

Dear Bondholders

Unfortunately, due to the financial effects caused by the COVID-19 pandemic, the Joint Administrators of LCF regret to inform Bondholders that the dividend being paid to them in the next few days has been reduced from a 5% to a 2.5% dividend. This will be the first dividend payment, as part of the estimated total 25% return, which the Joint Administrators estimate they will be paying to the Bondholders over the life of the LCF administration.

We had announced previously that a 5% dividend would be paid, by the end of March 2020, to Bondholders who had submitted a valid proof of debt form. Until the very recent, unprecedented financial circumstances brought about by the COVID-19 pandemic, the dividend was set to proceed at 5% as scheduled. However, the accelerated onset of COVID-19 has brought about unforeseen financial consequences for the dividend. In short, the funding available to the Joint Administrators of LCF has been substantially reduced and this has brought about the reduced dividend payment to Bondholders.

The Joint Administrators of London Oil and Gas Limited (“LOG”) have sought legal advice as to whether, in the current economic crisis, they should be repaying LCF any sums in respect of the loan owed to LCF. It has been decided by the LOG Joint Administrators that LOG can repay an amount to LCF sufficient to enable LCF to pay a 2.5% dividend to Bondholders.

We are very mindful of the fact that a reduced dividend at this time is very unwelcome news for the Bondholders. The Joint Administrators of LCF regret that it has been necessary to reduce the dividend level, however, in the current unprecedented economic and financial circumstances, it has been necessary for them to take this action. We apologise for any additional worry which this decision, which has sadly been unavoidable, causes you in these uncertain times. Whilst the Joint Administrators do use the LCF creditors’ committee as a sounding board as regards their major decisions, all decisions are made by the Joint Administrators alone, having taken appropriate legal and other advice. **The Joint Administrators are determined to pay a further 2.5% dividend to the Bondholders as soon as funds become available to do so.**

### Important FAQ

Given that the Joint Administrators’ staff are working remotely because of the effects of the pandemic on business practices, with limited system access, we have put together the following FAQ which we hope will address most queries and limit telephone calls and emails from concerned Bondholders:

#### How much money will I receive?

You will receive 2.5% of your total capital invested with LCF. For example, if you invested in one ISA product for £10,000 and one bond for £15,000, you will receive £625 (being 2.5% of £25,000 invested).

#### Why only a 2.5% dividend?

The Joint Administrators have stated, from the early weeks in the administration, that they anticipate 25% of Bondholders’ total investment being returned to them, outside of any separate compensation that may become available from the FSCS. At the creditors’ meeting in April 2019, the Joint Administrators announced that, dependent on the value of assets realised to the administration estate, returns to Bondholders would be paid in 5% increments. For each 5% dividend, the Joint Administrators must have available funds of at least £12m, net of costs. **As explained above, the anticipated 5% dividend has been reduced to 2.5% for the time being, due to lack of funding caused by the unprecedented consequences of the COVID-19 pandemic. However, the joint administrators are determined to pay a further 2.5% dividend to the Bondholders as soon as funds become available to do so.**

#### How will I be paid?

The dividend will be paid by cheque only. To pay over 11,000 individuals by bank transfer would involve verifying each person's bank details via a call back system, which would result in considerable additional cost to the administration by undertaking such an exercise. (Dividend payments by cheque are still common practice for entities with large numbers of investors.)

### **When will I be paid?**

Cheques will be posted to your home address over a ten day period, and this posting will commence by close of business on **Tuesday 31 March 2020**. Due to the volume of cheques being printed, posting will need to be released in phases. Accordingly, please do not contact us until Tuesday 14 April 2020, if you have not received your cheque by this date. All requests that we have received up to **Thursday 19 March 2020**, for changes to personal details, have been processed. **New requests received will not be processed until after Tuesday 14 April 2020.**

### **Investments for Deceased Bondholders**

Cheques will be made payable to the estate of the deceased Bondholder, provided that we have received a Grant of Probate. For those investors for whom we have not yet received a Grant of Probate, their dividend will be held to order, with cheques to be released once we are in possession of the Grant of Probate.

