

AM10

Notice of administrator's progress report



Companies House

WEDNESDAY



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22/01/2020

#189

COMPANIES HOUSE

1 Company details

Company number 00736581
Company name in full Stronghold Insurance Company Limited

→ **Filling in this form**
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Douglas Nigel
Surname Rackham

3 Administrator's address

Building name/number 7 More London
Street
Post town London
County/Region
Postcode SE1 2RT
Country United Kingdom

4 Administrator's name ①

Full forename(s) Dan Yoram
Surname Schwarzmann

① **Other administrator**
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number 7 More London
Street
Post town London
County/Region
Postcode SE1 2RT
Country United Kingdom

② **Other administrator**
Use this section to tell us about
another administrator.

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Notice of administrator's progress report

6 Period of progress report

From date	^d 2	^d 7	^m 0	^m 6	^y 2	^y 0	^y 1	^y 9
To date	^d 2	^d 6	^m 1	^m 2	^y 2	^y 0	^y 1	^y 9

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X

David

X

Signature date

^d 1	^d 7	^m 0	^m 1	^y 2	^y 0	^y 2	^y 0
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AM10

Notice of administrator's progress report



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name Helena Perevalova

Company name PricewaterhouseCoopers LLP

Address CentralSquare

29 Wellington Street

Post town Leeds

County/Region West Yorkshire

Postcode L S 1 4 D L

Country United Kingdom

DX

Telephone 0113 288 2046



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.



Important information

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Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

Joint Administrators' progress report from 27 June 2019 to 26 December 2019

Stronghold Insurance Company Limited
(in Administration)

High Court of Justice, Business and Property Courts of England
and Wales Insolvency and Companies List (ChD)
Case no. 3882 of 2019

20 January 2020

<https://www.pwc.co.uk/services/business-restructuring/administrations/stronghold.html>

Table of contents

Abbreviations and definitions	3
Key messages	5
Progress since our Appointment and what is next	7
Operations	7
Asset recoveries	8
Asset protection	9
Stakeholder engagement	10
Proposed Scheme of Arrangement	11
Other Information	12
Appendix A: Receipts and payments	14
Appendix B: Other information	16
Appendix C: Main advantages and disadvantages of the proposed Scheme of Arrangement	17
Appendix D: Remuneration report	19
Appendix E: Chapter 15 Recognition Order	37

Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report:

Abbreviation or definition	Meaning
Administration	UK corporate insolvency process governed by the Insolvency Act 1986, applicable to the Company following its insolvency on 27 June 2019.
Administrators/we/us/our	Dan Yoram Schwarzmann and Douglas Nigel Rackham of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT.
Appointment	The date that the Administrators were formally appointed as Administrators of the Company, being 27 June 2019.
Cedants/reinsurance creditors	Unsecured non-preferential creditors whose claims arise from being insurance companies holding policies of reinsurance issued by the Company.
Chapter 15	US Bankruptcy process whereby a foreign debtor can gain access to the US Court for the purpose of taking actions in the US.
Company	Stronghold Insurance Company Limited (in Administration)
Company Website	https://www.pwc.co.uk/services/business-restructuring/administrations/stronghold.html
Court	The High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD).
Creditors' Committee	Committee of creditors, established on 4 September 2019, in order to assist the Administrators in discharging their functions set out in the Insolvency Act 1986.
Direct insurance creditors	Unsecured non-preferential creditors whose claims arise from cover provided by the Company to a non-insurer policyholder.
Directors	The Directors of the Company being Ann Duffy, Andrew Gregory, John Massey, Henry Sopher and Kenneth Watkins.
FCA	The Financial Conduct Authority, the conduct regulator for financial services firms and financial markets in the UK.
Firm	PricewaterhouseCoopers LLP, a limited liability partnership registered in England with registered number OC303525.
Formal Members	There is a statutory requirement for there to be a maximum number of five Formal members of a Creditors' Committee (please also see Observer Members below). Details of the Formal Members are disclosed on page 10 of this document
FSCS	The Financial Services Compensation Scheme, the UK's statutory deposit insurance and investors compensation scheme for customers of authorised financial services firms.
HMRC	HM Revenue & Customs the UK's tax, payments and customs authority.
Insolvency Act 1986 ("IA86")	Statutory legislation that provides the legal platform for matters relating to personal and corporate insolvency in the UK.
Insolvency (England and Wales) Rules 2016 ("IR16")	Statutory rules that provide the legal platform for matters relating to personal and corporate insolvency in England and Wales.
Insurers (Reorganisation and Winding Up) Regulations 2004	The rules under which Direct insurance creditors rank ahead of all other Unsecured creditors, including cedants and reinsurance creditors.

Letter of Credit ("LoC")	Collateral established in favour of various beneficiaries set up in the normal course of business, providing certain levels of cover.
Observer Members	The Administrators welcomed nominees, who are not Formal Members of the Creditors' Committee, to participate and provide input at Creditors' Committee meetings as 'observers'. Details of the Observer Members are disclosed on page 11 of this document.
Period	27 June 2019 to 26 December 2019, being the first six months of the Administration.
PRA	The Prudential Regulation Authority, being responsible for the prudential regulation and supervision of financial services firms in the UK.
Preferential Creditors	Primarily employee claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances.
Proposals	The Administrators' Proposals for achieving the purpose of Administration, as approved by creditors on 4 September 2019.
Proposed Scheme of Arrangement (or the "Scheme")	The Scheme of Arrangement which is now being proposed following the Company entering into Administration.
Remuneration Report	As required by UK insolvency legislation, a Report provided to all known creditors containing details of the work we expect to carry out during the insolvency, the expenses that are likely to be incurred and if our fees are proposed to include remuneration calculated on a time costs basis, an estimate of those fees. This information is included in the Remuneration Report on page 19.
Scheme Claims Submission Date	A date to be set under the future Scheme for the Company, being the last date by which creditors will need to submit their claim.
Scheme of Arrangement	A UK Companies Act procedure, similar in nature to a plan of reorganisation, that involves a compromise or arrangement between a company and one or more classes of its actual and contingent creditors.
Secured creditors	Creditors with security in respect of their debt, in accordance with Section 248 IA86.
SIP	Statement of Insolvency Practice, issued by the UK regulatory authorities, setting out principles and key compliance standards with which insolvency practitioners are required to comply.
Solvent Scheme of Arrangement	The Scheme of Arrangement which was proposed by the Company prior to it entering into Administration.
Statement of Affairs	A document required by UK law, prepared by the Directors of the Company, outlining the assets and liabilities of the Company at the date of Administration.
Trust Fund	A fund established in the normal course of business, supported by a letter of credit, to provide a fixed level of cover in respect of the payment of claims under US policies issued by the Company.
Unsecured creditors	Creditors who are neither secured nor preferential.
US Court	United States Bankruptcy Court Southern District of New York.
Value Added Tax ("VAT")	A consumption tax levied on the sale of goods and services in the UK.

Key messages

Why we have sent you this report

In accordance with our statutory requirements I am writing to update you on the progress of the Administration of the Company in the six months since our Appointment on 27 June 2019. This document is for your information only and you do not need to take any action.

Our Proposals for achieving the purpose of Administration, sent to creditors on 9 August 2019, can be downloaded from the Company Website, along with this report and other important information at <https://www.pwc.co.uk/services/business-restructuring/administrations/stronghold.html>

On 4 September 2019 the Proposals, including the intention to proceed with a Scheme of Arrangement and establish a Creditors' Committee, were approved by the creditors of the Company.

We have since continued to make progress in the Administration, including reducing the Company's cost base, protecting US assets via Chapter 15 recognition in the US Courts, establishing and liaising with the Creditors' Committee, recovering debts and commencing the sale process for the Company's freehold property in Norwich. Further detail on the key areas of the Administration are included in the 'Progress since our Appointment and what is next' section of this report on page 7.

The Administrators continue to believe that a Scheme of Arrangement is the most cost effective way to maximise available assets and distribute funds to creditors, whilst minimising the costs of the Administration. We are in ongoing dialogue with the Creditors' Committee regarding the principles and practicalities of the proposed Scheme of Arrangement and anticipate proposing it to creditors in the coming months, with a view to the proposed Scheme of Arrangement becoming effective during the first half of 2020.

When the Scheme of Arrangement document is finalised and available, we will share this with creditors by post and by publication on the Company Website.

This progress report also includes our Remuneration Report, in Appendix D on page 19. This provides details of the work carried out and which we expect to carry out during the insolvency, as well as the expenses that are likely to be incurred.

How much creditors may receive

The Company's overall financial position is such that it will not be able to meet all of its obligations in full.

At this stage of the Administration, we cannot give a meaningful estimate of the likely outcome for creditors. This will depend significantly on how the purpose of the Administration is achieved, the final level of admitted claims, future realisations of assets and administration costs. We will provide an update on how much creditors may receive as soon as the information is available.

Creditors are reminded that the Insurers (Reorganisation and Winding Up) Regulations 2004 apply to the Company. The effect of these regulations is that Direct insurance creditors have priority over other classes of Unsecured creditors, including cedants.

Class of creditor	Current estimate (p in £)	Previous estimate (p in £)
Direct insurance creditors	Uncertain	N/A
Cedants and other unsecured creditors	Uncertain	N/A

Claim Form and Submission of Claims

If you have not already done so, please send us your claim. A claim form can be downloaded from the Company Website at <https://www.pwc.co.uk/services/business-restructuring/administrations/stronghold.html> or you can get one by telephoning Helena Perevalova on +44 (0) 113 288 2046. All creditors should continue to refer to the Company Website for further updates and progress on the Administration.

