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Joint Administrators' progress  
report for the period 23 September  
2015 to 22 March 2016

***Storm Funding Limited  
(in administration)***

22 April 2016

High Court of Justice, Chancery Division,  
Companies Court

Case 8210 of 2008

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# Contents

<i>Section 1</i>	<i>Abbreviations and definitions</i>	<i>2</i>
<i>Section 2</i>	<i>Purpose of the Administrators' progress report</i>	<i>3</i>
<i>Section 3</i>	<i>Administrators' actions to date</i>	<i>4</i>
<i>Section 4</i>	<i>Statutory and other information</i>	<i>6</i>
<i>Section 5</i>	<i>Financial information</i>	<i>7</i>
<i>Section 6</i>	<i>Receipts and payments account</i>	<i>9</i>
<i>Section 7</i>	<i>Expenses</i>	<i>10</i>
<i>Section 8</i>	<i>Remuneration and Other Matters</i>	<i>11</i>

# Section 1 Abbreviations and definitions

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

Abbreviation or Definition	Meaning
“Acenden”	Acenden Limited (formerly known as Capstone Mortgage Services Limited)
“Administrators”	DY Schwarzmann, AV Lomas, SA Pearson and JG Parr
“Administration”	Storm’s administration
“Bankhaus”	Lehman Brothers Bankhaus AG
“Court”	The High Court of Justice
“Firm”	PricewaterhouseCoopers LLP
“Group”	Lehman Brothers UK Group
“HMRC”	HM Revenue and Customs
“IMA”	Investment Management Agreement
“IA86”	Insolvency Act 1986
“IR86”	Insolvency Rules 1986
“LBHI”	Lehman Brothers Holdings Inc.
“LBIE”	Lehman Brothers International (Europe) (in administration)
“LBL”	Lehman Brothers Limited (in administration)
“Mable”	Mable Commercial Funding Limited (in administration)
“Mortgage Assets”	Mortgage loans originating from the loan that Storm provided to a Lehman group company
“Period”	The six months from 23 September 2015 to 22 March 2016
“PML”	Preferred Mortgages Limited
“Proposals”	The Administrators’ statement of proposals for achieving the purpose of the Administration, dated 12 November 2008
“Repo Claim”	A claim arising from a repo/reverse repo arrangement
“SAO”	Senior Accounting Officer
“Shortfall Claim”	The Storm claim against LBIE arising from a shortfall in the number of securities held in the Lehman depository accounts
“SIP 9”	Statement of Insolvency Practice No.9
“SPML”	Southern Pacific Mortgages Limited
“Storm” or “the Company”	Storm Funding Limited (in administration)
“unsecured creditors”	Creditors who are neither secured nor preferential
“VAT”	Value Added Tax

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## **Section 2 Purpose of the Administrators' progress report**

### **Introduction**

This is the 15<sup>th</sup> progress report by the Administrators of the Company.

Creditors should have received the Proposals which were approved at a meeting of creditors held on 27 November 2008 and the Administrators' 14 previous progress reports. If any creditor requires copies of the Proposals or these reports, these are available on the Administrators' website [www.pwc.co.uk/business-recovery/administrations/lehman/storm-funding-limited-in-administration.jhtml](http://www.pwc.co.uk/business-recovery/administrations/lehman/storm-funding-limited-in-administration.jhtml). Alternatively, please contact Nigel Rackham at PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.

This report provides an update on the work the Administrators have undertaken and the progress made since our appointment with particular focus on the progress made in the Period.

### **Business activities**

Storm is a wholly-owned subsidiary of Mable.

Storm principally held residential and commercial mortgage-backed securities issued by special purpose vehicles and also provided financing across the Group.

Storm utilised employees from LBL and operated from the Group's former premises at 25 Bank Street, London, E14 5LE.

### **Objectives of the Administration**

The Administrators are pursuing the objective of achieving a better result for Storm's creditors as a whole than would be likely if Storm were wound up (without first being in administration).

The specific aims of this Administration are to:

- Protect and manage Storm's portfolios of assets; and
- Realise these assets, principally mortgage-backed securities, on a managed basis.

### **Creditors' committee**

A creditors' committee has not been formed.

### **Outcome for creditors**


On 24 June 2013 the Court made an order pursuant to paragraph 65(3) of Schedule B1 of the IA86 granting permission for the Administrators to make distributions to unsecured creditors.

