

**STRAND CAPITAL LIMITED ("COMPANY")  
(IN SPECIAL ADMINISTRATION)**

**DISTRIBUTION PLAN EXPLANATORY STATEMENT**

**2 APRIL 2019**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IMPORTANT NOTICE**

*This Explanatory Statement is intended to serve as an explanatory guide to the Distribution Plan which is to be submitted to the High Court of Justice, Business and Property Courts of England and Wales, in an application seeking Court approval of the Distribution Plan.*

*A copy of the Distribution Plan is being made available to you at the same time as this Explanatory Statement. At the same time, you will also receive a "Claimant Options Form" which requires completion by you.*

*This Explanatory Statement summarises:*

- *the background to, and purpose of, the Distribution Plan;*
- *how client assets (excluding client money) held by the Company will be returned to clients under the Distribution Plan; and*
- *the remaining actions that clients now need to take to have their client assets (excluding client money) returned to them.*

*It has been prepared by the Joint Special Administrators of the Company (the "**Administrators**") and their advisers. It has also been reviewed by the Creditors' Committee of the Company, which includes the Financial Services Compensation Scheme (the "**FSCS**").*

*Please note that:*

- (a) *This Explanatory Statement must be read in conjunction with the Distribution Plan. Although it is designed to assist clients in understanding the purpose and effect of the Distribution Plan, it is only the Distribution Plan which will be submitted to the Court for its approval and only the Distribution Plan will have legal effect (if and once approved by the Court);*
- (b) *The copy of the Distribution Plan which is being made available to clients at this time has not yet been approved by the Court and therefore does not yet have any legal effect.*

*Unless otherwise indicated, words beginning with capital letters are definitions used in the Distribution Plan.*

*References to a "**Regulation**" or to the "**Regulations**" are to a regulation under the Investment Bank Special Administration Regulations 2011 and to a "**Rule**" or to the "**Rules**" are to a rule under the Investment Bank Special Administration (England & Wales) Rules 2011.*

*In preparing this Explanatory Statement the Administrators have relied upon their own investigations and information obtained from the Company's books and records. Unless otherwise indicated, the statements, opinions and information contained in this document are made as at the date of this document and reflect the circumstances existing and the information which the Administrators are aware of at this time.*

*None of the Administrators or their firms, members, partners, directors, officers, employees, agents, advisors or representatives has authorised any person to make any representations concerning the Distribution Plan which are inconsistent with the statements contained in this Explanatory Statement and if any such representations are made they should not be relied upon.*

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*Nothing in this Explanatory Statement is intended to constitute legal, tax, financial or other professional advice given to clients. Clients should take advice from their own professional advisers before taking any action in connection with the Distribution Plan.*

**You are encouraged to read and consider the Distribution Plan, this Explanatory Statement and any other communications you have received from the Administrators and, if necessary, seek professional advice as to their terms and their legal, tax and financial implications for you.**

**If you require more information or have any queries, please either:**

- 1. visit the Website at [www.smithandwilliamson.com/strand-capital-limited](http://www.smithandwilliamson.com/strand-capital-limited); or**
- 2. email the Administrators at [strandcapital@smithandwilliamson.com](mailto:strandcapital@smithandwilliamson.com); or**
- 3. fax the Administrators on 020 7131 4019.**

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## BACKGROUND

### Summary

- 1.1 On 17 May 2017 the Company was placed into special administration by Court order under the Regulations, following an urgent application made by the Company's sole director (the "**Special Administration**").
- 1.2 The Company is an investment bank within the meaning of section 232 of the Banking Act 2009. It is authorised and regulated by the Financial Conduct Authority (the "**FCA**"). In particular, in the course of its business it was authorised to hold client assets for clients.
- 1.3 The business of the Company, and its entry into Special Administration, has been addressed by the Administrators in their report and statement of proposals dated 6 July 2017, which can be found on the Website (<https://smithandwilliamson.com/-/media/saw/files/pdfs/joint-special-administrators-proposals.pdf>).
- 1.4 As at the date of its entry into Special Administration, the Company held client assets (excluding client money) with an indicative valuation of approximately GBP 248 million (the "**Client Assets**"), for approximately 76 clients, of which:
  - (a) 52 are individuals;
  - (b) 13 are corporates; and
  - (c) 11 are trustees, managers, operators or administrators of Self Invested Personal Pensions ("**SIPPs**") or other pension schemes, who represent 2,106 underlying beneficiaries.
- 1.5 The Client Assets comprise the following categories:
  - (a) Electronically Held Securities having an indicative valuation of £226.22m, which comprise 24 different stock types (being a variety of listed and unlisted shares and collective investments in securities); and
  - (b) Physically Held Client Assets having an indicative valuation of £21.92 million, which comprise 3 different issuances of corporate bonds issued by Optima Worldwide Group plc ("**OWG**"), in respect of which the Company holds the bond certificates.
- 1.6 In previous correspondence issued by the Administrators these Client Assets have been called Client Custody Assets. However, for the purposes of the Distribution Plan and this Explanatory Statement, the term **Client Assets** (being the term used in the Regulations and the Rules) has been adopted.
- 1.7 The Special Administration requires the Administrators to pursue certain objectives which are imposed by the Regulations:
  - (a) "**Objective 1**" is to ensure the return of client assets (including client money) as soon as reasonably practicable. The return of client assets means that the Company relinquishes full control over the assets for the benefit of the Client to the extent of the Client's beneficial entitlement or other ownership right to those assets, having taken into account any entitlement the Company itself might have, or a third party might have, over those assets.
  - (b) "**Objective 2**" is to ensure timely engagement with market infrastructure bodies and the Bank of England, Treasury, FCA and Prudential Regulation Authority.

