

Dear Bondholder

We have set out below LCF Bondholder updates on a number of matters.

London Oil & Gas Ltd (In Administration) (“LOG”) - Elten Barker Legal Proceedings

Elten Barker, a director of LCF's largest debtor, LOG, lodged an application to have the LOG Administrators removed and LOG handed back to him and the other directors. The LOG Administrators believed that the challenge had no merit, and further that it was made in an attempt to frustrate an examination of Mr Barker and more generally their investigations in to the affairs of LCF and LOG.

LCF, as a qualifying floating charge holder, subsequently issued an application for a new but retrospective administration order as regards LOG. On 17 December 2019, ICC Judge Jones decided to hear our/LCF's application first. He was satisfied that LOG *"was or was likely to become unable to pay its debts as at 18 March 2019"*, and therefore insolvent. 18 March 2019 was the date that the directors of LOG appointed administrators to that company.

The court ultimately decided that the LOG Administrators' existing appointment on 18 March 2019 *"ceased to have effect at 4:30 pm on 17 December 2019 and they are to be appointed as administrators by the court "at latest 4:30 that day"*, being 17 December 2019 . ICC Judge Jones went on to explain, as a result of this, *"there can now be no challenge to the administrators' appointment"*. He added, *"I expect an interview [with Mr Barker] at the offices of the administrators to take place with urgency...and for Mr Barker to agree to attend any further interviews as required"*.

We are pleased to say that Mr Barker was interviewed by the Administrators and their legal advisers on 21 and 22 January; at which interview Mr Barker was helpful as regards the Administrators' enquiries.

Mr Barker's application, to the extent it remains extant, will be heard by ICC Judge Jones on 27 February 2020. The LOG Administrators will continue to object to any challenges in the strongest possible terms and seek any costs of doing so against Mr Barker, to the extent they are able. As the Administrators have previously said, we view all these legal challenges as no more than attempts to frustrate the Administration process and are pleased to report that, whilst these tactics have undoubtedly caused the administrators extra cost, all attempts of this kind have ultimately failed.

Global Security Trustees Limited (“GST”)

As you are aware, part of LCF's business model (and marketing) was to establish a trust structure whereby a trustee (known as the "Security Trustee") would hold security granted by LCF for the benefit of Bondholders. The Security Trustee was a company called GST.

After the Company went into administration, the administrators investigated the position of GST. This revealed that GST had connections to those formerly in control of, and associated with, the Company and its borrowers. It was therefore not independent, as a trustee must be. This led the Administrators to believe that it was contrary to the Bondholders' interests for GST to remain as the Security Trustee. GST refused to step down, and the Administrators therefore issued a claim in the High Court for GST's removal and replacement as Security Trustee.

We are pleased to confirm that the administrators' claim has been successful. GST has been removed by the Court as the Security Trustee, and replaced by Madison Pacific Trust Limited ("Madison"). Madison is a well-established professional trust service company and is independent. It has been appointed by the Court, which has also approved Madison's basis for charging.

Under the existing Security Trust Deed, Madison's role will necessarily relate only to the distribution to Bondholders of recoveries made by the administrators. In order to reduce costs, it has been agreed between the Administrators and Madison that the Administrators will act as 'payment agent'. This means that the Administrators will calculate and distribute funds to Bondholders pro rata in accordance with their funds invested. Madison will assist the administrators as necessary and will take steps to satisfy themselves that the work is being carried out properly and correctly. This will be Madison's function in the administration.

We look forward to working with Madison for the benefit of all Bondholders.

Bondholder Dividend

The 5% dividend that the joint administrators announced in November 2019, was unavoidably held back due to legal proceedings involving LCF and LOG, as detailed in our previous communication dated 6 December 2019. As soon as Madison is in a position to

consent to the dividend, following the completion of their due diligence, dividend payments will be released, which is anticipated to be in March 2020.

Extension of the Administration

On 16 January 2020, a court order was made approving the extension of the administration of the Company until 29 January 2022. The administration has been extended to allow the joint administrators to continue with their investigations into the Company's failure with a view to maximising recoveries for the Company's creditors, especially the Bondholders. The extension of the administration is a statutory matter and is an entirely normal procedure for an administration of this size and complexity. Formal notice of the extension of the administration can be found on our webpage at www.smithandwilliamson.com/london-capital.

Appointment of Martin Orrell, interim manager, as a director of certain Waterside companies at the request of the joint administrators of LCF

This appointment has been reported in the press. Martin Orrell has been appointed in order to represent LCF's interests with regard to the substantial lending made by LCF to the Prime Resort Development Limited Group.

Joint Administrators' Progress Report

The Joint Administrators' second progress report, detailing the six months of the administration from 30 July 2019 to 29 January 2020, will be delivered to all Bondholders by **28 February 2020** and will be accessible online, either via our webpage: www.smithandwilliamson.com/london-capital, or via our portal: www.ips-docs.com. We will inform all Bondholders at such time that this report is ready for viewing.

Kind regards

The Joint Administrators

The affairs, business and property of the Company are being managed by the administrators Finbarr O'Connell, Adam Stephens, Colin Hardman, Henry Shinnars and Geoff Rowley who act as agents of the Company and without personal liability. Finbarr O'Connell, Adam Stephens, Colin Hardman, Henry Shinnars and Geoff Rowley 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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