

LINK FUND SOLUTIONS LIMITED
PROPOSAL FOR THE INVESTORS IN THE
LF EQUITY INCOME FUND
(FORMERLY LF WOODFORD EQUITY INCOME FUND)

THIS PROPOSAL MAY AFFECT YOUR LEGAL RIGHTS.
PLEASE READ IT CAREFULLY.

THE DEADLINE FOR SUBMITTING A VOTING FORM FOR THE SCHEME IS
5.00 P.M. ON 4 DECEMBER 2023

IF YOU OR YOUR PROXY WISH TO ATTEND THE SCHEME MEETING IN
PERSON, YOU MUST SUBMIT YOUR VOTING FORM BY
5.00 P.M. ON 30 NOVEMBER 2023

FOR MORE INFORMATION, PLEASE REFER TO
"PART 8: ARRANGEMENTS FOR VOTING" ON PAGE 58

EXPLANATORY STATEMENT

UNDER PART 26 OF THE COMPANIES ACT 2006

WORDS AND PHRASES USED IN THIS DOCUMENT

We use some technical words and phrases in this document. You can tell which words they are because they have capital letters. Where a term is defined in the Scheme Rules, the legal meaning of that capitalised term shall be as set out in those Scheme Rules. The Scheme Rules are available at <https://lfwoodfordfundscheme.com/documents/>.

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Part 1: Letter to Investors

Dear Investor

Proposed Settlement for Investors in the LF Equity Income Fund

Introduction

1. Link Fund Solutions Limited (referred to in this document as **LFSL**) is an independent authorised corporate director (**ACD**) of open-ended investment companies and offers certain fund governance and administration services. LFSL is the ACD of the LF Equity Income Fund (which was previously called LF Woodford Equity Income Fund) (the **WEIF**).
2. LFSL wishes to offer to settle all and any potential claims that investors in the WEIF on 3 June 2019 (the **Suspension Date**) at 12.00 p.m. (the **Suspension Time**) may have against LFSL. Whilst LFSL disputes all such claims, it is willing to enter into the settlement because it believes that it offers the best outcome for investors and LFSL.
3. On 19 April 2023, a conditional settlement was agreed between LFSL, LFSL's regulator, the Financial Conduct Authority (the **FCA**) and LFSL's ultimate parent Link Administration Holdings Limited (the **Parent**). Further information regarding this conditional settlement (the **Settlement**) is provided at paragraphs 11 to 16 of this letter.
4. LFSL is proposing to put the Settlement in place using a Court approved process called a scheme of arrangement (the **Scheme**). This document gives relevant investors important information about the Settlement and the Scheme.
5. The Scheme will affect each investor who is a Scheme Creditor. Further information about who the Scheme applies to is provided in "Part 5: How does the Scheme work?", under the heading "Who does the Scheme apply to?" on page 30.
6. **If you are a Scheme Creditor, LFSL wants you to take action now to have your say on whether or not you approve of the proposed Scheme by voting on it. You can find instructions for the next steps to take and how to vote on the Scheme at paragraph 36 on page 8.**
7. **LFSL believes that the Scheme is the best outcome for Scheme Creditors for the reasons given in paragraph 21 of this letter on page 4.**

What is a Scheme?

8. A Scheme is an agreement between a company and some or all of its creditors. A company and its relevant creditors will be bound by the Scheme if:
 - (a) it is approved by a majority in number (that is more than 50%), representing 75% or more in value, of the creditors who vote;

- (b) the Court approves the Scheme at a Court hearing. The Court will only approve the Scheme if it believes that the legal requirements for doing so are met; and
 - (c) a copy of the Court order approving the Scheme is filed with the English Registrar of Companies.
9. When the Scheme becomes effective, the company and all its relevant creditors (including those creditors who voted against the Scheme or who do not vote at all) will be bound by the Scheme.

What is the purpose of this Scheme?

10. The purpose of this Scheme is to put in place the Settlement.

What are the key terms of the Settlement being offered to the Scheme Creditors?

11. In the Settlement, a fund of up to £230 million (the **Settlement Fund**) will be made available to share proportionally amongst relevant investors according to the number and class of shares they hold in the WEIF. More information regarding the Settlement Fund can be found in "Part 5: How does the Scheme work?" at paragraph 16 on page 33.
12. The Settlement Fund will include an initial voluntary contribution from the Parent of up to £60 million (the **Initial Parent Contribution**) and, if further relevant monies become available, an additional voluntary contribution from the Parent (the **Additional Parent Contribution**). More information about the Initial Parent Contribution and the Additional Parent Contribution (together, the **Parent Contributions**) can be found at "Part 5: How does the Scheme work?" from paragraph 24 on page 35.
13. As part of the Settlement, the Parent will also voluntarily contribute up to £2.5 million towards the costs of the Scheme (the **Scheme Costs Contribution**). The Scheme Costs Contribution is not a part of the Settlement Fund distributed to investors but it does mean that LFSL has £2.5 million more to contribute to the Settlement Fund.
14. In return for the payments made from the Settlement Fund, Scheme Creditors will no longer be able to make any claims against LFSL. Where a Scheme Creditor's claim is released, they will not be able to bring that claim against the Financial Services Compensation Scheme (**FSCS**). Scheme Creditors will also no longer be able to make certain claims against other parties related to LFSL, including, but not limited to, its directors, employees, the Parent and the Parent's directors and employees. Scheme Creditors' rights to receive proceeds from proceedings that they may take in respect of the WEIF against a party other than LFSL (a **Third Party**) will be reduced if and to the extent that LFSL would be liable to make a payment to that Third Party in respect of that claim (the **Contribution Claim**). More information about the releases to be given and the treatment of Contribution Claims can be found at "Part 5: How does the Scheme work?" from paragraph 45 on page 39.
15. The maximum possible amount of the Settlement Fund is £230 million, which is approximately 77% of the amount which the FCA claims was the loss incurred by

investors who continued to hold shares in the WEIF on and after the Suspension Time (being £298,403,919) (the **FCA Total Amount**). If the Settlement Fund is distributed in full, it is estimated that investors will ultimately receive about 80% of the net asset value of the WEIF at the Suspension Time (which was approximately £3.56 billion).

16. It is expected that initial distributions from the Settlement Fund totalling £183.5 million will be made in the first quarter of 2024.
17. **For a fuller illustration of the potential returns per share, please go to the worked example on page 10.**

How does the Scheme work?

18. The Scheme, if implemented, will do three main things:
 - (a) all Scheme Creditors will automatically be included in the Scheme;
 - (b) the Settlement Fund of up to a maximum of £230 million will be made available to the WEIF to distribute in the same manner as capital distributions have been made since the Suspension Date. For more information on this, see "Part 5: How does the Scheme work?" at paragraph 16 on page 33; and
 - (c) Scheme Creditors' claims against LFSL, the Parent and other related parties will be subject to certain automatic releases. For information on this, please see "Part 5: How does the Scheme work?" from paragraph 45 on page 39. Where a Scheme Creditor's claim is released, they will also not be able to bring that claim against the FSCS.

What is the purpose of this document?

19. This document is called the **Explanatory Statement**. The purpose of this Explanatory Statement is to explain the terms of the Scheme and the Settlement. This document is intended to give Scheme Creditors the information they need to decide for themselves whether they agree with the proposed Scheme and the Settlement.

What are Scheme Creditors expected to receive under the Scheme?

20. As explained above, a Settlement Fund of up to £230 million will be made available to share proportionally amongst relevant investors according to the number and class of shares they hold in the WEIF. It is estimated that the initial distributions from the Settlement Fund will be made in the first quarter of 2024 and will total between £183.5 million and £200 million. Additional payments will also be made to ensure that the Settlement Fund is distributed in full.

Advantages of the Scheme

21. LFSL believes that Scheme Creditors are better off with the Scheme than without it because:
 - (a) the Scheme provides for all of LFSL's available assets to be paid to relevant investors. Those assets will be added to the Initial Parent Contribution of up to

£60 million, and insurance proceeds of approximately £48 million resulting in the Settlement Fund being up to £230 million;

- (b) the first payments will be made much earlier with the Scheme than without it (because Scheme Creditors will not need to bring litigation claims successfully or have the benefit of any other final judgment to be made). The initial distributions from the Settlement Fund are expected to be made in the first quarter of 2024 and are expected to total between £183.5 million and £200 million. Additional payments are also expected to be made as soon as possible. By contrast, without the Scheme, the most likely outcome is years of litigation and an uncertain outcome, resulting either in no payment at all, or (at best) later payment;
- (c) in the Scheme, the Parent will make the voluntary Initial Parent Contribution, and Scheme Costs Contribution, which together total up to £62.5 million. It is also possible that the Additional Parent Contribution will be made, although this is not currently expected to be a material addition to the Settlement Fund. These payments will only be made if the Scheme is approved and not otherwise;
- (d) the Scheme provides a convenient and streamlined process for making payments to relevant investors as they will not need to bring any litigation, complete any paperwork or carry out any other steps to receive payment from the Settlement Fund, except where the WEIF is dissolved or it is otherwise not possible to make distributions through the WEIF, in which case other provisions will apply. The relevant provisions are described in "Part 5: How does the Scheme work?", at paragraph 55 on page 42. Otherwise, distributions from the Settlement Fund will be made automatically in the same way that capital distributions are currently made;
- (e) the Scheme does not prevent Scheme Creditors from bringing claims against a Third Party; and
- (f) relevant investors will be treated equally in that they will each receive the same percentage payment because the Settlement Fund will be shared proportionally amongst relevant investors according to the number and class of shares they hold in the WEIF.

Disadvantages of the Scheme

22. LFSL believes that Scheme Creditors are better off with the Scheme than without it for all of the reasons given in paragraph 21 above. However, LFSL has identified the following possible disadvantages with the Scheme:
- (a) the Settlement Fund will be less than the FCA Total Amount. The maximum amount of the Settlement Fund is approximately 77% of the FCA Total Amount;
 - (b) Scheme Creditors will no longer be able to bring certain claims against LFSL, the Parent and its subsidiaries (and each of their directors, partners and employees, advisers and officers) in relation to the WEIF;

- (c) Scheme Creditors' rights to receive proceeds from proceedings that they may take in respect of the WEIF against a Third Party will be reduced if LFSL would be liable to pay a Contribution Claim to that Third Party in respect of that claim; and
- (d) if the Scheme goes ahead, Scheme Creditors will not be able to pursue the Scheme Claims released in the Scheme against the FSCS.

What happens if the Scheme does not go ahead?

- 23. If the Scheme does not go ahead, LFSL will not accept any liability to Scheme Creditors. LFSL instead intends to defend itself against any claims made against it in relation to the WEIF. These claims are explained in more detail in "Part 4: Events leading to the proposed Scheme and Settlement" on page 23. Such claims may take years to conclude and no payments will be made in the meantime.
- 24. If LFSL is successful in the defence of the claims against it, it will not be required to pay any compensation at all to Scheme Creditors. Where those unsuccessful claims have been in the form of Court proceedings, any claimant Scheme Creditors may be liable to pay LFSL for the costs of its defence. If LFSL only succeeds in defending some of the claims against it, Scheme Creditors may be awarded a lower amount than they are being offered under the Scheme.
- 25. If LFSL is unsuccessful in its defence against all claims made against it, it will have less money available to pay to relevant investors.
- 26. In the absence of the Scheme, a Scheme Creditor may be able to obtain compensation from the FSCS for up to £85,000 if it is able to demonstrate that it has a valid claim and is otherwise eligible. However, the FSCS has not made any determination in relation to any of the claims made against LFSL. If the FSCS accepts a claim, it may take longer to receive a payment from the FSCS than the time frame for receiving a payment in the Scheme.
- 27. More information about what may happen if the Scheme does not go ahead can be found in "Part 6: What happens if the Scheme does not go ahead?" on page 47 below.

Position of the FCA

- 28. The FCA continues to consider that the Scheme offers investors the quickest and best chance to obtain a better outcome than might be achieved by any other means. As such, the FCA encourages investors to consider it.

Position of the FSCS

- 29. The FSCS is the UK's compensation scheme of last resort for the customers of failed financial services firms. It is a matter for the FSCS to determine whether any payments may become due to investors from the FSCS. Currently, the FSCS has not made any determination in relation to any of the claims made against LFSL. However, the FSCS has confirmed that it will assess and pay claims in accordance with its rules. It should be noted that, if the Scheme goes ahead, Scheme Creditors will not be able to make Scheme Claims against the FSCS.

Position of the Investors' Committee

30. The Investors' Committee has concluded that the Scheme provides a better outcome than the alternative described in the Practice Statement Letter based on (1) the information provided by the Company (and by the FCA) and (2) all the constituent elements stated to compromise the Settlement Fund of up to £230 million being received and ultimately distributed to creditors under the terms of the Scheme. The Chair of the Investors' Committee encourages Scheme Creditors to read his report (which is available at <https://ifwoodfordfundscheme.com/documents/>) for a full explanation as to how and why the Investors' Committee reached that conclusion. The report includes a summary of the interactions between the Investors' Committee and the Company, including the questions raised and responses received which ultimately formed the basis of their conclusion. The report also summarises the interaction between the FCA and the Investors' Committee.

Voting on the Scheme

31. As explained at paragraph 8(a) above, the Scheme requires approval from a majority of Scheme Creditors. LFSL expects to hold a meeting for the Scheme Creditors to vote on the Scheme on 13 December 2023. Details of how to attend and vote at the meeting can be found in "Part 8: Arrangements for voting" on page 58.

Recommendation to vote for the Scheme

LFSL recommends that Scheme Creditors vote for the Scheme. LFSL believes that the Scheme provides the best outcome for Scheme Creditors because it offers a number of advantages, including the certainty of a payment from a Settlement Fund of up to £230 million. By contrast, in the absence of the Scheme, the voluntary Parent Contributions will fall away and it is uncertain whether any compensation would be paid at all, whether as a result of the Litigation Claims or the FCA Conclusions against LFSL. The initial distributions from the Settlement Fund are expected to be made in the first quarter of 2024 (far earlier than might otherwise be the case) and are expected to total between £183.5 million and £200 million.

If the Scheme goes ahead and the maximum amount of the Settlement Fund is distributed in full, Scheme Creditors will receive approximately 77% of the FCA Total Amount and will have received around 80% of the net asset value of the WEIF at the point of suspension. Please see page 10 "Pence per Share Distributions and Worked Example" for more information about how to calculate potential distributions.

Please see "Part 9: Things to consider when deciding whether to vote for the Scheme" on page 62 for more information about the advantages and possible disadvantages of the proposed Scheme.

Directors' interests

32. Under the Companies Act 2006, LFSL must give Scheme Creditors certain information about its directors, and their interests in the Scheme.

33. Prior to the completion of the Sale of the Link Funds Solutions business to various companies in the Waystone Group (**Waystone**) (which is further described on page 18) (**Completion**), LFSL's independent directors were Alistair Reid, Tony Stuart and Elizabeth Tracey. LFSL's executive directors were Karl Midl, Nigel Boyling and Ben Hammond.
34. Following Completion, Mr. Midl and Mr. Hammond transferred to Waystone as an agreed condition of the Sale. LFSL and Waystone have agreed that LFSL may have reasonable access during normal business hours to Mr. Midl and Mr. Hammond for any assistance, information or documents required in respect of the Scheme and certain other matters. Following Completion, Ms. Tracey was appointed as a non-executive director of Waystone Management (UK) Limited.
35. The directors are paid their salaries and expenses by LFSL in the ordinary course of business. None of the directors are owed money by LFSL nor have a direct interest in LFSL or the Scheme.

Next Steps

36. If you are a Scheme Creditor, please take the following steps:
 - (a) read this document and consider whether or not you want to approve the Scheme; and
 - (b) if you wish to approve the Scheme or object to the Scheme, please vote on it. Voting is a way for you to have a say. The arrangements for voting can be found in "Part 8: Arrangements for voting" on page 58. You also have the right not to vote on the Scheme at all. In that case, you do not have to do anything.
37. If the required majority of Scheme Creditors vote to approve the Scheme, LFSL intends to apply to the Court on 18 January 2024 to ask it to approve the Scheme (the **Sanction Hearing**). Scheme Creditors are entitled to attend and speak at the Sanction Hearing but do not have to. If you are a Scheme Creditor and want to attend the Sanction Hearing, please inform the Investor Advocate at josephbannisterIA@dacbeachcroft.com by no later than 8 January 2024. If you wish to attend the Sanction Hearing to object to the Scheme, please go to "Part 10: Scheme Creditors' rights to object to the Scheme" on page 65 to see what steps you can take.
38. If the required majority of Scheme Creditors and the Court approve the Scheme, it is expected to become effective on 9 February 2024.
39. A more detailed timetable to implement the Scheme is set out on page 12. A detailed timetable setting out the key events in the Scheme process if it becomes effective is set out on page 45.