- (c) "Objective 3" is to either (i) rescue the Company as a going concern, or (ii) wind it up in the interests of its creditors.
- 1.8 The preparation of the Distribution Plan, to which this Explanatory Statement relates, has been undertaken by the Administrators in pursuit of Objective 1.
- 1.9 Since their appointment, the Administrators have worked to identify and confirm the Client Assets held by the Company for each Client and to make preparations to return these Client Assets.
- 1.10 In particular, as explained below, a deadline of 31 October 2018, known as the "Soft Bar Date", was set by which time Clients were required to submit claims to Client Assets. Having set a Soft Bar Date, the Administrators are required to return Client Assets according to a procedure set out in the Regulations and Rules – which is the Distribution Plan procedure prescribed by Part 5 of the Rules.
- 1.11 At the time of issuing this Explanatory Statement, the claims of all but one of the Company's clients have been agreed with the Administrators. Accordingly, the Administrators anticipate that they will be in a position to return Client Assets as soon as possible following the Court approving the Distribution Plan (if such approval is granted), provided Clients have complied with their obligations under the Distribution Plan.
- 1.12 On the basis of the Administrators' analysis to date, it appears that the Client Assets in fact held by the Company match the Client Assets that the Company had undertaken to hold for its clients. It is therefore currently anticipated that there will be **no shortfall** in the Client Assets available to be returned to Clients.
- 1.13 This means that, on the basis of the Administrators' analysis to date, it is currently anticipated that:
- (a) each of the Company's Clients will have their Client Assets returned to them in full (subject to the discharge of the costs associated with the return of Client Assets, which is addressed in Section 5 below); and
  - (b) in addition, because almost all of the Company's Clients (and, where applicable, the underlying beneficiaries or members of the SIPPs and other pension schemes) are eligible to receive compensation from the FSCS, only 14 Clients will be required personally to bear their share of costs associated with the return of Client Assets. In addition, one Scheme Claimant represents 4 Scheme Members who are not eligible for FSCS compensation, the position in relation to which is addressed at paragraph 5.11 below. The share of costs has been fixed as a per capita share of GBP 2,250.
- 1.14 The Distribution Plan has been approved by the Creditors' Committee consisting of the FSCS, Intelligent Money and James Hay Pension Trustees Limited. The Administrators have also shared the Distribution Plan with the FCA.
- 1.15 The Distribution Plan does **not** apply to Client Money held by the Company, which is to be subject to a different distribution process under the Regulations and the Rules. The Administrators will issue separate correspondence to those Clients for whom the Company held Client Money.

#### **Why is this Distribution Plan being promoted by the Administrators?**

- 1.16 The Distribution Plan has been formulated in accordance with the Regulations and the Rules to establish the procedure by which Client Assets will be returned to Clients, following the Company's entry into Special Administration.

- 1.17 In summary, this procedure permits the Administrators to return Client Assets by setting a Soft Bar Date by which claims must be submitted and preparing a Distribution Plan according to which the Client Assets will be returned in the future.
- 1.18 Under a Distribution Plan, in summary, Client Assets can be returned in accordance with all information available to the Administrators, including information submitted by Clients. The Distribution Plan then ensures that Client Assets can be returned to Clients through one or more Distributions without the risk that another Client may make a claim to them later and require that Distribution to be reversed. This is helpful for both Clients and the Administrators.
- 1.19 The Administrators decided that the statutory process should be followed because they were not confident that they could safely return the Client Assets held by or on behalf of the Company by relying solely on its books and records. This was because:
- (a) The former director of the Company had ceased to act on 20 March 2017 and a new director was appointed. That new director had no access to the Company's trading platform and limited information about the Company's Client Asset holdings.
  - (b) The Company effectively ceased to trade on 22 March 2017. No reconciliation of Client Assets had taken place since the former director had left the Company, although the FCA's client money rules require this to be carried out daily.
  - (c) When the Administrators were appointed they had access to extremely limited company records, no active IT systems, no access to the client platform holding all of the Company's client data and no immediate access to key personnel.
  - (d) Given the limited Company records obtained and difficulties accessing reliable data, the reconciliation of Company data took a significant amount of time. Furthermore, during the course of the Special Administration the Administrators became aware of additional Client Assets, and additional Clients, that were not previously recorded in the client records and Company information to which they had access.
- 1.20 The Administrators therefore had significant concern about their ability to rely on the Company's books and records. In particular, if Client Assets were distributed solely in reliance on that information, this could lead to errors being made, such as:
- (a) Clients might not receive what they were entitled to (or considered they were entitled to) resulting in potential claims being made against the Company or the Administrators; or
  - (b) competing claims, not reflected in the Company's records, might be made by Clients or other counterparties after Client Assets had been returned, potentially requiring Distributions to be reversed.
- 1.21 By contrast, the significant advantages to Clients of the Distribution Plan are that, under the Regulations and the Rules:
- (a) a statutory timeframe is prescribed which enables the Administrators to set a date by which Clients must have submitted a claim to the beneficial ownership (or other form of ownership) of Client Assets. This also provides a framework within which the Administrators can seek to agree the claims of the Company's Clients to Client Assets; and
  - (b) once distributions of Client Assets have taken place in accordance with the Distribution Plan procedure (following agreement of such claims), the legislation provides that these Distributions cannot be disturbed by later claims made by other

claimants to the same Client Assets. The Clients to whom assets have already been returned acquire good title to them as against any such late claiming Client.

- 1.22 Having decided that it was appropriate and necessary to use the Distribution Plan procedure:
- (a) the Administrators set a Soft Bar Date of 31 October 2018 by a notice dated 19 September 2018, which was distributed to:
    - (i) all Clients of the Company having a claim to the beneficial ownership (or other form of ownership) of Client Assets, of whom the Administrators were aware from the Company's books and records; and
    - (ii) all parties whom the Administrators considered may have a right to assert a "Security Interest" over, or other entitlement to, any of the Client Assets. A Security Interest is defined in the Distribution Plan and includes any legal or equitable interest (such as a charge or mortgage) or any other right in security in respect of a liability owed by a Claimant to a third party (which includes the Company or Strand Capital Nominees Ltd).
  - (b) At the same time as issuing the Soft Bar Date notice to Clients, the Administrators also sent each Client a statement of claim form (called a **Claim Form** in the Distribution Plan). The Claim Form provided details of the Client Assets (as well as the Client Money) which the Administrators understood were held for each Client based on the Company's books and records.
  - (c) By the time the Soft Bar Date expired on 31 October 2018, the contents of the Claim Forms of all but one Client of the Company had been agreed and no additional Clients had submitted claims.
  - (d) The Administrators then prepared the Distribution Plan, in consultation with the Creditors' Committee, including the FSCS. The FCA have also been given the opportunity to review the Distribution Plan.
  - (e) The final terms of the Distribution Plan were approved by the Creditors' Committee on 28 February 2019.
  - (f) The Creditors' Committee having approved the Distribution Plan, the next step for the Administrators is to apply to the Court seeking its approval of the Distribution Plan.

