

Dear Bondholder

Global Security Trustees Limited (“GST”)

We are pleased to announce that with the full support of the Creditors' Committee, the Joint Administrators have launched a claim against GST for it to be removed as the Bondholders' Security Trustee.

By way of background, under a Security Trust Deed dated 5 November 2015 and related instruments, the security that LCF granted for the benefit of Bondholders is held on trust by a Security Trustee. The Security Trustee is responsible for enforcing the Bondholders' rights under the debenture and distributing recoveries made to Bondholders on a pro rata basis after the deduction of costs. The Security Trustee owes undivided loyalty to the Bondholders and must at all times avoid a position where its duty and its own interests may conflict. At present, the Security Trustee is GST.

Having carried out investigations, it is clear to the Joint Administrators that GST's incorporation, ownership and control has undeniable ties to LCF, its former principals and its borrowers. For example, GST's former shareholders include Alex Lee and its directors have included Robert Sedgwick and - until very recently - Alex Lee, both solicitors (or, in the case of Sedgwick, a former solicitor having since been suspended by the Solicitors Disciplinary Tribunal) of Buss Murton, which acted for LCF and Andy Thomson personally. Mr Sedgwick has also acted as the Company Secretary of various entities in which Elten Barker, Andy Thomson and Simon Hume-Kendall hold (or held) directorships, including London Oil & Gas Limited, the recipient of £124m of Bondholders' funds. Similarly, Mr Jeremy Friedlander, a current director of GST, formerly sat on the board of a company called International Resorts Management Limited (a subsidiary of Prime Resort Development Ltd, a company connected with the recipients of c.£70m of Bondholders' funds); Mr Hume-Kendall and Mr Thomson were formerly directors of this company. For these reasons amongst others, the Joint Administrators believe GST is in a position of conflict and its duty of undivided loyalty to Bondholders is compromised. It should not therefore continue to act as the Bondholders' Security Trustee.

The role of the Security Trustee in effecting distributions to Bondholders has in any event been overtaken by the administration. To avoid the additional cost to Bondholders of appointing a new trustee, the Joint Administrators suggest in their claim that they assume the trustee role in parallel with the administration. However, if the court would prefer the appointment of independent trustees that would, of course, be understood

and accepted by the Joint Administrators.

It should also be noted that the Administrators offered Messrs Lee and Friedlander the opportunity to retire gracefully. They declined the opportunity and instead arranged for two new directors to be appointed in the place of Mr Lee and these two new directors arrived at the Bondholders' meeting at City Temple, admitting under questioning from Mr Stubbs of Mishcon de Reya that they knew nothing of GSTs business (or non-business) with LCF, but they were seeking to block the appointment of a Creditors' Committee, against the wishes of the Bondholders.

We will keep you updated as the proceedings progress.

Update on the FSCS

The FSCS has provided an update [here](#) on the progress of their investigation into whether Bondholders may have valid claims against the FSCS for compensation.

The Administrators cannot represent the interests of *individual* Bondholders. They do however take an active interest in assisting the FSCS investigation which is parallel with the Administrators' investigations into key aspects of the business of LCF including obviously the sales process.

Over the last few weeks the FSCS has been reviewing whether there may be grounds for compensation. This work is focused on the relationship between LCF and Surge Financial Ltd and the extent to which either company may have been carrying out regulated advising, arranging or other activities that could give rise to some eligible claims for compensation.

The Administrators have been working closely with the FSCS to provide information and legal input to help them understand the LCF/Surge sales process. Customer questionnaires and other information from customers have been invaluable in this regard and Bondholders who have not yet submitted questionnaires are invited to do so. We are pleased that the FSCS is making progress with their necessary investigations.

Bondholders and lawyers connected with them have also been in contact with the Joint Administrators and the FSCS to provide their own analysis of how LCF's bond sales may have amounted to "regulated activities". The Administrators welcome any input from informed Bondholders in this regard.

The Administrators ask Bondholders to exercise patience as both the Administrators and

the FSCS investigations are complex, both factually and legally. However, as we have mentioned above, real progress is being made and the Administrators will endeavour to keep Bondholders updated on this site.

Some Bondholders have asked whether there is any deadline for making an FSCS claim. The FSCS has not yet indicated that it is accepting any claims and accordingly Bondholders need not worry about deadlines at present. If any deadline were to be imposed in the future, Bondholders would be provided with plenty of notice.

Update on the Creditors' Committee

As you are aware, five individuals have been elected to sit on the Creditors' Committee. The members of the Creditors' Committee have now selected two unofficial observers, Helen MacGregor and Patrick Ellum who will join the Committee on an informal basis (i.e. they will have no voting rights). The Administrators have assessed Helen and Patrick's credentials and have concluded that they will be welcome and useful additions to functions of the Creditors' Committee. Both observers had submitted Bios that can be found at the following website www.smithandwilliamson.com/london-capital.

Please note that the observers will be bound by the same level of confidentiality as the formal members of the Creditors' Committee.

Kind regards

The Joint Administrators of LCF

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/rsgdpr> Should you wish to be supplied with a hard copy, free of charge, please contact Smith & Williamson's offices.

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