How can Scheme Creditors contact LFSL about the Scheme?

40. If Scheme Creditors have any questions about the Scheme, the Settlement, this document or on how to vote, leading up to it becoming effective, they can contact LFSL by using the details set out in the table below.

41. Scheme Creditors can also raise any general questions free of charge with Joe Bannister, the **Investor Advocate**, who has been appointed to represent Scheme Creditors in respect of the Scheme. Mr. Bannister is an experienced lawyer. He is independent of LFSL and the Parent and he does not work for, and has never worked for, LFSL, the Parent or any member of the Link Group. The Investor Advocate has prepared an initial report on the feedback he has received on the Scheme from Scheme Creditors which is available at <https://lfwoodfordfundscheme.com/documents>. Further information regarding his role can be found in "Part 7: The Investors' Committee and the Investor Advocate" on page 55. Mr. Bannister's details are also set out in the table below.

Contact method	Contact details
Customer helpline	+44 20 3991 0224 Open: 8.00 a.m to 6.00 p.m., Monday to Friday 9.00 a.m to 12.00 p.m. on Saturdays
Email	lfsoa@huntswood.com
Scheme Website	www.lfwoodfordfundscheme.com
Address	LFSL Scheme Vote, PO Box 16840, Birmingham B2 2US
Investor Advocate	josephbannisterIA@dacbeachcroft.com

Yours faithfully

Link Fund Solutions Limited

Pence Per Share Distributions and Worked Example

We set out below a table indicating the anticipated pence per share distribution to be made under the Scheme if it is approved (Columns D and E). Please note that the "distributions under the Scheme" figures specified in the table below are given by way of illustration only and may be subject to change. By way of comparison only, Column F sets out the pence per share if the FCA Total Amount were to be payable (which is not the case under the Scheme). **Please ensure that you read the important notes that follow this table.**

(A)	(B)	(C)	(D)	(E)	(F)
ISIN Number	Share Class	Settlement per share class	Pence per share - £183.5 m initial distribution under the Scheme	Pence per share - £230 m maximum distribution under the Scheme	Pence per share – FCA Total Amount (£298 m). This amount is not payable under the Scheme
GB00BLRZQ406	A Sterling Income	£540,249.47	4.111	5.153	6.685
GB00BLRZQ513	A Sterling Accumulation	£1,193,550.01	5.003	6.271	8.136
GB00BLRZQ620	C Sterling Income	£22,250,488.38	4.168	5.224	6.778
GB00BLRZQ737	C Sterling Accumulation	£55,495,480.94	5.068	6.352	8.241
GB00BZ01L372	F Sterling Accumulation	£219,970.00	4.005	5.020	6.513
GB00BLRZQC88	Z Sterling Accumulation	£100,279,666.51	5.097	6.388	8.288
GB00BLRZQB71	Z Sterling Income	£48,928,603.44	4.189	5.251	6.813
GB00BLRZQ950	X Sterling Accumulation	£997,300.10	4.877	6.113	7.931
GB00BLRZQ844	X Sterling Income	£94,691.15	4.012	5.028	6.524

Important Notes

In the table above we set out:



- (A) the ISIN identification numbers per share class;
- (B) a description of each share class, as set out in the prospectus;
- (C) the total settlement per share class;



- (D) the pence per share payment based on an assumed distribution amount of £183.5 million, which is the currently estimated total distribution to be made in the first quarter of 2024. In the event that the Reserve Amount is used in full to pay cost contingencies, there will be no further distributions made;
- (E) the pence per share payment based on a distribution amount of £230 million. This is the maximum potential amount of the Settlement Fund. This amount will be paid in the event that the full Reserve Amount of £46.5 million is released for payment to the Settlement Fund and none of it is required to pay for LFSL's Excluded Liabilities or other costs and liabilities (beyond the £5 million that has been set aside to pay for such costs); and
- (F) the pence per share payment if the FCA Total Amount were to be payable (which is not the case under the Scheme). The FCA Total Amount is the loss that the FCA claims relevant investors have suffered. It should be noted that the claimants who are party to the Litigation Claims allege that their claims are for a higher amount than the amount calculated by the FCA as the FCA Total Amount. However, LFSL notes that such allegations are unproven and that it vigorously disputes those claims.

Worked example

1. Using the scenario of an investor (Mr. X) who holds 10,000 A Sterling Income shares in the WEIF, he will receive payments as follows:
 - (a) if the maximum potential amount of £230 million is distributed, Mr. X would receive a total amount of £515.30; and
 - (b) if the distributions in the first quarter 2024 are £183.5 million, Mr. X would receive a total payment of £411.10 in the first quarter of 2024, with the remaining balance of up to £112.10 to be paid in subsequent distributions (if and to the extent that the full Reserve Amount is released).
2. These figures can be compared to the loss that the FCA claims relevant investors have suffered. In the case of Mr. X, his total loss would have been calculated at £668.50 by the FCA. So, if Mr. X receives a total payment from the Scheme of £515.30, he would be receiving 77% of the amount that the FCA claims he is owed. If Mr. X only receives the initial payment, he would be receiving about 61% of the amount that the FCA claims he is owed.

Timeline of key Scheme-related events up to the Effective Time

Time and date 	Event 
7 September 2023	<p>The 'Practice Statement Letter' was issued</p> <p>On 7 September 2023, a letter setting out some details about the proposed Scheme (the Practice Statement Letter) was published on the www.lfwoodfordfundscheme.com (the Scheme Website).</p>
9 October 2023	<p>Sale Completed</p> <p>The sale of the Link Fund Solutions Business to Waystone completed on this date (as further described at "Part 2: Background to Link Fund Solutions Limited", paragraph 9 on page 18). Completion of the Sale was a condition to this Scheme.</p>
10 October 2023	<p>The Convening Hearing</p> <p>At the first Court hearing for the Scheme on 10 October 2023 (the Convening Hearing), LFSL asked the Court for permission to hold a meeting of the Scheme Creditors (the Scheme Meeting) to consider and vote on the Scheme. The conclusion of that hearing was adjourned to 12 October 2023.</p>
12 October 2023	<p>The Convening Hearing (cont.)</p> <p>Mrs Justice Bacon gave judgment granting permission to LFSL to hold the Scheme Meeting. The sealed order was issued on 13 October 2023.</p>
12.00 p.m. on 18 October 2023	<p>The deadline by which Scheme Creditors were to provide comments on certain draft documents</p>
5.00 p.m. on 20 October 2023	<p>LFSL shall make the Scheme Documents available on the Scheme Website. In addition, Voting Forms can be submitted.</p>
5.00 p.m. on 30 November 2023	<p>Deadline for registering a request to attend the Scheme Meeting in person</p> <p>Scheme Creditors can register a request to attend the Scheme Meeting in person until this time. See "Part 8: Arrangements for voting" on page 58 for information on how to vote or register to attend the Scheme Meeting.</p>
5.00 p.m. on 4 December 2023	<p>Registration Deadline / Voting Period ends.</p> <p>Deadline for submitting a Voting Form. See "Part 8: Arrangements for voting" on page 58 for information on how to vote or register to attend the Scheme Meeting. This is also the</p>

Time and date 	Event 
	<p>deadline for sharing comments and/or questions with the Investor Advocate in advance of the Scheme Meeting.</p>
12 December 2023	<p>The Record Date</p> <p>An investor must hold a Scheme Claim as at this date to be a Scheme Creditor.</p>
13 December 2023	<p>Scheme Meeting</p> <p>Scheme Creditors can attend the Scheme Meeting to hear and join in discussions about the Scheme, raise questions and vote on the Scheme. Scheme Creditors that wish to attend the Scheme Meeting must pre-register. See "Part 8: Arrangements for voting" on page 58 for information on how to vote or register to attend the Scheme Meeting.</p>
15 December 2023	<p>LFSL shall confirm the outcome of the Scheme Meeting.</p>
4.00 p.m. on 21 December 2023	<p>Deadline for making objections / setting out grounds of opposition</p> <p>Please see Part 10: Scheme Creditors' rights to object to the Scheme on page 65 for further details.</p>
18 January 2024	<p>The Sanction Hearing</p> <p>If the required majority of Scheme Creditors vote in favour of the Scheme, LFSL will ask the Court to approve the Scheme at a second Court hearing (the Sanction Hearing) on 18 January 2024. Scheme Creditors can attend this hearing to listen and/or object to the Scheme at the Sanction Hearing.</p>
19 January 2024	<p>The Filing Date</p> <p>The date on which the Court order sanctioning the Scheme, if made, is filed with the Registrar of Companies. Certain, limited, provisions of the Scheme will become effective on this date.</p>
9 February 2024 at 9.00 a.m.	<p>Effective Time</p> <p>The Scheme will become fully effective on this date if the Court orders the sanction of the Scheme after the Sanction Hearing on 18 January 2024 and no appeal of that decision is made within 21 days of the Sanction Order being made.</p>
18 October 2024	<p>Long Stop Date</p> <p>If the Effective Time has not occurred by this date or such later date as LFSL, the Parent and the FCA may agree, the Scheme shall terminate.</p>

Examples of who is a Scheme Creditor

Background

Scheme Creditors will be entitled to vote on the Scheme. Further information about who the Scheme Creditors are is provided in "Part 5: How does the Scheme work?", under the heading "Who does the Scheme apply to?" on page 30.

Most Scheme Creditors are expected to hold shares in the WEIF by one or more financial intermediaries, such as an online investment platform or a broker.

Whether any individual with an economic exposure to the WEIF is a Scheme Creditor will depend on how they hold their investments.

The purpose of this section is to set out some illustrative examples of who may or may not be a Scheme Creditor to assist Scheme Creditors and their relevant intermediaries in establishing who is entitled to vote.

Scheme Creditors can appoint another person (for example, an adviser or a broker) to vote on their behalf. Whether any such adviser or broker is entitled to and/or will vote will depend on an individual Scheme Creditor's arrangements.

Illustrative Examples

"Alice is a shareholder in the WEIF, and is recorded in the WEIF's register of shareholders. She holds these shares for her own benefit. **Alice is a Scheme Creditor.**"

"Bob has an account with an online investment platform (the **Platform**). The Platform is registered as a shareholder in the WEIF. The Platform holds shares for Bob on his behalf, but does not hold any shares in the WEIF for its own account. **Bob is a Scheme Creditor, and the Platform is not a Scheme Creditor.**"

"Charlotte has an account with a broker (the **Broker**). The Broker is the registered holder of shares in the WEIF, some of which it holds for Charlotte, and some of which it holds for its own account. **Both Charlotte and the Broker are Scheme Creditors. Charlotte is a Scheme Creditor in respect of the shares held for her account and the Broker is a Scheme Creditor in respect of the shares held for its own account.**"

"David has an account with a separate broker (**Broker 2**). Broker 2 has an account with another financial institution, which is the registered holder of shares in the WEIF, and holds those shares for Broker 2. Broker 2 in turn holds its interest in those WEIF shares for David. **David is a Scheme Creditor and Broker 2 is not a Scheme Creditor.**"

"Ellen has invested in a fund (the **Fund**), which has, in turn, invested in the WEIF, as well as making other investments. The Fund holds shares in the WEIF as part of its general pool of investments, which continues to evolve over time. **The Fund is the Scheme Creditor and Ellen is not a Scheme Creditor.**"

"Faye has an account with a broker (**Broker 3**). Broker 3 holds its interest in the WEIF shares for Faye. Faye died in 2022 and the executor under her will is Greta. Faye's shares in the WEIF have not been sold or transferred to her beneficiaries. **Faye is a Scheme Creditor. However,**

Greta can vote and make a claim on Faye's behalf as her executor (and authorised representative). Broker 3 is not a Scheme Creditor."

"Henry held shares in the WEIF. Henry died in 2020, and his shares passed to Imogen, so that Imogen is now the owner of the shares and all associated rights. **Imogen is a Scheme Creditor.** She will need to explain in her Voting Form that the shares passed to her on the death of Henry."

"Johan is a trustee for a bare trust (**Trust**) which holds shares in the WEIF through a broker (**Broker 4**) for Kim and Leon as beneficiaries. A bare trust is a trust established for the benefit of one or more named persons, each of whom has a defined interest in the trust assets. Broker 4 holds its interest in those WEIF shares for the Trust. It would be necessary to check the terms of the Trust to confirm who the party with the beneficial interest would be. However, in general, **LFSL would expect Kim and Leon to be the Scheme Creditors, either as joint owners or as individual owners of specific shares. It is possible that Johan is an authorised representative of each of Kim and Leon in his capacity as a trustee.**"

"Marco is a trustee for a discretionary trust (**Trust 2**) which holds shares in the WEIF through a broker (**Broker 5**). A discretionary trust is a trust established for one or more named (or unnamed) persons, none of whom has a defined interest in the trust assets. Where shares in the WEIF are held by a discretionary trust, it would be necessary to check the terms of the discretionary trust to confirm who the party with the beneficial interest would be. However, in general, we would expect that it would be the discretionary trust (as opposed to any beneficiaries of that discretionary trust) who would have the beneficial interest and would be the Scheme Creditor. The discretionary trust would act through its trustees, who would be authorised representatives of the discretionary trust. Niall and Ophelia are beneficiaries of Trust 2. Broker 5 holds its interest in those WEIF shares for Trust 2. **In general, LFSL would expect Trust 2 to be the Scheme Creditor and Marco to be its authorised representative as trustee of Trust 2.**"

Other Useful Documents

LFSL would like to point you to some other documents which provide further information and which you may find helpful. These documents are available from <https://lffordfundscheme.com/documents/>

Additional document	What you can learn from this
<p>Frequently Asked Questions and Answers on the Scheme</p> <p>https://lffordfundscheme.com/faqs/</p>	<p>This is a high-level summary of answers to frequently asked questions on the Scheme.</p>
<p>Investor Advocate's report</p>	<p>This is a report of the Investor Advocate addressed to the Court and Scheme Creditors. It summarises the comments and objections that the Investor Advocate has received regarding the Scheme from Scheme Creditors.</p>
<p>Chair of the Investors' Committee's independent report</p>	<p>This is a summary of the work done by the Investors' Committee to consider the proposal for the Scheme and its conclusions about it. These are summarised in "Part 7: The Investors' Committee and the Investor Advocate", paragraph 9 on page 56.</p>
<p>Scheme Rules</p>	<p>This sets out the formal contractual terms of the Scheme.</p>
<p>Release Deed</p>	<p>This is the deed to be entered into by LFSL and the Scheme Creditors to give effect to the releases in the Scheme. These are summarised in "Part 5: How does the Scheme work?", paragraph 45 on page 39.</p>
<p>Group Contribution Deed</p>	<p>The Group Contribution Deed sets out the terms on which the Parent will provide the Parent Contribution and the Scheme Costs Contribution, if the Scheme is sanctioned. This document is summarised in "Part 5: How does the Scheme work?" at page 30 below.</p>
<p>Third Party Litigation Deed</p>	<p>This is the deed to be entered into by LFSL and the Scheme Creditors in respect of potential Contribution Claims brought by a third party against LFSL. This document is further explained in This document is summarised in "Part 5: How does the Scheme work?" at page 30.</p>

LINK FUND SOLUTIONS LIMITED EXPLANATORY STATEMENT

2. Part 2: Background to Link Fund Solutions Limited

Business overview

1. LFSL was incorporated on 21 November 1973 under the name City Financial Services and Investments Limited with registered number 01146888. It was established to provide fund governance and administration services (such as accounting, financial reporting, investment operations, unit pricing and communications), as well as to manage a range of funds. City Financial Services and Investments Limited subsequently changed its name on 29 November 1990 to City Financial Unit Trust Managers Limited and on 11 October 1999 to City Financial Managers Limited.
2. On 12 April 2002, City Financial Managers Limited was acquired by Capita plc to expand its existing administration, trust and share plan activities. The acquisition received regulatory approval and, on 8 May 2002, City Financial Managers Limited changed its name to Capita Financial Managers Limited.
3. On 6 November 2017, the Parent acquired Capita Financial Managers Limited from Capita plc as part of the Parent's strategy to further grow in the United Kingdom and European markets for fund solutions, shareholder solutions, corporate solutions and banking and debt solutions. The Parent is a company listed on the Australian Stock Exchange and it operates a number of businesses around the world focusing on administrative and 'back-office' solutions for funds and other financial services entities. The acquisition received regulatory approval and, on 6 November 2017, LFSL changed its name from Capita Financial Managers Limited to Link Fund Solutions Limited. LFSL is the United Kingdom part of the fund solutions business that operates in the United Kingdom, Ireland, Luxembourg and Switzerland. The fund solutions business is a specialist provider of services, including fund governance and administration services, for asset owners and managers.