To date, the Administrators have paid six dividends totalling 37.6 pence in the pound on admitted claims. This takes the cumulative distributions to £824m.

A Notice of Intended Dividend in respect of a seventh interim distribution was issued on 5 April 2016. The deadline to lodge proof of debt forms for inclusion in this distribution has been set for 26 April 2016. The Administrators expect to pay a dividend no later than 26 June 2016.

### **Future reports**

The Administrators will report to creditors in approximately six months' time.

Signed: 

D Y Schwarzmenn  
Joint Administrator  
Storm Funding Limited

*DY Schwarzmenn, AV Lomas, SA Pearson, and J G Parr were appointed as Joint Administrators of Storm Funding Limited to manage Storm's affairs, business and property as agents without personal liability.*

*DY Schwarzmenn, AV Lomas, SA Pearson and JG Parr are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.*

*DY Schwarzmenn, AV Lomas, SA Pearson, and JG Parr are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration.*

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

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## ***Section 3 Administrators' actions to date***

### ***Progress to date***

The key outstanding matters and developments in the Period are described below.

#### **Securities held in Lehman depository accounts**

As reported previously, the Administrators have filed an affiliate asset claim against LBIE in respect of its securities held in the Lehman depository accounts.

The Administrators also entered into an IMA with LBIE to market and realise these securities on behalf of Storm.

Securities of \$1.1m have been realised in the Period. The aggregate cumulative recovery, including funds from corporate actions and interest, is £280.3m (GBP equivalent at 22 March 2016 exchange rates). The majority of the securities have now been realised and no further material recoveries are anticipated.

Finally, as part of the recovery exercise it was discovered that a number of securities were no longer held in the depository accounts and as a result a Shortfall Claim was also submitted to LBIE.

#### **Inter-company debtors - LBIE**

In addition to the Shortfall Claim, Storm also has a Repo Claim against LBIE. Both the Shortfall Claim and the Repo Claim were agreed with LBIE in March 2014. After offsetting a small intercompany balance owed to LBIE, the net claim amounts to £158m. This claim was agreed on the basis that Storm waives its entitlement to statutory interest accrued before 31 August 2012. Storm has now received 100 pence in the pound for its claim and the Administrators anticipate further distributions of statutory interest. The timing and quantum of future distributions remain uncertain.

#### **Inter-company debtors – US affiliates**

As mentioned in previous reports Storm's total claim against the various Lehman US affiliates were agreed pursuant to the Joint Chapter 11 Plan dated December 2011 at \$1.1bn in August 2011. Storm

sold its largest US affiliate claim to a third party, leaving a total claim of \$335.7m. The Company has received \$7.4m in the Period from its US affiliate claims. A further distribution of \$1.6m was received on 31 March 2016. The timing and quantum of future distributions remain uncertain.

#### **Inter-company debtors – UK loans**

As reported previously Storm provided a loan to an entity in the Group which was used to originate the Mortgage Assets. The Mortgage Assets were pledged as security against the loan and were being held and run-off by Acenden.

The Administrators have received loan interest and principal sums totalling £68.3m, of which £0.86m was received in the Period. On 28 January 2016 the Administrators made a demand for the outstanding loan repayment. Storm received £39.4m as repayment in full of all outstanding principal and interest in respect of this loan on 31 March 2016.

Pre-administration Storm had made loans to two Lehman mortgage servicers, SPML and PML, of £50.1m and £16.8m respectively. These were repaid in full on 29 July 2015 with interest accrued on these loans of £2.6m and £0.9m being repaid in the Period.

#### **Acenden sale**

In 2010 Storm purchased Acenden from another entity in the Group. An element of the purchase price was deferred consideration due to the vendor on Storm realising value from its shareholding in Acenden.

The sale of Storm's shareholding in Acenden was completed on 6 January 2015, following a competitive sale process. The sale was conditional on regulatory approval which was received on 3 June 2015. Under the terms of the sale, Storm is unable to disclose details of the final consideration agreed with the buyer for its shareholding in Acenden.

As previously reported, the recovery, net of the deferred consideration paid to the vendor was £14m. This sale also involved an element of deferred consideration payable on 3 June 2020, which the Administrators' team will monitor.

