

Rule 7.48 Insolvency (England and Wales) Rules 2016

Reference: LQD5671373

Report by the Official Receiver

THE INSOLVENCY ACT 1986

IN THE HIGH COURT OF JUSTICE

003888 of 2019

IN THE MATTER OF

Pledgemusic.com LTD (IN LIQUIDATION)

Company Registered Number: 06712061

VAT Number: Unknown

The Winding up Order was made on 31 July 2019, on the petition of Russell Rieger c/o Kerman & Co presented on 13 June 2019.

This is my report to creditors under Rule 7.48 of the Insolvency (England and Wales) Rules 2016.

Prospect of a dividend payment

There is a debenture secured in favour of Sword Rowe LLC.

The information below in relation to assets and debts indicates that there is little prospect of a dividend payment to creditors.

Any payment made to creditors will depend on the value of the assets realised and the costs of the insolvency proceedings. The Official Receiver's standard costs are attached at Annex A.

Asset Type	Number of Assets/Liabilities	Estimated Realisable Value £
Stocks and Shares	5	0.00
Intellectual Property	1	20,000.00
Total Assets		20,000.00
Total Debts		7,409,719.92
Estimated Deficiency		7,405,502.48

The deficiency above includes issued and paid up capital of £15,782.56.

It is anticipated that creditors' claims will continue to rise.

Asset Notes

The assets are currently an estimation and will only be verified on realisation. My enquiries are ongoing.

Director Details

According to the information held by the Registrar of Companies the directors of the company were:

Name	Appointed	Resigned
Russell Rieger	14 January 2015	
Joshua Sason	17 September 2015	
Donald Jenner	8 June 2017	
Daniel Rowe	8 June 2017	
David Walsh	8 June 2017	
Benji Kip Rogers	1 October 2008	28 February 2-18
Nick Ledbetter	17 June 2016	12 June 2018
Angus David Donaldson	1 June 2011	17 September 2015
Malcolm Dunbar	21 May 2013	17 September 2015
David Hackett	21 May 2013	1 September 2015
William Alan MacIntosh	21 May 2013	16 July 2014
James Rutherford	29 July 2015	17 September 2015

About this Company

The company was incorporated on 1 October 2008.

The last registered office was at 22 Endell Street, London, WC2H 9AD.

Mr Rogers, the company founder and original CEO states that the company Pledgemusic.com Limited ("Pledge") was formed in 2009 to act as a crowdfunding platform for smaller artists to help them to secure funding for projects by fans offering pledges. An artist would be signed by Pledge, agreeing to pay the company 15% commission and agreeing milestones for the payment of funds. Once agreed, the artist would then wait for pledges to be received. Mr Rogers stated that once the agreed milestone had been reached, and it had to be over 100% to allow an overage for any payment declines, then the artist would receive 75% of the pledges, less commission due to the company. Once the digital album had been delivered, the artist received 25% again, less commission and then once the artist had confirmed that everything had been completed/shipped, they would receive the overage.

Towards the end of 2014, an investor was brought on board who invested £5 million and as part of this investment, a new financial officer was appointed who according to Mr Rogers wanted to attract more established, already signed artists rather than focus on the smaller unsigned artists. As a result, Mr Rogers resigned as CEO but remained on the board. According to Mr Rogers, between approximately January-August 2015, expenditure for the company increased- more staff were employed, the company moved to bigger offices and Pledge started to move away from Mr Rogers'

idea of the company being a more automated platform which would allow for a reduction in the commission charged.

Around September 2015 further investors were brought in, including the original investor from incorporation and Mr Rogers was asked to return as CEO. Mr Rogers states that he agreed to act as an interim CEO to try to improve the company's financial position until a new CEO was found. At this time, the shareholders formed a new board.

Mr Rogers states that he was CEO for approximately 8 months and then the chief strategy officer until February 2017 and during this time, he reduced the overheads of the company and increased sales. He worked on a pivot plan to turn things round so that the company could focus on becoming more automated but this was generally not accepted by the board and he resigned as chief strategy officer. Mr Rogers remained on the board until February 2018 following a disagreement with the board concerning its business plan for Pledge.

Following his resignation, Mr Rogers states that he was contacted by several artists who were owed pledge payments. He states that to try and help he tried to meet with the board but this did not happen until January 2019, several months later. Mr Rogers states that whilst he was in discussions with the board about implementing his pivot plan, a blog article was released about an artist not receiving payment. As a result of this, Mr Rogers suggested that the company release a statement announcing the pivot plan and explaining that all future funds would be held in an escrow account and a repayment plan would be arranged with existing artists. However this did not proceed and Mr Rogers then concentrated on trying to help Pledge secure a buyer.

The more recent members of the board have been interviewed, including Daniel Rowe, Russell Rieger, Donald Jenner and David Walsh who have confirmed Mr Rogers' statement. They have also stated that they were not involved in the day to day running of the company and the company continued to operate as previously. They have stated that legal advice had been sought which indicated that pledge monies were not trust monies.

The company obtained further investment in February 2019 secured by a charge over the company's assets.

Accounts show:

Year ended	Turnover £	Gross Profit £	Directors remuneration £	Net Loss £
31.12.2016	2,085,620	2,008,074	Nil	3,678,171
31.12.2015	1,449,641	1,329,773	Nil	4,401,876

The board members attribute the insolvency of the company to the commission charged being insufficient to meet its expenditure

Enquiries into the company's affairs and reasons for its failure are continuing.

Managing the Liquidation

This office is dealing with the Company. As Official Receiver, I am the liquidator of the company responsible for realising any assets and distributing any funds to creditors.

Investigating the cause of the insolvency

As Official Receiver, I continue to be responsible for investigating the cause of the insolvency, including any business dealings and affairs, and reporting on the conduct of the directors. If you have any information that may assist me in these duties please send to the address below.

Possible breaches of the insolvency legislation may be reported directly to me or by using the Insolvency Service's 24 hour hotline on 0300 678 0017.

Keeping you informed

I do not anticipate that I will need to contact you again because there is unlikely to be a payment to creditors in this case. If that changes I will contact you.

Further information about insolvency procedures is available at <https://gov.uk/insolvency-service>.

21 October 2019

**S Rose
Official Receiver
London**

**PO Box16658
Birmingham
B2 2HA**

Annex A

Statement of Fees

(for Winding-Up Orders made on petitions lodged on or after 21st July 2016).

Fee Rate	Fee
Company administration fee	£5,000
General fee charged on all cases	£6,000
Liquidator Fee ¹	15%

1. The liquidator fee is an uncapped realisation fee that will only be charged when the Official Receiver realises assets as liquidator. It is not charged if a liquidator other than the Official Receiver realises assets.
2. In addition to the above fees, insolvency estate related direct costs will be charged against the estate.
3. If the Official Receiver, as liquidator, issues a dividend payment to creditors there will be an additional fee. This is currently

1—10 creditors £366.00

11—20 creditors £452.40

21—30 creditors £573.60

> 31 creditors £660.00.

4. Advertisements for dividend payments are not covered by the administration fee and are also charged to the estate.
5. Creditors may wish to note that if a liquidator other than the official receiver is appointed their approved professional fees and any costs and disbursements they incur will additionally need to be met from the insolvent estate.