Authorised Corporate Director (ACD)

4. LFSL has been authorised and regulated by the FCA since 1 December 2001 (and, prior to that, by the Financial Services Authority). LFSL operates as the ACD of investment companies with variable capital (**ICVCs**) incorporated under the Open-Ended Investment Companies Regulations 2001 (as amended from time to time) (the **OEIC Regulations**). LFSL is also an authorised fund manager for other investment vehicles, such as authorised unit trusts and authorised contractual schemes, as well as an alternative investment fund manager to certain alternative investment funds. It is also an individual savings account plan manager.
5. ACDs are primarily responsible for overseeing and managing investment funds; ensuring that they are properly managed in the best interests of the fund's investors and that they continue to meet their regulatory requirements. There are two main ACD models:

- (a) the internal model, where the ACD is part of the same corporate group as the investment manager (being the person or entity that is appointed by the ACD to manage the fund and its investments); and
 - (b) the independent model, where the ACD and investment manager are not part of the same corporate group, so are functionally and legally independent.
6. LFSL principally operates as an independent ACD. Prior to the completion of the Sale, LFSL was the largest independent ACD in the United Kingdom, with a 46% share of the independent ACD market.
7. When acting as an ACD of an ICVC, LFSL is responsible for managing and administering its affairs in accordance with the requirements of the OEIC Regulations, the FCA Handbook, the instrument of incorporation of the ICVC and its prospectus.
8. An ACD can engage third parties to perform its functions (although it will still be responsible for any functions it delegates). In practice, LFSL typically delegated its investment management, transfer agency, registration services and fund accounting responsibilities to specialist entities.

Sale of the Link Fund Solutions Business

9. On 19 April 2023, LFSL and the Parent entered into conditional agreements for the sale of the Link Fund Solutions Business to Waystone (the **Sale**). The **Link Fund Solutions Business** means:
 - (a) the business and certain assets of LFSL and Link Fund Manager Solutions (Ireland) Limited, excluding certain assets and liabilities (including liabilities directly or indirectly relating to LFSL's role as ACD of the formerly named Woodford Investment Fund, Woodford Investment Funds II and/or the alternative investment fund manager of the Woodford Patient Capital Trust) (the **LFSL Retained Business**); and
 - (b) the entire issued share capital of certain entities within the Link Group.
10. The main Sale transaction documents are as follows:
 - (a) the business transfer agreement dated 19 April 2023 between LFSL and Waystone Management (UK) Limited (the **LFSL BTA**);
 - (b) the sale and purchase agreement dated 19 April 2023 between Link Administration Pty Limited (**LAPL**), LF Solutions Holding Limited (**LFSH**) and Sigma Irish Acquico Limited (**Sigma**) (the **LFSH SPA**);
 - (c) the Irish business transfer agreement dated 19 April 2023 between Link Fund Manager Solutions (Ireland) Limited (**LFMS(IL)**), Waystone Management Company (IE) Limited and Sigma (the **Irish BTA**); and
 - (d) the sale and purchase agreement entered into on the date of Completion between LFSH, Waystone Centralised Services (IE) Limited and Waystone Technology Solutions Private Limited (the **India SPA**).

11. The Sale was conditional on certain conditions precedent, including:
 - (a) receipt of various regulatory approvals. On 15 September 2023, the Parent announced that it had received all necessary regulatory approvals for the Sale; and
 - (b) a sufficient number of existing clients of LFSL and LFMS(I)L consenting to transfer to Waystone. This condition of the Sale has also been met.
12. The Sale completed on 9 October 2023 (the **Sale Completion Date**).
13. £139,622,422.56 was paid by Waystone on Completion. This figure was agreed in advance of Completion based on an estimate of the aggregate amount of cash, debt and working capital transferring to Waystone on Completion. This amount will be subject to a reconciliation exercise once the precise cash, debt and working capital figures are determined. The total consideration amount payable by Waystone for Link Fund Solutions Business is based on a valuation of £140,000,000, and this valuation is allocated between the Link Group selling entities as follows:
 - (a) LFSL, £80,201,563; and
 - (b) £59,798,437 for the remaining Link Group selling entities.
14. On 18 August 2023, a separate sale was agreed between LFSH and Altum Holdings (UK) Limited to sell the share capital of Link Fund Solutions (Luxembourg) S.A. (**LFS(L)SA**) (the **Lux Sale**). The final amount payable will be determined based on certain adjustments to an agreed valuation, including the cost of winding up LFS(L)SA's subsidiary, Link Fund Solutions (Switzerland) S.A. (**LFS(S)SA**) and levels of regulatory capital held at LFS(L)SA (the **Lux Sale Proceeds**). The sale of LFS(L)SA is conditional on regulatory approval.

3. Part 3: The LF Equity Income Fund

Launch of the LF Equity Income Fund

1. The WEIF is an ICVC incorporated in England and Wales (registered number IC001010) under the OEIC Regulations and authorised by the FCA. The WEIF is a sub fund of the LF Investment Fund and was launched on 2 June 2014. It was previously known as the LF Woodford Equity Income Fund and, prior to that, as the CF Woodford Equity Income Fund.
2. Woodford Investment Management Limited (**WIM**) was an investment company regulated by the FCA that was founded by Neil Woodford. Mr. Woodford had built a significant reputation as a stock-picker. WIM had two roles related to the WEIF. WIM was the WEIF's sponsor, in which capacity it designed the key features of the WEIF and engaged LFSL to act as ACD of the WEIF, and it was the WEIF's investment manager.
3. In its capacity as investment manager of the WEIF, WIM was responsible for the day-to-day investment of the WEIF's assets. WIM pursued an investment strategy to invest in UK-listed companies and unquoted assets, with a view to achieving the WEIF's investment objectives. The WEIF's prospectus, which was filed with the FCA, reviewed and agreed with Northern Trust, and published on 13 May 2014 (and amended and restated from time to time), described the WEIF's Investment Objectives and Policy as follows:

"4.1 CF Woodford Equity Income Fund Investment Objective and Policy

The aim of this Fund is to provide a reasonable level of income together with capital growth. This will be achieved by investing primarily in UK listed companies. The Fund may invest in unlisted companies and overseas entities. The Fund may also invest in other transferable securities, money market instruments, warrants, collective investment schemes and deposits."

4. Northern Trust Global Services Limited SE (UK Branch) was appointed by the WEIF to act as depositary of the WEIF on 30 May 2014 (the **Depositary**). Under the Collective Investment Schemes (**COLL Rules**) section of the FCA Handbook of Rules and Guidance (the **FCA Handbook**), the Depositary must ensure that any sales or redemptions of a fund's shares are carried out in accordance with applicable regulation and law. The Depositary was also responsible for monitoring the WEIF's cashflows and safeguarding the WEIF's assets.
5. At launch, the WEIF attracted significant inflows for a new UK investment fund, and the WEIF generated favourable returns in its early years (for example, between the WEIF's launch on 2 June 2014 and the end of 2014, a return of 16.2% was generated for investors).
6. From mid-2017 onwards, the WEIF's liquidity profile deteriorated. LFSL took steps, including: (a) stressing to WIM the need to prevent further deterioration of the WEIF's liquidity position and to rebalance the portfolio; (b) implementing enhanced monitoring measures and limits (in addition to the existing standard liquidity monitoring and stress testing applied to all funds) in order to ascertain whether the steps being taken by WIM

were sufficient or whether further action would be required; and (c) keeping the FCA updated as to the issues faced by the WEIF and the actions being taken to address them. LFSL also ensured that WIM had contingency plans in place in respect of: (i) the level of unquoted securities within the WEIF; and (ii) the WEIF's liquidity position. LFSL also implemented contingency plans in April 2019 to be able to realise approximately £637 million (almost 16% of the WEIF's net asset value (NAV)) by the end of July 2019.

Suspension of the WEIF

7. Before the contingency plans could be fully implemented, on 3 June 2019, the WEIF received redemption requests from its investors which totalled £296 million, representing 8.2% of the WEIF's NAV, including a request from one of its largest investors to redeem its entire stake in the WEIF (valued at approximately £238 million, being about 6.5% of the WEIF's NAV) immediately. LFSL determined that it would not have been in the best interest of all investors for the WEIF to meet these redemption requests given the effect that this would have had on the liquidity profile of the WEIF. Accordingly, LFSL, with approval from the Depositary, suspended the WEIF on 3 June 2019 (the Suspension Date) and informed the FCA of this decision. The suspension took effect at 12.00 p.m. (the Suspension Time) on the Suspension Date. Effective from the Suspension Time, investors in the WEIF were prevented from redeeming their investments in the WEIF.
8. As agreed with the Depositary, the purpose of the suspension was to give WIM, as the investment manager of the WEIF, time to reposition the portfolio and create the necessary liquidity to satisfy the requested redemptions and the further redemption requests that were expected to follow on re-opening.

Winding up of the WEIF

9. Whilst some progress was made after the Suspension Date to improve the WEIF's liquidity, this was not sufficient to allow LFSL to specify with reasonable certainty when the repositioning would be fully achieved and the WEIF could be re-opened. After considering all options, and with the approval of the Depositary, on 15 October 2019, LFSL took the decision to wind up the WEIF and for there to be an orderly sale of the WEIF's assets. This orderly sale would allow the return of funds to investors, through capital distribution payments, more quickly than if the WEIF had remained suspended for a longer period of time.
10. The FCA approved the winding up of the WEIF to commence on 18 January 2020.
11. As at the Suspension Date, the NAV of the WEIF was approximately £3.56 billion. Since the start of its winding up on 18 January 2020, the WEIF has made a number of capital distributions to its investors (the **Capital Distributions**), as follows:

Date	Capital Distribution
30 January 2020 (1 st)	£2,124,083,280
25 March 2020 (2 nd)	£143,200,000
26 August 2020 (3 rd)	£183,150,000
11 December 2020 (4 th)	£98,480,000
11 November 2022 (5 th)	£20,000,533

12. The NAV of the remaining WEIF assets after the Capital Distribution made on 11 November 2022 was estimated at that time to be £50,324,512. However, the estimated NAV of those remaining assets as at 29 September 2023 has been updated to £36,384,843.02. That valuation may increase or decrease. Any remaining WEIF assets will be sold and a final Capital Distribution will be made to investors to complete the winding up of the WEIF. The final Capital Distribution is in addition to the distributions to be made from the Settlement Fund in the Scheme.
13. In addition to the Capital Distributions made, PricewaterhouseCoopers UK LLP, LFSL's financial adviser has calculated that, from the Suspension Date, £37,584,471.28 of income has been paid as cash to investors invested in income shares in the WEIF as at the Suspension Time.
14. LFSL will continue to update investors about the sale of the WEIF's remaining assets and any further Capital Distributions. All communications in relation to the winding up of the WEIF are published by LFSL at <https://equityincome.linkfundsolutions.co.uk/investor-documentation/>.

4. **Part 4: Events leading to the proposed Scheme and Settlement**

1. This Part explains the events leading up to LFSL proposing this Scheme (and the Settlement to be implemented by it) after the Suspension Date.

The FCA Investigation

2. On 17 June 2019, the FCA notified LFSL that it was commencing an investigation in respect of LFSL into the events that led to the suspension of the WEIF on 3 June 2019 (the **FCA Investigation**). Following that FCA Investigation, on 20 September 2022, the FCA issued a draft Warning Notice. A draft Warning Notice is a normal step in the FCA's enforcement process and provides the recipient with an opportunity to resolve the case by agreement. A draft Warning Notice is therefore not a final decision.
3. The draft Warning Notice set out the FCA's current conclusions in respect of the FCA Investigation, and is further described in "Part 4: Events leading to the proposed Scheme and Settlement", at paragraph 5, on page 23 (the **FCA Conclusions**).
4. Due to restrictions under the Financial Services and Markets Act 2000, we are not able to publish the draft Warning Notice. However, in summary it alleged that, from 31 July 2018 until the WEIF was suspended on 3 June 2019, LFSL failed to comply with its regulatory obligations as ACD in respect of liquidity management. In particular:
 - (a) the WEIF's liquidity profile was unreasonable and inappropriate in light of the redemption policy in the fund prospectus which allowed investors to redeem their investment within four days. However, LFSL failed to take adequate steps to deal with the problem;
 - (b) the metrics used to measure liquidity contemporaneously (including stress testing) were unreasonable and inappropriate;
 - (c) LFSL failed to properly supervise WIM, the investment manager of the WEIF; and
 - (d) the WEIF held certain securities which were originally unquoted but later admitted to eligible markets. However, there were no arm's-length market dealings and only one trade was recorded for certain of these securities. The securities were valued by LFSL using fair value pricing at all stages, even after their listing. The WEIF thus held assets which remained illiquid even after listing and this increased the risks of liquidity issues arising. Although ACDs are not usually expected to be involved in an underlying asset's corporate actions, including listing on an exchange, LFSL failed to give consideration to the potential implications for the WEIF's liquidity profile where businesses in which the WEIF had holdings announced an intention to convert from unlisted status to becoming listed on an exchange.
5. The key conclusions from the FCA Investigation, as set out in the draft Warning Notice, were that:

- (a) investors who left the WEIF from 1 November 2018 onwards benefited disproportionately from the sale of the most liquid assets in the WEIF compared to the Suspension Date Investors;
- (b) the Suspension Date Investors were treated unfairly because they were left with a disproportionate share of less liquid assets; and
- (c) LFSL had therefore failed to comply with both Principle 2 and Principle 6 of the FCA's Principles for Businesses (the **Relevant Principles**) from 31 July 2018 until the Suspension Date. Principles 2 and 6 of the FCA's Principles for Businesses are:

"Principle 2: Skill, care and diligence: A firm must conduct its business with due skill, care and diligence...."

"Principle 6: Customers' interests: A firm must pay due regard to the interests of its customers and treat them fairly".

Other than the conclusions that LFSL failed to comply with Principles 2 and 6, the FCA Conclusions did not include any findings in relation to breaches of the rules.

- 6. As a result of the alleged breaches of the Relevant Principles, the FCA initially proposed that LFSL should pay:
 - (a) a penalty of £50 million (prior to taking into account any discount available for prompt settlement); and
 - (b) a restitution payment of up to £306,096,527.
- 7. The FCA explained that, in its view, the amount of the restitution payment reflected the loss allegedly borne by the Suspension Date Investors as a result of the regulatory misconduct. The FCA calculated this amount by comparing the difference between the amount of money that the Suspension Date Investors actually received after the Suspension Date and the amount that they would have received had the proceeds of the sale of assets realised from 1 November 2018 onwards been shared equally with those who had redeemed their investments during that period (the **FCA Redress Calculation**).
- 8. On 11 November 2022, LFSL paid the fifth Capital Distribution to the Suspension Date Investors. Taking into account that Capital Distribution, as well as correcting a rounding issue, the FCA reduced the maximum restitution payment amount from £306,096,527 to £298,403,919. This sum does not take into account any further distributions resulting from the assets still held in the WEIF and may therefore be reduced further in the event of a further distribution. A spreadsheet setting out the FCA Redress Calculation is available at <https://lfwoodfordfundscheme.com/documents/>.
- 9. The FCA announcements in respect of redress to investors in the WEIF can be found at <https://www.fca.org.uk/news/statements/fca-statement-regarding-potential-enforcement-action-against-link-fund-solutions-ltd> (FCA announcement dated 21 September 2022) and <https://www.fca.org.uk/news/press-releases/fca-announces-plan-deliver-significant-redress-woodford-investors> (FCA announcement dated 19 April 2023).

10. The FCA Conclusions do not represent a binding or final determination of the FCA and are disputed by LFSL. Other than concluding that LFSL failed to comply with Principles 2 and 6, the FCA did not make any findings in relation to breaches by LFSL of the rules set out in the FCA Handbook. This includes the rules which are alleged to provide the causes of action that certain WEIF investors have issued against LFSL.

