

# AM10

## Notice of administrator's progress report



Companies House

WEDNESDAY



A13 \*A7CV1DRN\* 22/08/2018 #31  
COMPANIES HOUSE

### 1 Company details

Company number 0 9 6 9 7 3 1 4

Company name in full Privilege Wealth Plc

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

### 2 Administrator's name

Full forename(s) John

Surname Kelmanson

### 3 Administrator's address

Building name/number 4 Stirling Court

Street Stirling Way

Post town Borehamwood

County/Region Hertfordshire

Postcode W D 6 2 B T

Country

### 4 Administrator's name ①

Full forename(s) Stephen

Surname Katz

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

### 5 Administrator's address ②

Building name/number 26-28 Bedford Row

Street

Post town

County/Region London

Postcode W C 1 R 4 H E

Country

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

AM10

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**6** Period of progress report

From date	<sup>d</sup> 2	<sup>d</sup> 3	<sup>m</sup> 0	<sup>m</sup> 1	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 1	<sup>y</sup> 8
To date	<sup>d</sup> 2	<sup>d</sup> 2	<sup>m</sup> 0	<sup>m</sup> 7	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 1	<sup>y</sup> 8

**7** Progress report

☒ I attach a copy of the progress report

**8** Sign and date

Administrator's  
signature

Signature

X



X

Signature date

<sup>d</sup> 2	<sup>d</sup> 0	<sup>m</sup> 0	<sup>m</sup> 8	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 1	<sup>y</sup> 8
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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	Jason Callender
Company name	Kelmanson Insolvency Solutions
Address	4 Stirling Court
	Stirling Way
Post town	Borehamwood
County/Region	
Postcode	H e r t f o r d s
Country	
DX	
Telephone	020 8441 2000



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



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# **Joint Administrators' Progress Report**

**Privilege Wealth Plc  
(In Administration)**

**20 August 2018**

## **PRIVILEGE WEALTH PLC - IN ADMINISTRATION**

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## THE ADMINISTRATOR'S PROGRESS REPORT

### 1 Introduction

- 1.1 I, together with Stephen Katz of David Rubin & Partners Ltd, was appointed Joint Administrator of Privilege Wealth Plc (the **Company**) on 23 January 2018. The appointment was made by the Directors pursuant to Paragraph 22 of Schedule B1 of The Insolvency Act 1986.
- 1.2 This Administration is being handled by KCBS LLP t/a Kelmanson Insolvency Solutions at 4 Stirling Court, Stirling Way, Borehamwood, Hertfordshire WD6 2BT and David Rubin & Partners Ltd at 26 – 28 Bedford Row, London WC1R 4HE. The contact details for John Kelmanson are by phone on 020 8441 2000 or via email at [jk@kelmanson.com](mailto:jk@kelmanson.com) and Stephen Katz contact details are by phone on 0207 400 7900 or via email at [stephen@drpartners.com](mailto:stephen@drpartners.com). The Administration is registered in the High Court of Justice, reference number 000569 of 2018.
- 1.3 Information about the way that we will use, and store personal data on insolvency appointments can be found in the attached Privacy Notice.
- 1.4 The trading address of the Company is Rivers Lodge, West Common, Harpenden, Hertfordshire, AL5 2JD.
- 1.5 The registered office of the Company is 4 Stirling Court, Stirling Way, Borehamwood, Hertfordshire, WD6 2BT and its registered number 09697314.
- 1.6 As Joint Administrator, I am required to provide a progress report covering the period of six months commencing from the date the Company entered Administration and every subsequent period of six months. This progress report covers the period from 23 January 2018 to 22 July 2018 (**the Period**) and should be read in conjunction with our earlier proposals report and any previous progress reports which have been issued.

### 2 Progress of the Administration

- 2.1 You may recall that the statutory objective being pursued in the Administration was achieving a better result than would be likely if the company were wound up. In addition to the pursuance of this statutory objective, the Administrators have duties imposed by insolvency and other legislation, some of which may not provide any financial benefit to creditors.
- 2.2 This section of the report provides creditors with an update on the progress made in the Period, both in terms of the achievement of the statutory objective, but also work which is required of the Administrators under other related legislation.
- 2.3 At Appendix A is our Receipts and Payments Account covering the period of this report.
- 2.4 Information about the basis of remuneration agreed in this case and the Joint Administrators' fees estimate can be found in section 4 of this report, together with any relevant information about revisions to our initial estimate, where applicable.