#### **Who is a Client of the Company for the purposes of the Distribution Plan?**

- 1.23 The Company had two categories of Clients:
- (a) 65 individuals or corporates;
  - (b) 11 trustees, managers, operators or administrators of SIPPs or other pension schemes. These Clients are called "**Scheme Claimants**" in the Distribution Plan, with the underlying beneficiaries or members of the Scheme being called "**Scheme Members**". The total number of Scheme Members for whom Client Assets are held by the Scheme Claimants is 2,106.
- 1.24 Under the Distribution Plan, the Administrators will deal directly with the Scheme Claimants to obtain instructions to distribute their Client Assets (as they have already done to agree claims to Client Assets). Each Scheme Claimant is responsible for any correspondence or dealings with the Scheme Members under the relevant pension scheme.

#### **What are the key terms of the Distribution Plan?**

- 1.25 The Distribution Plan covers three key elements:

- (a) how Client Assets will be distributed to Clients;
  - (b) how costs associated with the holding and return of Client Assets will be shared across Clients and how cost rebates will be calculated. However, as set out above, almost all Clients' contributions to such costs will be covered in full by the FSCS. It is estimated that only 14 Clients (and 4 Scheme Members) are not eligible for FSCS compensation; and
  - (c) how the proceeds of Corporate Actions relating to Client Assets which occur post-17 May 2017 (e.g. interest and dividends) will be returned alongside the underlying Client Assets.
- 1.26 In addition, the Distribution Plan covers a number of other matters which might potentially impact on the distribution of Client Assets by the Administrators. Such other matters include:
- (a) how any shortfalls in Client Assets actually held by the Company (as compared with Client Assets that the Company has undertaken to hold for its Clients) would be dealt with. As explained above, on the basis of the Administrators' analysis to date (which includes the agreement of Claim Forms with all but one of the Company's Clients), the Administrators are not aware of any shortfalls. However, should any shortfalls be subsequently discovered (prior to the distribution of Client Assets), the Distribution Plan makes provision for how such shortfalls would be apportioned between relevant Clients;
  - (b) assets that are potentially tainted by criminal allegations;
  - (c) assets which are out of the control of the Administrators or cannot be returned for any other reason; and
  - (d) how Clients who make a claim after some or all of the Client Assets have been distributed will be treated.
- 1.27 These provisions have been included solely to address potential issues should they arise. However, as explained in Section 6 below, at the present time the Administrators have no notice that any such circumstances exist which would cause these provisions to be engaged.

**What is the FSCS and who is an FSCS Protected Claimant or FSCS Protected Scheme Member?**

- 1.28 The FSCS is the statutory fund of last resort for customers of authorised financial services firms which are unable to pay customer claims. It operates in this way pursuant to the Financial Services and Markets Act 2000.
- 1.29 In relation to the Company, in summary, the FSCS compensates individuals who are eligible for such compensation for the losses suffered by reason of the Company being unable to pay their claims in full, up to an aggregate limit of GBP 50,000 per Client. Such compensation will include cover for:
- (a) the costs associated with returning Client Assets;
  - (b) the costs associated with returning Client Money; and
  - (c) claims in respect of any shortfall in Client Assets or Client Monies.
- 1.30 The FSCS is responsible for determining eligibility for compensation. When compensation is paid to a Client, the FSCS automatically stands in the shoes of such Client in relation to any relevant claims which the Client has against the Company (for which the Client has been compensated by the FSCS).



1.31 There are two categories of individual affected by the Company's Special Administration who will be eligible for FSCS compensation:

(a) **Individuals who are direct clients of the Company**

Such clients are called "**FSCS Protected Claimants**" in the Distribution Plan. It is currently believed that there are a total of 52 FSCS Protected Claimants;

(b) **Individuals who are Scheme Members** – i.e. the members or beneficiaries of the SIPPs or other pension schemes, where the Scheme Claimant is the direct client of the Company, as explained at paragraph 1.23 above.

These members or beneficiaries are called "**FSCS Protected Scheme Members**" in the Distribution Plan. It is currently considered that there are a total of 2,102 FSCS Protected Scheme Members, with four remaining Scheme Members who are not eligible for FSCS compensation. These four Scheme Members are represented by one Scheme Claimant.

1.32 In relation to FSCS Protected Scheme Members, the FSCS has confirmed that they will receive compensation in relation to their Client Assets and/or Client Money held with the Company, provided that they otherwise meet the FSCS eligibility criteria (i.e. notwithstanding that such individuals are not direct clients of the Company).

1.33 Most Clients have already received compensation from the FSCS in relation to their Client Money claims.

#### **What about tax wrappers and capital gains tax?**

1.34 As stated at the outset of this Explanatory Statement, nothing within it or the Distribution Plan is intended to constitute legal, tax, financial or other professional advice given to Clients and Clients will need to take advice from their own professional advisers before they take any action or issue any instruction in connection with the Distribution Plan, particularly in relation to tax issues.

#### **What has happened in order to be able to implement the Distribution Plan?**

1.35 A significant amount of work has had to be done by the Administrators since their appointment to get to the stage where they can implement the Distribution Plan. It has included, for example:

- (a) analysing and reconciling the accounts of over 2,175 Claimants or Scheme Members, comprised of over 10,700 stock-lines, as well as Client Money balances;
- (b) reconciling post-pooling receipts arising from Client Assets held;
- (c) seeking to establish contact with Clients listed in the Company's books and records;
- (d) reviewing claims submitted by Clients following the Soft Bar Date and updating their reconciliations by reference to those claims;
- (e) engaging with custodians and depositories to gain control of the Client Assets and Client Money held for Clients;
- (f) formulating a plan and engaging with custodians to arrange the return of Client Assets;
- (g) providing data to the FSCS to ensure that compensation can be paid to FSCS Protected Claimants and FSCS Protected Scheme Members;

- (h) working with the FSCS to agree a process by which Costs can be borne by the FSCS directly and automatically, rather than by eligible Clients who would subsequently be compensated by the FSCS;
- (i) taking in excess of 4,000 calls and responding to over 1,000 emails from Clients;
- (j) drafting the Distribution Plan and associated documents, such as this Explanatory Statement, in consultation with the Creditors' Committee, the FCA and the FSCS; and
- (k) developing a parallel strategy for returning Client Money to Clients.

## 2 WHAT DOES THE DISTRIBUTION PLAN DO AND WHEN CAN ASSETS BE RETURNED?

2.1 The Distribution Plan has been prepared by the Administrators to return Client Assets held by the Company as soon as reasonably possible. Its key provisions set out:

- (a) how the Administrators plan to return Client Assets held by the Company as at 17 May 2017, as well as any Corporate Actions Assets received by the Company after that date; and
- (b) how the costs of this process are to be met. The costs and expenses of the Special Administration to be paid out of Client Assets are defined in the Distribution Plan as the "**Costs**".