### **Joint Investments**

Those Bondholders who hold joint investments will receive one cheque, made payable to the joint investors.

### **Bondholders who have yet to submit a Proof of Debt form/or have their claim agreed**

For those Bondholders who were unable to submit a Proof of Debt form by 19 March 2020, their dividend will be held to order, until we receive their completed form and have agreed their claim. If you do not receive a cheque by Tuesday 14 April 2020, this is likely to be due to the fact that we do not have a valid Proof of Debt form from you, or your claim has not yet been verified. We have received Proof of Debt forms from over 95% of the Bondholder constituency. Please do not contact us to check whether we have received your Proof of Debt form prior to Tuesday 14 April 2020 and unless you have not received a dividend from us by this date.

### **Will I pay tax on this dividend?**

The payment is not to be confused with a dividend which is paid to shareholders out of a company's profits. The term 'dividend' in this instance is terminology used in the insolvency profession to describe a return, or partial return, of a debt owed to creditors, or Bondholders. This is not to be treated as income, and as such, is not subject to tax.

### **What if I have received compensation from the FSCS?**

Currently, only those Bondholders that transferred *stocks and shares* ISAs to LCF have received compensation from the FSCS. Their claims (in the majority) have been taken on by the FSCS and those Bondholders will not receive a 2.5% dividend from the Joint Administrators in respect of those claims. As previously explained, the FSCS will 'stand in the shoes' of compensated Bondholders and will receive their proportion of the 2.5% dividend. The FSCS intend to provide an update to Bondholders at the end of March 2020. Please do not contact the Joint Administrators regarding FSCS compensation, as the Joint Administrators do not determine who may, or may not, receive compensation.

### **What role does the LCF creditors' committee have in the Joint Administrators' decision making process?**

Whilst the Joint Administrators do use the LCF creditors' committee as a sounding board as regards their major decisions, all decisions are made by the Joint Administrators alone, having taken appropriate legal and other advice.

**Will there be future dividends?**

As mentioned above, the Joint Administrators have estimated that 25% of Bondholders' investments will be returned to them from the LCF administration. This current dividend is the first tranche to be repaid to Bondholders, leaving at least an estimated further 22.5% to be paid in future dividends, once the Joint Administrators have realised sufficient assets. Each 5% dividend requires net recoveries of £12m. Future realisations are anticipated to arise largely from the sale of investments and legal actions to be commenced in the very near future by the Joint Administrators. This is likely to be a lengthy process, with no significant monies recovered into the LCF estate for at least the next 6 to 12 months. We will of course, continue to keep Bondholders informed of relevant developments. **However, the joint administrators are determined to pay a further 2.5% dividend to the Bondholders as soon as funds become available to do so.**

**PLEASE DO NOT REPLY TO THIS EMAIL, UNLESS YOU HAVE AN URGENT QUERY THAT IS NOT ADDRESSED SPECIFICALLY IN THE ABOVE FAQ. ACCORDINGLY, TO MANAGE OUR STAFF'S RESOURCES DURING THIS TIME, WE SHOULD BE GRATEFUL IF YOU WOULD REFRAIN FROM CONTACTING THE JOINT ADMINISTRATORS UNLESS ABSOLUTELY NECESSARY. KINDLY REFER TO OUR WEBSITE [WWW.SMITHANDWILLIAMSON.COM/LONDON-CAPITAL](http://WWW.SMITHANDWILLIAMSON.COM/LONDON-CAPITAL) WHERE ALL REPORTS AND BONDHOLDER COMMUNICATIONS CAN BE ACCESSED. ALTERNATIVELY WE HAVE A DEDICATED TELEPHONE NUMBER WHICH WILL BE ACTIVE FROM THE DATE OF THIS EMAIL UNTIL 14 APRIL 2020, WHEN IT WILL REVERT TO A VOICEMAIL SYSTEM: 020 7131 4266.**