#### ***Administration (including statutory compliance & reporting)***

- 2.5 As noted above, the Administrators must comply with certain statutory obligations under the Insolvency Act 1986 and other related legislation. Details about the work that we anticipated would need to be done in this area was outlined in our initial fees information.
- 2.6 Where the costs of statutory compliance work or reporting to creditors exceeds the initial estimate, it will usually be because the duration of the case has taken longer than anticipated, possibly due to protracted asset realisations, which have in turn placed a further statutory reporting requirement on the Administrators.

## PRIVILEGE WEALTH PLC - IN ADMINISTRATION

- 2.7 As noted in our initial fees information, this work will not necessarily bring any financial benefit to creditors, but is required on every case by statute.

### ***Realisation of Assets***

#### **Rosebud Lending**

- 2.8 Creditors will recall from our proposals that a Confidential Settlement Agreement "the agreement" was entered into by the Rosebud Sioux Indian Tribe of South Dakota "Rosebud", the Company and its two Panamanian subsidiaries, in settlement of an outstanding balance totalling \$9.7m USD. The agreement provided for the transfer of the Rosebud pay day loan book and the release of cash to various parties. The Administrators progress made to secure and realise cash sums considered as due further to our detailed tracing exercise of the funds included within the agreement is detailed below:

#### Balance Held in Escrow

- 2.9 The Administrators have been engaged in regular communication with Rosebud and their lawyers located in the US to agree the sums due in accordance with the agreement. The total amount held in escrow by Rosebud for the benefit of the Privilege Group totalled \$150,000 and was to be released in 4 tranches. No sums had been realised at the time of the Administrators appointment and the total balance remained in the Rosebud escrow account.
- 2.10 Correspondence with Rosebud and their legal advisers revealed that they were seeking to only release funds on the basis of us entering into a full and final settlement agreement between all parties. This was resisted by us and was eventually formally declined.
- 2.11 Confirmation was obtained from the liquidator of both Panamanian subsidiaries and the external minority shareholder resident in Panama that they had no claims on the funds held at Rosebud or the related pay day loan book.
- 2.12 Despite considerable delays encountered whilst communicating with Rosebud and their lawyers, details of all legal costs and expenses incurred and deducted in accordance with the agreement were finally obtained and reviewed in detail. After all deductions, a balance of \$87,046.37 remained for the benefit of the Administration, which we can confirm has been received, totalling the sterling equivalent of £63,136.34.

#### Carmel Solutions

- 2.13 Correspondence with the US lawyer representing Carmel Solutions had been ongoing in order to facilitate a release of sums payable in accordance with the agreement, totalling \$45,105. Delays were encountered agreeing formal terms for release and ultimately an acceptable agreement for release of funds directly from Carmel was not reached. The Administrators therefore requested the funds be repaid directly to Rosebud, from where they were released together with the escrow balance referred to above.
- 2.14 The sum of \$87,046.37 payable by Rosebud detailed in paragraph 2.10 included the sums payable from Carmel Solutions, which have now been received.

#### Balance Held at Lawyers

- 2.15 As previously advised in the Joint Administrators proposals, Berger Singerman declined to retain the balance in hand and work on a contingency fee basis on behalf of the Joint Administrators. As such, the balance in hand totalling £11,562.76 has been returned for the benefit of the Administration estate.

## **PRIVILEGE WEALTH PLC - IN ADMINISTRATION**

### Rosebud Lending Settlement - Cash

- 2.16 As previously reported, the sum of £5,373.60 has been received from Cubed Consultancy in relation to sums previously released in accordance with the Confidential Settlement Agreement.

### Private Investigator

- 2.17 The Administrators have continued to pursue the law firm based in Tampa, Florida US; Cantrell PLLC, in relation to the payment of \$10,000 which is understood to have been made in order to locate and issue legal proceedings against a former director; Tom Pawelek. Mr Pawelek is believed to retain or have access to the electronic data relating to the Rosebud pay day loan book and is also believed to currently be working for or in tandem with Oliphant Financial Group LLC "Oliphant". The law firm have refused to return or account for the sums paid and have advised that the payment received was in settlement of existing outstanding invoices. This matter remains under review.