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However, this is subject to conditions and any recovery is therefore uncertain.

Storm is also entitled to deferred consideration in respect of a call option held by Acenden under a securitised loan portfolio. In the Period, Storm received proceeds of £0.4m of which £0.1m is due to the vendor. Future payments will be made on a half-yearly basis but the quantum of these is uncertain.

### **Claims agreement**

Storm has received 14 claims from unsecured creditors, mainly Lehman affiliates, totalling £3.2bn. The two largest agreed claims are from Bankhaus and Mable, of £1.8bn and £366m respectively. Eight other claims have also been admitted for dividend and three claims have been withdrawn. In respect of the one remaining claim received for £208m, as previously reported, £6m had been partially admitted. This is a complex claim and the Administrators continue to adjudicate the balance.

### **Taxation**

All Corporation Tax returns up to the year ended 22 September 2012 have been agreed by HMRC. The Corporation Tax returns for the years ended 22 September 2013 and 2014 have been submitted to HMRC but are yet to be agreed. The return for 2014 shows losses which may be carried forward to shelter future trading profit. The Corporation Tax return for the year ended 22 September 2015 is currently being drafted.

To date, VAT, totalling £2.5m has been repaid to Storm including £0.2m in the Period in relation to VAT repayments for the quarters ended November 2014, May 2015 and August 2015. VAT repayments of £68k for the 28 February 2015 and 30 November 2015 VAT returns have been received by the VAT group representative member and will be distributed to Storm shortly.

### **Investigations and actions**

Nothing has come to the Administrators' attention during the Period to suggest that they need to do any more work in accordance with their duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

### **Future strategy**

The Administrators will continue to:

- Adjudicate the balance of the remaining claim and any further claims received from unsecured creditors; and
- Make further payments to creditors as funds permit.

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## Section 4 Statutory and other information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8210 of 2008.
<i>Full name:</i>	Storm Funding Limited.
<i>Trading name:</i>	Storm Funding Limited.
<i>Registered number:</i>	2682306.
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ.
<i>Date of the Administration appointment:</i>	23 September 2008.
<i>Administrators' names and addresses:</i>	DY Schwarzmann, AV Lomas, SA Pearson and JG Parr of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.
<i>Appointer's name and address:</i>	High Court of Justice, Chancery Division, Companies Court on the application of the directors, Level 23, 25 Canada Square, London E14 5LQ, United Kingdom.
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for Storm's creditors as a whole than would be likely if Storm were wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	In relation to Paragraph 100(2) of Schedule B1 of the IA1986, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Administrators may be done by any or one or more of the persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	<p>The Court has granted three successive extensions to the Administration period being to 30 November 2010, 30 November 2011 and, more recently, to 30 November 2016.</p> <p>The Administrators will be requesting a further four year extension of the Administration.</p>

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## ***Section 5 Financial information***

### ***Administrators' remuneration***

The manner in which administrators' remuneration is determined and approved is set out in IR86 2.106 to 2.109.

In accordance with the Proposals, as a creditors' committee was not formed, it is for creditors to agree the level of the Administrators' remuneration and Category 2 disbursements.

At a meeting held by correspondence on 20 September 2010, creditors who voted unanimously approved a resolution authorising the Administrators to draw remuneration on the basis of their time costs, together with Category 2 disbursements and VAT from 1 July 2010 onwards from time to time.

In accordance with the resolution, the Administrators can draw remuneration 21 days after circulating details to creditors.

On 31 March 2016, the fee analysis for the period from 1 July to 31 December 2015 was circulated to creditors. On the assumption that no objections are received, £0.53m (including VAT) representing the Administrators' remuneration, based on time costs incurred in the period from 1 July 2015 to 31 December 2015, will be drawn on or after 21 April 2016.

This will bring the total amount of Administrators' remuneration drawn to date to £21m (including VAT).

### ***SIP 9***

In addition to the IR86, SIP 9, issued by the Joint Insolvency Committee, provides guidance to insolvency practitioners in relation to the disclosure of payments to insolvency office holders and their associates.

The purpose of SIP 9 is to set out the principles and key compliance standards with which insolvency practitioners are required to comply with regard to the provision of information to creditors and other interested parties who have a financial interest in the level of office holders' remuneration,

disbursements and expenses paid from an insolvent estate.

