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

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

21 October 2016

High Court of Justice, Chancery Division,
Companies Court

Case 8210 of 2008

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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
“CURL”	Consumer Unsecured Reperforming Loans PLC
“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 March 2016 to 22 September 2016
“PF5”	Preferred Funding 5 Limited
“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

Section 2 Purpose of the Administrators' progress report

Introduction

This is the 16th 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' 15 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.html. 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 to IA86 granting permission for the Administrators to make distributions to unsecured creditors.

As outlined in this report, the Administrators have now paid eight dividends totalling 40.6 pence in the pound on admitted claims. This takes the cumulative distributions to £949.5m.

The timing and quantum of future dividends are dependent on further asset recoveries, which are presently uncertain.

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 its affairs, business and property as agents without personal liability.

The Joint Administrators are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

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

The Joint Administrators 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.

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 \$0.1m have been realised in the Period. The aggregate cumulative recovery, including funds from corporate actions and interest, is £302.5m (GBP equivalent at 22 September 2016 exchange rates) There has been a £22m reported uplift in the cumulative recoveries total as a result of exchange rate movements.

All recoverable securities have now been realised or disposed of. As outlined in earlier reports, the Administrators discovered that a number of securities were no longer held in the depository accounts and as a result a Shortfall Claim was submitted to LBIE.

Inter-company debtors - LBIE

In addition to the Shortfall Claim, Storm 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 has waived its entitlement to statutory interest accrued before 31 August 2012. Storm has received 100 pence in the pound on the principal amount of its claim and the Administrators anticipate further distributions of statutory interest. LBIE has also agreed a currency conversion claim, although the value of this is still to be confirmed. The timing and quantum of future distributions remain uncertain.

Inter-company debtors – US affiliates

Storm's total claims against the various Lehman US affiliates were agreed pursuant to the Joint Chapter 11 Plan dated December 2011 at \$1.1bn. In August 2014 Storm sold its largest US affiliate claim to a third party, leaving a total claim of \$335.7m.

During the Period the Company has received \$3.7m from its US affiliate claims. A further distribution of \$4.1m was received outside the Period on 6 October 2016. The timing and quantum of future distributions remain uncertain.

Inter-company debtors – UK loans

As reported previously Storm provided a loan to PF5, 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.

On 31 March 2016 Storm received £39.4m as repayment in full of all outstanding principal and interest amounts under the loan. Realisations from this asset are therefore now complete.

Acenden sale

In 2010 Storm purchased Acenden from another Group entity. 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, details of the final consideration agreed with the buyer are confidential.

Storm recovered £14m after payment of deferred consideration to the Group entity under the original acquisition. The sale of Storm's shares in Acenden provides for the payment of deferred consideration on 3 June 2020, provided that certain preconditions are met. The Administrators' team will monitor the position in this regard.

Storm is also entitled to deferred consideration in respect of the CURL asset held by Acenden. In the Period, Storm received net proceeds of £3k. A

further c.£54k was received after the Period. Future payments will be made on a quarterly basis but the amounts are 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. Creditors will recall that there was one remaining claim for £208m, which was complex and which the Administrators were seeking to adjudicate upon. During the Period, the Administrators completed their work and on 14 July 2016, they formally admitted the claim for dividend at £147m.

Distributions

As advised in the Administrators' previous report, notice of intended dividend in respect of a seventh distribution was issued on 5 April 2016. The seventh interim dividend of 2.0 pence in the pound was declared on 27 May 2016 and on 21 July 2016 an eighth dividend of 1.0 pence in the pound was declared.

Taxation

All Corporation Tax returns up to the year ended 22 September 2013 have been agreed by HMRC. HMRC's response to the Corporation Tax return for the year ended 22 September 2014 is still awaited. The return for 2014 shows losses which may be carried forward to shelter future trading profits. The Corporation Tax return for the year ended 22 September 2015 is currently being drafted.

To date, VAT totalling £2.6m has been repaid to Storm including £69k in the Period in relation to VAT repayments for the quarters ended November 2015 and February 2016. A VAT repayment of £57k for the May 2016 return has 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:

- Realise value from the remaining assets; and
- Make further payments to creditors as funds permit.