### **Sale of Pay Day Loan Book**

- 2.18 As previously reported the Rosebud pay day loan book had been sold by Rosebud to a new special purpose subsidiary of the company based in Belize.
- 2.19 The following events have taken place in an attempt to secure and realise the value in the distressed pay day loan book:

### FPL Ltd (Belize)

- 2.20 As detailed in paragraph 2.8 above, the agreement entered into by Rosebud included the sale of the distressed pay day loan book, to FPL, a 100% subsidiary of the Company. The Administrators have considered the best strategy to bring FPL under their control and ultimately have concluded to take steps to remove the directors of FPL. This has now been effected with their co-operation, and a trusted director of the Administrators choice has been appointed. It has been agreed that consultancy fees will be paid to the director at a rate of £1,500 for the first month, followed by £500 per month thereafter, subject to a minimum fee of £2,500. The sum of £1,500 has been paid to date, however payment was made just outside the reporting period.
- 2.21 The Administrators have entered into a Deed of Acknowledgement with FPL to formally acknowledge the sum of \$9.7m owing to the Company and that the Company is the sole beneficiary of the Rosebud pay day loan book and its proceeds.
- 2.22 In resisting the proposed agreement mentioned in Paragraph 2.10 above the joint administrators have preserved the ability of bringing a claim against Rosebud that the transaction to dispose of the pay day loan book was in itself a transaction at an undervalue pursuant to the Insolvency Act and Rules. However, our research has revealed that the Rosebud economic area is one of the poorest economic regions in the US and is subject to its own sovereign nation laws. Additionally, assistance of Rosebud may be needed if and when the pay day loan data is recovered as each loan was written under the local law of the Rosebud Nation. As such, at this time, the prospects of successfully bringing any claim and making a recovery for the case appear uncertain.

### Legal Representation - US

- 2.23 As previously reported it is believed that the data relating to the Rosebud loan book and related realisations made are currently in the possession of Oliphant and its associates and/or Mr Pawelek in Florida.
- 2.24 The Administrators approached or were referred to a number of US lawyers to act on their behalf in relation to the Rosebud pay day loan book.



## PRIVILEGE WEALTH PLC - IN ADMINISTRATION

- 2.25 All lawyers were briefed accordingly and conference calls held to discuss the merits of the case. Due to insufficient funds available at the time, together with the complexities of the case, all lawyers refused to act on a contingency fee basis. Accordingly, funding was sought from specialist litigation funders. Both parties declined to fund the US actions citing uncertainties about the prospects of making a successful recovery and enforcement in the US.
- 2.26 Upon approaching the US based lawyer, Cole Schotz, the Administrators were in receipt of the Rosebud escrow funds detailed at 2.12 above and an agreement was reached with Cole Schotz regarding a 3 phase strategy for the following services:
- Phase 1 – Recognition of the joint Administrators in the US under Chapter 15 of the US Bankruptcy Code.
  - Phase 2 - Discovery and depositions against key companies and individuals in order to secure the Rosebud pay day loan book consumer details and an account of funds collected to date from the loan book.
  - Phase 3 - Litigation as deemed required for various causes of action against the appropriate persons to achieve realisations.
- 2.27 Phase 1 and 2 are based on time costs incurred, with an upfront capped retainer of \$50,000 required. This fee has been paid, albeit outside of the reporting period. Phase 3 will be based on a conditional fee basis, dependent upon the merits of the case following phase 1 and 2.
- 2.28 The Chapter 15 Petition together with all appropriate supporting documents have been filed in the United States Bankruptcy Court for the District of New Jersey and a court hearing in relation to the recognition application is scheduled for Thursday 6 September. We are advised that Oliphant are aware of the hearing and have retained local lawyers who are now engaged with Cole Schotz.

