pm Tuesday 23 April 2019 if you wish to appoint a proxy. You can download a proxy form from our website (look on the right hand side for a list of files); the file is called "proxy form". The proxy holder should also bring personal identification.

The website where you will find all the forms referenced in this document is <https://www.smithandwilliamson.com/london-capital>

No other persons will be authorised entry to the meeting. In other words attendees are either you (subject to you having submitted a proof of debt) or your proxy holder (again, subject to you having submitted a proof of debt), and no one else. Space will be limited. If you have concerns, perhaps about mobility, then please contact us ASAP, and we will endeavour to accommodate your requirements.

Proxy votes that have already been received by us are valid as long as you do not wish to attend personally and vote differently from what appears on your proxy form.

Voting

A key activity at the meeting will be the election of members of the creditors' committee. The proxy form we have highlighted above includes a section for you to nominate someone to sit on the creditors' committee. In order to vote on who may be a member of the creditors' committee, you need to be an unsecured creditor.

We have taken legal advice, and there are a number of possible ways that voting might work. We will be running this process in the manner below, as that allows bondholders to vote according to the full value of their claim, and therefore this seems the most equitable manner of voting.

All bondholders are beneficiaries of the debenture security granted by the Company and so the debts of the bondholders will be repaid in priority to unsecured debts of the company. The bondholders are therefore secured in this important way. However, having taken detailed legal advice on this point, within the strict meaning of the applicable legislation, the bondholders are unsecured creditors for voting purposes at this meeting. This is on the basis that there is a fine and technical distinction between the way in which individual bondholders are categorised for voting purposes (i.e. as unsecured creditors) and the way in which the debts owed to the bondholders are treated, the bondholders having the benefit of the security in respect of these debts.

The significance and the advantage to bondholders of the above analysis is that all bondholders are entitled to vote at the meeting for the full extent of the debt owed to them. We appreciate that earlier communications indicated that bondholders would have an opportunity to give up £1 of secured claim in order to become an unsecured creditor for £1. Fortunately we no longer consider that this is necessary and the votes of each bondholder can simply be for the value of the debt owed to them. So, if a bondholder is owed £10,000, he will have 10,000 votes. If a bondholder has already submitted a proxy form, we will therefore calculate the number of their votes in accordance with the value of their debt so that any proxy forms already submitted for £1 will be revised upwards accordingly.

There is no right or wrong answer to this voting process but we believe the process we are setting out above is the most equitable and democratic, bearing in mind comments received by us from bondholders.

A maximum number of 5 creditors can serve on the creditors' committee. At the meeting, we

are likely to ask all nominated creditors' committee members to come forward and to identify themselves to the meeting. Some will have already been nominated, and some may be nominated at the meeting. We will then seek to see if some are happy to stand aside to ensure as representative a creditors' committee constituency as possible (eg members representing ISA and non-ISA, larger claims, and smaller claims). We have seen this on other similar insolvency cases. Failing that we will proceed to formal voting, which will be based on the value of creditors' votes for each candidate. In this way the 5 candidates with the most amount of votes will be selected to serve on the committee.

If more formal voting is required, then creditors will have an opportunity to cast votes for as many different candidates as they choose in whatever proportions they decide up to the maximum of their debt. So, for example, a creditor with 10,000 votes can use 5,000 votes to vote for one candidate and the remaining 5,000 votes to vote for another candidate. Creditors who have already voted on a proportionate basis will have the total value of their claim apportioned in the same proportions.

In some cases, where there are more than 5 serious nominees for a position on a creditors' committee some nominees will join the creditors' committee as observers rather than as formal members. In this way the committee will get the benefit of their input although they will not have a formal vote on decisions of the creditors' committee.

Members of the creditors' committee will be asked to sign Non Disclosure Agreements (NDAs) and candidates should familiarise themselves with the legal responsibilities which they will be taking on in signing such an agreement.

What does personal identification documents include?

Personal identification includes any of a driving licence, a passport, bank card, credit card, photo card parking blue badge. A utility or council tax bill would not be suitable.

What do I need to do if I or my proxy holder is coming to the meeting?

This is set out in our letter of 29 March 2019.

- **In person.** If you want to attend in person then please return the proof of debt to our office before 4:00pm on Tuesday 23 April 2019. The proof of debt is available at our website <https://www.smithandwilliamson.com/london-capital>

- **Via a proxy holder.** If you want a proxy holder to attend, then you must return both the proof of debt form and the proxy form to our office before 4:00pm on Tuesday 23 April 2019. The proof of debt and proxy forms are available at our website <https://www.smithandwilliamson.com/london-capital>

Remember, you can attend or a proxy holder can attend, but not both. If you have sent in your forms via our email system, then you should receive an automatic response. Where you have posted them, then we have not written back (for reasons of costs, and we hope you understand that).

Some practicalities

The venue is The City Temple, 31 Holborn Viaduct, London, EC1A 2DE. We note that nearby underground tube stations are Farringdon, St Paul's and Chancery Lane; and nearby over ground train stations are Farringdon and City Thameslink. There is no onsite parking available. When you arrive you will be directed to registration, and once you have completed that you will be able to go into the meeting room. We will be using microphones, but do sit near the front if you are concerned about hearing or seeing everything.

Water can be taken into the meeting room, but the venue managers have asked us to remind everyone that food and other drinks are not permitted in the building.

Please do arrive in good time. We anticipate a high attendance, so we would politely ask if you could come earlier. The venue will be open an hour and a half before the meeting, so please do try to come and register early. We want to try and prevent large queues.

Regional meetings

We continue to monitor the responses we have received, and will let people know which regional meetings are going to go ahead.

Finally, we thank everyone who has returned proof of debt and proxy forms and the bondholder questionnaires.

Kind regards

The Joint Administrators of London Capital & Finance Plc

The affairs, business and property of the Company are being managed by the administrators Finbarr O'Connell, Adam Stephens, Colin Hardman and Henry Shinnars who act as agents of the Company and without personal liability. Finbarr O'Connell, Adam Stephens, Colin Hardman and Henry Shinnars are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales. Further information regarding the administration can be found at the joint administrators' webpage: www.smithandwilliamson.com/london-capital London Capital & Finance Plc is incorporated in England and Wales under the Companies Act 2006 with registered number 08140312. The Company is authorised and regulated by the Financial Conduct Authority with FRN 722603.

The Fair Processing Notice in relation to the General Data Protection Regulation can be accessed at <https://smithandwilliamson.com/rrsgdpr> Should you wish to be supplied with a hard copy, free of charge, please contact Smith & Williamson's offices.