The Litigation Claims

11. Certain WEIF investors have issued claims against LFSL (the **Litigation Claims**). These investors are represented by the following law firms:
 - (a) Leigh Day (the **Leigh Day Claimants**);
 - (b) Marcus Parker Limited (the **Marcus Parker Claimants**); and
 - (c) Wallace LLP (the **Wallace/RGL Claimants**).
12. Claim forms have been issued in respect of the Leigh Day Claimants as follows:
 - (a) in respect of *Edward Moon and 984 Ors v Link Fund Solutions Limited* (FL-2022-000012), a claim form was issued on 27 September 2021 and served on 16 January 2023. LFSL filed and served an acknowledgement of service on 19 January 2023 and received the joint generic particulars of claim on 8 March 2023. These proceedings have been stayed until the earlier of 14 days after one of the parties terminates the stay, or 31 January 2024, to avoid incurring unnecessary further costs in light of the proposed Scheme; and
 - (b) in respect of *Adrian Dufton and 10,125 Ors v Link Fund Solutions Limited* (FL-2023-000003) a claim form was issued on 9 February 2023. This claim form has not yet been served. The time for service of the claim form has been extended until the earlier of 14 days after one of the parties terminates the stay, or on 31 January 2024, to avoid incurring unnecessary further costs in light of the proposed Scheme.
13. A claim form has been issued in respect of the Marcus Parker Claimants as follows: *Anthony Etkind and 1,911 Ors v Link Fund Solutions Limited* (FL-2022-000011) on 3 June 2022 and served on 18 January 2023. LFSL filed and served an acknowledgement of service on 19 January 2023 and received the joint generic particulars of claim on 8 March 2023. These proceedings have been stayed until the earlier of 14 days after one of the parties terminates the stay, or on 31 January 2024, to avoid incurring unnecessary further costs in light of the proposed Scheme.
14. The Leigh Day Claimants and Marcus Parker Claimants (the **LD/HP Claimants**) claim that LFSL should pay damages to WEIF investors for losses resulting from breaches by LFSL of the COLL Rules in its role as ACD of the WEIF. In particular, they threaten claims under Section 138D of the Financial Services and Markets Act 2000. The LD/HP Claimants claim that breaches of the COLL Rules occurred following a shift in the WEIF investment strategy as follows:

- (a) LFSL failed to ensure that the WEIF maintained sufficiently liquid assets to meet foreseeable redemption requests without prejudicing the interests of remaining investors;
 - (b) LFSL permitted a strategy change to occur without giving the required notification to (and/or receiving the required authorisation from) the WEIF's shareholders;
 - (c) from late 2017, increasingly artificial steps were taken by WIM with LFSL's acquiescence or by LFSL in an attempt to achieve technical compliance with the 10% limit set out in COLL 5.2.8R, without in fact ensuring any material additional liquidity in the WEIF or remedying the fact that the WEIF was exposed to inappropriate investments;
 - (d) LFSL over-valued the WEIF's assets, in particular the illiquid, speculative and hard to value assets which formed an increasingly significant part of the WEIF's NAV following the strategy change; and
 - (e) LFSL failed to behave fairly and professionally.
15. A claim form has been issued in respect of the Wallace/RGL Claimants as follows: *Sarah Louisa Spice and 3,215 Ors v Link Fund Solutions Limited and Hargreaves Lansdown* (FL-2022-000033) on 14 October 2022. On 28 October 2022, Wallace wrote to Clifford Chance enclosing the draft generic particulars of claim for the Wallace/RGL Claimants.
16. The claims provided in draft by the Wallace/RGL Claimants are broadly the same allegations against LFSL as those made by the LD/HP Claimants. However, they do differ in the following key respects:
- (a) certain of the Wallace/RGL Claimants intend to pursue claims against Hargreaves Lansdown (through whom they invested in the WEIF) alleging a breach of contractual obligations, duty of care and the Conduct of Business Sourcebook. Their case is that if Hargreaves Lansdown had complied with its alleged duties, it would have removed the WEIF from the Wealth Lists from late 2016, such that they would have either not acquired, or would have sold at that stage, their investments in the WEIF;
 - (b) the Wallace/RGL Claimants include investors who sold their investments before the Suspension Time (the **Pre-Suspension Sellers**). Wallace LLP confirmed that the Pre-Suspension Sellers make up 10 – 15% of the Wallace/RGL Claimants, which would amount to 322 – 482 investors. The Pre-Suspension Sellers claim that they suffered loss due to the underperformance of the WEIF over the period during which they were invested; and
 - (c) the Wallace/RGL Claimants claim that the changes in the WEIF's investment approach which they allege resulted in breaches of the relevant COLL Rules started as early as 2015. This is in contrast to the LD/HP Claimants who claim that the changes started in mid-2017.

17. The LD/HP Claimants do not specify the amount of their alleged losses in their Court pleadings.¹ They state that the value of their losses will be the subject of expert evidence in due course but that they anticipate that the claims will be for an amount significantly greater than the difference between the value of their shares when the fund was suspended and the amount they have received back through distributions.
18. LFSL disputes the Litigation Claims and has provided detailed responses to all letters, rejecting the allegations that have been made against it. LFSL believes that it has carried out all of its obligations as ACD in accordance with the FCA Principles and COLL Rules. LFSL intends to defend any proceedings brought against it in relation to its role as ACD of the WEIF.
19. Where a Scheme Creditor has entered into an arrangement with Leigh Day, Marcus Parker, Wallace LLP or any claims management company with respect to claims they wish to pursue against LFSL, they may need to consider whether there are any fees that may be payable under those arrangements if they receive compensation under the Scheme.

FOS complaints

20. The Financial Ombudsman Service (**FOS**) is an ombudsman service that helps financial services businesses and their customers settle complaints. Its time limits for filing claims are set out here <https://www.financial-ombudsman.org.uk/consumers/expect/time-limits>, and the amount of compensation available (which depends on when the case was brought) is here <https://www.financial-ombudsman.org.uk/consumers/expect/time-limits>.
21. LFSL has received approximately 455 complaints from investors in the WEIF, and approximately 104 of these complaints have been referred to the FOS. Approximately 85 of the complaints referred to the FOS are still open (the **FOS Complaints**). FOS Complaints were closed where the complainants contacted LFSL (or the FOS) to withdraw their complaints.
22. On 9 August 2023, the FOS informed LFSL that the FOS was contacting WEIF investors who had made complaints to inform them that the FOS would be pausing further work on their cases until October 2023, when details of this Scheme will be made available.

The Settlement

23. On 19 April 2023, LFSL and the Parent entered into a conditional settlement with the FCA in respect of the FCA Investigation. Under the terms of the Settlement, LFSL, the Parent and the FCA agreed to take certain steps, as described below.

¹ LFSL has seen a copy of a letter to the FSCS, in which Leigh Day/Harcus Parker Limited have stated that they calculate the aggregate losses of their client to be in the region of £300 million, not including interest. They also stated that the FCA Total Amount is less than a third of "the actual losses suffered".

LFSL

24. Under the Settlement, LFSL agreed:
- (a) to fulfil its obligations under the LFSL BTA, to the extent within its reasonable control to do so;
 - (b) to retain all proceeds received under the LFSL BTA;
 - (c) to propose the Scheme, and to take all reasonable steps to implement it; and
 - (d) only if the Scheme is approved by the Scheme Creditors and the Court, to:
 - (i) the issuance of the FCA Notices (as defined and described in subparagraph 27(b) below) and the publication of a statement that LFSL contravened certain relevant requirements and that a financial penalty would have been imposed but will not be in order to maximise the amount available for restitution to holders of shares in the WEIF; and
 - (ii) make the Settlement Fund available for distribution to relevant investors (including making claims on the relevant insurance policies, described in "Part 5: How does the Scheme work?", paragraph 20 on page 34 below).
25. Please note that LFSL agreed to the Settlement on the basis that it makes no admission of liability in relation to the FCA Investigation, the FCA Conclusions or the Litigation Claims. If the Scheme does not go ahead, LFSL intends to dispute the claims made against it in respect of the WEIF (including both the FCA's Conclusions and the Litigation Claims) on the basis that it carried out all of its obligations as ACD of the WEIF, in accordance with the FCA Principles and the COLL Rules.

The Parent

26. Under the Settlement, the Parent agreed:
- (a) to give effect to the Sale and fulfil its obligations under the LFSH SPA, the LFSL BTA and the Irish BTA (where those obligations are within its reasonable control);
 - (b) in the event that the Scheme is approved by the Scheme Creditors and the Court, to provide the Parent Contributions;
 - (c) to pay LFSL's third party adviser costs in relation to the Scheme up to a maximum of £2.5 million (the **Scheme Costs Contribution**); and
 - (d) to use reasonable endeavours to pursue a sale of the share capital, or the business and assets of LFS(L)SA and/or LFS(S)SA and, in the event that the Scheme is approved by the Scheme Creditors and the Court, procure the transfer of the sale proceeds of that sale to the Settlement Fund (net all costs of the sale).

FCA

27. Under the Settlement, the FCA agreed:
- (a) provided that the Sale complies with relevant regulatory requirements, to consent as necessary to give effect to the LFSL BTA; and
 - (b) to issue a Warning Notice, Decision Notice and Final Notice (the **FCA Notices**) as soon as practicable. The FCA Notices will set out the FCA Conclusions, including that LFSL breached Principles 2 and 6 of the FCA's Principles for Businesses from 31 July 2018 until the Suspension Date. Pursuant to the FCA Notices, a requirement will be imposed on LFSL to pay restitution to the Suspension Date Investors of the FCA Total Amount (or such lower sum as may be payable under the Scheme).

Conditions to the Settlement

28. The Settlement is conditional on:
- (a) the completion of the Sale. The Sale completed on 9 October 2023; and
 - (b) the approval of the Scheme by the Scheme Creditors and the Court.
29. If the Scheme is not approved by the Scheme Creditors and the Court:
- (a) the FCA will be free to take such regulatory action against LFSL relating to its management of the WEIF, as the FCA considers appropriate;
 - (b) LFSL shall be free to challenge and to defend itself against any claims made against it in relation to the WEIF; and
 - (c) the Initial Parent Contribution and the Additional Parent Contribution will not be available to Scheme Creditors.

5. **Part 5: How does the Scheme work?**

1. In this Part we explain in further detail how the Scheme will work if it goes ahead. However, it is important to understand that the contractual provisions of the Scheme (the **Scheme Rules**) which are available at <https://lffordfordfundscheme.com/documents/> set out the full terms of the agreement to be entered into between LFSL and the Scheme Creditors under the Scheme. In the event of inconsistency between the Scheme Rules and the Explanatory Statement, the Scheme Rules prevail.

IMPORTANT

Once effective, all Scheme Creditors will be automatically included in, and bound by, the Scheme, including where they voted against the Scheme or did not vote at all.

The Settlement Fund will be made available to the WEIF and the WEIF will distribute the Settlement Fund in the same manner as Capital Distributions have been made since the Suspension Date, except where the WEIF is dissolved or it is otherwise not possible to make distributions through the WEIF, in which case other provisions will apply.

In return for the payments made from the Settlement Fund, Scheme Creditors will no longer be able to make any claims against LFSL. Scheme Creditors will also no longer be able to make certain claims against other parties related to LFSL, including, but not limited to, its directors, employees, the Parent and the Parent's directors and employees. Where a Scheme Creditor's claim is released, the Scheme Creditor will not be able to bring that claim against the FSCS. More information about claims against the FSCS can be found "Part 6: What happens if the Scheme does not go ahead?", paragraphs 11 to 17.

In addition to the releases to be given, Scheme Creditors' rights to receive proceeds from proceedings that they may take against a Third Party in respect of the WEIF will be reduced if and to the extent that LFSL would be liable to make a Contribution Claim. More information about the releases to be given and the treatment of Contribution Claims can be found in paragraph 45 of this "Part 5: How does the Scheme work?"

LFSL has proposed the Scheme on a without prejudice basis only. That means that if the Scheme does not become fully effective, Scheme Creditors acknowledge and agree that LFSL has not agreed to any liability for its actions in respect of the WEIF and LFSL intends to dispute any claims made against it in relation to the WEIF.

Who does the Scheme apply to?

LFSL and the Scheme Creditors

2. A Scheme is binding between the company proposing it, and the creditors stated in it. In this case, the Scheme will bind LFSL and each Scheme Creditor.

3. A **Scheme Creditor** is a person who holds a Scheme Claim as at 12 December 2023 (the **Record Date**).
4. A **Scheme Claim** is all actual, potential, alleged, threatened or disputed liabilities that a Suspension Date Investor is owed or may be owed by LFSL arising out of, or in connection with:
 - (a) the WEIF during any period up to, and including, the Record Date, including any proceedings and claims therein (including, but not limited to, the civil claims issued against LFSL with claim numbers FL-2022-000011, FL-2022-000012, FL-2022-000033 and FL-2023-000003); and
 - (b) the Group Contribution Deed Liabilities (defined in paragraph 46(c)(ii) on page 40),but in each case, excluding any Client Money Claim.
5. A **Suspension Date Investor** is any person who had a beneficial interest in a share or shares in the WEIF as at the Suspension Time and if a Suspension Date Investor has transferred all or any of its beneficial interest in a share or shares in the WEIF, any person who has such beneficial interest (or as applicable, relevant part of it) as at the Record Date.
6. A person has a beneficial interest in the WEIF if they:
 - (a) directly held shares in the WEIF in their own name for their own benefit (as opposed to holding them on behalf of someone else); or
 - (b) indirectly held shares in the WEIF in their own name through one or more intermediaries, for example through an online investment platform, or if their shares in the WEIF are held and managed by trustees or nominees on their behalf.
7. Scheme Claims include, but are not limited to, any outstanding related FOS Complaints.
8. A **Client Money Claim** is any claim against LFSL for any client monies (within the meaning of the FCA Handbook) that LFSL holds in its client money account(s). Client monies held by LFSL are held by it on trust for the relevant clients, who can separately submit a Client Money Claim to LFSL for payment in full of their respective share of the client monies held by LFSL. In addition, the Scheme will not change Scheme Creditors' ownership rights in respect of the shares in the WEIF.

Other parties to the Scheme

9. The following parties have also give undertakings to the Court and LFSL to enable the Scheme to be implemented as anticipated:
 - (a) the Scheme Supervisors;
 - (b) the Parent; and
 - (c) the WEIF.

Who does the Scheme not apply to?

10. The Scheme will not affect any person or entity who is not a Scheme Creditor. This includes:
 - (a) any investor in any other fund where LFSL is or was an authorised corporate director;
 - (b) any Pre-Suspension Seller;
 - (c) any other creditor of LFSL; or
 - (d) any investors or creditors of any other fund that was managed by WIM or related to any other investment management vehicles of Neil Woodford.
11. LFSL will continue to review such claims outside the Scheme.

When will the Scheme become effective?

12. The Scheme will become fully effective if:
 - (a) it is approved by a majority in number (i.e. more than 50%), representing 75% or more in value, of the Scheme Creditors who vote;
 - (b) the Court approves the Scheme. The Court will only approve the Scheme if it finds that the legal requirements have been met;
 - (c) a copy of the Court order approving the Scheme is filed with the Registrar of Companies (the **Filing Date**); and
 - (d) a period of 21 days has passed from the Filing Date without a notice of appeal having been served against the Scheme or, where a notice of appeal has been served, the date on which any such appeal is finally determined and any further right of appeal has passed.
13. The time at which the Scheme becomes fully effective is called the **Effective Time**. At the Effective Time, the Scheme will be fully binding on LFSL, the Parent and all Scheme Creditors (including those that voted against the Scheme or who did not vote at all). LFSL expects the Scheme to become fully effective on or about 9.00 a.m. on 9 February 2024.
14. It should be noted that there are two provisions of the Scheme that will become effective on the Filing Date, namely:
 - (a) the imposition of the standstill described in paragraph With immediate effect from the Filing Date, until the earliest to occur of the Release Date (defined below) and the date on which the Scheme terminates, Scheme Creditors will not be permitted to start or continue any claims against LFSL and other parties that benefit from a release in the Scheme. After the Release Date, Scheme Creditors are restricted from starting or continuing proceedings except where LFSL or the Parent fail to comply with their obligations under the Scheme.⁴⁵ below; and

- (b) the requirement on the Parent to pay the Scheme Costs Contribution within 2 Business Days.

What will happen if the Scheme becomes effective?

15. Three important things happen when the Scheme becomes effective. In summary these things are:
- (a) all Scheme Creditors will automatically be included in the Scheme. This means that the Scheme will be legally binding on each Scheme Creditor regardless of whether they voted for or against the Scheme (or voted at all) and whether or not they are party to the Litigation Claims or the FOS Complaints;
 - (b) the Settlement Fund will be made available for distribution to the WEIF (which, in turn, will make the distribution to Scheme Creditors); and
 - (c) Scheme Creditors will no longer be able to make compensation claims against LFSL and relevant related parties.