### Helix Investment Management SLP "Helix"

- 2.29 As creditors will recall from the Joint Administrators proposals, Helix are seeking to rely on security granted in the US over the subsidiaries of Privilege Wealth Plc and have, together with Concord Equity Group Limited BVI "Concord" (both represented by Peter Stokes) issued legal proceedings in the State and Federal Courts.
- 2.30 An agreement between the Administrators and Helix had been reached in principle at the time of issuing proposals to creditors, with a view to joining their proceedings and working together in order to achieve the most cost effective mechanism on realisations for the benefit of the Administration. Further dialogue has been undertaken in this regard, but a satisfactory agreement has not been reached to date.
- 2.31 The Administrators have made enquiries into the current position regarding Helix enforcing their alleged security over the US subsidiaries, however a definitive and satisfactory response has not yet been provided.

### **Credit Card Loan Book**

- 2.32 In addition to the Rosebud pay day loan book investment further investments were made into distressed credit card and bank debt through the US subsidiary, Privilege Direct Corp "PDC".
- 2.33 These investments are claimed to have been funded specifically by one of the company creditors; Helix Investment Management SLP for and on behalf of Helix Securitisation Compartment (Luxembourg) "Helix".

## • PRIVILEGE WEALTH PLC - IN ADMINISTRATION

- 2.34 It appears that Helix is controlled and/or directed by one of the company's former directors, Mr Stokes.
- 2.35 As a consequence of the way in which the funding for these investments were raised Helix is claiming that its loans are secured against the investments and are further guaranteed by Mr Robert Morris (junior); the owner of Oliphant.
- 2.36 Helix has commenced legal proceedings in Florida to seek an account from Oliphant in relation to these investments and we have obtained and reviewed the legal proceedings. Concord is also litigating against Oliphant alongside Helix in connection with an alleged investment of approximately \$1.3 million.
- 2.37 Initially it was thought that it may be beneficial and cost effective for the joint administrators to be added to these proceedings. However, following a period of negotiation it became apparent that in order for the proceedings to be extended to incorporate the company an assignment of the company's rights may be required and furthermore Helix wished to retain 30% of any recoveries achieved.
- 2.38 In light of this the joint administrators have determined that at this time it would not be appropriate to enter into such agreement and accordingly the independent recognition proceedings have been pursued.
- 2.39 In relation to the security claimed to be held by Helix this is not registered in the UK and is therefore believed to be ineffective against the joint administrators within this jurisdiction.
- 2.40 However, the security is against US assets including the shares in the US and Panamanian subsidiaries and therefore may be effective in the US. This matter will be reviewed further once recognition has been granted and information comes to light. Helix have been named in the proceedings as a potential party against who relief may be sought in the US.
- 2.41 Additionally, the actions of the directors in causing the company to grant the security may need to be further reviewed.

### **Other Assets – Statement of Affairs**

#### Directors Loan Accounts

- 2.42 As previously advised, the Company's records detail outstanding directors loan accounts owing by three directors totalling £197,877. Sprecher Grier Limited have been instructed to act on the Administrators behalf to collect all amounts due. Responses from two directors have been received to date, both disputing that any sums are due in this respect. Correspondence remains ongoing.

#### Unpaid Calls

- 2.43 Sprecher Grier Limited have also been instructed to collect amounts considered due from the four shareholders in respect of unpaid share capital. Responses have not been received to date and correspondence remains ongoing.

#### Book Debts

- 2.45 A total of £2,396,148 is due in relation to four subsidiary companies. The current position in relation to each subsidiary is provided below:
- Privilege Call Centres Inc (Panama) – In Liquidation. The Administrators have contacted the Liquidator to establish the likelihood of a dividend. The Liquidator has confirmed that it is unlikely a dividend will become payable to any class of creditor.

## PRIVILEGE WEALTH PLC - IN ADMINISTRATION

- Privilege Direct Corp (US) "PDC" – As noted above, Helix have advised the Administrators that the security upon which Helix relies entitles them to enforce security over both the shares and any loans the Company has outstanding against PDC. As detailed above at paragraph 2.26, the Administrators have made enquiries into the current position of PDC to establish what steps Helix have taken to enforce their security, if any. This has not been established to date and the Administrators are therefore uncertain of the likelihood of a realisation in this regard.
- Fintech Software Development Group Inc (US) "FSDG" – Helix have also advised of security held over the shares and property of FSDG. Similar to PDC above, the Administrators are unsure of the current position of FSDG and have sought provisional relief under Chapter 15 to obtain an account of the current position.
- Privilege Wealth One LLP "PWO"- PWO are the major creditor of the Company who entered into Liquidation on 6 June 2018. Accordingly, statutory set off will apply and therefore a realisation is not anticipated.