Term of office

The Administration is due to end on 30 November 2016. The Administrators are making an application to Court to extend their term of office by a further six years.

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>	7 More London Riverside, London SE1 2RT.
<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.
<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>	The Court has granted three successive extensions to the Administration period being to 30 November 2010, 30 November 2011 and 30 November 2016.

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 this basis, the Administrators' remuneration (including VAT) during the Period is as follows:

Time cost period	Date when details sent to creditors	Fees £m	Date paid
01/07 - 31/12/2015	31/03/2016	0.53	27/04/2016
01/01 - 30/06/2016	16/08/2016	0.53	09/09/2016
01/07 - 31/08/2016	23/09/2016	0.12	20/10/2016

Payment of remuneration for the Period 1 July to 31 August 2016 brings the total amount of Administrators' remuneration drawn to £22m (including VAT).

SIP 9

In addition to 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 8 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.

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs, statutory advertising and insolvency office holders' insurance.

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. Category 1 disbursements totalling £86 were incurred in the Period.

Creditors' rights

Creditors have the right to ask for information and challenge the Administrators' remuneration if they think that it is too high. 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>

A copy, free of charge, can be obtained from the Administrators.

Receipts and payments account

An account of the receipts and payments for the Period and the cumulative total since commencement of the Administration is set out in Section 6. As advised earlier in the Administration, all of the Company's assets are uncharged, there being no secured creditors.

The significant receipts in the Period are:

- £39.4m from PF5 as an accelerated repayment of the loan;
- £2.8m of intercompany debtor recoveries largely comprising:
 - \$3.7 m in respect of dividends on intercompany debts from US affiliates; and
 - \$0.1m in respect of securities subject to the IMA; and
- £2.3m recovery of historic payroll costs, from SPML and PF5.

The principal payments in the Period are:

- £1.1m (VAT inclusive) in office holders' remuneration; and
- £125.6m in dividends to creditors

Total cash held as at 22 September 2016 was £17.6m (GBP equivalent).

The receipts and payments account does not show estimated to realise values from the directors' statement of affairs as this would not provide a meaningful comparison with actual asset recoveries. Given the nature of the Company's assets and ongoing realisations, the Administrators

are not in a position to provide an estimate of the final outcome for creditors.

The Administrators' expenses

In accordance with revised SIP 9, 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 incurred between 1 March and 22 September 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. The Administrators have satisfied themselves that the level of legal and professional costs is appropriate.

Section 6 Receipts and payments account

Storm Funding Limited

	As at 22 September 2016			As at 22 September 2016 TOTAL GBP equivalent	from 23 March 2016 to 22 September 2016 (GBP equivalent)	22 March 2016 (GBP equivalent) RESTATED at 22 September	As at 22 March 2016 (GBP equivalent)
	GBP (£)	EUR (€)	USD (\$)	£	£	£	£
RECEIPTS	000's	000's	000's	000's	000's	000's	000's
Principal and interest on mortgage assets	107,757	51,190	-	151,699	39,375	112,324	108,808
Acenden net proceeds	27,336	-	-	27,336	3	27,333	27,333
Income from investments	5,601	400	76	6,003	222	5,781	5,749
Corporation Tax repayments	23,296	-	-	23,296	-	23,296	23,296
VAT	2,561	-	-	2,561	69	2,492	2,492
Other income	400	1,513	-	1,698	-	1,698	1,594
Intercompany debtors	225,632	-	477,795	590,524	2,814	587,710	559,122
PML and SPML legal costs recovered	172	-	-	172	-	172	172
Foreign currency conversions	582,975	-	-	582,975	2,641	580,334	580,334
Trust asset recoveries	21,919	35,654	327,352	302,524	71	302,453	280,269
Receipts grand totals	997,649	88,757	805,223	1,688,788	45,195	1,643,593	1,589,169
PAYMENTS							
Building and occupancy costs	685	-	-	685	10	675	675
Payroll and employee costs	3,096	-	-	3,096	(2,260)	5,356	5,356
Acenden share repurchase	50	-	-	50	-	50	50
Asset management company expenses	80	-	-	80	-	80	80
Legal fees	4,407	-	5	4,412	39	4,373	4,373
Insurance fees	7	-	-	7	-	7	7
Administrators' remuneration	21,541	-	-	21,541	1,052	20,489	20,489
Administrators' disbursements	40	-	-	40	-	40	40
Other professional fees	505	-	-	505	9	496	496
Foreign currency conversions	-	88,490	802,763	689,029	2,913	686,116	631,860
Trust asset fees	137	267	2,455	2,242	2	2,240	2,074
Distributions to unsecured creditors	949,546	-	-	949,546	125,567	823,979	823,979
Payments grand totals	980,094	88,757	805,223	1,671,233	127,332	1,543,901	1,489,479
NET POSITION	17,555	-	-	17,555	(82,137)	99,692	99,690
CASH BALANCES							
HSBC	554	-	-	554			
Money markets	17,001	-	-	17,001			
Total cash	17,555	-	-	17,555			
Exchange rate as at 22 March 2016							
EURO €1 : GBP	0.7897						
USD \$1 : GBP	0.7034						
Exchange rate as at 22 September 2016							
EURO €1 : GBP	0.8584						
USD \$1 : GBP	0.7637						
Amounts include VAT where applicable							