The Settlement Fund will be made available to the WEIF

16. In summary, the Settlement Fund will be made up of:
- (a) all of LFSL's available assets;
 - (b) the proceeds available under LFSL's relevant insurance policies, subject to contract; and
 - (c) the Parent Contributions.
17. The Settlement Fund will not include the amount that LFSL reasonably estimates is needed to pay its other costs and liabilities in full as they fall due (the **Excluded Liabilities**). At present, LFSL estimates that the maximum amount of the Settlement Fund will be up to £230 million. However, the initial distributions from the Settlement Fund are expected to be made in the first quarter of 2024 and are expected to total between £183.5 million and £200 million.
18. LFSL will open a separate bank account (the **Settlement Account**) for the sole purpose of making payments to the WEIF or the Scheme Creditors. The Settlement Account will be kept separate from other LFSL monies and only be used for the purpose of making payments to the WEIF or the Scheme Creditors.

LFSL's available assets

19. LFSL's assets are made up of:
- (a) *Sale Proceeds*: LFSL is expecting to receive, in aggregate, approximately £80 million from the sale of its ACD business under the LFSL BTA (the **Sale Proceeds**). The Sale Proceeds have been calculated so as to represent a fair value to be paid by Waystone for LFSL's ACD business. The FCA has confirmed that it has received appropriate information from Waystone and assurances from LFSL and the Parent regarding how they have confirmed that

the Sale Proceeds represents fair value for these assets.² The Sale Proceeds include cash and working capital adjustments such that the final confirmation of the amount of the Sale Proceeds can only be determined a period of time following Completion; however, on Completion LFSL received £79,558,280; and

- (b) *cash and capital resources*: LFSL estimates that it has other cash and capital resources of approximately £46 million that it can pay into the Settlement Fund. LFSL's cash position will be moving on a day-to-day basis and so cannot be fixed. However, LFSL remains of the view that the expected cash position will be such that the maximum potential Settlement Fund is still £230 million as the cash currently being applied in respect of costs is being paid from the £5 million reserve for Expected Costs (defined in paragraph 27 below) which does not form a part of the Settlement Fund in any event.

The Insurance Policies

20. LFSL has cover under a programme of professional indemnity insurance consisting of a primary policy and two excess policies (together, the **Insurance Policies**). The insurers under those Insurance Policies (the **Insurers**) have agreed, subject to contract, that provided that the Scheme is sanctioned by the Court, they will pay to LFSL the remaining available cover under the Insurance Policies, being approximately £48 million.
21. Within five Business Days of the Effective Time, to the extent that it has not already done so, LFSL will make a claim under the Insurance Policies for the full amount available under those policies (the **Insurance Proceeds**) to be paid. The timing for the payment of the Insurance Proceeds to LFSL and the WEIF are as described in the timeline set out on pages 45 – 46.

The Parent Contributions

22. The Parent will make contributions to the Settlement Fund as follows:
- (a) the aggregate sale proceeds that LAPL will receive from Sigma pursuant to the LFSH SPA (after certain cash, debt and working capital adjustments);
 - (b) the aggregate sale proceeds that LFSH will receive from Sigma pursuant to LFSH SPA (after certain cash, debt and working capital adjustments);
 - (c) such amount of the sale proceeds received by LFMS(I)L from Waystone Management Company (IE) Limited on completion under the Irish BTA, as can be lawfully distributed from LFMS(I)L (subject to certain reservation provisions and cash and working capital adjustments); and
 - (d) £170,000 of the sale proceeds that LFSL received from Waystone Centralised Services (IE) Limited pursuant to the India SPA

² Confirmed by the FCA in the FCA Statement dated 19 April 2023: <https://www.fca.org.uk/news/press-releases/fca-announces-plan-deliver-significant-redress-woodford-investors>.

These amounts are expected to be approximately £60 million.

23. The Parent will also contribute the Lux Sale Proceeds, net of costs.
24. The initial Parent Contribution (the **Initial Parent Contribution**) will be made within 10 Business Days of the Effective Time (the **Initial Parent Contribution Deadline**). The Initial Parent Contribution shall be the amounts referred to in paragraphs 22 and 23 that have been received by the Initial Parent Contribution Deadline, save that in the event that the cash debt and working capital adjustments have not yet been determined under the LFSH SPA and/or the Irish BTA and/or Lux Sale Proceeds have been received but the relevant adjustments have not yet been determined, the relevant sellers may withhold such amount as they may determine (acting reasonably) is required to pay such amounts.
25. If, following the Initial Parent Contribution Deadline:
 - (a) after finalising all cash, debt and working capital adjustments under the LFSH SPA, the Irish BTA and the LFSL BTA, any further amounts are received in accordance with paragraph 22;
 - (b) the Parent receives Lux Sale Proceeds, which when taken with any Lux Sale Proceeds received prior to the Initial Parent Contribution Deadline (if any) exceed the costs of the Lux Sale; and/or
 - (c) any amounts withheld in accordance with paragraph 24 are no longer required, the Parent shall contribute such additional amounts (the **Additional Parent Contribution**) within 10 Business Days of receipt (the **Additional Parent Contribution Deadline**), provided that such deadline occurs before the Scheme Completion Date.

The Excluded Liabilities and Reserve Amount

26. Within 5 Business Days of the Effective Time, LFSL will, acting prudently and after consultation with the Scheme Supervisors, estimate how much money it needs to reserve to pay its Excluded Liabilities in full.
27. At present £5 million has been set aside from LFSL's assets to meet expected Excluded Liabilities (the **Expected Costs**) including:
 - (a) LFSL's costs in respect of putting in place and implementing the Scheme (the **Scheme Costs**). The Scheme Costs include the costs of LFSL's advisers, the Scheme Supervisors, the Investor Advocate and the Chair of the Investor Committee. They also include LFSL's costs in running the remaining LFSL business until that business is fully wound down and closed in accordance with applicable statutory and regulatory obligations (the **Wind Down Costs**); and
 - (b) LFSL's costs in respect of the Sale (the **Sale Costs**).
28. Taking into account the £5 million that has been set aside to pay the Expected Costs, the maximum amount of the potential Settlement Fund is up to £230 million. However, in order to allow distributions to be paid from the Settlement Fund to investors as soon

as possible in the first quarter of 2024 (and many months or years earlier than would otherwise be the case, (assuming that any payments would be made at all without the Scheme)), a reserve has also been set aside to meet contingent Excluded Liabilities (the **Reserve Amount**). The Reserve Amount will be set on a prudent basis. It is currently estimated that the initial Reserve Amount will be set at £46.5 million. The Reserve Amount cannot be more than £46.5 million.

29. The Excluded Liabilities which may be paid from the Reserve Amount include:
- (a) any LFSL costs, including the Scheme Costs, Sale Costs, LFSL's costs in winding down the WEIF and the other funds where it is the ACD and Wind Down Costs, to the extent that they exceed the amounts that are currently contemplated;
 - (b) LFSL's costs, if any, in defending any litigation. This includes any claim that may be brought by investors who redeemed all of their investments in the WEIF before the Suspension Date;
 - (c) potential claims by Waystone under the LFSL BTA in relation to:
 - (i) completion accounts adjustment: LFSL may need to provide for any payments due to Waystone as a result of any cash and working capital adjustments required under the LFSL BTA;
 - (ii) contractual breach by LFSL: any claims that arise as a result of LFSL having breached the terms of the LFSL BTA. To date, LFSL is of the view that it has complied with the terms of the LFSL BTA; and
 - (iii) indemnities: under the terms of the LFSL BTA, LFSL has granted a small number of indemnities in favour of Waystone. LFSL undertook an assessment of the indemnities at the time of entry into the LFSL BTA and determined that there was a low risk that the indemnities would be claimed by Waystone; and
 - (d) any taxes payable by LFSL.

The Reserve Amount does not include any provision for making any compensation payments to any other investors.

30. LFSL will, in consultation with the Scheme Supervisors, review the Reserve Amount every six months (the **Review Date**). LFSL may also review the Reserve Amount at any other date, as reasonably requested by the Scheme Supervisors. When reviewing the Reserve Amount, LFSL will consider if the Reserve Amount can be reduced (because LFSL is satisfied that any of the contingent costs and liabilities reserved for will not arise). LFSL will determine if the Reserve Amount will be reduced within five Business Days of the Review Date.
31. In consultation with the Scheme Supervisors, LFSL must:
- (a) provide the Scheme Supervisors with an estimate of any cash it requires, to meet its Excluded Liabilities as they fall due;

- (b) provide the Scheme Supervisors with any other information that they request (acting reasonably) in order to evaluate the Reserve Amount and to consider whether the Reserve Amount should be reduced; and
 - (c) obtain and consider such financial and/or legal information and advice as the Scheme Supervisors consider appropriate.
32. In addition, the Scheme Supervisors must:
- (a) monitor LFSL's compliance with the terms of the Scheme;
 - (b) once every six months, prepare a report for Scheme Creditors providing an update on the progress of the Scheme and publish such report on the Scheme Website; and
 - (c) confirm that any Scheme Costs incurred by LFSL (other than in relation to its own costs) have been properly incurred in accordance with the Scheme.
33. Whilst the Scheme Supervisors are agents of LFSL, they must, under the terms of the Scheme, act in good faith with reasonable skill and care in the interests of the Scheme Creditors as a whole and shall exercise their powers, duties and functions under the Scheme with a view to ensuring that the Scheme is implemented in accordance with its terms.
34. If LFSL determines that the Reserve Amount can be reduced, LFSL will, within five Business Days, transfer to the Settlement Account the relevant amount that will be deducted from the Reserve Amount (the **Additional LFSL Contribution**). LFSL will not be required to make any Additional LFSL Contributions after the Scheme has been completed.

Settlement Account

35. The Settlement Fund will be held in a separate bank account in the name of LFSL called the Settlement Account. By establishing the Settlement Account, LFSL will ensure that the Settlement Fund is kept separate from other monies (if any) of LFSL and only used for the purposes set out in the Scheme.

The Trust

36. Under the Scheme, LFSL will create a trust over certain of its assets in favour of Scheme Creditors. The assets subject to the trust (the **Trust Assets**) include:
- (a) all of LFSL's rights, title and interests in, and to its cash (except to the amounts set aside to meet Scheme Costs);
 - (b) all of LFSL's rights, title and interests in, and to the Insurance Proceeds;
 - (c) the Parent Contributions;
 - (d) all of LFSL's rights, title and interests in, and to the proceeds due to LFSL in respect of the LFSL BTA (after taking into account any cash and working

capital adjustments claims that Waystone Management (UK) Limited may have against LFSL in relation to the LFSL BTA); and

- (e) all of LFSL's rights, title and interests in, and to the amount required to be transferred by LFSL to the Settlement Account from the amount that LFSL determines (acting reasonably) may be required by LFSL to be withheld from the proceeds of the LFSL BTA to meet any cash and working capital adjustments claims that Waystone Management (UK) Limited may have against LFSL in relation to the LFSL BTA (the **BTA Reserve Amount**). The amount so withheld is not expected to be material and in any event is not expected to affect the amount distributed to Scheme Creditors because any amount paid will be offset by an increase in the amount of working capital released by LFSL following the Sale.
37. The Trust Assets do not include the Reserve Amount, the BTA Reserve Amount, the Third Party Litigation Deed, the assets held by the relevant Scheme Creditors on trust for LFSL under the Third Party Litigation Deed and the Scheme Costs.

Distributions

38. By no later than five Business Days after the date on which the initial Reserve Amount is set (the **Initial Reserve Amount Determination Date**), LFSL will pay an amount equal to its cash as at the Initial Reserve Amount Determination Date less:
- (a) the initial Reserve Amount; and
 - (b) the BTA Reserve Amount,
- (the **Initial LFSL Contribution**) into the Settlement Account.
39. By no later than 10 Business Days after the Effective Time, the Parent shall pay the Initial Parent Contribution into the Settlement Account.
40. Within five Business Days of the date of the payment of the Initial LFSL Contribution and the Initial Parent Contribution into the Settlement Account, LFSL shall pay the full amount of the Settlement Account to the WEIF by electronic transfer (the **Initial Settlement Distribution**).
41. The WEIF must make a distribution to the shareholders within 20 Business Days after receipt of the Initial Settlement Account Distribution.
42. Payments of the Settlement Account Distribution from the WEIF will be made in the same manner as Capital Distributions have been made in the course of winding up the WEIF, that is proportionally amongst investors according to the number and class of shares they hold in the WEIF. A "share" is deemed to represent one undivided unit of entitlement in the property of the WEIF. The shares are allocated into nine share classes, and each class represents shares with different characteristics. The main differences between share classes are that:
- (a) certain shares are income shares, and others are accumulation shares. When the WEIF receives income from the underlying companies, accumulation shares will have this payment automatically reinvested within the WEIF (with the

result that investors' individual share price increases), whereas income shares pay such income as cash to the investor; and

- (b) historically, the shareholders paid a periodic charge at different rates. However, these charges have not been levied since the Suspension Date.

43. An illustration of the potential distributions that individual investors may receive is provided on page 10.

How much is the Settlement Fund?

44. Whilst the estimated maximum Settlement Fund has been carefully reviewed and prepared, it remains an estimate and the outcome described may vary depending on a number of factors, including:

- (a) Sale Proceeds: whilst completion of the Sale has occurred, the sale proceeds received by LFSL on Completion (£79,558,280) may be adjusted as a result of:
 - (i) cash and working capital adjustments (conditional on the aggregate amount of cash and working capital in respect of the parts of the Link Fund Solutions Business transferred by LFSL to Waystone);
 - (ii) a contractual breach by LFSL (LFSL considers that there is a low risk of a breach occurring);
 - (iii) LFSL indemnifying Waystone under a small number of indemnities that LFSL has granted in favour of Waystone (LFSL considers that there is a low risk of LFSL incurring a liability under these indemnities).
- (b) Parent Contributions: the amount received by the Parent from Waystone may also be adjusted on completion of the Sale as cash, debt and working capital adjustments impact the amount of the Initial Parent Contribution and any Additional Parent Contribution. The amount of the Additional Parent Contribution is also contingent on the completion of the Lux Sale. As the Lux Sale is subject to regulatory approval, it remains unclear whether the sale will complete before the Additional Parent Contribution Deadline. In any event, it is not currently expected that the Additional Parent Contribution, if any, will be a material addition to the Settlement Fund.
- (c) Excluded Liabilities: the Reserve Amount will be calculated by LFSL, in consultation with the Scheme Supervisors, who will consider detailed estimates provided by LFSL of the cash that it will require to meet its Excluded Liabilities. The initial Reserve Amount is expected to be (and will not exceed) £46.5 million. If the Reserve Amount can be reduced, the amount deducted from the Reserve Amount will be added to the Settlement Account for further distribution.

Releases of LFSL, the Parent and related parties and Contribution Claims

45. With immediate effect from the Filing Date, until the earliest to occur of the Release Date (defined below) and the date on which the Scheme terminates, Scheme Creditors

will not be permitted to start or continue any claims against LFSL and other parties that benefit from a release in the Scheme. After the Release Date, Scheme Creditors are restricted from starting or continuing proceedings except where LFSL or the Parent fail to comply with their obligations under the Scheme.

46. On the date that the WEIF instructs that the initial Settlement Account Distribution is distributed to the holders of shares in the WEIF (the **Release Date**), each Scheme Creditor will release to the fullest extent possible:
- (a) LFSL from all Scheme Claims and all other claims;
 - (b) LFSL's past, present and future directors, employees, insolvency officeholders, consultants, partners, auditors, insurers (other than the Insurers in respect of the Insurance Proceeds) and advisers (the **relevant related parties**) from all Scheme Claims and such relevant related parties' participation in the formulation, negotiation, preparation, promotion, the entry into and/or the implementation of the Scheme;
 - (c) each member of the Link Group (other than LFSL) from:
 - (i) any and all claims in connection with the WEIF up to the Record Date; and
 - (ii) any liability indemnified by LFSL under the Group Contribution Deed (the **Group Contribution Deed Liabilities**); and
 - (d) the relevant related parties of each member of the Link Group from claims in connection with the WEIF up to the Record Date, the Group Contribution Deed Liabilities and such relevant related parties' participation in the formulation, negotiation, preparation, promotion, the entry into and/or the implementation of the Scheme.
47. Under the Scheme, with immediate effect from the Effective Time, each Scheme Creditor authorises LFSL to sign a deed (the **Release Deed**) on behalf of the Scheme Creditors as their agent. The Release Deed confirms the releases given in the Scheme. A copy of the Release Deed is available at <https://lffoodfordfundscheme.com/documents/>.
48. The above releases do not apply to:
- (a) any liability incurred by the Released Parties (defined in paragraph 51 below) after the Effective Time (but only to the extent that such liability arises directly from the conduct of the Released Parties);
 - (b) any liability in respect of fraud or dishonesty by each member of the Link Group (including LFSL); and
 - (c) any claims that a Scheme Creditor may bring as a result of LFSL's or the Parent's breach of the terms of the Scheme.
49. Each Scheme Creditor irrevocably authorises LFSL (and its advisers) to take, as agent, of and in the name of, the Scheme Creditor, any action that LFSL considers is

reasonably required to terminate, discontinue or withdraw all Proceedings (insofar as they relate to that Scheme Creditor and with effect from the Release Date).