There is currently no deadline for the receipt of claims.

Progress since our Appointment and what is next

Creditors are reminded that we provided detailed information on the background to the Company, the circumstances leading to our Appointment and our proposed strategy for the Administration in our Proposals. This document is available on the Company Website.

This section of the document deals with the key activities we have undertaken since our Appointment and what is next in the Administration

Operations

Run off operating model

Following our Appointment, we met with the Company staff to understand the operating position of the Company and how this would be impacted by the Administration. We examined the existing policies and procedures in place and implemented new working arrangements with the Company and its remaining staff to ensure that any disruption to business as usual, in particular claims agreement, was minimised. We liaise regularly with the Company staff regarding the progress of the Administration and matters relating to the operation of the run off.

Following Administration a number of the Company's suppliers cancelled or suspended their services. As a result we have had to manage various supplier arrangements to ensure the Company retains the continuity of service it requires

Operating cost base

Since our Appointment we have been able to remove or reduce various Company costs, which include the following:

- **Staff Costs** - a skills assessment of the Company's employees was carried out immediately post Appointment to ensure that staff with appropriate skills and experience for the nature of the business in Administration were retained. As a result, three employees were made redundant on 5 July 2019. Three individuals remain as employees of the Company including Andrew Gregory, the Chief Executive Officer. The retained employees are key to achieving the objectives of the Administration and, in recognition of this, we have implemented a retention and incentive scheme as part of their contract in operation during the Administration.
- **Directors Fees** - fees and expenses paid for consulting services ceased on Appointment.
- **Legal and London Market Claims Services ("LMCS") fees** - all lawyers involved pre-Administration on litigated claims have been disinstructed from undertaking further work and the Company and, in addition, the Company is no longer required to pay administration fees to LMCS. As discussed later in this document the Company has a stay with regard to litigation against the Company, preventing creditors commencing or continuing legal actions against the Company.
- **Audit fees** - the services of the auditor were ceased on Appointment.

The needs of the Company continue to be monitored and the Administrators frequently review opportunities to reduce costs, where appropriate.

Corporation tax and VAT

We have brought the Company's corporation tax affairs up to date as at 31 December 2018 and have filed its 31 December 2018 tax return with HMRC. We have started working on preparing the next corporation tax return for the final pre-Appointment period 1 January 2019 to 26 June 2019, which is due to be filed by 26 June 2020. Post-Appointment corporation tax returns will be prepared for submission before 31 December each year.

The Company is registered for VAT under VAT registration number 688 8115 82, and recovers VAT incurred on costs at 71.71%. To date, work has been undertaken to prepare and submit to HMRC the pre-Appointment VAT return and the first post-Appointment VAT return.

The pre-appointment VAT return submitted to HMRC shows a VAT refund of £22,438. Once HMRC are satisfied that the Company does not owe any pre-Administration amounts to them (in respect of VAT, corporation tax or PAYE), the pre-Administration VAT refund will be paid over to the estate.

The first post-Appointment VAT return, spanning the period from 27 June 2019 to 30 September 2019, reflects a VAT repayment due to the Company of £9,355 (which was received outside of the period of this report and therefore is not showing in the Receipts and Payments account). The second post-Appointment VAT return, for the period 1 October 2019 to 31 December 2019, is being prepared and will be submitted to HMRC by 31 January 2020.

Asset recoveries

Reinsurance debtors

As per the Directors' Statement of Affairs, on Appointment the Company had reinsurance debtors with a book value of £2.2m and an estimated net realisable value of £1.1m. The Administrators have instructed the Company staff to continue to pursue potential recoveries from both solvent and insolvent insurers, but it is not certain at this stage what value can be recovered.

The Company has pre-existing arrangements with both Requiem and Global Re to make certain reinsurance collections on its behalf. Due to their expertise and knowledge the Administrators have maintained the arrangements in order to maximise the potential recoveries to the Company.

Requiem are currently pursuing \$319k of gross debtors, whilst Global Re are pursuing \$395k of gross debtors. The remaining gross debtor balance of \$1,343k is being pursued by the Company staff with the support of the Administrators on a case by case basis.

In the Period a total of \$190k was recovered from reinsurance debtors.

Treasury management

The Administrators secured all cash held by the Company in the pre-Appointment bank accounts and have subsequently transferred this to new post-Appointment bank accounts. \$27.8m and £1.96m of cash was transferred.

The majority of the USD balance held has been invested in money market deposits with three separate institutions, at rates of 2.2% p.a., 1.92% p.a. and 1.91% p.a. The remaining USD balance is held in a Barclays Bank account currently paying interest at a rate of 1.62% p.a., and the GBP balance is also held in a Barclays Bank account currently paying interest at 0.55% p.a.

In addition to cash, the Company also held various corporate bonds which on Appointment, were valued by an independent third party at £3.6m. All the bonds in the portfolio have subsequently been sold for credit quality and risk reasons, and the £3.6m realised has been paid into the post-Appointment bank accounts.

At the end of the Period the Company held funds of \$28.6m and £5.1m. Prior to Administration the Company typically paid claims in USD and used GBP for its operating expenses. Under the Scheme it is the Administrators' intention to settle creditors' claims in the functional currency of each relevant contract. Since the majority of creditors have claims denominated in USD, the Administrators have decided to retain the USD cash position so that the majority of creditors have their claims paid in USD and do not bear the foreign exchange risk of conversion to GBP. This would not be the case if the Scheme of Arrangement did not proceed and the Company be placed into liquidation.

On Appointment the Company also had a loan agreement, with receivables due from a third party. As part of this arrangement the Company was owed two remaining payments of \$472k, one of which was received in the Period. The final payment of \$472k is due in August 2020, in accordance with the loan arrangement.

US attorney engagement

Upon our Appointment the Company was involved with 45 ongoing litigated cases. We immediately informed the respective lawyers in these active cases of the Company's Administration and instructed them not to perform any further work without our approval. Subsequently we have been liaising with the lawyers regarding the Chapter 15

recognition and the most efficient way for the Company to conclude its participation in the litigated claims, which we consider to be a mutual dismissal of the Company.

Since Appointment we have been informed that the Company has been dismissed from eight cases, but remains a participant in 37 cases. We remain in communication with the attorneys to conclude the Company's participation in these remaining cases in a cost effective manner.

We were also made aware that, as is usual market practice, the Company had deposited various funds into escrow accounts in relation to future work expected to be undertaken by various US attorneys. Given that these lawyers were instructed to perform no further work post-Appointment, we requested the return of any surplus escrow funds. At the end of the Period the Administrators have recovered \$63k of such escrow funds which is the majority of the funds we expect to receive

Freehold property

The Company has operated from a three storey freehold property in Norwich since 2008. It is the Administrators' intention to realise proceeds from the disposal of this property and move the Company staff and operations to a smaller leased premises. In the Statement of Affairs the Directors estimated value of the property was £580k.

The Administrators have therefore engaged property agents, Bidwells LLP, to dispose of the property.

Asset protection

Chapter 15 recognition

Following the Appointment of Administrators to the Company a moratorium was created preventing any third party from commencing UK legal action against the Company or continuing any existing UK legal action without express permission. However, this moratorium did not extend to the US and, in order to have the Administration moratorium recognised and enforceable in the US a Chapter 15 order was required.

In September 2019 an application was made to recognise the Administration in the US Courts by an application under Chapter 15 of the US Bankruptcy Code. No objections to the application were made, the order was granted and the process completed on 23 October 2019. The order provides a stay with regard to litigation against the Company, preventing creditors commencing or continuing US legal actions against the Company. The benefits of the order include the protection of the assets of the Company, providing the Company with additional time to consider its ongoing approach to the various litigation matters and reduced legal costs whilst the matters are stayed.

Documentation regarding the Chapter 15 application was shared with parties via post, as part of the process, as well as advertised in print media. A copy of the order has been included in Appendix E.

It is also our intention to seek Chapter 15 recognition for the proposed Scheme of Arrangement, which would make it binding on all US creditors.

Trust Fund arrangement and Letters of Credit

The Company is a party to a Trust Fund arrangement, supported by a letter of credit, and in addition some US policyholders are beneficiaries of Letters of Credit issued by Citibank N.A. on behalf of the Company. The Letters of Credit are supported by cash previously deposited with Citibank N.A. by the Company. These arrangements were put in place in the 1960's and served as collateral to claims for US policyholders

On Appointment the value of the 28 Letters of Credit with named beneficiaries totalled \$1.9m and the value of the single Letter of Credit supporting the Trust Fund was \$1.5m. The Letters of Credit were "evergreen", such that they were automatically extended for an indefinite period, until such time as the issuing bank informs the beneficiary of its final expiration.

In July 2019, the Administrators were notified by Citibank N.A. that it intended to unilaterally non-renew all of the Letters of Credit. Subsequently, Citibank N.A. notified all the named beneficiaries that the Letters of Credit were not being renewed beyond 31 December 2019. In November 2019, the Administrators contacted all named beneficiaries regarding the impending expiry of the Letters of Credit.