### Other Receivables

2.46 A provision in the Company's draft accounts was made for eight potential receivables. Our enquiries and investigations to date have resulted in the following findings:

- Two potential receivables are from creditors of the Company
- Three potential receivables should have been allocated to a related party
- One potential receivable relates to unpaid share capital, which has been provided for at 2.43 above.
- One potential receivable relates to the recovery of costs in relation to a successful libel action commenced by the Company against David Marchant, the editor of Offshore Alert. The costs awarded by the Court on 9 March 2017 are in the sum of £80,000. The Administrators have spoken with Mr Marchant who is a UK national residing in Florida, who believes that the judgement cannot be enforced in the US. This matter remains under review and will be revisited once the recognition proceedings are finalised.
- The Administrators are enquiring into the nature and recipient of one payment, which is understood to have been made on behalf of Chris Rock, the manager of subsidiary call centre located in Panama.

2.47 Whilst the Administrators' investigations remain ongoing in relation to the above, the prospects of substantial realisations would appear unlikely at this stage.

### Shares & Investments

2.48 As previously reported in the Administrators' proposals, the shares and investments held by the Company relate to the investment at cost in Privilege Call Centres (Panama) and PDC. As detailed earlier in this report, Helix claim to hold security over the Company's subsidiaries. Furthermore, Privilege Call Centres is in liquidation and the Administrators continue to establish the current position of PDC. A realisation is not expected in this regard.

### Notes Receivable and Accrued Income

2.49 As previously reported, the value of the promissory notes previously issued to the Company by PDC and Privilege Call Centres vest in the sums owed to the Company by FPL.

2.50 The Administrators are seeking to obtain an account of the sums received by Oliphant, which form part of the Cole Schotz instruction detailed above.

## • PRIVILEGE WEALTH PLC - IN ADMINISTRATION

### INSURANCE

- 2.51 We have been made aware that an insurance claim has been made by Mr Stokes on behalf of Helix and Privilege Wealth Management Limited (Gibraltar) "PWML" on behalf of Privilege Wealth One LP (Gibraltar) "PWOne".
- 2.52 It is understood that the company is also a beneficiary of the policy against which the claim has been made and a request has been made to the lawyers acting in relation to the claim for a copy of the policy and claim to be produced. As yet this request has not been complied with so we have been unable to review the company's position in this regard.
- 2.53 Our investigations in to the insurances have revealed that the company was a party to a policy under which a policy was established to provide Investment Managers Insurance with Capital Shortfall Protection insurance for the benefit of both the company and Helix.
- 2.54 This policy was inceptioned with initial cover from 1 December 2014 to 30 November 2015.
- 2.55 The policy was renewed on 1 December 2015 but the insurance premium due was not paid and therefore the company's Capital Shortfall cover for that period was cancelled.
- 2.56 On 10 February 2017 a settlement agreement between the company, the insurer; Independent Risk Solutions Ltd "IRS", the insurer; Affinity Insurance PCC Limited (Guernsey) "Affinity", Helix and Concord whereby:
- The Investment Managers insurance and Cyber cover would be renewed at the indemnity limit of £3 million and £250k respectively.
  - The annual premium would be £150k split 80:20 between the company and Helix respectively with the cover being apportioned in the same way.
  - The original capital shortfall protection for the company would be cancelled ab initio and no claims would be accepted by the insurer from the company in relation to this part of the policy.
  - Part of the premium previously paid in the net sum of £133,400 would be released back to the company in full and final settlement of all claims and matters between the parties.
  - An existing claim for Crisis Mitigation Costs following publication of the Offshore Alert article would continue to be pursued and would be paid out under the terms of the policy subject to the insurer and reinsurer accepting the claim.
  - New insurance cover would be provided to PWOne and PWML for capital shortfall subject to payment of premiums with an indemnity limit of £20 million on substantially the same terms as the existing policy with cover to run from 1 December 2016 for 5 years
- The agreement is governed by Bermuda law.
- 2.57 As noted above the terms of this settlement and the implications for the various investors will require further investigation.
- 2.58 It is considered that the work the Administrators and their staff have undertaken to date will bring a financial benefit to creditors. This may, depending on realisations and the extent of any 3<sup>rd</sup> party security, result in a distribution to the preferential and unsecured creditors of the Company.