The Group Contribution Deed

50. On 5 October 2023, LFSL and the Parent signed an agreement called the **Group Contribution Deed**. The Group Contribution Deed sets out the terms on which the Parent would provide the Parent Contribution and the Scheme Costs Contribution.
51. Under the Group Contribution Deed, the Parent agreed to pay the Parent Contribution and the Scheme Costs Contribution at the times set out in, and in accordance with, the Scheme. In return, LFSL agreed to indemnify the Parent and the other **Released Parties** (being, in summary, all other members of the Link Group and their respective directors, officers, employees and advisers) for any claims that they may face in connection with the WEIF and the proposal and implementation of the Scheme. If the Scheme is not implemented by the Longstop Date, or the Scheme is terminated, LFSL's indemnity will be terminated, and it will not have any liability for Scheme Creditors' claims against the Released Parties. Additionally, LFSL will be required to repay the Parent Contributions to the Parent.

Third Party Litigation Deed

52. Under the Scheme, each Scheme Creditor gives authority to LFSL to sign a document called the **Third Party Litigation Deed** on the Scheme Creditor's behalf on the Effective Time. A copy of the Third Party Litigation Deed is available at <https://lffoodfordfundscheme.com/documents/>.
53. It is important to understand that neither the Scheme nor the Third Party Litigation Deed stops Scheme Creditors from bringing a claim against those Third Parties. However, these documents limit the amount payable by the Third Party to the extent that those amounts are ultimately payable by LFSL.
54. The purpose of the Third Party Litigation Deed is to make sure that the releases given by Scheme Creditors in the Scheme are fully effective. This means that if:
 - (a) a Scheme Creditor brings a WEIF-related claim (a **Third Party Proceeding**) against a person (a **Third Party**); and
 - (b) the Third Party seeks to bring a claim against LFSL in respect of that Third Party Proceeding (the **Contribution Claim**),

any monies that the third party is required to pay to the Scheme Creditor in respect of that Third Party Proceeding will not be paid to the Scheme Creditor but instead paid into a separate account (the **Escrow Account**) and otherwise held on trust until the validity and amount of the Contribution Claim has been determined. If a Contribution Claim is owed by LFSL to the third party (the **Established Contribution Liability**), the amount held in the Escrow Account will be paid in the following order:

- (i) escrow costs;
- (ii) amounts owing under any Pre-Existing Funding Arrangements;

- (iii) amounts owing to LFSL up to the amount of the Established Contribution Liability; and
- (iv) the balance to the Relevant Scheme Creditor.

Continuity of Payments Provision

55. If, after the Effective Time:

- (a) the WEIF is dissolved; or
- (b) the Scheme Supervisors otherwise determine, after consulting with LFSL, that it is no longer possible for payments to be made to, or by, the WEIF,

the following provisions (the **Continuity of Payments Provisions**) will apply with respect to payments to the Scheme Creditors.

56. LFSL will seek to enter into a liquidation or similar proceeding (the **Liquidation**). LFSL or the office holder appointed in the Liquidation (the **Office Holder**) shall use the Reserve Amount to pay or provide for expenses and other debts payable in the Liquidation, other than Scheme Claims. The amount remaining from the Reserve Amount after such payments is the **Residual Amount**.

57. Scheme Creditors will be entitled to prove for their Scheme Claims in the Liquidation. Once proved, those Scheme Claims will be paid:

- (a) from the Trust Assets (*pro rata* to the Scheme Creditors with proven Scheme Claims); and
- (b) from the Residual Amount.

58. If the Continuity of Payments Provisions apply, the Scheme Completion Date shall be the earlier of the date on which:

- (a) all Trust Assets and all Residual Amounts have been distributed to Scheme Creditors; and
- (b) the Office Holder has given notice that there are no Trust Assets or Residual Amounts left to be distributed.

59. If the Office Holder determines that the cost of distributing the Residual Amount would be more than the Residual Amount, the Office Holder may distribute the Residual Amount to a registered charity instead of the Scheme Creditors.

Who will be responsible for making sure that the Scheme is implemented properly?

60. The LFSL Board will be primarily responsible for making sure that the Scheme is implemented properly.

61. LFSL has also appointed Dan Schwarzmann and Nigel Rackham to be supervisors of the Scheme (the **Scheme Supervisors**). Dan Schwarzmann is a Partner and Nigel

Rackham is a Director at PricewaterhouseCoopers UK LLP. They have extensive experience of acting as scheme supervisors having previously acted as scheme supervisors on the ALL Scheme Limited and Morses Club schemes of arrangement. They have also acted as administrators and liquidators for numerous financial services companies.



62. The Scheme Supervisors will:
- (a) consult with LFSL in relation to the setting or revising of the Reserve Amount;
 - (b) monitor LFSL's compliance with the terms of the Scheme;
 - (c) once every six months from the Effective Time, prepare a report for Scheme Creditors on the progress of the Scheme;
 - (d) confirm that any Scheme Costs incurred by LFSL (other than in relation to their own costs) have been properly incurred in accordance with the Scheme;
 - (e) confirm when the Trust created in the Scheme can be wound up;
 - (f) determine, after consulting with LFSL, whether it is no longer possible for payments to be made by the WEIF, such that the Continuity of Payments provision shall apply; and
 - (g) confirm when the Scheme is completed.
63. It should be noted that, as an authorised firm, LFSL will continue to be supervised by the FCA, which will also monitor LFSL's compliance with the terms of the Settlement and the conduct of the Scheme.
64. The Scheme Supervisors have the benefit of certain limitations on their liability and indemnities under the Scheme.



When will the Scheme complete?

65. The Scheme will complete on the **Scheme Completion Date**. The Scheme Completion Date is the date that the Scheme Supervisors determine, in consultation with LFSL, that:
- (a) LFSL has paid all of its Trust Assets into the Settlement Account;
 - (b) the Parent has paid all of the Parent Contributions into the Settlement Account;
 - (c) LFSL will not make any further contributions to the Settlement Account because LFSL, in conjunction with the Scheme Supervisors, determines, acting reasonably that:
 - (a) no further cash proceeds are likely to be available for payment to the Settlement Account; or
 - (b) the costs and expenses of realising LFSL's assets would be likely to exceed the cash value of such assets;

- (d) there is no realistic prospect of any of the Reserve Amount remaining unused after meeting LFSL's Excluded Liabilities; and
 - (e) all amounts standing to the credit of the Settlement Account have been distributed to the WEIF.
66. The Scheme Supervisors will notify LFSL of the Scheme Completion Date promptly. Following receipt of the Scheme Supervisor's notification, LFSL will promptly publish a notice on the Scheme Website confirming that the Scheme has been fully implemented in accordance with its terms.

Below we set out the expected timetable for key stages in the Scheme, if it becomes effective. As these dates are all future dates, they are estimated and may be subject to change.

Time and date 	Event 
18 January 2024	Sanction Hearing <p>If the required majority of Scheme Creditors vote in favour of the Scheme, LFSL will ask the Court to approve the Scheme at the Sanction Hearing on 18 January 2024.</p>
19 January 2024	Filing Date <p>If the Court grants an order to sanction the Scheme (the Sanction Order), it will be filed with the Registrar of Companies on or around this date. Certain limited provisions of the Scheme will take effect on this date.</p>
9.00 a.m. on 9 February 2024	Effective Time <p>The Scheme will become effective at 9.00 a.m. on this date if no notice of appeal of the Sanction Order is served within 21 days of the Sanction Order being made. If a notice of appeal is filed before this date, the Effective Time can only be determined when the relevant appeal has been dismissed, settled or otherwise finally determined so that there are no further rights of appeal.</p>
16 February 2024	Initial Reserve Amount Determination Date <p>LFSL, in consultation with the Scheme Supervisors, will set the initial Reserve Amount within five Business Days of the Effective Time.</p>
23 February 2024	The Initial LFSL Contribution Deadline <p>The Initial LFSL Contribution must be paid into the Settlement Account within five Business Days of the initial Reserve Amount being set.</p>
23 February 2024	The Initial Parent Contribution Deadline <p>The Initial Parent Contribution must be paid within 10 Business Days of the Effective Time</p>
By 27 February 2024	Insurance Proceeds expected to be paid by the Insurers
1 March 2024	Initial Settlement Account Distribution <p>LFSL shall pay the Initial LFSL Contribution and the Initial Parent Contribution to the WEIF within five Business Days after being received into the Settlement Account.</p>

Time and date 	Event 
5 March 2024	<p>Insurance Proceeds paid from the Settlement Account to the WEIF</p> <p>This payment must be made within five Business Days of receipt of the Insurance Proceeds.</p>
15 March 2024	<p>Distribution by the WEIF to the shareholders</p> <p>The WEIF must make a distribution to the shareholders within 10 Business Days after receipt of the Initial Settlement Account Distribution.</p>
4 April 2024	<p>Insurance Proceeds distributed by the WEIF to the shareholders</p> <p>This distribution must be made within 20 Business Days of receipt of the Insurance Proceeds by the WEIF. Please note that this represents the final date on which payments could be made. However, LFSL expects that the Insurance Proceeds will be distributed by the WEIF prior to this date and within the first quarter of 2024.</p>
9 August 2024	<p>Review Date</p> <p>LFSL, in consultation with the Scheme Supervisors, will review the Reserve Amount six months after the Effective Date and consider whether it can be reduced. Any amount released from the Reserve Amount will be added to the Settlement Account for distribution.</p>
By December 2025	<p>Scheme Completion Date</p> <p>LFSL expects that the Scheme will be substantially completed (and all distributions made) by this date.</p>

6. **Part 6: What happens if the Scheme does not go ahead?**

Will the Scheme definitely go ahead?

1. The Scheme will not go ahead unless:
 - (a) it is approved by a majority in number (that is more than 50%), representing 75% or more in value, of the Scheme Creditors who vote on it;
 - (b) the Court approves the Scheme. The Court will only approve the Scheme if it believes that the legal requirements for doing so are met; and
 - (c) the Effective Time occurs before the Long Stop Date of 18 October 2024 or such later date as LFSL, the Parent and the FCA may agree.
2. If:
 - (a) the Scheme is approved by the required majority of Scheme Creditors;
 - (b) the Scheme is approved by the Court (and the Court makes the Sanction Order); and
 - (c) no notice of appeal of the Sanction Order is served within 21 days of the Sanction Order being made (or, if a notice of appeal is filed, then the Sanction Order is upheld and any further right of appeal has elapsed),then the Scheme will become effective.

What happens if the Scheme does not go ahead?

3. LFSL believes that Scheme Creditors are better off with the Scheme than without the Scheme. This is because, if the Scheme goes ahead, there will be a Settlement Fund of up to £230 million made available for distribution. This Settlement Fund includes the voluntary Initial Parent Contribution of approximately £60 million and any further Additional Parent Contribution (if any) and the Scheme Costs Contribution of up to £2.5 million. These voluntary contributions will not be made if the Scheme does not go ahead.
4. If the Scheme does not go ahead, it is possible that the FCA could seek to require restitution under section 384 or 382 of the Financial Services and Markets Act 2000. As LFSL intends to dispute the claims made against it in relation to the WEIF, including the FCA Conclusions, the process for requiring such restitution is as follows:
 - (a) The FCA Enforcement Division will request that the FCA's Regulatory Decisions Committee (the **RDC**) issues a Warning Notice;
 - (b) The RDC would consider whether to issue the Warning Notice and, if so, on what terms. It may then issue a Warning Notice;

Part 6: What happens if the Scheme does not go ahead?

- (c) LFSL would then be invited to make written representations (within 28 days but subject to potential extensions) and then be invited to make any oral representations at a meeting of the RDC;
- (d) The RDC oral representations meeting will then take place. The RDC is entitled to request further representations;
- (e) The RDC will consider whether to issue a Decision Notice and, if so, on what terms, including the nature of any breach and the amount of any restitution (which, in LFSL's view, is highly unlikely to go beyond the FCA Total Amount). The RDC may then issue a Decision Notice;
- (f) LFSL then has 28 days to decide whether to refer the matter to the Upper Tribunal;
- (g) If the matter is referred to the Upper Tribunal, it will consider any evidence and there would be a fresh hearing. The Upper Tribunal will then issue its decision. If the Upper Tribunal finds in the FCA's favour, it will direct the FCA to issue a Final Notice. LFSL will then have 28 days to decide whether to appeal to the Court of Appeal (although appeals are only available on a point of law).

LFSL is of the view that this process could take in excess of 2 years to complete.

- 5. LFSL also intends to dispute the Litigation Claims and would not expect these to be concluded ahead of the FCA's process.
- 6. If LFSL is successful in the defence of the claims against it, LFSL will not be required to pay anything at all to Scheme Creditors and any claimant Scheme Creditors may be liable for its costs of its defence. If LFSL only succeeds in defending some of the claims against it, Scheme Creditors may be awarded a lower amount than they are being offered under the Scheme.
- 7. Even if LFSL is unsuccessful in its defence, it will have less money available to pay to Scheme Creditors because:
 - (a) the Parent will not pay the voluntary Initial Parent Contribution of up to £60 million or any Additional Parent Contribution into the Settlement Account. The Parent will also not pay the voluntary Scheme Costs Contribution of £2.5 million to LFSL and LFSL will have to pay these costs in full from its own assets. Each of these contributions is voluntary and the Parent will not make them if the Scheme does not go ahead;
 - (b) LFSL expects that the FCA will continue its enforcement case against LFSL, and the FCA has the power to impose a financial penalty on it. As noted by the FCA in its 19 April 2023 announcement, "*the FCA's case includes a proposed financial penalty of £50 million which the FCA would not enforce if the Scheme is approved*"³;

³ The FCA's 19 April 2023 announcement is available here: <https://www.fca.org.uk/news/press-releases/fca-announces-plan-deliver-significant-redress-woodford-investors>.

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- (c) without the Scheme, LFSL will dispute the FCA Conclusions and the Litigation Claims. The cost of LFSL's defence may be significant and will reduce the amount of money that LFSL has available to pay compensation to relevant investors; and
 - (d) such litigation may continue for years. The cost of that defence may be significant and will reduce the amount of money that LFSL has available to pay any compensation that might be awarded to relevant investors if they should establish their claims.
8. If LFSL is unsuccessful in its defence, and the amount of compensation ultimately awarded is (or is expected to be) greater than LFSL's assets, LFSL may be left with no option but to enter into an insolvency proceeding, which is expected to be an Investment Bank Special Administration (**IBSA**). LFSL expects that it will enter into an IBSA on the basis that it is an "investment bank" for the purposes of the IBSA Regulation 2011 as it will satisfy the following conditions:
- (a) the institution must have permission to carry on the regulated activity of, amongst other things, managing an Alternative Investment Fund or an Undertaking for Collective Investment in Transferable Securities (a **UCITS**);
 - (b) the institution must hold client assets; and
 - (c) the institution must be incorporated in, or formed under the law of, the United Kingdom.
9. If LFSL enters into an IBSA, LFSL estimates that the amount available to be paid to Scheme Creditors will be reduced because there will be additional costs, including the legal costs of the IBSA proceedings (as the IBSA process is supervised by the English Courts) and the costs of the special administrator who will be appointed under the IBSA. This will again reduce the amount of money that LFSL has available to pay to relevant investors.
10. LFSL therefore believes that the Scheme is the best outcome for Scheme Creditors because it offers significant and certain compensation from the Settlement Fund.

