

**This letter is important. Please read this letter carefully if you are an investor in the**

**LF EQUITY INCOME FUND**  
**(formerly named LF Woodford Equity Income Fund).**

**This letter relates to matters which may affect your legal rights in your investments.**

**7 September 2023**

Dear Investor

**Proposed Settlement for Investors in the LF Equity Income Fund**

**Summary**

We set out below a high-level summary of a proposed settlement for investors in the LF Equity Income Fund (formerly the LF Woodford Equity Income Fund) (the **WEIF**). For more information about the proposal, please refer to page 4 onwards of this letter.

**Why are you receiving this letter?**

- We are sending you this letter because we believe that you were an investor in the WEIF on 3 June 2019. The identification numbers for the investments affected by this proposed settlement are listed in Appendix 1 on page 17 of this letter.
- We are contacting these investors because we wish to offer to settle the potential claims they may have against Link Fund Solutions Limited (**LFSL**). LFSL is the authorised corporate director of the WEIF (**ACD**). Whilst LFSL disputes all claims, it is willing to enter into the settlement because it believes that it offers the best outcome for investors and LFSL.
- The settlement has been agreed with LFSL's regulator, the Financial Conduct Authority (the **FCA**) and LFSL's ultimate parent Link Administration Holdings Limited (the Parent) (the **Settlement**). It will be put in place using a Court approved process called a scheme of arrangement (the **Scheme**). This letter gives relevant investors important information about the Scheme and the Settlement.
- **You do not need to take any immediate action. However, if you have any views on, or objections to, the Settlement or the Scheme, you can let us know using the details on page 16. If you have questions, please look at the Frequently Asked Questions and other information available at [www.lfwoodfordfundscheme.com](http://www.lfwoodfordfundscheme.com).**
- **You will not be approached by or on behalf of LFSL to make a claim in the Scheme. Do not give your bank account details, details of your claim or any other personal information to anyone who claims that they work for LFSL or on LFSL's behalf.**

**The Settlement and Scheme**

- The Scheme is proposed by LFSL. The purpose of the Scheme is to put in place the Settlement.
- The Scheme will affect any investor who was invested in the WEIF on 3 June 2019 and any person that they have transferred their claims to (the **Scheme Creditors**).

- In the Settlement:
  - a fund of up to £230 million in total (the **Settlement Fund**) will be made available to share proportionately amongst the investors that held shares in the WEIF on 3 June 2019 (the **Suspension Date**);
  - the Settlement Fund includes a voluntary contribution from the Parent of up to £60 million (the **Parent Contribution**). The Parent will also voluntarily contribute up to £2.5 million towards the costs of implementing the Scheme (the **Scheme Costs Contribution**); and
  - in return for the payments made from the Settlement Fund, Scheme Creditors will no longer be able to make any claim against LFSL, the Parent and other related parties relating to the WEIF. Investors' rights to make claims against third parties will also be limited to the extent that LFSL would be liable to pay those claims. We note that the Financial Services Compensation Scheme (**FSCS**) has not made any determination in relation to any of the claims made against LFSL and the claims remain unproven. However, it is LFSL's view that, if the Scheme goes ahead, Scheme Creditors will not be able to pursue the claims released in the Scheme against the FSCS.
- The maximum Settlement Fund is approximately 77% of the amount which the FCA claims represents the losses incurred by investors who continued to hold shares in the WEIF on and after the Suspension Date as a result of what it claims to be the regulatory misconduct of LFSL. 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 point of suspension.

### **Advantages of the Settlement and the Scheme**

- LFSL believes that investors are better off with the Scheme than without it because:
  - the Scheme provides for all of LFSL's available assets to be paid to relevant investors. Together with the Parent Contribution of up to £60 million, these are expected to amount to up to £230 million;
  - the first payments will be made much earlier with the Scheme than without it. The first distribution from the Settlement Fund is expected to be between £180 million and £200 million and is expected to be made in the first quarter of 2024. Additional payments are also expected to be made as soon as possible. By contrast, without the Scheme, the most likely outcome is many years of litigation;
  - in the Scheme, the Parent will make the voluntary Parent Contribution and the Scheme Cost Contribution, which totals up to £62.5 million;
  - the Scheme provides a convenient and streamlined process for making payments to relevant investors as they will not need to complete any paperwork or carry out any other steps to receive payment from the Settlement Fund. Distributions from the Settlement Fund will be made automatically in the same way that other distributions are currently made; and
  - investors 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.

### **Alternative to the Scheme**

- If the Scheme does not go ahead, LFSL considers that the following is expected to occur.