In accordance with SIP 9, which was revised with effect from 1 December 2015, section 7 of this report shows a summary of the work undertaken by the Administrators in the Period and, to the extent that it is not prejudicial to the interests of the Company, the expected future work the Administrators are to carry out to achieve the purpose of the Administration.

### ***Relationships***

The Administrators have no business or personal relationships with the parties who approve the basis of their fees or who provide services to the Administration where the relationship could give rise to a conflict of interest.

### ***Disbursements***

The Administrators are not required to seek approval to draw expenses or disbursements unless they are for shared or allocated services provided by their own Firm, including room hire, document storage, photocopying or communication facilities. These types of expenses are called "Category 2" disbursements and they must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same parties which approves their fees.

The Administrators' expenses policy allows for all properly incurred expenses to be recharged to the Administration.

No Category 2 disbursements were incurred in the Period.

### ***Creditors' rights***

Creditors have the right to challenge the Administrators' remuneration and expenses if they think that they are excessive. For "A creditors' guide to administrators' fees" (in accordance with SIP9) see:

<http://www.icaew.com/~media/corporate/files/technical/insolvency/creditors%20guides/a%20creditors%20guide%20to%20administrators%20fees%20010407.ashx>



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## ***Receipts and payments account***

An account of the receipts and payments in the Administration for the Period and the cumulative total since commencement of the Administration is set out in Section 6 of this report.

The significant receipts in the Period are:

- £6.5m of intercompany debtor recoveries largely comprising:
  - \$7.4 m in respect of dividends on intercompany debts from US affiliates; and
  - \$1.1m in respect of securities subject to the IMA
- £3.4m interest in respect of SPML and PML loans; and
- £0.2m in respect of VAT refunds.

The significant payment in the Period is:

- £0.6m in office holders' remuneration.

Total cash held as at 22 March 2016 was £99.7m (GBP equivalent).

## ***The Administrators' expenses***

In accordance with revised SIP9, which took effect on 1 December 2015, a statement of all expenses incurred in the Period is required, irrespective of when the Administration commenced and irrespective of whether the expenses have been invoiced or paid. The term "expenses" is not limited to the office holders' disbursements.

Accordingly, set out in Section 7 of this report is a statement of the expenses that the Administrators have incurred in the six months to 29 February 2016, together with a comment on future expenses.

## ***Subcontracted work***

Storm has contracted out tax services to the Lehman finance team whose current employer is LBIE. This work has been subcontracted because it is more cost efficient than if the Administrators were to do it themselves.

## ***Legal firms***

The Administrators have instructed Linklaters LLP to act as their legal advisors in the Period because of their prior knowledge of Storm. Linklaters LLP is remunerated on a time-cost basis.

All third-party professionals are required to submit a detailed time-cost analysis and narrative in support of all invoices rendered.