The Financial Services Compensation Scheme

Claims for compensation

11. The FSCS was established under the Financial Services and Markets Act 2000 (**FSMA 2000**). The FSCS is the UK's compensation scheme of last resort for the customers of failed financial services firms. The FSCS will consider claims made to it in accordance with rules made by the FCA. These rules are set out in the "Compensation" sourcebook of the FCA Handbook (the **COMP Rules**). The FSCS may pay compensation where it is satisfied that an investor has a valid claim under the COMP Rules. The maximum amount it can pay on any claim is £85,000.
12. If the Scheme does not proceed, investors may be able to make a claim for compensation to the FSCS. However, for that claim to be accepted, the FSCS will have to be satisfied that:

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- (a) LFSL is a "relevant person" which is "in default";
 - (b) the investors have a "protected claim"; and
 - (c) the investors are an "eligible claimant".
13. Each of these terms has a technical meaning set out in the COMP Rules. However, in summary:
- (a) "relevant persons" are the types of person against whom a claimant must have a claim in order to be eligible for compensation. LFSL considers that it would be a relevant person;
 - (b) a relevant person is "in default" if the FSCS has determined it to be unable, or likely to be unable, to satisfy the "protected claims" against it;
 - (c) "protected claims" are any valid claims made in respect of a civil liability that meets the criteria set out in the COMP Rules. The investor will need to satisfy the FSCS that it has a protected claim; and
 - (d) "eligible claimants" are claimants that are eligible to claim compensation from the FSCS. This typically means private individuals and small businesses.
14. At present, the FSCS has not made any determination in relation to whether there are protected claims against LFSL. It has also not made any determination as to whether LFSL is "in default". An investor will also need to establish that it is an eligible claimant before it could be entitled to compensation from the FSCS.
15. If the Scheme does not go ahead, certain Scheme Creditors may qualify for compensation from the FSCS for up to £85,000. However, at the date of this Explanatory Statement, it is LFSL's view that Scheme Creditors do not currently have "protected claims" for the following reasons:
- (a) the FCA Conclusions do not represent a binding or final determination of the FCA and are disputed by LFSL;
 - (b) the FCA Conclusions moreover allege, in the view of the FCA, that a loss has been borne by the Suspension Date Investors as a result of a breach of certain Relevant Principles only. The FCA could require LFSL to pay redress to investors in the WEIF for a breach of the Relevant Principles, but this action would be contested by LFSL and the determination of this dispute could take several years;
 - (c) the cause of action relied upon in the Litigation Claims against LFSL is Section 138D of FSMA. This grants a private right of action for damages to private persons who suffer loss as a result of a breach of certain FCA Rules, subject to the defences (and other incidents) applying to actions for breach of statutory duty. The Litigation Claims remain unproven and strongly disputed by LFSL, and again could take years to determine; and

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- (d) there may be other claims that could arise, for example Scheme Creditors bringing a tortious claim. However, this would be strongly disputed by LFSL, again over a period of years.

The matters discussed in (a) to (d) above might give rise to protected claims. This would be for the FSCS to determine.

- 16. The Scheme offers a substantial amount to Scheme Creditors (up to 77% of the FCA Total Amount), with payment to be made in the first quarter of 2024. LFSL believes that the Scheme is in the Scheme Creditors' best interests because it offers significant and certain compensation from the Settlement Fund, if the Scheme proceeds.
- 17. If Scheme Creditors reject the Scheme, LFSL will litigate the claims made against it and either pay nothing if its defence is successful or, if the claims are established in whole or in part in an amount that LFSL cannot pay, LFSL will enter into special administration with fewer assets available to distribute than under the Scheme. The assets available for distribution will be less because of costs and because there will be no Parent Contribution. In this scenario, the FSCS would be likely to declare a default and pay compensation to eligible investors.

Assignment of FSCS claims

- 18. If the FSCS pays compensation to an eligible claimant with a protected claim, it will take an assignment or transfer of, or be subrogated to, that claimant's protected claim. The FSCS must then seek to pursue all and only such recoveries as it considers are likely to be both reasonably possible and cost effective to pursue.
- 19. If the FSCS should elect to pursue its assigned and subrogated rights against LFSL, the FSCS would assert those rights against whatever assets (if any) of LFSL were available outside the Scheme. However, the FSCS has been informed by LFSL that, if the proposed Scheme is approved, there will be little to no assets available outside the Scheme.

FSCS non-objection to the proposed Scheme

- 20. The FSCS has confirmed that it does not object to the proposed Scheme on the terms proposed (in the **FSCS Non-objection Letter**). A copy of its confirmation is available at <https://lfwoodfordfundscheme.com/documents/>.

What are the main differences between the Scheme being approved and the Scheme not being approved?

Scheme goes ahead	Scheme does not go ahead
A Settlement Fund of up to £230 million will be made available under the Scheme.	No Settlement Fund will be made available. Instead, LFSL intends to defend itself against any claims made against it in relation to the WEIF, including those made in the FCA Conclusions and the Litigation Claims.
The Settlement Fund will include a voluntary Initial Parent Contribution of up to £60 million. The Settlement Fund may also include any voluntary Additional Parent Contribution, if the criteria for making that payment is met.	The voluntary Parent Contributions will not be made.
Costs have been incurred in developing the Scheme. However, the Parent will pay LFSL the voluntary £2.5 million Scheme Costs Contribution to help pay those costs. This means that LFSL will have additional available assets for the Settlement Fund.	The Parent will not pay the voluntary £2.5 million Scheme Costs Contribution to help meet the costs of negotiating the Scheme. LFSL will have to pay those costs and therefore will have less available assets to pay to investors.
The Settlement Fund will include all of LFSL's available assets, which are expected to be greater than if the Scheme does not go ahead.	<p>LFSL is expected to have less available assets because:</p> <ul style="list-style-type: none"> (i) the voluntary Parent Contributions and Scheme Cost Contributions will not be made, as explained above; (ii) LFSL expects that the FCA will continue with its enforcement case against LFSL. LFSL will dispute the FCA's Conclusions and the cost of that defence may be significant; (iii) the FCA may, subject to LFSL's financial position, seek to impose a financial penalty on it (which had previously been proposed to be £50 million); (iv) LFSL expects that those investors pursuing the Litigation Claims will continue those claims against LFSL. It is also possible that other investors may seek to join the Litigation Claims. LFSL will contest the Litigation Claims (and any other litigation claims

Part 6: What happens if the Scheme does not go ahead?

Scheme goes ahead	Scheme does not go ahead
	<p>brought against it in relation to the WEIF). The litigation may continue for years and the cost of LFSL's defence may be significant; and</p> <p>(v) if the amount of compensation ultimately awarded is (or is expected to be) greater than LFSL's assets, LFSL may be left with no option but to enter into an insolvency proceeding, which is expected to be an IBSA. If LFSL enters into an insolvency proceeding it will face additional costs.</p> <p>Each of the above matters means that there will be less funds available to make any compensation payments to investors with valid and successful claims against LFSL.</p>
<p>Payments are expected to be made from the Settlement Fund as early as in the first quarter of 2024.</p>	<p>If any payments are to be made to investors, these may not be made for years. Without the Scheme, payments will only be paid once the FCA Conclusions become binding or the Litigation Claims are successful. LFSL will defend its position in any FCA Investigation or Litigation Claim, which may take years.</p>
<p>Scheme Creditors will not need to bring litigation nor complete any paperwork or carry out any other steps to receive payment from the Settlement Fund except where the WEIF is dissolved or it is otherwise not possible to make distributions through the WEIF, in which case other provisions will apply. Save where that exception applies, distributions from the Settlement Fund will be made automatically in the same way that the Capital Distributions are currently made.</p>	<p>Scheme Creditors may have to pursue their claims against LFSL separately or otherwise take further steps and/or complete paperwork in order to receive payment, unless a restitution order is made by the FCA and upheld by the Upper Tribunal (in the event that LFSL decides to refer the matter to the Upper Tribunal).</p>
<p>All Scheme Creditors will be treated equally in that they will each receive the same percentage payment because the Settlement Fund will be shared proportionally amongst relevant investors according to the number and class of shares they hold in the WEIF.</p>	<p>Scheme Creditors may be treated differently depending on various factors, such as whether they bring successful litigation, whether they have a successful claim to compensation from the FSCS, what assets remain in LFSL, and what claims and damages can be established by each Scheme Creditor.</p>

Part 6: What happens if the Scheme does not go ahead?

Scheme goes ahead	Scheme does not go ahead
Scheme Creditors will not be able to pursue the claims released in the Scheme against the FSCS.	At present, the FSCS has not made any determination in relation to whether there are protected claims against LFSL. An investor will also need to establish that it is an eligible claimant before it could be entitled to compensation from the FSCS. However, the FSCS has confirmed that it will assess and pay claims in accordance with the COMP Rules and it will be a matter for it to determine whether any payments are or will become due.

7. **Part 7: The Investors' Committee and the Investor Advocate**

Investors' Committee

1. To ensure that Scheme Creditors had an opportunity to input on the Scheme and that their views and interests on the Scheme were considered, an **Investors' Committee** (representing Scheme Creditor interests) was established.
2. Jamie Drummond-Smith was appointed as independent chairperson of the Investors' Committee (the **Chair of the Investors' Committee**) on 31 July 2023 and is an experienced financial services sector professional. The Chair of the Investors' Committee is independent of LFSL, the Parent and each other member of the Link Group and does not work for, and has never worked for, LFSL. The Chair of the Investors' Committee also has the benefit of independent legal advice (paid for by LFSL) to assist him with discharging his duties as Chair of the Investors' Committee. A copy of his CV is in his report which is available at <https://lwoodfordfundscheme.com/documents>.
3. A total of 186 investors expressed an interest in joining the Investors' Committee and in August 2023, the independent Chair of the Investors' Committee chose nine of those investors to join the Investors' Committee.
4. To ensure that the Investors' Committee is representative of the WEIF's different investors, the Investors' Committee includes:
 - (a) seven individuals and two representatives of institutional funds (including the investor with the single largest holding of WEIF shares); and
 - (b) investors who have brought a claim against LFSL as part of the Litigation Claims.
5. Prior to being appointed to the Investors' Committee, members of the Investors' Committee were required to confirm that they were not employed by LFSL or any other members of the Link Group to ensure their independence, and that they were an investor in the WEIF.
6. Overall, the Chair of the Investors' Committee reports that the committee members were drawn from a range of backgrounds, and that he would describe some of them as sophisticated individual investors who were familiar with the financial services industry.
7. The Investors' Committee had the opportunity to:
 - (a) receive a presentation from LFSL about the proposed Scheme and ask questions about it during the presentation;
 - (b) discuss the proposed Scheme with the Chair of the Investors' Committee and the legal advisers appointed by Mr. Drummond-Smith;
 - (c) raise further detailed questions in writing about the Scheme;

- (d) request that Mr. Drummond-Smith and the legal advisers had sight of key documents required to support their consideration of the Scheme; and
 - (e) challenge the Reserve Amount and, after negotiation, secure a reduction in the Reserve Amount from £50 million, as reported in the PSL, to £46.5 million.
8. The Chair of the Investors' Committee has produced a report summarising his and the Investors' Committee's work on the Scheme and their conclusions.
9. In summary, the majority of the Investors' Committee (8 of the 9 members) have concluded that the Scheme provides a better outcome than the alternative described in the Practice Statement Letter based on (1) the information provided by the Company and (2) all the constituent elements stated to comprise the Settlement Fund of up to £230 million being received and ultimately distributed to creditors under the terms of the Scheme. The Chair of the Investors' Committee encourages Scheme Creditors to read his report (which is available at <https://lffwoodfordfundscheme.com/documents/>) for a full explanation as to how and why the Investors' Committee reached that conclusion. The report includes a summary of the interactions between the Investors' Committee and the Company, including the questions raised and responses received which ultimately formed the basis of the Chair of the Investors' Committee's conclusion. The report also summarises the FCA's interaction with the Investors' Committee.
10. Please note that Scheme Creditors do not have to agree with the Investors' Committee's views on the Scheme. Scheme Creditors have the right to have their own say on the Scheme by voting on it.

The Investor Advocate

11. An independent person, Mr. Joe Bannister, was appointed to represent Scheme Creditors in respect of the Scheme (the **Investor Advocate**). Mr. Joe Bannister is an experienced lawyer. He is independent of LFSL and the Parent and does not work for, and has never worked for, LFSL or the Parent. Mr. Joe Bannister is a partner at DAC Beachcroft, a London based law firm with particular expertise in financial services regulatory matters. Mr. Bannister has been supported where appropriate, by other members of the law firm DAC Beachcroft.
12. The Investor Advocate has produced a report addressed to the Court and the Scheme Creditors for the Convening Hearing. It summarises the questions, comments and objections that he has received from the following parties: (i) Scheme Creditors generally; (ii) the Transparency Task Force (**TTF**) (a limited company that describes itself as a not-for-profit company whose sole purpose is driving positive, progressive and purposeful finance reform); and (iii) Marcus Parker, the law firm representing the Marcus Parker Litigants. He particularly focuses on the following key areas raised:
- (a) class composition;
 - (b) returns to Scheme Creditors;
 - (c) procedural issues; and
 - (d) other matters.

13. In summary, the Investor Advocate concludes that:
 - (a) in his view, there has been a reasonably healthy level of engagement with Scheme Creditors and their advisers as reflected by the number of emails received, the range of questions that have been posed and the engagement of Marcus Parker and the TTF;
 - (b) having considered the steps that have been taken by LFSL to bring the Scheme to the attention of the Scheme Creditors and the level of engagement that he has received, the Investor Advocate is of the view that reasonable efforts have been made to draw the existence of the Scheme to the attention of the Scheme Creditors; and
 - (c) the two most common themes relate to communication and the return that Scheme Creditors are likely to achieve. He notes that, in his view, the latter of those concerns has been addressed to a satisfactory extent by the provision of the Worked Example (see page 10). If a meeting of Scheme Creditors is to be convened, then LFSL should continue to consider how best to maximise Scheme Creditor participation.
14. A copy of the Investor Advocate's report and CV can be found at <https://lfwoodfordfundscheme.com/documents>.
15. The Investor Advocate will continue to answer any general questions that Scheme Creditors may have about the Scheme, take their feedback on the Scheme and discuss it with LFSL. There is no charge to Scheme Creditors for this. The Investor Advocate will produce an updated report addressed to the Court and the Scheme Creditors before the Sanction Hearing summarising any further comments and objections that he has received.
16. If a Scheme Creditor has any questions or comments about the Scheme, they can continue to contact the Investor Advocate by email at: josephbannisterIA@dacbeachcroft.com. Scheme Creditors also have the right to take their own legal advice at their own expense.

8. **Part 8: Arrangements for voting**

1. LFSL is asking Scheme Creditors to vote on the Scheme.

What votes does LFSL need for the Scheme to be able to go ahead?

2. The Scheme can only go ahead if:
 - (a) of the Scheme Creditors who vote, a majority (that is, more than 50%) vote for the Scheme to go ahead; and
 - (b) the Scheme Creditors who vote in favour of the Scheme hold at least 75% of the value of the WEIF that is held by the Scheme Creditors who vote.
3. If the Scheme receives the required majority to pass both of these tests, LFSL will ask the Court to approve the Scheme. If the Scheme does not receive enough votes to pass these tests, then LFSL cannot ask the Court to approve the Scheme and the Scheme will not go ahead.

Who is entitled to vote on the Scheme?

4. Each Scheme Creditor is entitled to vote on the Scheme. See page 14 for examples as to who is a Scheme Creditor.

How can a Scheme Creditor vote on the Scheme?

5. In order to vote, a Scheme Creditor (or their authorised representative) should complete a Voting Form. The Voting Form may be:
 - (a) completed and submitted on LFSL's secure online portal at <https://voting.lfwoodfordfundscheme.com> (the **Voting Portal**);
 - (b) downloaded from the Scheme Website, filled in and returned by email or post to LFSL; or
 - (c) obtained from LFSL by contacting LFSL by email or telephone and requesting a Voting Form to be emailed or posted. Completed Voting Forms may then be returned to LFSL by email or post.

The Voting Form must be received by LFSL by no later than **5.00 p.m. on 4 December 2023** (the **Registration Deadline**). The relevant contact details are set out on page 9.

6. There are three options for a Scheme Creditor (or an authorised representative of a Scheme Creditor) to vote on the Scheme. In the Voting Form, a Scheme Creditor (or their authorised representative) may:
 - (a) appoint the Chair of the Scheme Meeting to vote (as their proxy) at the Scheme Meeting. Where the Chair of the Scheme Meeting is appointed to vote as proxy for a Scheme Creditor, he may only vote for or against the Scheme in accordance with the Scheme Creditor's wishes as stated on the Voting Form (i.e.