In the Period we are aware that Letters of Credit with an aggregate value of \$352k were drawn down by the beneficiaries. We have been informed by Citibank N.A. that there were further drawdown requests made by

beneficiaries after 26 December 2019. We are currently working with Citibank N.A. to reconcile the position and understand the level of drawdowns made and the quantum of any funds undrawn.

In respect of the Trust Fund, the relevant Letter of Credit was drawn down by the trustee of the Trust Fund on 31 December 2019. We are liaising with the Trustee regarding how to appropriately utilise this asset for creditors.

We are discussing the Trust Fund and Letters of Credit with our lawyers and will provide further details on the position in our next progress report.

Stakeholder engagement

The Administrators have ensured that stakeholders have been appraised of the progress made in the months following our Appointment by issuing a number of communications both by post and on the Company Website.

In particular, we issued our Proposals and held an informal meeting of creditors to ensure that we are being transparent on all matters of importance in relation to the Administration and the proposed Scheme of Arrangement.

We also communicated with all known creditors and suppliers of the Company by letters dated 3 July 2019 and 4 July 2019 respectively.

We will continue to update stakeholders on developments with the Administration and the proposed Scheme of Arrangement and encourage creditors to monitor the Company Website for updates.

Regulatory engagement

The Company remains an authorised and regulated insurance company and as such must comply with various regulatory requirements. We continue to engage and cooperate with both the PRA and FCA on the progress of the Administration and regulatory reporting matters that arise.

Informal meeting of creditors

An informal meeting of creditors was held on 29 July 2019, to provide creditors with an update on the Company's Administration and its financial position at that time. A copy of the presentation used at that meeting is available on the Company Website. The meeting was well attended and the Administrators answered numerous questions on the Administration and the next steps in the process.

Creditors' Committee

In the Administrators' Proposals document we asked creditors to decide if they wished to elect a Creditors' Committee. The primary purpose of a Creditors' Committee is to assist the Administrators in fulfilling their duties. The Administrators will take into account the views of the Creditors' Committee, but are not obliged to follow their wishes. We felt it was in the best interests of creditors to receive nominations from both direct and cedant creditors, to ensure the Creditors' Committee was representative of the overall body of creditors.

On 4 September 2019 the creditors of the Company approved the Administrators' proposals including the establishment of a Creditors' Committee. The statutory maximum is five members, however, due to 11 nominations being received we were content to have additional participants involved who can equally contribute to the Creditors' Committee in an 'Observer' capacity.

Following consultation with the nominated parties, five were confirmed as Formal Members, as this is the statutory maximum allowable under rule 17.3(1) IR16, with the remaining six agreeing to be involved as Observer Members.

The Formal Members of the Creditors' Committee, and the individuals they are represented by, are below:

1. American International Group* represented by George Mitchell;
2. Carrier Corporation^ represented by Benedict Lenhart;
3. DCo LLC^ represented by Duncan McLaughlin;
4. Lamorak Insurance Company* represented by Graham Loxley; and

5. Warren Pumps LLC[^] represented by Richard Mattick.

The Observer Members of the Creditors' Committee, and the individuals they are represented by, are below:

1. AXA Belgium S.A.* represented by Stephane Moulin;
2. Borg Warner Inc[^] represented by Bette Orr;
3. Mercantile Indemnity Company Limited* represented by Paul Miles;
4. Municipal Mutual Insurance Limited* represented by Sarah Ellis;
5. The Sherwin Williams Company[^] represented by John Lebold, and
6. WRG Asbestos PI Trust[^] represented by Mark Garbowski.

[^] Denotes Direct insurance creditor

* Denotes cedant creditor

We last met with the Creditors' Committee on 11 November 2019, to discuss the proposed Scheme of Arrangement and to request approval for pre-Administration costs, among other matters. During that meeting the Creditors' Committee were consulted, in particular, on the proposed Scheme of Arrangement's heads of terms and were supportive of continuing to develop it.

We continue to work closely with the Creditors' Committee and the next meeting is scheduled for 17 January 2020.

Proposed Scheme of Arrangement

The purpose of the Administration is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration). The Administrators believe a Scheme of Arrangement, similar in nature to a plan of reorganisation, would be the best mechanism to achieve the purpose of the Administration.

A Scheme of Arrangement is a court-approved compromise or arrangement provided for by Part 26 of the Companies Act 2006 between a company and its shareholders or creditors. Given the Company's insolvency the Administrators considered various alternative approaches for dealing with creditors' claims but concluded that a Scheme of Arrangement would provide the most appropriate mechanism to protect the interests of all creditors, including insurance policyholders as the Company:

- (a) has been in run off for over 30 years, therefore having a very mature book of business;
- (b) has never written retail insurance business, its remaining policyholders being sophisticated commercial organisations; and
- (c) does not have any policyholders that would be subject to the protection of the FSCS.

We are designing a crystallisation Scheme to offer creditors the most effective and economical method for having their claims against the Company in respect of insurance contracts agreed and paid in the shortest practicable time. The main advantages and possible disadvantages of the proposed Scheme of Arrangement identified by the Administrators are detailed in Appendix C. Whilst it is not possible to address each creditor's individual circumstances, the Administrators consider that the main advantages identified outweigh the possible disadvantages, and that the proposed Scheme is in the best interests of creditors as a whole.

As mentioned earlier in this report, we anticipate progressing the proposed Scheme of Arrangement, including creditor and Court approval, during the first half of 2020. We will share relevant information with creditors when it is available.

In the meantime, claim information has been sent to almost 400 creditors who the Directors believe may have a claim.

The future costs associated with the proposed Scheme of Arrangement have been estimated cautiously as it is very difficult to predict such costs given the significant uncertainties and considerable complexities involved. The estimated costs in relation to the proposed Scheme of Arrangement are included in the Remuneration Report in Appendix D.

Other information

Approval of our Proposals

We issued our Proposals for achieving the purpose of the Administration to creditors in August 2019. On 4 September 2019 creditors voted in favour of approving the Proposals, including proceeding with a Scheme of Arrangement, without modification and also voted in favour of establishing a Creditors' Committee.

Approval of our pre-Appointment and ongoing Administration costs

Creditors are reminded that our pre-Administration costs were detailed in our Proposals document, and totalled £93,411 plus VAT. On 20 December 2019, the Creditors' Committee approved payment of 75% of this sum on account, with the remaining 25% to be considered shortly.

The basis of our Administration remuneration was not agreed in the Period of this report, however, our Remuneration Report is set out in Appendix D. This provides a breakdown of our fees, disbursements and expenses incurred in the Period and also provides details of our fees estimate, which is required where an Administrator is seeking fees on a time incurred basis. Our estimate of total fees for acting as Administrators is £4.7m (exclusive of VAT). In the Period we have incurred time costs of £774k, representing 17% of the total fees estimate. This information has already been reported to the Creditors' Committee, our fee approving body, and their approval for payment will be sought.

Administration expenses

Also detailed in our Remuneration Report is an estimate of the total expenses of the Administration, which is approximately £3.6m. As per Table 5 of the Remuneration Report, as at 26 December 2019 expenses incurred were £810k.

As set out in the receipts and payments account in Appendix A on page 14, as at 26 December 2019, of this amount £440k and \$40k had been paid in the Period. No payments in relation to the Administrators' time costs have been made in the Period.

Investigations and actions

We have complied with our duties under the Company Directors Disqualification Act 1986 and SIP2 and we have filed our submissions to the UK Insolvency Service as required. Nothing further has come to our attention during the Period to suggest that we need to do any more work in line with our duties in this respect.

Connected party transactions

We have a duty (under SIP 13) to disclose any disposal of assets in the Administration to a director or other connected party, regardless of the nature or value of the assets concerned. We are not aware that any such transactions have occurred and none are expected in the future.

Our receipts and payments account

We set out in Appendix A an account of our receipts and payments in the Administration from 27 June 2019 to 26 December 2019.

Chapter 15 court order

A copy of the Chapter 15 Court order in relation to recognising the Administration in the US Courts is at Appendix E.

Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/creditors-guide-to-administrators-fee-England-and-Wales-Apr-10.ashx?la=en>

You can also get a copy free of charge by telephoning Helena Perevalova on +44 (0) 113 288 2046.

Next steps

We continue to be focused on developing the proposed Scheme of Arrangement so that creditors' claims can be agreed and paid as quickly as possible. When the proposed Scheme documentation is finalised and available we will share this with creditors by post and by publication on the Company Website.

We'll provide an update on this in our next report. We expect to send our next report to creditors in six months.

If you have any questions, please get in touch with Helena Perevalova at helena.perevalova@pwc.com or +44 (0) 113 288 2046.

Yours faithfully
For and on behalf of the Company



Dan Schwarzmann
Joint Administrator

Dan Yoram Schwarzmann and Douglas Nigel Rackham have been appointed as Joint Administrators of Stronghold Insurance Company Limited to manage its affairs, business and property as agents and without personal liability. Dan Yoram Schwarzmann and Douglas Nigel Rackham are all licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Stronghold Insurance Company Limited is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority, reference number 202552.