- LFSL intends to defend itself against the claims made against it. Such litigation may take several years to conclude and no payments will be made in the meantime.
- If LFSL is successful in its defence of those claims, it may not be required to pay anything at all to investors in respect of their claims (or may be required to pay less than the amount being offered in the Scheme).
- Even if LFSL is unsuccessful in defence of those claims, there will be less money available from LFSL to pay to relevant investors because:
  - the Parent will not pay the Parent Contribution nor the Scheme Costs Contribution (which total up to £62.5 million). These contributions are voluntary and the Parent will not pay them if the Scheme does not go ahead;
  - the cost of LFSL's defence may be significant and will reduce the amount of money that LFSL will have available to pay compensation to the relevant investors;
  - the FCA has the power to impose a financial penalty on LFSL. As noted by the FCA in their 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*"; and
  - if the amount of compensation ultimately awarded is (or is expected to be) greater than LFSL's assets, LFSL may enter into an insolvency proceeding. If LFSL enters into an insolvency proceeding, it will face additional costs. This will again reduce the amount of money that LFSL has available to pay to the investors.

## **Position of the FCA**

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. We are liaising closely with the FCA and will continue to do so as the Scheme progresses.

## **Position of the FSCS**

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 and the claims remain unproven. However, the FSCS has confirmed that it will assess and pay claims in accordance with its rules.

## **Voting on the Scheme**

The Scheme requires approval from a majority of Scheme Creditors. The majority required is explained in paragraph 3.1.1 below. LFSL expects to hold a virtual meeting for the Scheme Creditors to vote on the Scheme on 4 December 2023. Details of how to attend and vote at the meeting (and details of how to vote without attending the meeting) will be provided in due course.

If the required majority of Scheme Creditors vote in favour of the Scheme, the Court will then consider in late December 2023 whether to approve the Scheme. If approved by the required majority of Scheme Creditors and the Court, all Scheme Creditors will be bound by the Scheme.

## **Recommendation**

LFSL believes that the Scheme is the best outcome for investors.

# **Proposed Settlement for investors in the LF Equity Income Fund**

## **Further Details**

We set out below further details in respect of the Settlement for investors in the WEIF. This letter covers the following matters:

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### **1. BACKGROUND TO LFSL AND THE WEIF**

- 1.1 LFSL is an independent authorised corporate director of open-ended investment companies. In that role, it offered certain fund administration services. LFSL is incorporated and registered in England with registered number 01146888. LFSL is an indirect subsidiary of the Parent, a company listed on the Australian Stock Exchange. LFSL has been authorised and regulated by the FCA since 1 December 2001 to operate as an authorised corporate director in the United Kingdom.
- 1.2 LFSL is the authorised corporate director of the WEIF. The WEIF was launched on 2 June 2014 as a sub-fund of the LF Investment Fund. The WEIF was promoted to investors as a fund managed by Woodford Investment Management Limited (formerly Woodford Investment Management LLP) an investment management company under the control of its directors, including Neil Woodford.

- 1.3 The WEIF initially outperformed the market. However, following a period of underperformance and sustained redemptions, on 31 May 2019 and 3 June 2019, the WEIF received redemption requests totalling 8.2 per cent of the net asset value of the WEIF. Prior to 3 June 2019, the WEIF was able to meet all redemption requests by selling assets held by the fund. However, on 3 June 2019, LFSL concluded that redemption requests had reached a level that meant that the WEIF could not meet those requests without prejudicing the interests of remaining investors. LFSL decided to suspend the WEIF to protect all remaining investors. The depositary for the WEIF (Northern Trust Global Services SE (UK Branch)) (the **Depositary**) approved the suspension and the decision to suspend was communicated to the FCA. The effect of this suspension was that, after the Suspension Date, investors in the WEIF were prevented from redeeming their investments in the WEIF.
- 1.4 Following the WEIF's suspension, having considered all options, LFSL determined (acting with the approval of the Depositary) that it was in the best interests of all WEIF investors for the WEIF to be wound up (i.e. for the WEIF's assets to be sold and for the sale proceeds to be distributed to the investors). The FCA granted permission for the winding up, which formally started on 18 January 2020.

## 2. **BACKGROUND TO THE SCHEME**

### *FCA Investigation and Settlement*

- 2.1 Shortly after the Suspension Date, the FCA started an investigation into the events that led to the suspension of the WEIF (the **FCA Investigation**). The FCA's current conclusions in relation to LFSL (the **FCA Conclusions**) allege that:
- 2.1.1 investors who left the WEIF from 1 November 2018 onwards benefited from the sale of the most liquid assets in the WEIF. These investors therefore benefited disproportionately compared to those investors who remained invested in the WEIF after that date;
  - 2.1.2 investors who continued to hold investments in the WEIF on the Suspension Date were treated unfairly because they were left with a disproportionate share of less liquid assets;
  - 2.1.3 LFSL had therefore failed to comply with both Principle 2 and Principle 6 of the FCA's Principles for Businesses (respectively the obligation to carry out its activities with due skill, care and diligence, and the obligation to treat all customers fairly) (the **Principles**); and
  - 2.1.4 the losses incurred by investors who continued to hold investments in the WEIF on and after the Suspension Date were up to £298 million (the **FCA Total Amount**), following certain capital distribution payments made by LFSL.