- the Chair of the Scheme Meeting will not have the power to vote at his own discretion);
- (b) appoint a person other than the Chair of the Scheme Meeting to vote as their proxy. Where a person other than the Chair of the Scheme Meeting is appointed to vote as proxy for a Scheme Creditor, they must attend the Scheme Meeting and may vote for or against the Scheme in accordance with the Scheme Creditor's wishes as stated on the Voting Form, or at their own discretion if the Scheme Creditor has given them the power to do so in the Voting Form; or
 - (c) register their intention to attend the Scheme Meeting. In this case the Scheme Creditor will need to attend the Scheme Meeting to vote on the Scheme at the Scheme Meeting.
7. A Voting Form may be completed by the Scheme Creditors themselves, or by an authorised representative (provided that the authorised representative provides evidence of such authorisation or transfer). Examples of acceptable evidence include:
- (a) a copy of the power of attorney for a Scheme Creditor;
 - (b) a copy of the grant of probate for the executor for a deceased Scheme Creditor; or
 - (c) evidence of parental responsibility or evidence of guardianship if the Scheme Creditor is a minor.
8. The full instructions for completing the Voting Form are set out in the Voting Form. If a Scheme Creditor needs additional assistance to vote, they should contact us using the contact details set out on page 9.

The Scheme Meeting

9. To attend and vote at the Scheme Meeting (or to ask someone else to attend and vote at the Scheme Meeting), the Scheme Creditor must complete a Voting Form as described in paragraph 5 above, by no later than the Registration Deadline, if they wish to join the Scheme Meeting by telephone or online. Instructions will be given as to how to vote at the Scheme Meeting during that meeting. Any Scheme Creditor that is unable to join the Scheme Meeting virtually may make a request to attend the Scheme Meeting in person. Such request should be made on the Voting Form and must be received by LFSL by no later than 5.00 p.m. on 30 November 2023.
10. LFSL has appointed Jamie Drummond-Smith (who is also acting as the Chair of the Investors' Committee) to act as the Chair of the Scheme Meeting. A copy of Mr. Drummond-Smith's CV is available at <https://lfwoodfordfundscheme.com/documents>. The Chair of the Scheme Meeting will be supported where appropriate by members of Freshfields to assist him in discharging his duties as Chair of the Scheme Meeting. If Mr. Drummond-Smith is unable to act as the Chair of the Scheme Meeting, LFSL will appoint another person with similar experience and who is independent of LFSL and the Link Group to act as the Chair of the Scheme Meeting.

11. At the Scheme Meeting, the Chair of the Scheme Meeting will address the attendees with important information about the Scheme. In addition, LFSL's directors will be available to answer questions. Scheme Creditors can submit their questions to be asked at the Scheme Meeting to the Investor Advocate by no later than 5.00 p.m. on 4 December 2023 or ask them during the Scheme Meeting.
12. It may be possible for the Chair of the Scheme Meeting to announce at the end of the Scheme Meeting whether or not the Scheme has received the required votes in favour. If it is not possible to do that, then LFSL will announce the outcome of the votes as soon as possible after the Scheme Meeting by placing a notice on the Scheme Website.
13. If the required majority of Scheme Creditors vote in favour of the Scheme, LFSL shall, as soon as reasonably practicable after the Scheme Meeting, apply to the Court for the sanction of the Scheme.

How will votes be valued?

14. LFSL will work out the value of a Scheme Creditor's vote using information that they provide in the Voting Form as well as, where appropriate, checks with the intermediaries through which Scheme Creditors may hold their shares and information that is available to LFSL from its records as ACD of the WEIF. The Voting Form will require each Scheme Creditor (or authorised representative of a Scheme Creditor) to produce evidence that they hold a beneficial interest in a shares in the WEIF as at the Suspension Time, because they:
 - (a) directly held shares in the WEIF in their own name for their own benefit (as opposed to holding them on behalf of someone else); or
 - (b) indirectly held shares in the WEIF in their own name through one or more intermediaries, such as through an online investment platform, or if their shares in the WEIF are held and managed by trustees or nominees on their behalf; or
 - (c) provide evidence that they held any share in the WEIF (or other right in respect of a share in the WEIF that was transferred to them).
15. One vote will be assigned to each Scheme Creditor. Each Scheme Creditor's vote will be valued at their proportionate share of the FCA Total Amount of £298 million. The Chair of the Scheme Meeting will report the outcome of the vote (and how those votes were calculated) to the Court.

One class of Scheme Creditor

16. As explained in detail in our Practice Statement Letter dated 7 September 2023 (available at <https://lfwoodfordfundscheme.com/documents/>), Scheme Creditors must be allocated into classes for the purpose of voting on the Scheme. When determining whether Scheme Creditors should be separated into different classes, the Court will look at each Scheme Creditor's legal rights going into the Scheme, and their legal rights coming out of the Scheme. Scheme Creditors with the same, or substantially the same, legal rights going into and coming out of the Scheme will be placed into the same class for voting on the Scheme.

17. For the reasons given in the Practice Statement Letter, LFSL is of the view that all Scheme Creditors should be placed into one class for the purpose of voting at the Scheme Meeting. The Court agreed with this assessment on class when considering this matter at the Convening Hearing.

9. **Part 9: Things to consider when deciding whether to vote for the Scheme**

1. This section explains the advantages and possible disadvantages of the Scheme that LFSL has identified and explains why LFSL recommends that you vote in favour of the Scheme.

Possible advantages and disadvantages of the Scheme

Possible Advantages	Possible Disadvantages
<ul style="list-style-type: none"> • The Parent will pay the voluntary contribution of approximately £60 million into the Settlement Fund. • The Parent will pay any Additional Parent Contribution by the Additional Parent Contribution Deadline. • The Parent will pay the Scheme Costs Contribution to help meet the costs of implementing the Scheme. • All of LFSL's available assets will be paid to Scheme Creditors. Whilst the maximum amount of the Settlement Fund is 77% of the FCA Total Amount, this is a greater percentage than is expected to be available from LFSL without the Scheme. • If the Settlement Fund is distributed in full, then it is estimated that investors will receive about 80% of the net asset value of the WEIF at the Suspension Date. This is expected to be more than would be available from LFSL without the Scheme. • The FCA will resolve its enforcement case against LFSL and will not seek to impose additional financial penalties. • The costs of LFSL defending the FCA Conclusions will be significantly reduced (therefore increasing the amount available to LFSL to pay to investors). 	<ul style="list-style-type: none"> • The Settlement Fund will be less than the FCA Total Amount. The maximum amount of the Settlement Fund is approximately 77% of the FCA Total Amount. • Scheme Creditors will no longer be able to bring certain claims against LFSL, the Parent and its subsidiaries (and each of their directors, partners and employees, advisers and officers) in relation to the WEIF. • Scheme Creditors' rights to receive proceeds from proceedings that they may take in respect of the WEIF against a Third Party will be reduced if LFSL would be liable to pay a Contribution Claim to that Third Party in respect of that claim. • If the Scheme goes ahead, Scheme Creditors will not be able to pursue the Scheme Claims released in the Scheme against the FSCS.

Possible Advantages	Possible Disadvantages
<ul style="list-style-type: none"> • The costs of LFSL defending the Litigation Claims will be significantly reduced (therefore increasing the amount available to LFSL to pay to investors). • Under the Scheme, payment is expected to be made at an earlier date than if the Scheme does not go ahead. Under the Scheme, initial distributions from the Settlement Fund are expected to be made in the first quarter of 2024 and are expected to total between £183.5 million and £200 million. • By contrast, if the Scheme does not go ahead, LFSL will defend the FCA Conclusions and the Litigation Claims and will only make a payment if a final judgment is awarded against LFSL (which may take years). • Scheme Creditors will not need to complete any paperwork or carry out any other steps to receive payment from the Settlement Fund. Distributions will be made in the same way as Capital Distributions are made now except where the WEIF is dissolved or it is otherwise not possible to make distributions through the WEIF, in which case other provisions will apply. • the Scheme does not prevent Scheme Creditors from bringing claims against a Third Party; and • The Settlement Fund will be shared proportionally amongst relevant investors according to the number and class of shares they hold in the WEIF. This means that Scheme Creditors will be treated fairly as compared to each other. 	

How does the FCA (LFSL's regulator) view the Scheme?

2. Although the payment offered in the Scheme will not provide Scheme Creditors with the full FCA Total Amount, the FCA stated in its announcement published on 19 April 2023 that it considers that it is in the interests of the investors to be given the opportunity to consider the Scheme.
3. Following a review of an advanced draft of this Explanatory Statement, the FCA has stated that it continues to consider that the Scheme offers investors the quickest and best chance to obtain a better outcome than might be achieved by any other means. The FCA appreciates that there may be a possibility that alternatives to the Scheme could theoretically enable greater sums to be recovered but, given the uncertainty of outcome and the time that any alternative processes would take, the FCA confirms that it continues to consider that the Scheme is the quickest and best chance to obtain a better outcome than might otherwise be achieved.
4. As such, the FCA encourages Scheme Creditors to consider it.

What is the Investors' Committee's view of the Scheme?

5. In summary, the Investors' Committee has concluded that the Scheme provides a better outcome than the alternative described in the Practice Statement Letter based on (1) the information provided by the Company and (2) all the constituent elements stated to comprise the Settlement Fund of up to £230 million being received and ultimately distributed to Scheme Creditors under the terms of the Scheme. The Chair of the Investors' Committee encourages Scheme Creditors to read his report (which is available at <https://lfwoodfordfundscheme.com/documents/>) for a full explanation as to how and why the Investors' Committee reached that conclusion. The report includes a summary of the interactions between the Investors' Committee and the Company, including the questions raised and responses received which ultimately formed the basis of the Investors' Committee's conclusion. The report also summarises the FCA interaction with the Investors' Committee.

Why is LFSL recommending that Scheme Creditors vote for the Scheme?

LFSL recommends the Scheme. It believes that the Scheme provides the best outcome for Scheme Creditors because it offers a number of advantages, including the certainty of a payment from a Settlement Fund of up to £230 million. By contrast, in the absence of the Scheme, the voluntary Parent Contributions will fall away and it is uncertain whether any compensation would be paid at all, whether as a result of the Litigation Claims or the FCA Conclusions against LFSL. The initial distributions from the Settlement Fund are expected to be made in the first quarter of 2024 (far earlier than might otherwise be the case) and are expected to total between £183.5 million and £200 million.

If the Scheme goes ahead and the maximum amount of the Settlement Fund is distributed in full, Scheme Creditors will receive approximately 77% of the FCA Total Amount and will have received around 80% of the net asset value of the WEIF at the point of suspension.

10. **Part 10: Scheme Creditors' rights to object to the Scheme**

1. Scheme Creditors have the right to object to the Scheme and make that objection known to the Court.

What can Scheme Creditors object to?

2. Scheme Creditors can object:
 - (a) to LFSL's determination that all Scheme Creditors can vote together in a "single class" at the Scheme Meeting. Further detail on what this means is set out in the Practice Statement Letter. A copy of the Practice Statement Letter is available here: <https://lfwoodfordfundscheme.com/documents/>. The question about "class" is essentially whether the Scheme Creditors' rights are sufficiently similar that they can consider and vote on the Scheme together in the same meeting. If any Scheme Creditor wishes to argue at the Sanction Hearing that all Scheme Creditors could not vote together in one class, they would need to satisfy the Court that they had a good reason for not raising the issue at the Convening Hearing on 10 October 2023, when this matter was considered;
 - (b) to the Scheme if they believe that it is not fair. In this respect the Court will consider whether Scheme Creditors could reasonably have approved the Scheme;
 - (c) if they believe that the Scheme Creditors who voted on the Scheme are not a fair representation of the interests of the group of people who were entitled to vote;
 - (d) if they consider that the requirements of Part 26 of the Companies Act 2006 for implementing the Scheme have not been met;
 - (e) if they do not think that the Scheme has been properly explained to Scheme Creditors; or
 - (f) to the valuation of their Scheme Claim for voting purposes.
3. For the avoidance of doubt, the list of possible objections given above is not exhaustive.

How can a Scheme Creditor object to the Scheme?

4. A Scheme Creditor can object to the Scheme in three ways. A Scheme Creditor can:
 - (a) vote against the Scheme;
 - (b) either:
 - (i) send their objections to the Company;
 - (ii) file with the Court, by no later than **4 p.m. on 21 December 2023** their grounds of opposition (specifying in reasonable detail the points that the

Scheme Creditor intends to raise at the Sanction Hearing) and evidence in support of the opposition; or

- (iii) send their objections to the Investor Advocate and he will bring them to the Court's attention. This can be done by emailing josephbannisterIA@dacbeachcroft.com by no later than **4 p.m. on 21 December 2023**. The Investor Advocate will produce a report addressed to the Court and the Scheme Creditors for the Sanction Hearing. This report will summarise any objections or challenges to the Scheme received from the Scheme Creditors and/or any challenges made by media/consumer protection groups; or
 - (c) attend the Sanction Hearing (where LFSL will ask the Court to approve the Scheme) and explain their objection(s) to the Court. If a Scheme Creditor wishes to attend the Sanction Hearing to explain their objection to the Court directly, they will need to have sent their objections in accordance with paragraph (b) above.
5. Please note that Scheme Creditors are entitled to attend the Sanction Hearing even if they do not wish to object to the Scheme. There is no requirement to speak: Scheme Creditors can attend the Sanction Hearing just to listen. If a Scheme Creditor wishes to come to the Sanction Hearing, they should email the Investor Advocate stating that they would like to attend.

What if a Scheme Creditor has questions, but not necessarily an objection?

6. Please visit <https://lfwoodfordfundscheme.com/faqs/> to find frequently asked questions about the Scheme.
7. A Scheme Creditor can also contact:
- (a) LFSL using the details provided at page 9; or
 - (b) the Investor Advocate at josephbannisterIA@dacbeachcroft.com,
- with any questions they have or a request for assistance if they need help to understand any part of the Scheme.

The Sanction Hearing

8. If the Scheme is approved by the statutory majority of Scheme Creditors at the Scheme Meeting, LFSL will ask the Court to approve or "sanction" the Scheme at the Sanction Hearing.
9. When deciding whether to approve the Scheme, the Court will consider:
- (a) all the evidence and arguments presented to it, including:
 - (i) any objections from Scheme Creditors or any other person who claims that they would be adversely affected by the Scheme;
 - (ii) any views expressed by the Investors' Committee;

- (iii) any views expressed by the FCA;
 - (iv) any views expressed by the Investor Advocate; and
 - (v) any views expressed by the FSCS;
- (b) whether the legal requirements have been met, which are explained below; and
 - (c) whether there are any other reasons not to sanction the Scheme.
10. The legal issues that the Court will consider include:
- (a) whether the Scheme is fair; more specifically, the Court will consider whether Scheme Creditors could reasonably have approved the Scheme;
 - (b) whether the Scheme Creditors who voted on the Scheme are a fair representation of the interests of the group of people who were entitled to vote on it;
 - (c) whether all of the requirements under Part 26 of the Companies Act have been met; and
 - (d) whether the Court is satisfied that the Scheme has been properly explained to Scheme Creditors.
11. The Court must then decide whether or not to approve the Scheme. If the Court does approve the Scheme, then a Court order will be made. LFSL will file that Court order with the Registrar of Companies. The Scheme will become effective on the Effective Time.

11. **Part 11: Directors' Interests**

1. Under the Companies Act 2006 (Section 897(2)), LFSL must include information here which states:

"... any material interests of the directors of LFSL (whether as directors or as members or as creditors of LFSL or otherwise), and

the effect on those interests of the scheme of arrangement, in so far as it is different from the effect on the like interests of other persons."

2. Until completion of the Sale, LFSL's independent directors were Alistair Reid, Tony Stuart and Elizabeth Tracey and LFSL's executive directors were Karl Midl, Nigel Boyling and Ben Hammond.
3. Following Completion, Mr. Midl and Mr. Hammond transferred to Waystone as an agreed condition of the Sale. LFSL and Waystone have agreed that LFSL may have reasonable access during normal business hours to Mr. Midl and Mr. Hammond for any assistance, information or documents required in respect of the Scheme and certain other matters. Following Completion, Ms. Tracey was appointed as a non-executive director of Waystone Management (UK) Limited.
4. Currently, LFSL's remaining independent directors are Alistair Reid and Tony Stuart and LFSL's executive director is Nigel Boyling. The directors are paid their salaries and expenses by LFSL in the ordinary course of business. None of the directors are owed money by LFSL nor have a direct interest in LFSL or the Scheme.

APPENDICES TO THE EXPLANATORY STATEMENT

APPENDIX 1: DOCUMENTS AVAILABLE FOR INSPECTION ON THE SCHEME WEBSITE

1. Scheme Documents including:
 - (a) Explanatory Statement
 - (b) Scheme Rules (including the Release Deed)
 - (c) Notice of Scheme Meeting
 - (d) Voting Form
 - (e) Court order convening the Scheme Meeting
2. Practice Statement Letter
3. Report of the Chair of the Investors' Committee
4. Report of the Investor Advocate
5. FCA Investigation Summary and the FCA Redress Calculation
6. FSCS Non-objection Letter
7. Third Party Litigation Deed
8. Group Contribution Deed