## PRIVILEGE WEALTH PLC - IN ADMINISTRATION

### *Creditors (claims and distributions)*

- 2.59 Further information on the anticipated outcome for creditors in this case can be found at section 5 of this report. The Administrators are not only required to deal with correspondence and claims from unsecured creditors but also those claiming to be secured and preferential creditors of the Company.
- 2.60 The above work will not necessarily bring any financial benefit to creditors generally, however the Administrators are required by statute to undertake this work. Similarly, if a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Administrators in dealing with those claims.
- 2.61 We consider the following matters worth noting in my report to creditors at this stage:
- There are approximately 12 unsecured creditor claims in this case with a value per the director(s) statement of affairs of £42,165,111.14.
  - 5 creditors are located overseas.
  - We have had to deal with extensive calls and emails from individual investors of PWOne, the Company's largest claimed creditor.
  - PWOne and PWML have both entered into Liquidation in Gibraltar, with Frederick White of Grant Thornton Limited, 6A Queensway, Gibraltar and David Ingram of Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU appointed as the Joint Liquidators. The Administrators have been in communication with the Joint Liquidators, which has included attending their offices for a meeting and email exchanges. Grant Thornton have advised the Administrators of their intention to seek to remove one or more of the current Administrators and seek their own appointment. Since that meeting further communications have been exchanged and it has been agreed that this request be put on hold pending the outcome of the Chapter 15 recognition proceedings and a meeting of the creditors of PWOne to determine their support (or not) for this course of action. In any event it is believed that such appointment would need to be carefully managed to prevent any conflict of interest arising in the position as Office Holders in both PWOne, PWML and the company.
- We have been advised that US lawyers acting for PWOne and PWML have also issued Chapter 15 recognition proceedings in the US although as yet we have not been served with these.
- Regular communication with Helix has been maintained to establish the current position in relation to their security held over the Company's subsidiaries and exploring a potential Cooperation and Settlement Agreement, with a view to co-operating in good faith to achieve realisations of the Rosebud pay day loan book for the benefit of creditors. A draft Cooperation and Settlement Agreement has been prepared and terms negotiated, although at this time an acceptable agreement has not yet been reached.
  - The two largest creditor's claims are predominantly made up of promissory notes representing investors funds advanced to fund the company and the investment scheme.
  - Three creditor claims relate to an investment in a pay day loan program that predates the incorporation of the Company, and it is anticipated that it will take some time to formally adjudicate this, if required, due to the age and nature of liability.

## PRIVILEGE WEALTH PLC - IN ADMINISTRATION

### Investigations

- 2.62 Some of the work the Administrators are required to undertake is to comply with legislation such as the Company Directors' Disqualification Act 1986 (**CDDA 1986**) and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent Liquidations and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Administrators can pursue for the benefit of creditors.
- 2.63 The Administrators have submitted a report on the conduct of the Directors of the Company to the Department for Business, Energy & Industrial Strategy under the CDDA 1986. As this is a confidential report, we are unable to disclose the contents.
- 2.64 Shortly after appointment, we made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors either at the initial meeting (where held) or as a response to my request to complete an investigation questionnaire. My investigations have revealed some potential issues that may lead to further recoveries which could be pursued for the benefit of creditors. Due to the complex nature of the Privilege group, the Administrators findings and enquiries remain ongoing and as such details of our investigations will not be disclosed at present, due to confidentiality reasons.

### 3 Pre-administration Costs

- 3.1 On 2 April 2018 the following amounts in respect of pre-administration costs were approved:

Name of Recipient	Brief description of services provided	Total amount approved
KCBS LLP t/a Kelmanson Insolvency Solutions	Strategy & Planning of Administration, preparation of Administration documents	£2,125 + VAT
David Rubin & Partners	Strategy & Planning of Administration, preparation of Administration documents	£1,585 + VAT £50 Court Fee