It is important to note that the FCA Conclusions do not represent a current binding determination of the FCA and are disputed by LFSL. It is also clear that the FCA Conclusions do not include any finding that LFSL has breached any of the rules which are alleged to provide the causes of action in the Litigation Claims described below.

### *The Litigation Claims*

- 2.2 Certain investors in the WEIF have issued claims against LFSL arguing that LFSL breached certain of the obligations set out in the Collective Investment Schemes section of the FCA Handbook (**COLL**) by allegedly failing to properly carry out its obligations as ACD. The claims of investors under COLL, whether past, present or future, are called the **Litigation Claims**. Those Litigation Claims which have been served on LFSL (the **Current Litigation Claims**) are at an early stage, have not been proven, and are for an uncertain amount.
- 2.3 The Current Litigation Claims have been stayed until 31 January 2024 to allow Scheme Creditors and the Court time to consider the Scheme and avoid incurring unnecessary further costs.

### *The Settlement*

- 2.4 LFSL disputes both the FCA's Conclusions and the Litigation Claims (the **Disputes**). LFSL argues that it has carried out all of its obligations as ACD in accordance with the Principles and the FCA rules (the **Rules**).
- 2.5 However, on 19 April 2023, LFSL and the Parent agreed a settlement with the FCA to settle its investigation into LFSL's role as ACD of the WEIF, subject to the conditions described in paragraph 2.7 below. The Settlement provides that the Settlement Fund will be made available to the Scheme Creditors under the Scheme. LFSL estimates that the Settlement Fund could be up to £230 million (being approximately 77% of the FCA Total Amount). More detail is provided about the Settlement Fund in paragraphs 5.4 to 5.7 below.
- 2.6 In return for the Settlement Fund being made available to the Scheme Creditors, the Scheme Creditors will release LFSL, the Parent and each of its affiliates (the **Link Group**) and each of their respective former and current directors, partners, employees, consultants and advisers from any claims they may have relating to the WEIF as further described in paragraph 5.17 below.
- 2.7 The Settlement is conditional on:
- 2.7.1 the approval of the Scheme by the Scheme Creditors and the Court; and
  - 2.7.2 the completion of the sale of the Link Fund Solutions Business (as described in paragraph 2.8 below) by LFSL and its affiliates to the Waystone Group (the **Sale**) in accordance with an agreement dated 19 April 2023.
- 2.8 The "**Link Fund Solutions Business**" to be transferred to Waystone comprises:
- 2.8.1 the business and certain assets of LFSL and an Irish entity within the Link group called Link Fund Manager Solutions (Ireland) Limited. In each case the sale excludes any Woodford-related liabilities and certain other liabilities which it has been agreed will not be transferred to Waystone; and
  - 2.8.2 the shares of certain other entities within the Link Group.
- 2.9 Completion of the Sale is conditional on:

- 2.9.1 obtaining relevant regulatory approvals; and
  - 2.9.2 a sufficient number of existing clients of the Link Fund Solutions Business agreeing to transfer to Waystone.
- 2.10 Engagement with both the relevant regulators and clients has been progressing well and we expect the relevant approvals and consents to be obtained shortly. Once obtained, a "Completion Date" will be fixed to follow shortly thereafter. The sale is expected to be completed before the date on which the Scheme is expected to become effective.
- 2.11 If these conditions are satisfied, LFSL and the FCA will agree to regulatory findings which record that LFSL has breached the relevant Principles. However, there will be no finding that LFSL has breached the Rules.
- 2.12 **It is important to understand that if the Scheme does not go ahead, LFSL intends to dispute both the FCA Conclusions and the Litigation Claims. Whilst LFSL has agreed to enter into the Settlement, it has done so on the basis that it does not admit liability and it reserves its rights to defend itself in respect of the Disputes if the Scheme does not go ahead.**

#### *The closure of LFSL*

- 2.13 If the Scheme is approved and completed, LFSL intends to complete its winding down and close its business in accordance with its regulatory obligations.

### **3. WHAT IS A SCHEME OF ARRANGEMENT?**

- 3.1 A scheme of arrangement is a compromise or arrangement between a company and some or all of its creditors. A scheme of arrangement will bind a company and each of the creditors affected by it, if:
- 3.1.1 it is approved by a majority in number (i.e., more than 50%), representing 75% or more in value, of the creditors who attend and vote at the meeting for the scheme of arrangement;
  - 3.1.2 the Court approves the scheme of arrangement at a Court hearing. The Court will only approve it if the legal requirements for doing so have been met; and
  - 3.1.3 a copy of the Court order approving the scheme of arrangement is delivered to the Registrar of Companies.
- 3.2 A scheme of arrangement becomes effective on the date on which the last of these steps occurs. When the scheme of arrangement is effective, the company and all relevant creditors are bound by it. If approved, LFSL expects that this Scheme will become effective on or about 18 December 2023.