2.2 The Distribution Plan sets out two ways in which Client Assets (including relevant Corporate Actions Assets) will be distributed:

- (a) Electronically Held Securities will be moved to another custodian to hold such Client Assets in an account in the Client's name, such custodian being nominated by the Client; and
- (b) Physically Held Client Assets (i.e. represented by the OWG bond certificates) can be sent directly to the relevant Client, or, where a Client also holds Electronically Held Securities, can be sent to the custodian receiving such assets. The Administrators consider that the only Physically Held Client Assets are the bonds issued by OWG.

2.3 If and once the Distribution Plan is approved by the Court, the Administrators will be in a position to commence the distribution of Client Assets as soon as reasonably practicable after that date.

2.4 A **precondition** to making a Distribution to Clients is that they must have completed a "**Claimant Options Form**", which is being sent to Clients at the same time as this Explanatory Statement is made available.

2.5 The Claimant Options Form, in summary:

- (a) requires Clients to nominate a custodian to receive their Electronically Held Securities and/or provide recipient details for their Physically Held Client Assets and/or their Corporate Actions Assets, as above; and
- (b) if they are not an FSCS Protected Claimant or a Scheme Claimant representing solely FSCS Protected Scheme Members, requires Clients to select one of three mechanisms by which their share of the Costs can be paid. This is addressed in Section 5 below.

- 2.6 The Administrators are entitled to apply in future to set what is called a "**Hard Bar Date**". If a Hard Bar Date is set, its effect, in summary, is to entitle the Administrators to sell any Client Assets which have not been claimed by Clients as at the Hard Bar Date and transfer the proceeds to the Company's bank accounts for the benefit of the Company and all its creditors. As a result, the Administrators will be unable to return these (unclaimed) Client Assets if Late Claims are made by Clients to them. These "Late Claims" will instead be treated as unsecured claims against the Company – although, as the Company is insolvent and has very few assets of its own, it is not currently expected that a dividend will be paid in respect of unsecured claims.
- 2.7 However, given that all but one of the Company's known Clients have to date agreed their claims with the Administrators (and therefore engaged actively with the Administrators), it is hoped that there will be no unclaimed assets at the end of the distribution process, such that the Administrators are unlikely to be in the position of having to impose a Hard Bar Date. In the unlikely event that an application to set a Hard Bar Date is necessary, the Administrators will notify all known Clients. The Distribution Plan provides, in any event, that a Hard Bar Date will not be set earlier than 1 August 2019.
- 2.8 The Distribution Plan also provides for a "**Long Stop Date**":
- (a) this will be two months after the Administrators have sent a notice stating that they have determined, acting reasonably, that they have achieved Objective 1 (i.e. the return of Client Assets) to the extent reasonably practicable. In other words, the Administrators must have taken all reasonably available steps to return Client Assets before the Long Stop Date can occur. The Long Stop Date will not occur before any Hard Bar Date;
  - (b) if, by the Long Stop Date, any Client has not provided the Administrators with the instructions required in the Claimant Options Form and/or has not (if applicable) paid its share of the Costs, the Administrators will be entitled to liquidate any Client Assets not distributed to such Client as a result of such inaction. The net proceeds (if any) will be returned to the Client.
- 2.9 It is therefore important that you complete the Claimant Options Form.

### **3 WHAT ACTIONS DO YOU NEED TO TAKE IN RELATION TO THE DISTRIBUTION PLAN?**

**IMPORTANT NOTE: IF YOU ARE IN ANY DOUBT AS TO THE ACTIONS YOU SHOULD TAKE, YOU SHOULD CONSULT WITH THE ADMINISTRATORS AND/OR YOUR PROFESSIONAL ADVISERS WITHOUT DELAY.**

- 3.1 As explained above, you are encouraged to read and consider the Distribution Plan as well as this Explanatory Statement (in addition to any other information from the Administrators about your Client Assets, whether sent directly or notified via the Website).

#### **The Claim Form**

- 3.2 At the time of issuing this Explanatory Statement, all but one of the Company's known Clients have already completed and agreed a Claim Form. At the time of issuing the Claim Form, and before the expiry of the Soft Bar Date, the Administrators made numerous attempts to try to contact the one remaining Client who has not agreed a Claim Form. They will continue to try to establish contact with this Client.
- 3.3 If you are a member or beneficiary of a SIPP or other pension scheme (i.e. a Scheme Member), you will not have been sent an individual Claim Form. A Claim Form covering the entire Scheme will have been issued to your pension scheme provider or trustee (i.e. Scheme Claimant) to complete on your behalf. If you have any concerns about this position you should contact your pension scheme provider or trustee.

### **The Claimant Options Form – steps to take now**

- 3.4 The Administrators have opted to send you the Claimant Options Form at this time, notwithstanding that the Distribution Plan has not yet been approved by the Court, in order to give you more time to consider the Claimant Options Form. It is also hoped that providing the Claimant Options Form at this time will enable Client Assets to be returned expeditiously if and after the Court approves the Distribution Plan.
- 3.5 The Claimant Options Form you have received, which has been tailored to your specific circumstances, will take the form of one of the four example Claimant Options Forms contained in Schedules 3(a) to 3(d) to the Distribution Plan. The four example forms contained in Schedule 3 represent the different forms that are being sent to:
- (a) Scheme Claimants who represent solely FSCS Protected Scheme Members;
  - (b) Scheme Claimants who do not represent solely FSCS Protected Scheme Members
  - (c) Non-Scheme Claimants who are FSCS Protected Claimants; and
  - (d) Non-Scheme Claimants who are not FSCS Protected Claimants.
- 3.6 On receipt you should complete all of the steps indicated in your Claimant Options Form, as summarised at paragraph 2.5 above, and then return your Claimant Options Form to the Administrators:
- (a) By post: Strand Capital Limited (in special administration) - Claims (RRS), Smith & Williamson LLP, 25 Moorgate, London EC2R 6AY;
  - (b) By email: [strandcapital@smithandwilliamson.com](mailto:strandcapital@smithandwilliamson.com) (please provide scanned documents); or
  - (c) By fax: 020 7131 4019.