The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

The Joint Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the PwC co.uk website or by contacting the Joint Administrators

Appendix A: Receipts and payments

	Notes	Estimated value per Directors' Statement of Affairs £	As at 26 December 2019 TOTAL GBP equivalent £	From 27 June 2019 to 26 December 2019 £	From 27 June 2019 to 26 December 2019 £
RECEIPTS					
Freehold land & property		580,000.00	-	-	-
Cash in hand	1	26,396,375.00	23,322,831.79	1,964,866.72	27,766,465.25
Other financial investments		4,191,489.00	3,908,068.88	3,545,163.17	471,796.30
Deposits with ceding Undertakings		487,788.00	-	-	-
Reinsurers' share of technical provision		100,000.00	-	-	-
Reinsurance debtors		1,006,304.00	145,987.91	-	189,791.88
Other Debtors		22,853.00	50,536.96	1,974.69	63,133.48
Accrued interest		87,470.00	-	-	-
Bank interest Gross		-	139,551.80	7,824.08	171,252.89
		<u>32,872,277.00</u>	<u>27,566,977.35</u>	<u>5,519,828.66</u>	<u>28,662,439.80</u>
PAYMENTS					
Staff Costs			225,738.71	225,738.71	-
Staff Expenses			3,752.07	3,752.07	-
IT Costs			71,653.07	64,770.64	8,947.52
Property Rates			12,725.00	12,725.00	-
Heat, Light & Utilities			3,803.33	3,803.33	-
Telephone			2,012.01	2,012.01	-
Insurance			2,951.45	2,951.45	-
Professional Fees			249.00	249.00	-
Repairs & Maintenance			1,305.13	1,305.13	-
Office costs, Stationery & Postage	2		24,543.85	1,147.60	30,416.34
Licences, trade marks, royalties etc			40.00	40.00	-
Legal fees & expenses			89,412.21	89,412.21	-
Statutory advertising			77.00	77.00	-
Finance bank interest and charges			282.44	-	367.19
VAT Paid	3		<u>32,320.37</u>	<u>32,320.37</u>	<u>-</u>
			<u>470,866.64</u>	<u>440,304.52</u>	<u>39,731.05</u>
RECEIPTS LESS PAYMENTS			<u>27,096,111.71</u>	<u>5,079,524.14</u>	<u>28,622,708.75</u>
MADE UP AS FOLLOWS					
Barclays Bank Plc	4		5,437,676.80	5,079,524.14	466,157.08
DBS Bank Limited (Money market deposit)			7,692,000.00	-	10,000,000.00
United Overseas Bank Limited (Money market deposit)			6,076,680.00	-	7,900,000.00
OCBC Bank Limited (Money market deposit)			7,889,754.91	-	10,257,091.67
			<u>27,096,111.71</u>	<u>5,079,524.14</u>	<u>28,622,708.75</u>
RECEIPTS					
Collateralised cash in LOC's	1		2,588,360.45	-	3,362,403.08
DRAWDOWNS					
LOC's drawdown by beneficiaries	5		270,747.16	-	351,985.39
Citibank N.A. Trust Fund and Letters of Credit			<u>2,315,613.29</u>	<u>-</u>	<u>3,010,417.69</u>

Notes

Note 1 - Cash in hand as shown in our Proposals document included monies relating to the Trust Fund and Letters of Credit issued. We have separated the collateralised cash in Letters of Credit in this receipts and payments presentation. We have not made any adjustments to the Directors' Statement of Affairs.

Note 2 - 'Office costs, Stationery & Postage' include payments made in respect of post Appointment utility bills, maintenance of the fire alarm system and service costs in relation to the Chapter 15 process.

Note 3 - All amounts are shown exclusive of VAT. VAT paid is included separately within payments. The Company is partially exempt from VAT and some of the VAT paid will be recoverable. Recovered VAT will be reflected in future progress reports.

Note 4 - Funds are held on interest bearing accounts.

Note 5 - As described earlier in the document various creditors were beneficiaries to contingent security in the form of Letters of Credit. The beneficiaries were able to drawdown these funds without consent from the Administrators.

Note 6 - The total GBP equivalent is a £/\$ exchange rate (1.07692) as at 26 December 2019 based on the Bank of England rate.

Appendix B: Other information

Court details for the Administration:	High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD) Case 3882 of 2019
Company's registered name:	Stronghold Insurance Company Limited
Trading name:	Stronghold Insurance Company Limited
Registered number:	00736581
Registered address:	46 Rose Lane, Norwich, NR1 1PN
Shareholdings held by the Directors and secretary	<p>Stronghold Holdings Limited is a 100% shareholder of Stronghold Insurance Company Limited.</p> <p>The following Directors have shareholdings in Stronghold Holdings Limited:</p> <p>Henry Sopher - 40%</p> <p>Ann Duffy - 40%</p> <p>Ken Watkins - 20%</p>
Date of the Administrators' Appointment:	27 June 2019
Administrators' names, addresses and contact details:	Dan Yoram Schwarzmans and Douglas Nigel Rackham, both of PwC LLP, 7 More London, London, SE1 2RT
Appointer's/applicant's name and address:	The Directors of the Company, 46 Rose Lane, Norwich, NR1 1PN
Website	https://www.pwc.co.uk/services/businessrecovery/Administrations/stronghold.html
Objective being pursued by the Administrators:	Objective (b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration).
Division of the Administrators responsibilities:	During the period for which the Administration order is in force, the affairs, business and property of the Company are to be managed by the Administrators. For the purposes of paragraph 100(2) to Sch B1 IA86, the Administrators may exercise any of the powers conferred on them jointly or individually.
Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (recast):	The EU regulation does not apply to insurance undertakings and hence does not apply to this Administration.

Appendix C: Main advantages and disadvantages of the proposed Scheme of Arrangement

Main Advantages

The Administrators consider that the proposed Scheme will be advantageous to the Company's creditors for the following main reasons:

(a) Early payment

The proposed Scheme should enable creditors to have their claims agreed and paid considerably sooner than if the run off of the Company were to continue and claims be paid in the ordinary course of an administration or liquidation.

(b) Certainty and costs savings

The proposed Scheme will enable creditors to achieve finality over a shorter time frame and accordingly benefit from the reduced costs compared to administering their claims against the Company over a lengthy period.

The Administrators are seeking to expedite the claims submission and determination process in the following ways:

(i) Simplified claims agreement process

The proposed Scheme will provide a practical and cost-effective process for agreeing all present and future claims. The estimation guidelines, which will be supplied as part of the proposed Scheme documentation, will describe in detail the approach that the Company would expect creditors to follow in valuing their claims.

In the event that agreement cannot be reached between the Company and a creditor in relation to a given claim then the proposed Scheme will provide for the final determination of that claim in accordance with a dispute resolution procedure in an independent and cost efficient manner. This would involve adjudication by an independent adjudicator where appropriate. The determination of the adjudicator would then be binding on both the Company and the creditor so far as English law permits.

(ii) Proceedings

The proposed Scheme would enable claims to be dealt with quickly without protracted litigation as it prohibits (without the prior written consent of the Company) the commencement or continuation of any proceedings outside the mechanisms of the proposed Scheme, where the purpose of such proceedings is to establish the existence or quantum of a claim or to obtain payment of a claim.

Main disadvantages

Creditors should also be aware of the following possible disadvantages of the proposed Scheme:

(a) Estimation and no final cover

The simplified claims agreement process will be designed to value claims as accurately and fairly as possible. However, the process will result in notified outstanding claims and incurred but not reported claims being estimated, which creates the risk that creditors may receive a different amount (either more or less) in respect of those claims than would have been the case had such claims been run off in the ordinary course of business. However, given the

insolvency of the Company and the fact that a run off in the ordinary course of business would be expected to take in excess of 20 years, it will be necessary for some form of early claims agreement process to be implemented.

As a result of the proposed Scheme, the Company's liability to creditors in respect of claims will cease (as they will have been ascertained and paid in full on an estimated basis using estimation guidelines). Accordingly, creditors will not be permitted to make ongoing claims against the Company in respect of subsequent losses.

(b) Failure to submit a claim form by a final claims submission date

The proposed Scheme would provide a mechanism for crystallising claims. Claims notified after the relevant final claims submission date or not notified at all will be deemed to have been satisfied in full and the creditor concerned will have no further rights against the Company in respect of them. However, a final claims submissions date is necessary to enable the Company to conclude the run off of the claims and determine the amounts that may be paid to creditors. To ensure as far as possible that creditors have the opportunity to complete and lodge claim forms in time, any final claims submission date will be advertised, and notice of it will be posted on the Company Website and sent to (i) creditors for whom contact details are available, (ii) brokers who (or whose predecessors) have been identified as having placed relevant business with the Company, and (iii) agents known to be acting on behalf of creditors.

(c) Prohibition on proceedings

The proposed Scheme would prohibit the commencement or continuation of any proceedings in order to obtain payment or establish the existence or amount of a claim against the Company without the Company's consent. However, as described above, a more streamlined and cost efficient process for determining claims will be incorporated in the proposed Scheme.

Appendix D: Remuneration report

Table of contents

1. Background	21
1.1 Purpose of this initial advice to creditors	21
1.2 Update on the Administration and dividend prospects	21
1.3 How fees are calculated	22
1.4 Proposed fees basis	22
2. Our fees estimate	24
2.1 Summary	24
2.2 Work we propose to undertake	26
2.3 Our time charging policy and hourly rates	32
2.4 Further approval	33
3. Expenses	34
3.1 What is an expense?	34
3.2 Our expenses estimate	34
4. Professionals and subcontractors	36

1. Background

1.1 Purpose of this initial advice to creditors

If a Company or individual is facing financial difficulty they may enter a formal insolvency process under the control of an independent external person (an insolvency practitioner). As explained in our letters dated 3 July 2019 and 4 July 2019 the Company was placed into Administration, a formal insolvency process, on 27 June 2019 and Dan Yoram Schwarzmann and Douglas Nigel Rackham were appointed as Administrators.