### **4. WHO WILL BE AFFECTED BY THE SCHEME?**

- 4.1 The Scheme will affect each Scheme Creditor in respect of their Scheme Claims. A **Scheme Claim** is any claim that any investor with a beneficial interest in the WEIF on

the Suspension Date has or may have against LFSL in relation to the WEIF, from the inception of the WEIF on 2 June 2014 until 1 December 2023 (the **Record Date**).

4.2 For the avoidance of doubt:

4.2.1 an investor had a beneficial interest in the WEIF if they:

- (a) directly held units 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 units in the WEIF in their name through an intermediary, such as through an online investment platform; and

4.2.2 the Scheme will not change the Scheme Creditors' ownership rights in respect of the units in the WEIF.

4.3 All Scheme Claims will be released by the Scheme including, but not limited to, the Current Litigation Claims.

4.4 The Scheme will not affect any investor who is not a Scheme Creditor. This includes:

- 4.4.1 any investor in any other fund where LFSL is or was an authorised corporate director;
- 4.4.2 any investor who invested in the WEIF at any time from its inception but who redeemed all of their investments in the WEIF before the Suspension Date;
- 4.4.3 any other creditor of LFSL; or
- 4.4.4 any investors or creditors of any other fund that was managed by Woodford Investment Management Limited or related to any other investment management vehicles of Neil Woodford.

5. **WHAT WILL HAPPEN UNDER THE SCHEME?**

5.1 If approved, the Scheme will be legally binding upon LFSL and each Scheme Creditor. The Parent will also be legally required to provide the Parent Contribution into the Settlement Fund and pay the Scheme Costs Contribution (which together total up to £62.5 million).

*Automatic participation*

5.2 If the Scheme becomes effective, all Scheme Creditors will automatically be included in the Scheme regardless of whether they voted for or against the Scheme (or voted at all) and whether or not they are party to the Current Litigation Claims. LFSL will pay the Settlement Fund to the WEIF and will procure that the WEIF distributes the Settlement Fund to investors that directly held shares in the WEIF on the Suspension Date. The Scheme Creditors will not have to complete any forms or take other steps for the payments to be made.

5.3 Payments from the Settlement Fund will be made in the same way as they are now, that is to each investor that holds units in the WEIF directly. In the case of any investor who



holds units in the WEIF through an intermediary in their own name, they will receive payments from their intermediary in the same way as they have received payments in the past.

### *The Settlement Fund*

5.4 Subject to Clause 5.12, the Settlement Fund will be made up of:

- 5.4.1 all of LFSL's cash assets (approximately £127 million) (see paragraph 5.5);
- 5.4.2 all of LFSL's remaining rights under certain insurance policies (the **Insurance Policies**) (currently approximately £48 million) (see paragraph 5.6); and
- 5.4.3 the Parent Contribution (up to £60 million),

but will be reduced by the amount reasonably estimated to be required by LFSL to pay its other costs and liabilities. At present, £5 million has been deducted from the Settlement Fund for the purpose of paying LFSL's likely costs above the £2.5 million to be contributed by the Parent. An additional reserve will be set aside as explained in paragraphs 5.12 to 5.16 below.

### *LFSL assets*

5.5 LFSL is expected to have the following cash assets:

- 5.5.1 after completion of the Sale, the proceeds of the Sale of the Link Fund Solutions Business (approximately £80 million); and
- 5.5.2 other existing available net cash of approximately £47 million.

### *The Insurance Policies*

5.6 LFSL is the beneficiary under the Insurance Policies. The insurers under those Insurance Policies have agreed that, if the Scheme becomes effective, the balance payable under those Insurance Policies (currently approximately £48 million) shall be added to the Settlement Fund, subject to contract.

### *The Parent Contribution*

5.7 In addition to the proceeds of the Sale to be received by LFSL (see 5.5.1 above), the Parent has agreed to procure that the balance of the proceeds of the Sale received by affiliates of LFSL (approximately up to £60 million) shall also be contributed to the Settlement Fund. The Parent Contribution is conditional on the Scheme being approved by the Scheme Creditors and the Court.

### *Payment from the Settlement Fund*

5.8 LFSL currently estimates that the total amount of the Settlement Fund will be up to £230 million and that the first distribution from the Settlement Fund will be between £180 million and £200 million. That distribution is expected to be made in the first quarter of 2024. Additional payments are also expected to be made until the Settlement Fund has been fully distributed.