## Section 6 Receipts and payments account

	As at 22 March 2016			As at 22 March 2016 TOTAL GBP equivalent £	Movements from 22 September 2015 to 22 March 2016 (GBP equivalent) £	As at 22 September 2015 (GBP equivalent) RESTATED at 22 March 2016 exchange rate £	As at 22 September 2015 (GBP equivalent) £
RECEIPTS	GBP (£)	EUR (€)	USD (\$)				
	000's	000's	000's	000's	000's	000's	000's
Principal and interest on mortgage assets (note)	68,383	51,190	-	108,808	(415)	109,223	105,921
Acenden net proceeds (note)	27,333	-	-	27,333	(2,438)	29,771	29,771
Income from investments	5,379	400	76	5,749	3,542	2,207	2,178
Corporation Tax repayments	23,296	-	-	23,296	-	23,296	23,296
VAT	2,492	-	-	2,492	236	2,256	2,256
Legal Fees	10	-	-	10	10	-	-
Other income (note)	400	1,513	-	1,594	400	1,194	1,097
Intercompany debtors	225,632	-	474,111	559,122	6,455	552,667	528,259
PML and SPML legal costs recovered	172	-	-	172	-	172	172
Foreign currency conversions	580,334	-	-	580,334	5,771	574,563	574,563
Trust asset recoveries	21,919	35,654	327,260	280,269	761	279,508	260,149
<b>Receipts grand totals</b>	<b>955,350</b>	<b>88,757</b>	<b>801,447</b>	<b>1,589,179</b>	<b>14,322</b>	<b>1,574,857</b>	<b>1,527,662</b>
<b>PAYMENTS</b>							
Building and occupancy costs	675	-	-	675	13	662	662
Payroll and employee costs	5,356	-	-	5,356	40	5,316	5,316
Acenden share repurchase	50	-	-	50	-	50	50
Asset management company expenses	80	-	-	80	-	80	80
Legal fees	4,380	-	5	4,383	42	4,341	4,341
Insurance fees	7	-	-	7	-	7	7
Administrators' remuneration	20,489	-	-	20,489	602	19,887	19,887
Administrators' disbursements	40	-	-	40	-	40	40
Other professional fees	496	-	-	496	-	496	496
Foreign currency conversions	-	88,490	798,947	631,860	6,144	625,716	578,680
Trust asset fees	137	267	2,454	2,074	5	2,069	1,924
Distributions to unsecured creditors	823,979	-	-	823,979	-	823,979	823,979
<b>Payments grand totals</b>	<b>855,689</b>	<b>88,757</b>	<b>801,406</b>	<b>1,489,489</b>	<b>6,846</b>	<b>1,482,643</b>	<b>1,435,462</b>
<b>NET POSITION</b>	<b>99,661</b>	<b>-</b>	<b>41</b>	<b>99,690</b>	<b>7,476</b>	<b>92,214</b>	<b>92,200</b>
<b>CASH BALANCES</b>							
HSEC	15,592	-	41	15,620	-	-	-
Money markets	84,069	-	-	84,070	-	-	-
<b>Total cash</b>	<b>99,661</b>	<b>-</b>	<b>41</b>	<b>99,690</b>	<b>-</b>	<b>-</b>	<b>-</b>

Exchange rate as at 22 September 2015

EURO €1 : GBP 0.7252  
USD \$1 : GBP 0.6511

Exchange rate as at 22 March 2016

EURO €1 : GBP 0.7897  
USD \$1 : GBP 0.7034

Amounts include VAT where applicable

**Note:** A reclassification exercise has been undertaken for all historical receipts and payments. Consequently movements have occurred between a number of categories.

## Section 7 Expenses

The following table provides details of the Administrators' expenses. Expenses are amounts payable by the Administrators from the estate and includes the Administrators' fees but excludes distributions to creditors. This statement excludes any potential tax liabilities that may be payable as expenses of the Administration in due course because amounts due will depend on the position at the end of the tax accounting period.

The table should be read in conjunction with the receipts and payments account at Section 6, which shows expenses actually paid during the Period and the total paid to date.

	Brought forward from preceding periods £'000	Incurred in the period under review £'000	Cumulative £'000	Accrued £'000	Estimated future £'000	Anticipated total £'000
Legal fees	4,341	42	4,383	55	500	<b>4,938</b>
Payroll and employee costs	5,316	40	5,356	2	60	<b>5,418</b>
Building and occupancy costs	662	13	675	11	0	<b>686</b>
Administrators' remuneration	19,887	602	20,489	750	3,400	<b>24,639</b>
Administrators' disbursements	40	0	40	0	5	<b>45</b>
Trust asset fees	2,069	5	2,074	5	20	<b>2,099</b>
Other professional fees	496	0	496	2	50	<b>548</b>
<b>Total</b>	<b>32,811</b>	<b>702</b>	<b>33,513</b>	<b>825</b>	<b>4,035</b>	<b>38,373</b>