The costs of the insolvency proceedings are paid out of the assets of the Company or the individual's estate and include the insolvency practitioner's remuneration, which in this case would be our fees for acting as Administrators.

We must seek approval for the basis of our remuneration before it is paid and provide the fee approving body with sufficient information for them to make a decision. Insolvency law determines who the fee approving body is (and it depends on the circumstances of the case), but it is usually those creditors who have a direct interest in the amount paid because it impacts on how much those creditors recover.

IR16 requires us to give all known creditors details of the work we expect to carry out during the insolvency and the expenses that are likely to be incurred. Also, if our fees are proposed to include remuneration calculated on a time costs basis, we must provide an estimate of those fees. This report provides all this information and details of where further information can be obtained. You may find it helpful to read this report in conjunction with the rest of the Administrators' progress report and the Administrators' Proposals.

You can find information on Administrators' fees and your rights at <https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/creditors-guide-to-administrators-fees-england-and-wales-apr-10.ashx?la=en>

A Creditors' Committee has been established and further details of which are provided in the Administrators' first progress report, which is contained earlier in this document. The Creditors' Committee has the responsibility for fixing the basis of our fees and approving Category 2 disbursements (as defined later).

This document is therefore provided for information purposes only and you do not need to take any action.

1.2 Update on the Administration and dividend prospects

In our Proposals for achieving the purpose of Administration dated 9 August 2019, shared with creditors and available on our website (<https://www.pwc.co.uk/services/business-restructuring/Administrations/stronghold.html>), we confirmed that the purpose of the Administration was to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration). Our Proposals also included a brief history of the Company and why the Company was put into Administration.

The creditors subsequently provided their approval of our Proposals for achieving the purpose of the Administration.

It is still relatively early in the Administration and there are several material uncertainties which may have a significant impact on the level of our work and the dividend prospects for creditors. As confirmed previously, the amount of any dividend will depend on the final level of admitted claims, future realisations of Company assets and the costs of the Administration.

As the following table illustrates, it is not currently possible to estimate the likely return for the various classes of creditors and we refer you to the contents of our first progress report, contained earlier in this document, for further information on the progress of the Administration.

Table 1 - dividend prospects

Class of creditor	Forecast return	Timing
Direct insurance creditors	Uncertain	Uncertain
Cedants and other Unsecured creditors	Uncertain	Uncertain

Creditors are reminded that the Insurers (Reorganisation and Winding Up) Regulations 2004 apply to the Company. The effect of which is that Direct insurance creditors have priority over other classes of Unsecured creditors, including cedants.

No preferential creditor claims are expected given that all unpaid wages, holiday pay and unpaid pension contributions have been paid as an expense of the Administration. As stated previously, we concluded that the costs of adjudicating preferential claims and administering a dividend to preferential creditors would exceed the settlement sums incurred.

We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment from the Company's assets. The Administrators, their firm, its members, partners and staff and advisers accept no liability to any party for any reliance placed upon this report.

1.3 How fees are calculated

Insolvency law currently allows fees to be calculated in the following ways:

- As a percentage of the value of the property which we deal with (often referred to as a "percentage basis");
- By reference to the time properly given by us and our staff attending to the matters arising ("time costs basis"); or
- A set amount (a fixed fee).

The basis of our fees can be a combination of the above and different bases can be used for different parts of our work. The fee approving body decides which basis (or combination of bases) should be used to calculate fees, once it is satisfied that the fee basis proposed represents the most appropriate mechanism in the circumstances of the case.

1.4 The proposed basis of fees

In this case we are proposing that our remuneration is on a time costs basis only, for the following reasons:

- It ensures that creditors are only charged for work that is performed;
- We are required to perform a number of tasks which do not relate to the realisation of assets (for example: reporting to creditors, investigating the conduct of the Directors, preparing the proposal for a Scheme of Arrangement and complying with the Company's tax and VAT obligations);
- We do not consider a percentage basis or fixed fee is appropriate, due to the uncertain level of creditor claims and the complexity of this case; and
- A time cost basis is typically used for a case of this nature.

In the next section, we include details of our fees estimate.

Insolvency law says that in determining the basis of our remuneration, regard must be had to the following:

- The complexity (or otherwise) of the case;
- Any exceptional responsibility falling on us;
- The effectiveness with which we are carrying out, or to have carried out, our duties; and

- The value and nature of the property with which we have to deal.

The Administrators have no business or personal relationships with parties responsible for approving remuneration or who provide services to the Administrators in respect of the Appointment where the relationship could give rise to a conflict of interest.

2. Our fees estimate

2.1 Summary

This section provides the following information:

- Details of the work we propose to undertake;
- The hourly rates we propose to charge for each part of that work;
- The time we anticipate each part of the work will take; and
- Whether we think it will be necessary to seek approval to exceed the amount of the estimate, and if so, why.

As mentioned earlier in this report, it is still relatively early in the Administration and there are still a number of material uncertainties which may have a significant impact on the level of our work, Administration costs and the dividend prospects for creditors.

The total amount of our fees has been estimated taking into account the following assumptions:

- We are anticipating that the Administration term will be 30 months, the automatic end of Administration for an insurance company without extension;
- We have included six months of actual costs, with 24 months of estimated costs remaining;
- We will fully comply with all statutory and regulatory obligations in relation to the Company and the Administration;
- We will be responsible for the ongoing run off management of the Company including management of, and interactions, with the retained Company staff, together with dealing with suppliers;
- As outlined in our Proposals document, it is intended that the purpose of the Administration will be achieved via the implementation of a Scheme of Arrangement pursuant to Part 26 of the Companies Act 2006. Our fee estimate includes all of our proposed work in relation to both the Administration and the Scheme. The Administrators believe a Scheme of Arrangement is the best option available to creditors as we consider it to be the most cost effective method by which assets available for distribution could be maximised and paid swiftly to creditors, whilst minimising costs of the process;
- Whilst we are unable to predict the timing or quantum of a distribution to any class of creditors at present, we have assumed that any applicable distribution(s) to creditors will be achieved by virtue of the proposed Scheme, and our fees estimate is prepared on this basis;
- We have made reasonable assumptions regarding the extent of our future work, based on present information, the status of the Administration and an expectation on the level of cooperation from third parties, particularly creditors in the submission and support of their claims;
- The majority of the claims will be asbestos, pollution and health hazard related which are inherently complex and involve a considerable amount of claims assessment and actuarial input to prepare an appropriate valuation. The cost of the Administration will be highly dependent on the number of claims that are submitted, the level of complexity involved in ascertaining their value, the application of the claims methodology and the extent that claims require adjudication;
- We anticipate timely cooperation from creditors and third parties when submitting their claims, and in the provision of supporting documentation to substantiate their claim valuation; and
- The Creditors' Committee are supportive of the proposed Scheme in principle and we believe that it will also be supported by creditors and approved by the Court. However, if a Scheme of Arrangement is not approved by creditors or sanctioned by the Court, subject to further consideration, the Administration may be ended in order to move the Company into liquidation. In the event that a Scheme of Arrangement is not approved this would increase costs, which has not been factored into the fee estimate. The Administrators remain of the view that a liquidation is not a preferable outcome for creditors for the reasons set out in our Proposals document.

The total amount of our fees estimate is £4,689,421. In the Period, we have incurred time costs of £774,367, representing 17% of the fees estimate. This information has been reported to our fee approving body, the Creditors' Committee.

Table 2 – Time costs

The following tables summarise our anticipated time costs and then provide more detail on each area of work. Time costs are shown at the hourly rates set out later.

	Total hours estimated to Dec 2021	Total fees estimate to Dec 2021 (£)	Average hourly rate for time cost estimate to Dec 2021 (£/hour)	Hours incurred to 26 Dec 2019	Time costs incurred to 26 Dec 2019 (£)	Average hourly rate for time costs incurred to 26 Dec 2019 (£/hour)
Asset realisation						
Freehold	58.95	32,778	556	7.95	3,378	425
Reinsurance and other assets	195.15	106,581	546	40.85	23,093	565
Other physical assets	73.40	32,567	444	0.40	242	605
Treasury management	91.90	56,352	613	66.80	30,888	469
Total	419.40	228,278	544	116.00	57,601	500
Costs of the insolvency process						
Initial letters and notices	53.45	18,733	350	53.45	18,733	350
Proposals, decisions procedure and creditor consultation	124.70	63,969	513	124.70	63,969	513
CDDA and SIP2 compliance	36.40	12,537	344	36.40	12,537	344
Creditors' committee	497.70	260,111	522	151.25	80,560	533
Reporting to creditors	411.90	187,940	456	59.45	27,372	460
Other statutory and compliance	637.90	461,818	724	292.30	111,141	380
Statement of Affairs	9.25	4,426	478	9.25	4,426	478
Insurance	15.25	6,166	404	4.20	1,520	362
Total	1,786.55	1,015,700	569	731.00	320,258	438
Dealing with creditors						
Creditor enquiries and management	200.95	141,547	704	75.60	34,365	455
Total	200.95	141,547	704	75.60	34,365	455
Insurance run off						

Employees	112.40	54,252	483	78.40	41,702	532
Receipts and payments	500.45	156,456	313	123.40	37,740	306
Administrators' supervision of run off	762.30	362,085	475	262.20	139,042	530
Total	1,375.15	572,793	417	464.00	218,484	471
Managing the Company's affairs						
Accounting and treasury	274.55	81,579	297	5.30	2,156	407
Pensions	15.30	7,070	462	7.10	3,985	561
Tax	101.00	48,910	484	34.40	18,051	525
VAT	153.75	69,184	449	17.30	13,221	764
Regulatory	91.35	45,901	502	39.05	23,475	601
Chapter 15	59.10	38,141	646	25.70	16,088	626
Pre-Appointment attorneys	41.25	20,031	486	13.55	6,804	502
Total	736.30	310,816	422	142.40	83,780	588
Scheme of Arrangement	3,695.00	2,210,965	598	22.70	17,106	754
Strategy and planning						
Project management and Administration oversight	374.85	209,321	558	72.05	42,773	594
Total	374.85	209,321	558	72.05	42,773	594
Total hours and fees estimate	8,588.20	4,689,421	546	1,622.75	774,367	477

Our total remuneration cannot exceed the total amount of this fees estimate without prior consent from the fee approving body.