- 5.9 The FCA alleges that the loss incurred by investors who held investments in the WEIF on 3 June 2019 is up to £298 million. Accordingly, the proposed amount to be paid through the Scheme is up to approximately 77% of the FCA Total Amount.
- 5.10 Distributions from the Settlement Fund will be made automatically in the same manner as other distributions of capital are currently made. Accordingly, each investor that holds units in the WEIF directly will receive a *pro rata* share of the Settlement Fund based on the number and total value of the shares that that investor holds.
- 5.11 The value of the WEIF on the Suspension Date was approximately £3.6 billion (the **Suspension Date Value**). A total of £2.56 billion has already been paid to investors since the Suspension Date from the distribution of proceeds from the sale of investments. 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 point of suspension taking into account what has been paid to investors to date and the most recent quarterly valuation of the remaining assets of the WEIF to be sold. It should be noted that the value of those remaining assets may increase or decrease.

*The Excluded Liabilities and the Reserve Amount*

- 5.12 The Settlement Fund will not include the amount that LFSL reasonably estimates that it will need to pay all of its other costs and liabilities in full as they fall due (the **Excluded Liabilities**).
- 5.13 LFSL's Excluded Liabilities include:
- 5.13.1 its costs in running the remaining LFSL business until that business is fully wound down and closed in accordance with applicable statutory and regulatory obligations;
  - 5.13.2 its costs in winding down the WEIF and the other funds in respect of which it is appointed as the authorised corporate director;
  - 5.13.3 its costs with respect to the Sale; and
  - 5.13.4 its costs in putting the Scheme in place and implementing it.
- 5.14 In order to allow a distribution 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), a reserve has been set aside to meet contingent Excluded Liabilities (the **Reserve Amount**). The Reserve Amount has been set on a prudent basis at £50 million. However, in the event that the Reserve Amount can be reduced (because LFSL is satisfied that certain of the contingent costs and liabilities reserved for will not materialise), the amount deducted from the Reserve Amount shall be added to the Settlement Fund for further distribution to investors.
- 5.15 The Reserve Amount includes a reserve to meet the costs required for LFSL to defend itself against any potential litigation claims from those investors that are not subject to the Scheme (that is investors who had sold all of their shares prior to the Suspension Date). For the avoidance of doubt, the Reserve Amount does not include any provision for making any compensation payments to any other investors. LFSL considers that it

has carried out all of its obligations as ACD in accordance with the Principles and the Rules.

- 5.16 The Reserve Amount will be reviewed periodically, in consultation with the advisers who will be appointed to supervise the Scheme (the **Scheme Supervisors**). The Scheme Supervisors will be representatives of PricewaterhouseCoopers. Any cash or asset not required for the Reserve Amount shall be contributed to the Settlement Fund for distribution to relevant investors following each review.

#### *Releases and Winding Up*

- 5.17 Once the Scheme is effective, the Scheme Creditors will not be able to bring any claims against LFSL, the Parent, nor any other member of the Link Group nor any of their respective former or current directors, partners, employees, consultants and advisers in any way relating to their acts or omissions in respect of the WEIF up to the Record Date, nor in respect of the negotiation and implementation of the Scheme and matters contemplated by it. All Disputes in respect of the FCA Conclusions and the Litigation Claims of the Scheme Creditors will be terminated. These are the results of the compromise and release of Scheme Claims.
- 5.18 LFSL is aware that certain investors of the WEIF are or may be considering whether to issue claims against other parties. The Scheme will not prevent the Scheme Creditors from bringing a claim against third parties (a **Third Party Claim**). However, to the extent that the Third Party Claim arises out of the same circumstances as a Scheme Claim and any recovery in relation to a Third Party Claim would result in the third party having a claim against LFSL, the Parent or any member of the Link Group (a **Contribution Claim**), Scheme Creditors will be required to assign a part of the Third Party Claim equal to the Contribution Claim to LFSL and/or the Parent (as applicable) so that LFSL and/or the Parent (as applicable) are able to set-off the relevant part of the Third Party Claim against the Contribution Claim.
- 5.19 The effect of the Scheme and Settlement is that, in return for the payments made from the Settlement Fund, Scheme Creditors will no longer be able to make any claim against LFSL, the Parent and other related parties relating to the WEIF. We note that the FSCS has not made any determination in relation to any of the claims made against LFSL and the claims remain unproven. However, it is LFSL's view that, if the Scheme goes ahead, Scheme Creditors will not be able to pursue the claims released in the Scheme against the FSCS.

#### **6. WILL THE SCHEME DEFINITELY GO AHEAD?**

- 6.1 If the Court gives LFSL permission, the Scheme Creditors will receive a document (the **Explanatory Statement**) which will explain in more detail how the Scheme will work and how to vote on it.
- 6.2 The Scheme will be put to a vote of the Scheme Creditors. If the Scheme is not approved by a majority in number (that is more than 50%) representing 75% or more in value of the Scheme Creditors, who vote in person or by proxy, it will not go ahead.
- 6.3 If the Scheme Creditors approve the Scheme, the Court will then decide whether or not to approve the Scheme. The Court will consider the Scheme and only approve it if the

legal requirements for doing so are met. If the Court does not approve the Scheme, it will not go ahead.