### **The Court application**

- 3.7 Once the Creditors' Committee has approved the Distribution Plan, the Administrators are required to apply to the Court for approval of the Distribution Plan. As explained above, the Creditors' Committee approved the Distribution Plan on 28 February 2019.
- 3.8 When applying to the Court for such approval, the Administrators are required to send a copy of the Distribution Plan to all known Clients with a claim to Client Assets (as well as the FCA), and to provide details as to how to find out the venue for the hearing with the copy of the Distribution Plan.
- 3.9 A copy of the Distribution Plan is being made available to you at this time in order to give you additional time to consider it (and, as above, in the hope that it will enable Client Assets to be returned expeditiously in due course). When the Administrators apply to the Court for approval of the Distribution Plan, a further copy will be made available to you which will be accompanied by details as to how to find out the venue for the hearing.
- 4 WHAT IS THE DIFFERENCE BETWEEN ENCUMBERED ASSETS AND UNENCUMBERED ASSETS?**
- 4.1 The Distribution Plan (as required by the Regulations and the Rules) identifies certain Client Assets as "**Unencumbered Assets**" and certain Client Assets as "**Encumbered Assets**".
- 4.2 Unencumbered Assets are listed in Schedule 1 to the Distribution Plan. Encumbered Assets are listed in Schedule 2 to the Distribution Plan.
- 4.3 Based on the information available to the Administrators:

- (a) the Unencumbered Assets are not subject to any Security Interest;
  - (b) in contrast, the Encumbered Assets are considered to be subject to some form of Security Interest, such that any liability owed to the third party "**Security Holder**" would need to be paid in full before those assets can be released from the Security Interest and distributed to Clients.
- 4.4 The Distribution Plan therefore makes specific provision in relation to Encumbered Assets, such that, in summary, no Encumbered Assets may be distributed unless (amongst other things) the Security Interest and any liabilities owed to Security Holders have been discharged.
- 4.5 Based on the Administrators' investigations to date, they are aware of certain Security Interests held by third party custodians (i.e. parties who currently hold Client Assets on behalf of the Company) over certain Client Assets. These Security Interests are identified in Schedule 2 to the Distribution Plan (with the relevant custodian being identified in each case):
- (a) these Security Interests relate to all Client Assets held by the custodians for the Company, as opposed to being specifically referable to an identifiable, specific Client. They are being asserted by the custodians to ensure that they recover the costs incurred in connection with their holding of the Client Assets during the Special Administration and the costs that they anticipate incurring when requested by the Administrators to transfer them upon the distribution of Client Assets;
  - (b) however, in each identified case the known and/or projected costs of settling these (known) Security Interests have **already** been included within the calculation of the total Costs associated with the holding and return of Client Assets;
  - (c) Section 5 below explains how such Costs will be **allocated** between all the Clients but, in summary, it is proposed that these known liabilities arising in connection with the Encumbered Assets will be borne proportionately by **all** clients of the Company as part of the per capita share of Costs they pay (however, as explained in this Explanatory Statement, the practical reality is that only 14 Clients will be personally liable to settle such Costs (and, additionally, one Scheme Claimant may be personally liable in respect of only 4 of its Scheme Members), the remainder being settled by the FSCS);
  - (d) this allocation has been chosen, in part, because if the custodian charges were to be applied only to those Clients who own the Client Assets held by the relevant Security Holder custodian, this would lead to 12 of these non-eligible Clients paying an increased share of the Costs. Such treatment is also consistent with the manner in which the Administrators have allocated the cost of paying other custodian charges which have been claimed by custodians who have not been granted any Security Interest (i.e. which apply to the holding of Unencumbered Assets), which also form part of the overall Costs.
- 4.6 On the basis of the information currently available to the Administrators, it is not anticipated that any Clients with a claim to Encumbered Assets (i.e. identified on Schedule 2) will be required to bear any **additional** payment being charged by the relevant custodian (i.e. any payment beyond that included in their share of Costs).
- 4.7 However, if, in addition to these known liabilities and Security Interests, the Administrators are subsequently notified of additional secured liabilities to third parties and/or Security Interests arising in connection with or over Client Assets, any such amounts will be required to be paid by the relevant Clients having a claim to those Client Assets before the assets can be returned to them.
- 4.8 The Administrators are not currently aware of and do not anticipate any additional third party liabilities and/or Security Interests (beyond those identified in Schedule 2 to the Distribution

Plan) being claimed or asserted. Provisions relating to Encumbered Assets in the Distribution Plan have, however, been included to deal with that situation if it arises.

- 4.9 In addition, the Administrators are not seeking to use the Distribution Plan to recover any amounts owed to the Company by Clients by way of fees for services provided by the Company prior to its administration.

## 5 HOW WILL THE COSTS OF RETURNING CLIENT ASSETS BE MET?

### How are Costs determined and what am I paying for?

- 5.1 Under the Rules, the expenses properly incurred by the Administrators in returning Client Assets may be recovered out of those Client Assets by the Administrators (referred to under the Distribution Plan as the "**Costs**"). These include:

- (a) expenses properly incurred by the Administrators in returning Client Assets as soon as is reasonably practicable, which includes all of the work detailed in paragraphs 1.22 and 1.35;
- (b) any necessary disbursements incurred by the Administrators specific to the objective of returning Client Assets as soon as is reasonably practicable;
- (c) the remuneration or emoluments of any person employed by the Administrators to perform any services for the Company specific to the objective of returning Client Assets as soon as is practicable (including parties such as the Administrators' solicitors who drafted the Distribution Plan); and
- (d) the Administrators' remuneration in respect of the objective of returning Client Assets as soon as is reasonably practicable. The basis of the Administrators' remuneration has been fixed in accordance with the Rules and approved by the Creditors' Committee.

- 5.2 The Distribution Plan is required to set out how the Administrators propose that such Costs are **allocated** between Client Assets, as well as how this might affect the **amount** of Client Assets to be returned to Clients. This therefore requires the Administrators to identify both the amount and proportion of Costs which each Client needs to pay.

- 5.3 The Administrators have set the initial Costs reserve at GBP 3.11 million plus VAT. Of this, the Costs incurred to 15 February 2019 total GBP 1.54 million plus VAT, and the Costs estimated to be incurred after that date are estimated to be approximately GBP 1.55 million plus VAT.

- 5.4 The Administrators consider this to be a prudent estimate of the total Costs to be incurred in completing the return of Client Assets.

### How are Costs allocated between Clients?

- 5.5 The Administrators have a discretion under the Rules as to the method by which such Costs are to be allocated between Clients. In exercising this discretion, they have considered a number of different methodologies to determine which is most appropriate and proportionate for the Distribution Plan.

- 5.6 Based on the known Clients of the Company with a claim to Client Assets, a per capita sum capped at the **lower** of GBP 2,250 (referred to as the "**Cost Threshold**" in the Distribution Plan) **or** the value of a Client's Client Assets (referred to as the "**Costs Allocation Value**" in the Distribution Plan) will be charged.