### 4 Joint Administrators' Remuneration

- 4.1 The basis of the Administrators' fees has been fixed in the Administration as a percentage of 30% of total realisations. The Administrators fees information was originally provided to creditors when the basis of our remuneration was approved and was based on information available to us at that time.
- 4.2 The Administrators have made realisations totalling £90,789.95 during the period upon which the creditors have approved 30% of total realisations can be taken as remuneration. The Administrators have drawn £27,000 (£13,500 each) against the total amount payable of £27,236.99 to date.
- 4.3 At the date of this report, The Administrators can confirm that the fees information/estimate for the Administration remains unchanged. The time costs accrued for the joint administrators during the period are as follows:
- David Rubin & Partners Ltd - £70,032.50 representing 191.24 hours at an average hourly rate of £365.90 per hour.
  - Kelmanson Insolvency Solutions - £69,991.25 representing 243.15 hours at an average hourly rate of £287.85 per hour.
- 4.4 A copy of 'A Creditors' Guide to Administrators' Fees' is available on request or can be downloaded from <http://www.icaew.com/en/technical/insolvency/creditors-guides>.

## **• PRIVILEGE WEALTH PLC - IN ADMINISTRATION**

- 4.5 Attached at Appendix B is additional information in relation to the Administrators' fees, expenses and disbursements, including where relevant, information on the use of subcontractors and professional advisers.

### **5 Estimated Outcome for Creditors**

- 5.1 Since the Administrators proposals issued to creditors, realisations have been made in relation to the Rosebud escrow account funds detailed at paragraph 2.9 -2.11 in addition to the receipt of cash at bank.
- 5.2 The key asset in the Administration is the Rosebud distressed pay day loan book. As detailed above at paragraph 2.26, Cole Schotz have been appointed as the Administrators legal representatives in the US with regard to the loan book. As creditors will note, the Administrators and Cole Schotz are at phase 1 of a planned 3 phase approach. As such, the Administrators are unable to provide an accurate estimated outcome statement at present.
- 5.3 It is anticipated that upon Chapter 15 recognition anticipated for 6 September 2018, the Administrators will be able to progress matters in the US and obtain an account from key parties. Upon receipt of such information, the Administrators will be in a position to provide an estimated outcome statement.

#### ***Secured Creditors***

- 5.4 There are no secured creditors.

#### ***Preferential Creditors***

- 5.5 There are no preferential creditors.

#### ***Unsecured Creditors***

- 5.6 We have received claims totalling £40,191,808.91 from 4 creditors. We have also received documentation from 2 creditors relating to their respective claims, however to date a proof of debt form from these creditors has not been submitted. I have yet to receive claims from 8 creditors whose debts total £5,220,922.37 as per the Company's statement of affairs.
- 5.7 The Company did not grant any floating charges to a secured creditor. Accordingly, there is no requirement to create a fund out of the Company's net floating charge property for unsecured creditors (known as the **Prescribed Part**), which only applies to charges created after 15 September 2003.
- 5.8 A dividend to creditors is currently uncertain and will be dependent on future realisations and in particular realisation of the Rosebud pay day loan book.

### **6 Ending the Administration**

- 6.1 Based on present information, the Administrators propose to file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into a Creditors' Voluntary Liquidation upon completion of the Administration. The Joint Administrators will become the Joint Liquidators of the CVL and be authorised to act jointly and severally in the subsequent Liquidation, following the approval of the Administrators' proposals.
- 6.2 The Administrators will be discharged from liability under Paragraph 98(3) of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Administrators ceasing to have effect.

• **PRIVILEGE WEALTH PLC - IN ADMINISTRATION**

**7 Creditors' Rights**

- 7.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors) may request in writing that the Administrators provide further information about their remuneration or expenses (other than pre-administration costs) which have been itemised in this progress report.
- 7.2 Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of receipt of this progress report make an application to court on the grounds that, in all the circumstances, the basis fixed for the Administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred by the Administrators, as set out in this progress report, are excessive.

**8 Next Report**

- 8.1 The Administrators are required to provide a progress report within one month of the end of the next six months of the Administration or earlier if the Administration has been finalised or he wishes to extend it.