- 6.4 If the Scheme is approved by enough Scheme Creditors and the Court, it will become effective as from the time that the Court order approving it is delivered to the Registrar of Companies. The delivery of the Court Order to the Registrar is a purely administrative step that usually occurs shortly after the approval of the Scheme by the Court.

## **7. WHAT WILL HAPPEN IF THE SCHEME DOES NOT GO AHEAD?**

- 7.1 We believe that the Scheme Creditors are better off with the Scheme than without the Scheme for the reasons given under the heading "Advantages" on page 2 of this letter. We explain the consequences of the Scheme not going ahead under the heading "Alternative to the Scheme" on pages 2 and 3 of this letter.

## **8. THE FINANCIAL CONDUCT AUTHORITY**

- 8.1 LFSL, as an authorised firm, is regulated by the FCA. The FCA has been provided with an advanced draft of this letter. 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. As such, the FCA encourages investors to consider it. We are liaising closely with the FCA and will continue to do so as the Scheme progresses.

## **9. THE FINANCIAL SERVICES COMPENSATION SCHEME**

- 9.1 The FSCS is the UK's compensation scheme of last resort for the customers of failed financial services firms. The FSCS is obliged to determine the claims made to it in accordance with the rules set out in the Compensation Sourcebook of the FCA Handbook (**COMP**). The FSCS may pay compensation where it is satisfied that an investor has a claim which falls within the scope of COMP. The total amount of compensation that the FSCS can pay in respect of these claims is £85,000 per eligible claimant.
- 9.2 The Scheme offers a substantial amount to Scheme Creditors (up to 77% of the FCA Total Amount), with payment to be made in the near future. LFSL believes that the Scheme is in Scheme Creditors' best interests because it offers significant and certain compensation from the Settlement Fund, if the Scheme proceeds.
- 9.3 Alternatively, if an investor made a claim for compensation to FSCS, FSCS would need to assess that claim in accordance with COMP. This means determining whether LFSL is in "default", whether there are any "protected claims" against it and whether the investor is an "eligible claimant". Each of these terms has a technical meaning set out in the FCA Handbook. At this stage, the FSCS has not made any determination in relation to the FCA's Conclusions. It has also not made any determination as to whether LFSL is in "default" or whether there are "protected claims" against it. An investor will also need to establish that it is an eligible claimant before it could be entitled to compensation from the FSCS. The FSCS has confirmed that it will assess and pay claims in accordance with COMP and it will be a matter for it to determine whether any payments are or will become due.

## 10. INVESTORS' COMMITTEE

- 10.1 A committee of investors (the **Investors' Committee**) has been set up to represent the interests and views of the Scheme Creditors in respect of the proposed Scheme.
- 10.2 An independent chairperson for the Investors' Committee (the **Chair**), Jamie Drummond-Smith, was appointed on 31 July 2023. Mr Drummond-Smith is an experienced financial services sector professional. He is independent of LFSL and the Parent and does not work for, and has never worked for, LFSL or the Parent. Mr Drummond-Smith appointed Freshfields Bruckhaus Deringer LLP, a well-known London based law firm, to advise him and the Investors' Committee in relation to the Scheme.
- 10.3 A total of 186 investors expressed an interest in joining the Investors' Committee and in August 2023, the Chair chose 9 of those investors to join the Investors' Committee. Some members of the Investors' Committee are individuals and others are institutional funds. This means that a cross section of the Scheme Creditor population is represented on the Investors' Committee.
- 10.4 The Chair is expected to report on the views of the Investors' Committee on the Scheme before the Court hearing that is scheduled to take place on 10 October 2023.

## 11. INVESTOR ADVOCATE

- 11.1 An independent person, Joe Bannister, has been appointed to advocate for the Scheme Creditors in respect of the Scheme (the **Investor Advocate**). Mr. 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. Bannister is a partner at DAC Beachcroft, a London based law firm with particular expertise in financial services regulatory matters. Mr. Bannister will be supported where appropriate by other members of DAC Beachcroft.
- 11.2 The Investor Advocate can answer any general questions that you may have about the Scheme and also take your feedback on the Scheme and discuss it with us. There will be no charge to investors for this. If you have any questions or comments about the Scheme, you can contact the Investor Advocate using the details at the end of this letter. You also have the right to take your own legal advice at your own expense.

## 12. WHAT IS THE PROCESS FOR IMPLEMENTING THE SCHEME?

The process for implementing the Scheme is as follows:

1

### **First Court Hearing: This will take place on 10 October 2023**

LFSL will ask the Court at the First Court Hearing for permission to call a meeting of Scheme Creditors to consider, and vote on, the Scheme (the **Scheme Meeting**). Further details about how to attend the First Court Hearing will be made available in due course.