The above table provides an estimate of the anticipated time likely to be required on the various areas of work and in future reports we will provide an update by reference to actual costs incurred.

2.2 Work we propose to undertake

The following table provides details of the work we propose to do (indicated by →), have already done (✓) or which is in progress (□). It provides a brief summary for each category rather than an exhaustive list of all possible tasks. The fees estimate for each category is also shown, together with costs incurred to 26 December 2019.

Included in the table are tasks that we must perform that may not directly benefit creditors financially. These typically relate to fulfilling obligations imposed by statute or regulatory bodies.

Total estimate is the hours and cost position for the whole Administration, incorporating the proposed Scheme. The total estimate for the whole Administration also includes the amounts incurred to date

Incurred to date is the actual hours and cost position as at 26 December 2019.

Table 4 – Work we propose to undertake

Category of work	General description	Work included
Asset Realisations	Freehold	<ul style="list-style-type: none"> Carrying out title searches and securing relevant property records ✓ Securing possession of property and initial review of property security arrangements ✓ Determining adequacy of Company freehold premises for the needs of the Company during the Administration ✓ Determining appropriate strategy for freehold property sale ✓ Liaising with valuers and agents in relation to the freehold property sale □ Holding internal meetings to discuss/review offers received for the property and execute the property sale → Exploring lease options for continued trading post property sale → Ensuring transition from freehold to leasehold premises → Managing the eventual exit from any final premises →
	Total estimate:	
	419.40 hours	
	£228,278	
	Incurred to date:	
	116.00 hours	
	£57,601	
	Reinsurance and other assets	<ul style="list-style-type: none"> Reviewing and assessing reinsurance debtors ledgers □ Corresponding with reinsurance debtors □ Liaising with Company collection agents □ Reaching settlement and/or agreement of commutations with certain debtors □ Negotiation with pre-appointment litigation lawyers regarding the return of any escrow funds owed to the Company □
	Other physical assets	<ul style="list-style-type: none"> Reviewing asset listings □ Liaising with valuers, auctioneers and interested parties in relation to the sale of assets →
	Treasury management	<ul style="list-style-type: none"> Review of investment portfolio and reaching decision to convert investments into cash and invest into money market deposits ✓ Assessment of the appropriateness of investment strategy in light of liquidity and return requirements during the Administration □ Ensuring the currency allocations held in GBP and USD remain appropriate based on the claims submitted □ Liaising with banks, trustees and creditors in respect of Letters of Credit previously issued by the Company for the benefit of certain creditors □
Costs of the insolvency process	Initial letters and notices	<ul style="list-style-type: none"> Preparing and issuing all necessary initial letters and notices regarding the Administration and our Appointment ✓

<p>Total estimate 1,786.55 hours £1,015,700</p> <p>Incurred to date: 731.00 hours £320,258</p>	<p>Proposals and initial meeting of creditors</p>	<ul style="list-style-type: none"> • Drafting and reviewing a statement of Proposals to creditors including preparing receipts and payments accounts and statutory information. ✓ • Circulating notice of the Proposals to creditors, members and the Registrar of Companies ✓ • Issuing notices and associated documentation for seeking decisions of creditors ✓ • Holding an informal meeting with creditors and updating them on the status of the Administration ✓
	<p>CDDA submission and SIP2 compliance</p>	<ul style="list-style-type: none"> • Collecting Company's books and records where related to investigatory work ✓ • Reviewing Company books and records ✓ • Reviewing specific transactions and liaising with directors regarding certain transactions ✓ • Preparing investigation file and lodging findings with the Department for Business, Innovation and Skills ✓
	<p>Creditors' Committee</p>	<ul style="list-style-type: none"> • Discussions with nominated creditors regarding potential involvement with the Creditors' Committee ✓ • Establishing a Creditors' Committee ✓ • Physical meeting - making arrangements for the meeting and attending it ✓ • Physical meeting - preparing meeting file, including agenda, attendance register and copy documents ✓ • Preparing documents and information for the purpose of obtaining approval to fees, Category 2 disbursements and other matters in the Administration ✓ • Responding to information requests from the Creditors' Committee □ • Conducting ongoing correspondence and holding meetings with members of the Creditors' Committee to discuss the Administration and the proposed Scheme □
	<p>Reporting to creditors</p>	<ul style="list-style-type: none"> • Notifying Secured creditors of the Appointment ✓ • Reviewing agreements in relation to Secured creditors and understanding the implications of the Administration □ • Notifying Secured creditors of the position regarding the expiry of Letters of Credit ✓ • Monitoring drawdowns of secured positions prior to the expiry of the Letters of Credit ✓ • Preparing and circulating to creditors a remuneration report giving details of the work we expect to carry out during the case, our fees estimate and the expenses that are likely to be incurred □ • Preparing and issuing periodic progress reports to creditors and the Registrar □
	<p>Other statutory and compliance</p>	<ul style="list-style-type: none"> • Collecting Company's books and records where not related to investigatory work ✓

		<ul style="list-style-type: none"> • Correspondence relating to the Company's data protection registration and appointment of a data protection officer <input type="checkbox"/> • Correspondence in respect of the filing of annual returns and confirmation statements at Companies House <input type="checkbox"/> • Dealing with the Company's data backup and the storage and maintenance of electronic data. <input type="checkbox"/> • Dealing with the Administrators bonding requirements and the review thereof <input type="checkbox"/> • Dealing with records in storage <input type="checkbox"/> • Sending job files to storage <input type="checkbox"/> • Fulfilling requirements under insolvency legislation <input type="checkbox"/> • Maintaining records of key activities and decisions taken <input type="checkbox"/> • Withdrawing undertakings not relating to trading and obtaining clearances from third parties <input type="checkbox"/> • Completing checklists and diary management system <input type="checkbox"/> • Closing down internal systems <input type="checkbox"/>
	Statement of Affairs	<ul style="list-style-type: none"> • Reviewing the Statement of Affairs prepared by the Directors ✓ • Discussion regarding the asset and liability assumptions used in the Statement of Affairs ✓
	Insurance	<ul style="list-style-type: none"> • Arranging open cover and appropriate ongoing insurance through appointed brokers ✓ • Identifying potential issues requiring attention of insurance specialists ✓ • Reviewing pre-appointment insurance policies ✓ • Corresponding with post-appointment insurers regarding initial and ongoing insurance requirements <input type="checkbox"/> • Realising any value within policies →
Dealing with creditors	Creditor enquiries	<ul style="list-style-type: none"> • Setting up a dedicated website for delivery of initial and ongoing communications and reports ✓ • Receiving and following up creditor enquiries via telephone, email and post <input type="checkbox"/> • Reviewing and preparing correspondence to creditors and their representatives <input type="checkbox"/> • Receipt and filing of proofs of debt <input type="checkbox"/> • Responding to any shareholder queries <input type="checkbox"/>
Total estimate: 200.95 hours £141,547		
Incurred to date. 75.60 hours £34,365		
Insurance run off	Employees including payroll and redundancy	<ul style="list-style-type: none"> • Drafting, issuing and delivering initial communications and announcements ✓ • Reviewing employee files and Company's books and records ✓ • Reviewing awards and payroll structure ✓ • Conducting an employee skills assessment on Appointment ✓ • Selecting and making redundancies, following the skills assessment of employees ✓
Total estimate: 1,375.15 hours £572,793		
Incurred to date. 464.00 hours £218,484		