- 5.7 This will be implemented as follows:

- (a) the 65 individual or corporate direct clients of the Company referred to in paragraph 1.23(a) will each pay the per capita amount stated above, being (as applicable) the Cost Threshold or Costs Allocation Value (referred to in the Distribution Plan as the “**Claimant’s Share of Costs**”); and
  - (b) the 11 Scheme Claimants will be required to pay the aggregate of the above per capita amount in respect of **each** of their Scheme Members (referred to in the Distribution Plan as the “**Scheme Claimant’s Share of Costs**”). For example, where a Scheme Claimant is a SIPP provider acting and managing assets for 50 underlying Scheme Members, the Scheme Claimant’s Share of Costs will be fifty multiples of (as applicable) the Cost Threshold or Costs Allocation Value referable to each such Scheme Member (referred to in the Distribution Plan as each “**Scheme Member’s Share of Costs**”).
- 5.8 There is one limited exception to this which relates to one Scheme Claimant who has previously paid to all of its underlying Scheme Members the full value of their Client Assets. Those Scheme Members are not eligible for FSCS compensation and the Scheme Claimant no longer holds the assets for the Scheme Members. For that reason, this Scheme Claimant’s Share of Costs has been set at one multiple of the Cost Threshold. This Scheme Claimant is referred to in the Distribution Plan as the “**Pre-compensated Scheme Claimant**”.
- 5.9 The above is subject to any adjustments explained at paragraph 5.16 below, resulting in a Costs rebate being paid back to Clients.
- 5.10 Importantly, as explained above, there are two categories of individual who will be eligible for compensation from the FSCS, which will cover the share of Costs applicable to them. These comprise almost all the Company’s Clients:
- (a) 52 FSCS Protected Claimants (being 52 of the 65 direct Clients of the Company referred to in paragraph 5.7(a)); and
  - (b) 2,102 FSCS Protected Scheme Members.
- 5.11 There are only 14 Clients who may not be eligible for FSCS compensation, and who will be required to settle their share of Costs as a precondition to the return of their Client Assets. This includes the Pre-compensated Scheme Claimant.
- 5.12 In addition, there is one other Scheme Claimant where four of its Scheme Members may not receive FSCS compensation, as they have already received the full value of their Client Assets from their Scheme Claimant. This means that this Scheme Claimant will need to settle each of the four Scheme Member’s Share of Costs as a precondition to the return of their Client Assets. However, as explained in paragraph 5.34 below, the Distribution Plan makes specific provision for this Scheme Claimant to release the Company from the obligation to return the Client Assets held in respect of those four Scheme Members, rather than paying each such Scheme Member’s Share of Costs. That is because each such Scheme Member has a Costs Allocation Value which is significantly below the Costs Threshold.

**Why has a per capita basis for allocating the Costs been adopted?**

- 5.13 The Administrators have concluded that, as a matter of principle, it is fair to allocate the Costs on the per capita basis, after having considered a number of alternative methods and discussed this with the FSCS and Creditors’ Committee. The allocation of Costs on this basis has been determined by the Administrators to be fair and appropriate having regard to a number of factors, including:
- (a) the large majority of the Costs cannot be apportioned to specific Clients or Client Assets; rather, they apply to the process in general;

- (b) the Administrators have weighed the advantages and disadvantages of using a valuation basis (i.e. a charge based on the value of Client Assets held by each Client) as against the per capita basis. The specific reasons why the per capita basis has been preferred over a valuation basis include the following:
- (i) primarily, the accrual of such Costs is driven more by the **number** of client accounts than the value of the respective positions held by Clients in their accounts;
  - (ii) as explained above, the practical reality is that the Costs associated with the return of Client Assets will only be borne personally by 14 Clients (and, potentially, one further Scheme Claimant in respect of 4 Scheme Members only) who may not be compensated by the FSCS in respect of their per capita share of Costs. If costs were apportioned on a valuation basis, it is anticipated that those 14 Clients would pay approximately 65% of the aggregate Costs;
  - (iii) the anticipated difficulties, delays and increased costs associated with a valuation basis, due to the likelihood and number of valuation disputes, particularly given the challenges around the valuation of certain Client Asset categories managed by the Company; and
  - (iv) the support of the Creditors' Committee, including the FSCS (who are responsible for settling 99.2% of the Costs based on the per capita basis), for this approach.
- (c) the Administrators also considered using a method which allocated the Costs based on each type of Client Asset. However, following detailed analysis, it was considered that this, in part, because of the reasons referenced in paragraphs (a) and **Error! Reference source not found.**, would result in a similar result to the per capita method, but would require significantly more work to calculate therefore leading to an increase in the Costs.

5.14 In addition, by allocating the Costs based on the number of direct Clients of the Company **and** the Scheme Members (as opposed to simply the number of Scheme Claimants), this has maximised the total number of parties who are contributing to the payment of the Costs, which therefore reduces the overall per capita amount. Further, this means that those who are effectively contributing to the payment of the Costs are the underlying beneficiaries of the Client Assets held by the Company. As outlined in paragraphs 5.10 to 5.11, in nearly all cases these underlying beneficiaries will receive FSCS compensation ensuring that this optimises the chances of them receiving their Client Assets back in full and because the FSCS will settle the Costs directly reduces the possibility of there occurring a delay in Distributions of Client Assets.

5.15 Finally, as the per capita amount is fixed at GBP 2,250 or, where lower, the Cost Allocation Value, this ensures that no party is ever required to settle a share of the Costs which is more than the value of their Client Assets.

#### **Will my share of Costs be adjusted?**

5.16 The share of Costs will not be increased above the Cost Threshold of GBP 2,250; however, it is possible that the share of Costs will be reduced.

5.17 On a six-monthly basis (17 June and 17 December) during the life of the Distribution Plan, the Administrators will determine whether the Cost Threshold, and therefore a Client's share of Costs, needs to be reduced, because of:

- (a) the total amount of the Costs that have been or may be incurred being reduced. This may be because of actual Costs being less than previously estimated and/or a revised estimation of future Costs by the Administrators; and/or



- (b) additional Clients being required to contribute towards the Costs (e.g. because Client Assets that previously could not be returned have become returnable or because additional Clients have been determined to have agreed claims to Client Assets).

5.18 If there is a reduction in the Cost Threshold, the Administrators will notify you and:

- (a) if you, as opposed to the FSCS, have already paid your share of Costs, you will be entitled to a rebate of the difference between the amount paid and the reduced amount due, provided this amount is £50 or more (the “**Costs Reserve Rebate**”). If the FSCS have paid your share of Costs, they will be the party entitled to any rebate. The Administrators will make any payment due in that respect as soon as reasonably practicable; and
- (b) if you have not already paid your Share of Costs, you will only be liable for the reduced amount.