2

### **Scheme & Explanatory Statement**

If the Court gives LFSL permission to call the Scheme Meeting, LFSL will provide Scheme Creditors with detailed information about the Scheme and explain the impact the Scheme will have on them in a document called the Explanatory Statement.

3

### **Scheme Meeting: This is expected to take place virtually on 4 December 2023**

Scheme Creditors will have an opportunity to discuss the Scheme with LFSL and other Scheme Creditors at the Scheme Meeting and vote on the Scheme. If a Scheme Creditor cannot attend the Scheme Meeting, the Chair of the Scheme Meeting can vote for the Scheme Creditor in accordance with their wishes. The Scheme Creditor can also ask another person to attend and vote at the Scheme Meeting for them. The Explanatory Statement will confirm the date and time of the Scheme Meeting and how to vote at it.

4

### **Second Court Hearing: This is expected to take place on 15 December 2023**

If enough Scheme Creditors vote in favour of the Scheme at the Scheme Meeting, the Company will ask the Court to approve the Scheme at a second Court hearing (the **Second Court Hearing**). In deciding whether to approve the Scheme, the Court will consider, amongst other things, whether the Scheme Meeting was properly held, whether the class meetings were appropriate and otherwise whether the Scheme is fair to Scheme Creditors as a whole.

5

### **Effective Date – This is expected to take place on or about 18 December 2023**

The Effective Date will occur once a copy of the Court order approving the Scheme is delivered to the Registrar of Companies. We expect that the Effective Date will occur very soon after the Second Court Hearing, if the Court approves the Scheme.

### 13. SCHEME CLASSES

- 13.1 One of the things that the Court will consider at the First Court Hearing is whether the Scheme Creditors should vote on the Scheme together in one meeting, or whether the Scheme Creditors should vote in different meetings (also known as classes). The Court will also consider if there is any reason why the Scheme cannot be approved by the Court.
- 13.2 In summary, where the Scheme Creditors have sufficiently similar rights to each other, they must vote together in one meeting. Where the Scheme Creditors do not have sufficiently similar rights to each other, they must vote in different meetings.
- 13.3 LFSL considers that all Scheme Creditors should vote together in one meeting as it considers that all the Scheme Creditors have similar rights against LFSL. There is more information about why LFSL has reached this decision in Appendix 2 on pages 18 to 19 of this letter.

### 14. NEXT STEPS

- 14.1 **IMPORTANT: If any Scheme Creditor has comments or concerns about LFSL's proposal for all Scheme Creditors to vote together in one meeting, or any other legal issues which they consider should be raised with the Court, they are asked to raise these concerns with LFSL and/or the Investor Advocate by 3 October 2023, using the details given in paragraph 17 (*Contact*) below. LFSL will bring such matters to the Court's attention.**
- 14.2 At the First Court Hearing, the Court will consider whether it agrees that all Scheme Creditors can vote on the Scheme in the one class meeting. If the Court agrees, it will allow LFSL to hold one Scheme Meeting for the Scheme Creditors to vote on the Scheme. The Scheme Creditors will then be informed of the date and time of the Scheme Meeting and will receive instructions about how to vote.

### 15. WHAT SHOULD THE SCHEME CREDITORS DO NOW?

- 15.1 The Scheme Creditors should remain engaged in the Scheme process and regularly check [www.lfwoodfordfundscheme.com](http://www.lfwoodfordfundscheme.com) for updates about the Scheme. The Scheme Creditors can also contact LFSL or the Investor Advocate using the details provided in paragraph 17 (*Contact*) below.

### 16. HOW DO I GET FURTHER HELP ABOUT THE SCHEME?

In the first instance, please take a look at the Frequently Asked Questions and other information available at [www.lfwoodfordfundscheme.com](http://www.lfwoodfordfundscheme.com). Otherwise, the Scheme Creditors can contact LFSL or the Investor Advocate using the details provided in paragraph 17 (*Contact*) below.