		<ul style="list-style-type: none"> • Preparing letters to employees advising of their entitlements and options available ✓ • Regular dialogue with the Company employees including addressing any employee issues or concerns □ • Calculating and paying monthly payroll □ • Ensuring appropriate deductions of PAYE/NIC are made and paid over to HMRC and other deductions to relevant agencies and third parties □ • Liaising with the Redundancy Payment Service and external agencies □ • Resolving position regarding employees at the end of the Administration →
	Processing receipts and payments	<ul style="list-style-type: none"> • Entering receipts and payments into accounting system □ • Review and approval of all payments and receipts □ • Sanctions checking suppliers in line with internal regulatory requirements □
	Run off management	<ul style="list-style-type: none"> • Liaising with Company management and staff □ • Holding meetings to discuss the run off position and progress □ • Liaising with suppliers and establishing new supplier relationships □ • Authorising purchase orders and other commitments and maintaining purchase order registry □ • Preparing budgets and financial reports □
Managing the Company's affairs	Accounting and treasury	<ul style="list-style-type: none"> • Opening and closing bank accounts and general interactions with the Company's bankers ✓ • Carrying out bank reconciliations and managing investment of funds □ • Corresponding with bank regarding specific transfers □ • Accounting and treasury specific work related to preparing and paying distributions □
Total estimate: 736.30 hours £310,816		
Incurred to date: 142.40 hours £83,780		
	Pensions	<ul style="list-style-type: none"> • Ensuring compliance with pension regulations and requirements □
	Tax	<ul style="list-style-type: none"> • Gathering information for the initial tax review ✓ • Carrying out tax review and subsequent enquiries ✓ • Preparing tax computations □ • Liaising with HMRC □
	VAT	<ul style="list-style-type: none"> • Gathering information for the initial VAT review ✓ • Carrying out VAT review and subsequent enquiries ✓ • Preparing VAT returns □ • Liaising with HMRC □

	Regulatory	<ul style="list-style-type: none"> • Liaising with the PRA on Appointment and completing regulatory returns including the Solvency and Financial Condition Report ✓ • Periodic updates to the PRA on the status of the Administration and responding to questions from the PRA regarding the Administration process and strategy □ • Filing regulatory returns required by the PRA and FCA □
	Chapter 15	<ul style="list-style-type: none"> • Investigation into the merits of seeking Chapter 15 recognition of the UK Administration in the US ✓ • Proceeding with the application and obtaining US Bankruptcy Court recognition ✓ • Considering the merits of seeking Chapter 15 recognition of the UK Scheme of Arrangement in the US, and ultimately gaining US Bankruptcy Court recognition □
	Pre-Appointment Attorneys	<ul style="list-style-type: none"> • Identifying litigation matters that the Company was involved in at the time of our Appointment ✓ • Writing to all attorneys instructing them to cease work on the cases ✓ • Liaising with the US Attorneys representing the Company as to the status of these matters with a view to concluding the Company's participation at the earliest opportunity □
Scheme of Arrangement Estimate: 3,695 hours £2,210,965 Incurred to date: 22.70 hours £17,106	Scheme of Arrangement	<ul style="list-style-type: none"> • Working with the Company lawyers and the Creditors' Committee on the key heads of terms for the proposed Scheme of Arrangement in Administration ✓ • Finalising the objectives and terms of the proposed Scheme of Arrangement including documentation to support communications to creditors of the Company □ • Applying to Court requesting permission to convene a Scheme meeting □ • Holding the requisite meetings of creditors to consider and approve the proposed Scheme of Arrangement □ • Communicating with creditors regarding the outcome of the Scheme meetings and next steps □ • Preparing correspondence to potential creditors inviting lodgement of proof of debt forms □ • Receiving proofs of debts and maintaining claims register □ • Assessing claims and reviewing information, including requesting further information from claimants □ • Actuarial services to complete a comprehensive review and valuation of certain direct and cedant claims including: understanding policies; review of data and methodology; and independent valuation □ • Agreeing claims with creditors in accordance with the proposed Scheme methodology and valuation principles □

		<ul style="list-style-type: none"> Managing claims through the adjudication process, that are not possible to be agreed in the normal course <input type="checkbox"/> Preparing dividend model(s) reviewing various inputs to assess potential level of distribution(s) available to creditors <input type="checkbox"/> Advertising intention to declare dividend <input type="checkbox"/> Preparing correspondence to claimants advising on the outcome of the claims assessment and advising of intention to declare dividend(s) <input type="checkbox"/> Management and oversight of dividend payment process <input type="checkbox"/>
Strategy and Planning	Project management and Administration oversight	<ul style="list-style-type: none"> Completing tasks relating to job acceptance ✓ Preparing fee budgets and monitoring costs <input type="checkbox"/> Holding team meetings not relating to trading and discussions regarding status of Administration <input type="checkbox"/> Providing updates to the Administrators regarding the case strategy <input type="checkbox"/> Conducting case reviews on the status of the project <input type="checkbox"/>
Total estimate: 374.85 hours £209,321		
Incurred to date: 72.05 hours £42,773		

2.3 Our time charging policy and hourly rates

The time we charge to the Administration is by reference to the time properly given by our staff and us in attending to matters arising.

It is our policy to delegate tasks to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of complexity or significance requiring more exceptional responsibility are dealt with by senior staff or the Administrators personally.

Set out below are the relevant maximum charge-out rates per hour worked for the grades of staff actually, or likely to be, involved on this assignment.

All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Time is charged by reference to actual work carried out on the assignment in six minute units. The minimum time charged is three minutes (i.e. 0.05 units). There has been/will be no allocation of any general costs or overhead costs. These rates will apply to each part of our work.

Specialist departments with our firm, such as Tax, VAT, and Actuarial are also used where their expert advice and services are required. Such specialist rates do vary but the figures below provide an indication of the maximum rate per hour.

Table 5 – Charge-out rates

With effect to 30 June 2020 Grade	Maximum rate per hour (£)	Specialist maximum rate per hour (£)
Partner	910	1,385
Director	800	1,295
Senior Manager	605	975
Manager	525	775
Senior Associate (Qualified)	435	575
Senior Associate (Unqualified)	325	330
Associate	270	285
Support	140	170

In common with all professional firms, hourly rates increase from time to time over the period of the Administration (for example to cover annual inflationary cost increases). Any material amendments to these rates will be advised to the fee approving body when seeking fee approval, and to creditors in our next statutory report.

2.4 Further approval

Creditors should be assured that the provision of a fees estimate will not affect the proper conduct of the Administration. If the necessary work exceeds (or is likely to exceed) that included in the fees estimate, we can seek consent, usually from the fee approving body, for our fees to exceed the fees estimate.

In our periodic progress reports, we will keep creditors updated on how our fees are comparing to the fees estimate. If fees are likely to exceed this fees estimate then we will need further approval to draw those fees.

On the basis that the proposed Scheme is supported by creditors and approved by the Court we do not, at this stage and based on the assumptions in this report, anticipate needing to seek further approval.

3. Expenses

3.1 What is an expense?

Expenses are defined in SIP9 as amounts properly payable by the office holder from the estate which are not office holders' remuneration or a distribution to creditors.

These include disbursements, which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment. They fall into two categories: Category 1 and Category 2.

Disbursement	SIP9 definition
Category 1	Payments to independent third parties where there is specific expenditure directly referable to the appointment in question.
Category 2	Costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that may be incurred by the office holder or their firm, and that can be allocated to the appointment on a proper and reasonable basis.

Our firm's disbursements policy allows for all properly incurred expenses to be recharged to the case. We don't need approval from creditors to draw Category 1 disbursements as these have all been provided by third parties, but we do need approval to draw Category 2 disbursements as these are for services provided by our firm. The body of creditors who approve our fees also have responsibility for agreeing the policies for the payment of Category 2 disbursements, which in this case are as follows:

Photocopying	At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying.
Mileage	At a maximum of 70 pence per mile (up to 2,000cc) or 91 pence per mile (over 2,000cc).

3.2 Our expenses estimate

The following table shows expenses incurred to date and an estimate of further expenses we consider will be (or are likely to be) incurred.

The total expenses estimate for the case is in the region of £3.6m. As disclosed in table 5, there are some costs we are not able to estimate at this stage, such as the costs for the adjudicator under the proposed Scheme, which will be dependent upon the costs of the individual selected and the ultimate volume of disputed claims that require adjudication.

The estimate excludes any potential tax liabilities that may be payable as an expense of the Administration in due course because amounts due will depend on the position at the end of the tax accounting period.

Our expenses estimate includes pre-Administration costs that are payable as an expense of the Administration and which were explained in more detail in our Proposals. Whilst pre-Administration costs are subject to approval in the same manner as our remuneration, they do not form part of our remuneration in relation to our work as Administrators, following our Appointment.

Table 5 – Expenses estimate

Nature of expenses	Purpose of expense	Incurred to 26 Dec 2019 (£)	Estimate of future expenses (£)
Insurance run off			
Gross wages & salaries	Employees	225,739	911,154
Employee retention and incentives	Employees	-	700,000
Rent & rates ¹	Insurance run off	18,540	70,564
Other operating expenses ²	Insurance run off	101,254	316,140
Other expenses			
Agents' fees and disbursements - Requiem	Asset recovery	2,984	36,129
Agents' fees and disbursements - Epiq	Asset protection	23,548	23,548
Agents' fees and disbursements - Larking Gowen	Payroll	249	2,075
Agents' fees and disbursements - Bidwells	Freehold	-	10,478
Bank charges	Finance	282	2,150
Letters of credit charges	Finance	3,545	3,309
Property costs	Relocation	-	2,500
Insurance	Trading	2,951	18,475
Legal costs - various US attorneys ³	Legal	-	Uncertain
Legal fees and expenses - Clifford Chance	Legal	191,412	248,750
Legal fees and expenses - Clifford Chance pre-Administration ⁴	Legal	114,873	-
Legal fees and expenses - McCarthy Denning pre-Administration ⁵	Legal	22,508	-
Office holders' pre-administration costs	Administration	93,411	-
Office holders' disbursements ⁶	Administration	8,679	65,076
Licenses, trade marks, royalties	Administration	40	120
Storage costs	Administration	-	3,536
Statutory advertising	Administration	77	500
Additional scheme costs	Scheme	0	50,000
Scheme vote and adjudication	Scheme	-	Uncertain
Irrecoverable VAT ⁷	Tax	Uncertain	331,178
Total expenses		810,091	2,775,682

¹ Includes the following: council tax, utilities and telephone charges.