### **How do you pay for your Share of Costs?**

5.19 If you are an FSCS Protected Claimant or FSCS Protected Scheme Member, the FSCS will pay the share of Costs applicable to you (together with any other losses) up to an aggregate limit of GBP 50,000.

5.20 If you are an **FSCS Protected Claimant**, the Claimant Options Form will state that it is considered you are eligible for FSCS compensation and that your share of Costs will automatically be paid by the FSCS (directly to the Administrators).

5.21 If you are a Scheme Claimant, the Claimant Options Form will state whether the Scheme Members you represent are eligible for FSCS compensation (**FSCS Protected Scheme Members**) and, where they are, provides that the share of Costs attributable to the FSCS Protected Scheme Members will automatically be paid by the FSCS (directly to the Administrators).

5.22 If you are **not an FSCS Protected Claimant** or you are a **Scheme Claimant with Scheme Members who are not FSCS Protected Scheme Members**, this will be stated in your Claimant Options Form and your share of Costs (or the part of your share of Costs applicable to the non-protected Scheme Members, subject to paragraph 5.34) will need to be paid before your Client Assets can be returned.

5.23 The Distribution Plan allows you to pay your share of Costs by selecting any of the following “**Costs Options**”) (including a combination of them):

- (a) the “**Cash Option**”, under which you can pay to the Administrators the amounts due in Sterling by cheque (which must clear) or by bank transfer;
- (b) the “**Client Money Option**”, under which you can instruct the Administrators to use part of your “**Client Money Distribution Entitlement**” (if applicable) to cover the amounts due under your share of Costs, provided that you have a positive client money balance; or
- (c) the “**Liquidation Option**”, under which you can instruct the Administrators to sell enough of your Client Assets to pay the amounts due under your share of Costs. If this option results in a cash surplus, that surplus will be returned to you.

5.24 If you have chosen the Cash Option:

- (a) If you wish to pay by cheque, the cheque must be sent to Strand Capital Ltd (in special administration), Smith & Williamson LLP, 25 Moorgate, London EC2R 6AY. The cheque must be received by the Administrators and must clear at least 5

Business Days prior to the date of any Distribution. It must reference your Client Identification Code on the back of the cheque.

- (b) If you wish to pay electronically by bank transfer, transfers should be made to the account detailed in the Claimant Options Form. The reference should include 'SOC' and clearly state your name.
- 5.25 If you are unable to cover your share of Costs by using only one of the Costs Options, then you can choose more than one Costs Option to settle the full amount of your share of Costs. The Administrators will then contact you to discuss the practical implementation of the options.
- 5.26 If you choose the Liquidation Option, you are required to give express instructions as to which Client Assets are to be liquidated and in what quantity in order to discharge your share of Costs. The Administrators will contact you to obtain your instructions, but if the Administrators have attempted and failed to obtain instructions from you following the receipt of your Claimant Options Form, they will have absolute discretion as to the amount and type of your Client Assets to sell, and the time and date on which they sell such assets (subject to being at least 10 Business Days after their failed attempt to obtain instructions from you).

#### **Will your share of Costs be treated as an unsecured debt claim?**

- 5.27 If you are one of the Clients who has paid your share of Costs (or those costs relating to certain of the Scheme Members who you represent), the amount which you have paid will be treated as an ordinary unsecured debt owed to you by the Company.
- 5.28 If you are an FSCS Protected Claimant or FSCS Protected Scheme Member and your share of Costs has been paid by the FSCS, the FSCS will have the benefit of the relevant unsecured claim against the Company.
- 5.29 However, as the Company is insolvent and has very few assets of its own, it is not currently expected that any dividends will be paid in respect of unsecured claims.

#### **What if your Client Assets are worth less than the Cost Threshold of GBP 2,250?**

- 5.30 If you are a **direct Client** of the Company (i.e. not a Scheme Claimant), your Claimant Options Form will set out in the "Your Share of Costs" section, if the Administrators reasonably believe that your Client Assets have a value lower than the Cost Threshold. The Administrators are aware of one Client to whom this applies.
- 5.31 The valuation for these purposes will be based on the closing value of the Securities making up the Client Assets Claim on 16 May 2017 on a recognised stock exchange or, where such Securities are not traded on a recognised stock exchange, the nominal value of those Securities as determined by the Administrators.
- 5.32 If the valuation is less than the Cost Threshold then you will only be required to pay this (lesser) amount in order to settle your share of Costs.
- 5.33 If you are a **Scheme Claimant**, your Claimant Options Form will set out your total Claimant's Share of Costs and a spreadsheet enclosed with the Claimant Options Form will detail how this is attributed to each Scheme Member. Where the Costs Allocation Value of any individual Scheme Member's Client Assets is lower than the Cost Threshold, that Scheme Member's Share of Costs will be limited to the amount of the Scheme Member's Costs Allocation Value.
- 5.34 In the limited circumstance where a Scheme Member:
  - (a) is not an FSCS Protected Scheme Member; **and**

- (b) has a claim to Client Assets where the Costs Allocation Value is lower than the Cost Threshold,

the Scheme Claimant will have the option to release the Company from its obligation to return the Client Assets held for that Scheme Member, instead of paying the Scheme Member's Share of Costs. On the information available to the Administrators, there are only four Scheme Members who fall within this category.

#### **Can I receive a Distribution if I have not paid my share of Costs?**

- 5.35 No, it is a pre-requisite that a Client's share of Costs are settled before Client Assets can be distributed to them.
- 5.36 However, the FSCS will pay the share of Costs directly to the Administrators for the majority of Clients who are eligible to receive FSCS compensation. It is only if you are **not an FSCS Protected Claimant** or you are a **Scheme Claimant with Scheme Members who are not FSCS Protected Members** that arrangements must be made for the payment of your share of Costs.