## 17. CONTACT

<b>Website:</b>	<a href="http://www.lfwoodfordfundscheme.com">www.lfwoodfordfundscheme.com</a>
<b>Telephone number</b>	0333 300 0381
<b>Email:</b>	<a href="mailto:Ifsinvestors@ntrs.com">Ifsinvestors@ntrs.com</a>
<b>Investor Advocate</b>	<a href="mailto:josephbannisterIA@dacbeachcroft.com">josephbannisterIA@dacbeachcroft.com</a>

### Be aware

- **The Scheme Creditors will not be approached by LFSL or anyone acting for LFSL to assist the Scheme Creditors in making a claim in the Scheme. Do not give details of a claim or any personal information or bank account details to anyone who claims that they work for LFSL or on LFSL's behalf.**
- **If a Scheme Creditor is concerned about the authenticity of any correspondence or suspects that they have received unauthorised or fraudulent correspondence which claims to be from LFSL, please contact LFSL using the details at paragraph 17 (*Contact*) above.**

**For and on behalf of**

**LINK FUND SOLUTIONS LIMITED**



## APPENDIX 1 SHARE INFORMATION

ISIN Number	Share Class	Suitable For	Annual Management Fee <sup>1</sup>
GB00BLRZQ513	LF Equity Income Fund A Sterling Accumulation	Retail Investors	1.00
GB00BLRZQ406	LF Equity Income Fund A Sterling Income	Retail Investors	1.00
GB00BLRZQ620	LF Equity Income Fund C Sterling Income	Institutional Investors	0.75
GB00BLRZQ737	LF Equity Income Fund C Sterling Accumulation	Institutional Investors	0.75
GB00BZ01L372	LF Equity Income Fund F Sterling Accumulation	This class is only available for investment by the Woodford Feeder Fund (Ireland) and the Group Self Invested Pension Plan of the Investment Manager	0%
GB00BLRZQC88	LF Equity Income Fund Z Sterling Accumulation	Institutional Investors	0.65%
GB00BLRZQB71	LF Equity Income Fund Z Sterling Income	Institutional Investors	0.65%
GB00BLRZQ950	LF Equity Income Fund X Sterling Accumulation	Institutional Investors	1.5%
GB00BLRZQ844	LF Equity Income Fund X Sterling Income	Institutional Investors	1.5%

Each share is deemed to represent one undivided unit of entitlement in the property of the WEIF. Where both income and accumulation shares are in existence in relation to a fund, the number of undivided units of entitlement in the property of a fund represented by each accumulation share increases as income is accumulated.

Any income arising in respect of an income share attributable to the WEIF is determined and distributed. Any income arising in relation to an accumulated share is credited automatically to capital, which will be reflected in the price of such accumulation share.

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<sup>1</sup> Annual management fees have not been levied since the Suspension Date.

## **APPENDIX 2**

### **CLASS ANALYSIS**

#### **1. LEGAL TEST**

1.1 The legal test to decide whether creditors can vote in the same meeting (also known as a class) can be described in different ways. For example:

1.1.1 there must be more that unites than divides the creditors in the class in terms of their rights against the company proposing the scheme in order that they can consult together in their common interest in considering the proposed scheme; or

1.1.2 the class should be made up of creditors whose rights against the company proposing the scheme are similar enough that they can properly consider and identify their rights and interests together as a group.

#### **2. SCHEME CLASSES IN THIS SCHEME**

2.1 In this case, the company proposing the Scheme is Link Fund Solutions Limited. The creditors who will vote together are all persons who have Scheme Claims. A Scheme Claim is any claim that any investor with a beneficial interest in the WEIF on the Suspension Date has or may have against LFSL in relation to the WEIF, from the inception of the WEIF on 2 June 2014 until the Record Date.

2.2 LFSL considers that all Scheme Creditors should vote in one meeting as it considers that the Scheme Creditors have sufficiently similar rights against LFSL in the alternative to this Scheme. This is because:

2.2.1 in terms of their Scheme Claims the Scheme Creditors are all disputed creditors of LFSL with unsecured claims;

2.2.2 in the alternative to the Scheme, LFSL will continue in order to wind down the LFSL business and this will involve LFSL defending the Scheme Claims;

2.2.3 in the event that LFSL is ultimately unsuccessful in defending the claims against it, and the amount of the claims against it is greater than its available assets, LFSL would likely need to enter into an Investment Bank Special Administration. In that case, the Scheme Creditors will have unsecured claims in the insolvent estate in respect of their Scheme Claims. For the avoidance of doubt, such a scheme would not affect client property rights in the WEIF units; and

2.2.4 notwithstanding that the units are held in different share classes, as further explained in Appendix 1, the differences in those share classes are not sufficiently different to give rise to different classes. In particular, if the Scheme goes ahead, all relevant investors will receive the same right to payment from the Settlement Fund in proportion to the number and class of shares they hold in the WEIF. Investors will not need to make a claim and will be paid automatically in the same way as other distributions are currently made.

- 2.2.5 Although some Scheme Creditors may be "*eligible claimants*" under the COMP rules while others are not, LFSL does not consider the potential for compensation from the FSCS to be sufficiently material to make it impossible for all Scheme Creditors to consult together with a view to their common interest. Further, whether a Scheme Creditor is an "*eligible claimant*" and therefore potentially entitled to compensation from the FSCS is not a right against LFSL in respect of their Scheme Claims but, to the extent it exists, a right against the FSCS. It is therefore not relevant to the question of determining the appropriate classes for voting.