² Includes the following: repairs and maintenance, IT, costs, office costs, stationery, postage and direct expenses.

³ Attorneys were disinstructed upon Appointment. We expect some charges in relation to Stronghold being dismissed in the US Courts from the various litigation matters the Company was involved with upon our Appointment.

⁴ These costs have been discussed with the Creditors' Committee and approval to pay has been requested, which is currently pending.

⁵ These costs have been discussed with the Creditors' Committee and approval to pay has been requested, which is currently pending.

⁶ Office holders' disbursements comprise of photocopying and postage, system maintenance fee and travel.

⁷ This is on the assumption that the Company can recover c 72% of VAT which remains under review.

4. Professionals and subcontractors

Table 6 – Professionals and subcontractors

Service provided	Name of firm	Reason selected	Basis of fees
Pre-Administration legal advice, including: <ul style="list-style-type: none"> General advice to the Company and Directors 	McCarthy Denning Limited	Pre-existing relationship with the Company and industry knowledge	Time costs and disbursements
Pre-Administration legal advice, including: <ul style="list-style-type: none"> General advice on the Appointment Initial considerations regarding a Chapter 15 application in respect of the Administration application 	Clifford Chance LLP	Pre-existing relationship with the Company and Scheme of Arrangement expertise	Time costs and disbursements
Administration legal advice, including: <ul style="list-style-type: none"> Advice on the Scheme of Arrangement and general legal advice regarding the run off 			
Legal services, including: <ul style="list-style-type: none"> Notice distribution and service of documents to creditors and interested parties in relation to the Chapter 15 application and order 	Epiq Corporate Restructuring LLC	Industry knowledge and insolvency expertise	Time costs and disbursements
Property agents, including <ul style="list-style-type: none"> Property valuation Marketing property for sale 	Bidwells LLP	Knowledge of the market and presence in the local area	Agency commission fee and additional costs
Payroll processor	Larking Gowen LLP	Pre-existing relationship with the Company	Monthly fixed fee
Reinsurance collections	Requiem Limited	Pre-existing relationship with the Company	Fixed % commission on collections
Reinsurance collections	Global Re	Pre-existing relationship with the Company	Fixed % commission on collections

We require all third party professionals to submit appropriate information in support of invoices rendered. This may be time costs analyses and narrative or a schedule of realisations achieved. We review this information to assess that the costs are reasonable in the circumstances of the case.

In order to review the appropriateness of professional costs we consider a combination of the below:

- Comparison with upfront budgets;
- Review of time costs analysis,
- Review of disbursements claimed; and
- Ongoing dialogue with regards to the work being performed.

Appendix E: Chapter 15 Recognition Order

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

-----	x	
In re:	:	
	:	
STRONGHOLD INSURANCE	:	Chapter 15
COMPANY LIMITED (in Administration).	:	Case No. 19-13096 (MEW)
	:	
Debtor in a Foreign Proceeding. ¹	:	
-----	x	

ORDER PURSUANT TO 11 U.S.C. §§ 1515, 1517, 1520 AND 1521 GRANTING RECOGNITION OF FOREIGN MAIN PROCEEDING AND CERTAIN RELATED RELIEF

Upon the *Verified Petition of Foreign Representative for Recognition of Foreign Main Proceeding Pursuant to 11 U.S.C. §§ 1515 and 1517 and Certain Related Relief Under 11 U.S.C. §§ 1520 and 1521* (the "**Verified Petition**") together with the Official Form 401 Petition filed contemporaneously therewith, the "**Chapter 15 Petition**")² seeking (a) recognition of the Petitioner as the "foreign representative" (as defined in Section 101(24) of the Bankruptcy Code) of the above-captioned Debtor (the "**Debtor**"); (b) recognition of the Debtor's Administration Proceeding under the Insolvency Act pending before the English Court, as a foreign main proceeding pursuant to sections 1515 and 1517 of the Bankruptcy Code, and (c) such other and further relief as the Court deems just and proper; and upon this Court having reviewed the Chapter 15 Petition, the Memorandum of Law, the Foreign Representative Declaration, and the Hertz Declaration and the statements of counsel with respect to the Chapter 15 Petition at the hearing before this Court (the "**Hearing**"); and appropriate and timely notice of the filing of the

¹ Stronghold Insurance Company Limited is incorporated and registered in England and Wales with company number 00736581. The Company has its registered office at 46 Rose Lane, Norwich, NR1 1PN, United Kingdom.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Verified Petition.

Chapter 15 Petition and the Hearing having been given; and no objections having been filed, and no other or further notice being necessary or required; and this Court having determined that the legal and factual bases set forth in the Chapter 15 Petition, the Foreign Representative Declaration, the Hertz Declaration and all other pleadings and papers in this chapter 15 case establish just cause to grant the relief ordered herein, and after due deliberation therefor;

THIS COURT HEREBY FINDS AND DETERMINES THAT:

A. The findings and conclusions set forth herein constitute this Court's findings of fact and conclusions of law pursuant to Rule 7052 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334, and the Amended Standing Order of Reference from the United States District Court for the Southern District of New York dated as of January 31, 2012. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P). Venue for this proceeding is proper before this Court pursuant to 28 U.S.C. § 1410.

C. The Petitioner is the duly appointed "foreign representative" of the Debtor within the meaning of section 101(24) of the Bankruptcy Code.

D. This chapter 15 case was commenced properly pursuant to sections 1504, 1509, and 1515 of the Bankruptcy Code.

E. The Foreign Representative has satisfied the requirements of section 1515 of the Bankruptcy Code and Bankruptcy Rule 2002(q).

F. The Administration Proceeding is a “foreign proceeding” pursuant to section 101(23) of the Bankruptcy Code.

G. The Administration Proceeding is entitled to recognition by this Court pursuant to sections 1515 and 1517 of the Bankruptcy Code.

H. The United Kingdom is the center of main interests of the Debtor, and, accordingly, the Administration Proceeding is a “foreign main proceeding” as defined in section 1502(4) of the Bankruptcy Code, and is entitled to recognition as a foreign main proceeding pursuant to section 1517(b)(1) of the Bankruptcy Code.

I. The Foreign Representative and the Debtor, as applicable, are entitled to all of the relief available pursuant to sections 1520 of the Bankruptcy Code.

J. The Foreign Representative and the Debtor, as applicable, are entitled to the additional relief available pursuant to sections 1521(a)(4) and (5) of the Bankruptcy Code, because those protections are necessary to effectuate the purposes of chapter 15 of the Bankruptcy Code, to protect the assets of the Debtor and the interests of the Debtor's creditors. Absent the requested relief, the efforts of the Debtor, the English Court and the Joint Administrators in conducting an orderly and consistent administration of the Debtor's affairs may be frustrated or impaired by the actions of certain individual creditors, a result contrary to the purposes of chapter 15.

K. The relief granted herein is necessary and appropriate, in the interests of the public and international comity, and consistent with the public policy of the United States.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED:

1. The Administration Proceeding is granted recognition as a foreign main proceeding pursuant to section 1517 of the Bankruptcy Code.

2. The Foreign Representative is the duly appointed foreign representative of the Debtor within the meaning of section 101(24) of the Bankruptcy Code and is authorized to act on behalf of the Debtor in this chapter 15 case.

3. All relief afforded to a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code shall apply including, without limitation, the application and protection afforded by the automatic stay under section 362 of the Bankruptcy Code to the Debtor and to the Debtor's property that is within the territorial jurisdiction of the United States.

4. The Foreign Representative hereby:

- (a) is entrusted with the administration or realization of all or part of the Debtor's assets located within the territorial jurisdiction of the United States; and
- (b) shall have the right and power to examine witnesses, take evidence or deliver information concerning the Debtor's assets, affairs, rights, obligations, or liabilities.

5. Notwithstanding anything to the contrary contained herein, this Order shall not be construed as enjoining or staying any act that is not stayed, or that is subject to an exception from the automatic stay, pursuant to the terms of section 362 of the Bankruptcy Code.

6. The Foreign Representative is hereby established as the representative of the Debtor with full authority to administer the Debtor's assets and affairs in the United States.

7. The Foreign Representative is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order.

8. The Foreign Representative, the Debtor, and/or each of their respective successors, agents, representatives, advisors, and counsel shall be entitled to the protections contained in sections 306 and 1510 of the Bankruptcy Code.

9. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

10. This Order is without prejudice to the Foreign Representative requesting any additional relief, including seeking recognition and enforcement in the United States of any further orders issued by the English Court.

11. The Foreign Representative shall serve a copy of this Order within three (3) business days of entry of this Order upon all persons or bodies as required under this Court's Order Scheduling Hearing and Specifying the Form and Manner of Service of Notice. Such service shall be good and sufficient service and adequate notice for all purposes.

12. This Court shall retain jurisdiction with respect to the enforcement, amendment, or modification of this Order and any requests for additional relief.

Dated: New York, New York
October 23, 2019

/s/ Michael E. Wiles
UNITED STATES BANKRUPTCY JUDGE