#### **6 WHAT COULD MAKE THE RETURN OF CLIENT ASSETS DIFFICULT OR DELAYED?**

##### **IMPORTANT NOTE:**

- **THE ADMINISTRATORS CURRENTLY ANTICIPATE THAT A LARGE PROPORTION OF CLIENT ASSETS WILL BE DISTRIBUTED TO CLIENTS SHORTLY FOLLOWING THE COURT APPROVAL OF THE DISTRIBUTION PLAN (IF APPROVED).**
- **SET OUT BELOW ARE EXAMPLES OF CIRCUMSTANCES WHICH COULD DELAY OR IMPEDE THE RETURN OF CERTAIN CLIENT ASSETS, AND FOR WHICH DETAILED PROVISION IS MADE IN THE DISTRIBUTION PLAN (SHOULD THEY ARISE).**
- **HOWEVER, THE ADMINISTRATORS ARE NOT CURRENTLY AWARE THAT ANY OF THESE CIRCUMSTANCES IN FACT EXIST, SUCH THAT IT IS NOT ANTICIPATED THAT THE CORRESPONDING PROVISIONS IN THE DISTRIBUTION PLAN WILL IN PRACTICE BE ENGAGED.**

##### **Assets may be classified as "Non-Returnable"**

- 6.1 The Distribution Plan makes provision for "**Non-Returnable Client Assets**".
- 6.2 Such provisions would be engaged if any Client Assets fall within the following categories (even if there has been an agreed Claim Form in respect of such assets), which cannot be returned to Clients:
- (a) they are not currently under the Administrators' control (e.g. because the Administrators do not hold those Client Assets); and/or
  - (b) any legal or practical reasons which mean that they must be excluded from any Distribution.
- 6.3 The Distribution Plan makes provision enabling a Client to release the Company and the Administrators from the obligation to return assets categorised as non-returnable. On providing such a release, the Client will automatically be deemed to have submitted a proof of debt for an unsecured claim against the Company.
- 6.4 If the assets remain categorised as Non-Returnable Client Assets as at the Long Stop Date, the Administrators will be automatically released from any obligations to return those assets. If this were to arise, the Client with a claim to such assets will automatically be deemed to have submitted a proof of debt for an unsecured claim against the Company. However,

FSCS Protected Claimants or FSCS Protected Scheme Members may wish to contact the FSCS to seek compensation from them directly in respect of the losses incurred as a result.

- 6.5 At the time of issuing this Explanatory Statement, as explained above, the Administrators are not aware of any circumstances which might cause Client Assets to be non-returnable.

**There may be shortfalls in a stock-line of Client Assets held by the Company**

- 6.6 The Distribution Plan makes provision for “**Shortfalls**”.
- 6.7 Such provisions would be engaged if the number of Client Assets in fact held by the Company is less than the Client Assets which the Company has undertaken to hold, resulting in a Shortfall. If a Shortfall were to arise (which is not currently anticipated), the Distribution Plan makes provision for it to be shared across Clients holding the particular stock-line of Client Assets in which it has occurred. The Shortfall would be borne in proportion to the amounts due to such Clients. The value of any such Shortfall will be calculated according to the value of the relevant Client Assets immediately prior to the Company entering Special Administration.
- 6.8 FSCS Protected Claimants and affected FSCS Protected Scheme Members would, in this event, be entitled to claim FSCS compensation in respect of any such Shortfall. The remaining 14 Clients who may not be eligible for FSCS compensation, would automatically be deemed to have submitted a proof of debt for an unsecured claim against the Company in the amount borne by them as a result of the Shortfall.
- 6.9 At the time of issuing this Explanatory Statement, as explained above, the Administrators are not aware of any circumstances giving rise to a Shortfall.

**Assets may be the subject of a restrictive court order or tainted due to association with criminal conduct**

- 6.10 The Distribution Plan makes provision for “**Tainted Client Assets**”.
- 6.11 Such provisions would be engaged if any Client Assets are considered to be tainted due to criminal conduct or become subject to a restrictive court order, such that the Administrators are prevented from dealing with such “Tainted Client Assets”.
- 6.12 If such assets remain categorised as Tainted Client Assets as at the Long Stop Date, the Administrators will be automatically released from any obligations to return those assets.
- 6.13 At the time of issuing this Explanatory Statement, the Administrators have not been notified of any circumstances which would give rise to assets being Tainted Client Assets.

**7 WHAT HAPPENS IF YOU SUBMIT YOUR CLAIM TO ASSETS AFTER A DISTRIBUTION OR TRANSFER HAS TAKEN PLACE?**

- 7.1 The Distribution Plan also makes provision for “**Late Claims**”, which are claims submitted by a Claimant (a “**Late Claimant**”) after a Distribution has taken place.
- 7.2 If a Late Claim is submitted, the Administrators may decide that, had it been submitted before the Soft Bar Date, it would have been accepted and decide to treat it as an agreed claim. In these circumstances:
- (a) if enough of those Client Assets in question are still available to be returned, they will be returned to the Late Claimant (subject to that Client’s compliance with all other requirements of the Distribution Plan);
  - (b) if not enough of those Client Assets are still available to be returned and are not the subject of a competing claim:

- (i) insofar as the assets are still available, they will be returned to the Late Claimant (subject to that Client's compliance with all other requirements of the Distribution Plan); and
- (ii) the Late Claimant will automatically be deemed to have submitted a proof of debt for an unsecured claim against the Company for the value of those Client Assets not returned.

7.3 Importantly, in no circumstances will a Late Claim disrupt those Client Assets that have already been returned, and the Client who has already received such Client Assets will have acquired good title to them as against any Late Claimant. This restriction does not apply where the relevant Client Assets have been returned to a Client by the Administrators in bad faith in which the receiving Client was complicit, or where the receiving Client is later found to have made a false claim to those Client Assets.

## **8 WHAT IS THE PURPOSE OF THE RELEASES IN THE DISTRIBUTION PLAN?**

8.1 The Distribution Plan provides that Clients will not be able to pursue, in summary, any legal claim against the Administrators, their firm and their advisers in connection with the return of their Client Assets, other than for failing to implement the Distribution Plan in accordance with its terms.

8.2 The purpose of this is to ensure that time and costs are not wasted by the Administrators having to deal with claims that they should return Client Assets in a manner not consistent with the Distribution Plan. Specifically, it ensures that the costs of returning Client Assets are minimised, by removing the need for the Administrators to take account of any contingent costs attributable to these claims in determining the Costs associated with the return of Client Assets.

If you require more information in respect of the Distribution Plan or have any queries in respect of the content of this Explanatory Statement, please either:

1. *visit the Website at [www.smithandwilliamson.com/strand-capital-limited](http://www.smithandwilliamson.com/strand-capital-limited); or*
2. *email the Administrators at [strandcapital@smithandwilliamson.com](mailto:strandcapital@smithandwilliamson.com); or*
3. *fax the Administrators on 020 7131 4019.*

**Adam Stephens**

Joint Administrator

Dated: [ ] 2019

*The affairs, business and property of Strand Capital Limited (in special administration) are being managed by the administrators acting as agents of Strand Capital Limited (in special administration) without personal liability.*