## Section 8 Remuneration and other matters

### Administrators' time costs for the period 1 September 2015 to 29 February 2016

Classification of work	Partner		Director		Senior Manager		Manager		Senior Associate		Associate		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	-	-	1.5	1,028	5.1	2,636	40.4	18,583	140.8	39,806	18.8	4,425	206.5	66,478
Central services	-	-	0.4	87	0.3	11	0.3	122	6.4	1,731	-	-	7.4	1,951
Creditor claims	-	-	35.4	24,249	-	-	22.2	9,857	58.4	15,826	-	-	116.0	49,932
Realisation of Acenden related proceeds	-	-	45.5	31,099	-	-	13.9	6,172	21.8	5,881	-	-	81.2	43,151
Realisation of other assets	-	-	27.7	18,976	-	-	95.2	42,269	89.9	24,364	-	-	212.8	85,608
Statutory and compliance	2.1	1,888	1.3	891	0.8	422	37.3	16,560	100.1	27,127	10.7	2,525	152.3	49,414
Strategy and planning	-	-	11.3	7,741	-	-	91.9	40,805	182.0	49,322	7.1	1,663	292.3	99,531
Tax and VAT	7.7	8,478	17.0	16,607	23.2	17,793	34.3	19,080	55.0	15,584	33.3	6,657	170.5	84,200
<b>Total for six months ended 29 February 2016</b>	<b>9.8</b>	<b>10,366</b>	<b>140.1</b>	<b>100,678</b>	<b>29.4</b>	<b>20,862</b>	<b>335.5</b>	<b>153,448</b>	<b>654.3</b>	<b>179,641</b>	<b>69.9</b>	<b>15,270</b>	<b>1,238.9</b>	<b>480,265</b>
<b>Average hourly rate for the six month period</b>		<b>1,058</b>		<b>719</b>		<b>710</b>		<b>457</b>		<b>275</b>		<b>219</b>		<b>388</b>
<b>Cumulative total to 29 February 2016</b>													<b>43,056.9</b>	<b>17,880,865</b>

Current charge out rates	Business Recovery Services	Specialist	The Administrators' remuneration in respect of Storm is based on time costs by virtue of the resolutions approved by creditors on 21 May 2010 and 20 September 2010.
	Max £/hr	Max £/hr	
Grade	From 1 July 2015	From 1 July 2015	Specialist departments within the Firm, such as Tax, VAT and Valuations charge time costs at a higher rate, should we require their expert advice. Their rates do vary, however the figures shown give an indication of the maximum rates per hour.
Partner	899	1,262	
Director	788	1,108	Per the agreement with LBIE's creditors' committee, the LBIE administrators' charge-out rates were held unchanged from 1 July 2013 to 30 June 2015. An increase of 3% in charge-out rates is effective from 1 July 2015 to 30 June 2017, and in line with other Group affiliates controlled by the Firms' office holders, this approach is also used for Storm.
Senior manager	527	932	
Manager	444	680	
Senior Associate	371	505	
Associate/Support Staff	236	235	

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## *Summary of the Administrators' time costs for the six months ended 29 February 2016*

### **Accounting and treasury - £66,478**

Work was undertaken for statutory reporting, monitoring investment rates and counterparty risk and the daily monitoring and coding of receipts and payments in order to mitigate risks and maximise interest on investments. Interest of £209k was earned during the Period for the benefit of the Company's creditors:

- Monitoring of credit limits and counterparty credit ratings, credit default swap prices and market capitalisation;
- Investing surplus cash in money market deposits according to the agreed investment policy;
- Reconciling bank accounts for the purpose of controls and statutory reporting;
- Preparing and reviewing the receipts and payments reports, authorising all payments and reviewing and managing cashflow; and
- Actively managing an average of £99.1m of funds.

### **Central services - £1,951**

The following activities were undertaken by the central services team to ensure all administrative requirements were completed on time in order to avoid any unnecessary future costs and meet statutory requirements:

- Conducting monthly payroll cost review/reconciliation between the administration system records and operation unit records;
- Administering the cost recharge agreement and issuing charges, including prefunding obtained ahead of payroll expenditure; and
- Controlling and reporting time costs incurred for the provision of shared services.

### **Creditor claims - £49,932**

All claims need to be agreed before final distribution of funds can be made to all creditors. If the claim is rejected, funds being reserved can be distributed for the benefit of all creditors:

- Having regular updates to respond to questions raised by the largest creditor, Bankhaus, and other creditors regarding progress; and
- Continuing to review a complex claim in order to adjudicate the balance, which has been reserved for at its submitted value of £202m. This has included reviewing pre-administration documentation and correspondence with the creditor, with a view to agreeing the claim.

### **Realisation of Acenden related proceeds - £43,151**

The following activities were undertaken to maximise future recoveries for creditors related to the sale of Acenden:

- Ongoing discussions with entities in the Group in respect of the reimbursement of AMS Decision Advisors LLP's costs incurred by Storm;
- Reviewing and authorising the legal costs in respect of a regulatory issue post the completion of the sale of Acenden;
- Continuing to monitor the impact that the regulatory issue has on Acenden and the deferred consideration expected;
- Discussions with Acenden's management in respect of issues affecting potential deferred consideration; and

- Discussions with VAT specialist to determine the quantum and timing of Storm's receipt of a VAT refund relating to Acenden.