For and on behalf of  
Privilege Wealth Plc



**John Kelmanson**  
Joint Administrator



**Privilege Wealth Plc**  
**(In Administration)**  
**Joint Administrators' Summary of Receipts & Payments**  
**To 22/07/2018**

S of A £		£	£
	<b>ASSET REALISATIONS</b>		
Uncertain	Directors' Loan Account	NIL	
Uncertain	Book Debts	NIL	
Uncertain	Shares & Investments	NIL	
	Cash held at Lawyers	11,562.76	
	Rosebud Lending Settlement - Cash	5,373.60	
	Rosebud Lending Settlement - Escrow	63,136.34	
2,353.00	VAT Refund	2,352.80	
2,205.00	Cash at Bank	8,356.36	
Uncertain	Other Receivables	NIL	
Uncertain	Promissory Notes Receivable	NIL	
NIL	Promissory Notes Interest Payable	NIL	
	Bank Interest Gross	8.09	
Uncertain	Unpaid Calls	NIL	
			90,789.95
	<b>COST OF REALISATIONS</b>		
	Insurance Bordereau	780.00	
	Pre-appointment costs	3,710.00	
	Joint Administrator's fees	27,000.00	
	Agents/Valuers Fees (1)	390.85	
	Legal Fees (1)	7,876.00	
	Statutory Advertising	79.00	
			(39,835.85)
	<b>UNSECURED CREDITORS</b>		
(124,038.00)	Trade & Expense Creditors	NIL	
(2,488,167.00)	Directors	NIL	
(39,552,906.00)	Promissory Notes	NIL	
			NIL
	<b>DISTRIBUTIONS</b>		
(12,500.00)	Ordinary Shareholders	NIL	
			NIL
<b>(42,173,053.00)</b>			<b>50,954.10</b>
	<b>REPRESENTED BY</b>		
	VAT Receivable		4,575.20
	Bank 1 - Current		43,221.10
	Vat Control Account		3,157.80
			<b>50,954.10</b>

  
 John Helmanson  
 Joint Administrator

## PRIVILEGE WEALTH PLC - IN ADMINISTRATION

### Appendix B

#### Additional Information in Relation to the Joint Administrators' Fees, Expenses & Disbursements

##### 1 Staff Allocation and the Use of Sub-Contractors

- 1.1 The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.
- 1.2 The constitution of the case team will usually consist of a Partner, a Manager, and an Administrator or Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment.
- 1.3 On this case we are proposing to use the services of the following sub-contractors:

Service (s)	Provider	Basis of fee arrangement	Cost to date
Director of subsidiary	Michael Temple Consultancy	£1,500 for the first month, followed by £500 per month thereafter, subject to a minimum fee of £2,500	£1,500

##### 2 Professional Advisors

- 2.1 On this assignment we have used the professional advisors listed below. We have also indicated alongside, the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Basis of Fee Arrangement
Cole Schotz (legal advice – US)	Hourly rate and disbursements + potential conditional fee agreement
Sprecher Grier Limited (legal advice – UK)	Hourly rate and disbursements
One IBC Limited (agent costs – Belize company secretarial services)	Fixed fee
Marsh UK Ltd (insurance bordereau)	Fixed fee based on quantum of assets

- 2.2 Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

##### 3 Joint Administrators' Expenses & Disbursements

- 3.1 The estimate of expenses (including disbursements) which were anticipated at the outset of the Administration was provided to creditors in the Administrators' Proposals Report a copy of which is set out below:

Expense	Estimated cost £
Agents' costs	Uncertain
Solicitors' costs	Uncertain
Court fee	50.00
Travel costs	50.00
Carriage & archiving	300.00

♦ PRIVILEGE WEALTH PLC - IN ADMINISTRATION

**Current position of Joint Administrators' expenses**

- 3.2 An analysis of the expenses paid to the date of this report, together with those incurred but not paid at the date of this report is provided below:

	Reported in the previous cover page by this report	incurred but not paid to date	Total anticipated cost £
Agents' costs (Belize)	390.85	-	390.85
Solicitors' costs (UK)	7,876.00	1,410.50	20,000.00
Solicitors' costs (US)	39,246.47	-	Uncertain
Statutory advertising	79.00	-	79.00
Specific penalty bond	780.00	-	Uncertain

- 3.3 Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case. These disbursements are included in the tables of expenses above.
- 3.4 Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage. Details of Category 2 disbursements charged by this firm (where appropriate) were provided in the Administrators' Proposals Report and approved by creditors. Any Category 2 disbursements incurred are specifically highlighted in the tables of expenses above.