### **Realisation of other assets - £85,608**

Work undertaken is to maximise recovery of monies and reduce longer term risk. Recoveries for the benefit of the creditors totalled £4.3m and \$8.7m:

- Ensuring all distributions from admitted claims are received;
- Pursuing and obtaining the repayment of interest on the warehouse funding lines from SPML and PML of £2.6m and £0.9m respectively;
- Investigating the feasibility of obtaining an accelerated repayment of the mortgage loan balance including detailed review of the underlying documentation; and
- Recovering \$1.1m (equivalent of £0.8m in the receipts and payment account) from the securities held pursuant to the IMA with LBIE. Arranging the transfer of one security and commencing the process to transfer another two securities from the LBIE depot into Storm's custody to minimise future handling costs.

### **Statutory and compliance - £49,414**

The following tasks were undertaken in accordance with the Administrators' statutory obligations or other internal compliance requirements:

- Preparing and circulating the 14th progress report detailing work undertaken including updating the receipts and payment statement;
- Circulation of and billing for payment for the time-cost report covering 1 January to 31 July 2015 fees;
- Reviewing the detailed monthly fee analysis provided by the central Lehman team to ensure that time is properly recorded;
- Ensuring Administrators' statutory obligations are discharged;
- Ensuring compliance with all other statutory and governance issues;
- Preparing a budget for future Administration costs;
- Updating compliance database and the Firm internal databases; and
- Deregistration of Storm as data controller under the Data Protection Act.

### **Strategy and planning - £99,531**

As detailed below, time was spent ensuring the Administration was being progressed in an efficient manner and for the benefit of its stakeholders:

- Setting and agreeing the strategy for the estate – regular team meetings, liaising with other Lehman teams;
- Preparing detailed updates for the Administrators to review strategy and key issues;
- Reviewing and authorising legal and other third party billings;
- Reviewing and authorising monthly payroll recharge of Lehman staff;
- Analysing and reviewing any costs recharged to Storm in relation to rent and other central Lehman services;
- Analysing and reviewing any costs recharged to Storm;
- Regular update of the estimated outcome statement; and
- Updating Storm's webpage with progress made.

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## **Tax and VAT - £84,200**

The following tasks were undertaken in accordance with tax compliance including submission of VAT returns. During the period, VAT refunds totalling £243k were received by Storm for the benefit of creditors. Work was also required to adhere to the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards:

- Ongoing review of tax controls within the Lehman group to ensure compliance with SAO legislation and submission of FY14 SAO certificate and notification;
- Regular communication with HMRC for outstanding VAT repayments including the capped claim of Acenden now distributable to Storm;
- Dealing with Acenden separation queries following their removal from the VAT group post sale;
- Review and submission of the 2014 Corporation Tax computation;
- Calculation and discussion of tax provisions required to be held for dividend purposes;
- Preparing the quarterly VAT returns;
- VAT reconciliations for the returns submitted in 2012, 2013 and 2014;
- Providing analysis of the tax implications of various potential exit routes from Administration including entering a creditors' voluntary liquidation; and
- Negotiating a new service agreement with LBIE for the provision of tax services.

## *Administrators' estimated future time costs*

At this time, and based on a timescale for completing the Administration in line with the current proposed extension, the Administrators estimate that future work will cost £3.4m (including VAT) with future work expected to comprise, but not be limited to the following:

- Accounting and treasury functions including those outlined in the summary above;
- Processing of the seventh interim dividend distribution in 2016;
- Distribution of future available funds to creditors with admitted claims;
- Adjudication of the one remaining complex claim;
- Transfer remaining securities managed in the IMA from LBIE to Storm;
- Ensuring repayment of the mortgage loan;
- Monitoring and collecting funds resulting from, and in relation, to the sale of Acenden;
- Preparing and distributing six monthly progress reports, fee packs and other statutory and compliance functions;
- Applying to Court for an extension of the Administration; and
- Tax and VAT compliance including preparing tax computations and returns and seeking final tax clearance prior to close.



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