Section 7 Expenses

The following table provides details of the Administrators' expenses. Expenses are amounts payable by the Administrators from the estate and include the Administrators' fees but exclude 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 each 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. Where appropriate, expenses are shown inclusive of VAT.

	Brought forward from preceding periods £'000	Incurred in the period 1 March to 22 September 2016 £'000	Cumulative £'000	Accrued £'000	Estimated future £'000	Anticipated total £'000
Legal fees	4,383	54	4,437	3	498	4,938
Payroll and employee costs	5,356	*(2,260)	3,096	0	0	3,096
Building and occupancy costs	675	11	686	0	0	686
Administrators' remuneration	20,489	1,052	21,541	151	2,947	24,639
Administrators' disbursements	40	0	40	0	5	45
Trust asset fees	2,074	**2	2,076	0	0	2,076
Other professional fees	496	11	507	2	124	633
Total	33,513	(1,130)	32,383	156	3,574	36,113

*Recovery of historic payroll costs.

**Reported solely as a result of exchange rate movements.

Section 8 Remuneration and other matters

Storm Funding Limited - in Administration

Joint Administrators' time costs for the period 1 March 2016 to 31 August 2016

Classification of work	Partner		Director		Senior Manager		Manager		Senior Associate		Associate		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	1.0	899	0.3	206	0.6	266	37.6	16,547	115.2	32,681	18.5	4,366	173.2	54,964
Creditor Claims	2.0	1,650	24.7	16,920	0.2	105	62.9	28,372	24.3	6,585	10.9	2,572	125.0	56,204
Loan Portfolio	-	-	12.4	8,391	-	-	0.3	133	5.7	1,545	-	-	18.4	10,069
Realisation of Assets	-	-	5.3	3,596	-	-	27.9	12,388	10.5	2,805	-	-	43.6	18,789
Statutory and Compliance	3.8	3,194	4.9	3,357	8.8	4,638	88.1	39,094	170.3	45,671	13.6	3,210	289.4	99,163
Strategy and Planning	1.4	1,259	13.9	9,522	-	-	59.2	26,256	52.7	14,268	10.6	2,490	137.7	53,794
Tax and VAT	11.8	12,992	6.6	6,436	23.3	19,390	22.6	12,475	14.1	4,446	11.4	2,039	89.7	57,778
Total for six months ended 31 August 2016	20.0	19,994	68.1	48,427	32.9	24,399	298.5	135,266	392.7	108,000	64.9	14,677	877.0	350,762
Average hourly rate for the six month period		1,000		712		743		453		275		226		400
Cumulative total to 31 August 2016													43,933.9	18,231,627*

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 PricewaterhouseCoopers LLP, such as Tax, VAT and Valuations charge time costs at a higher rate, should we require their expert advice.
Partner	899	1,262	
Director	788	1,108	Their rates do vary, however, the figures shown give an indication of the maximum rate per hour.
Senior manager	527	932	
Manager	444	680	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 UK affiliates controlled by PwC office holders, this approach is also used for Storm.
Senior Associate	371	505	
Associate/Support Staff	236	235	

* This figure does not include VAT

Summary of the Administrators' time costs for the period 1 March to 31 August 2016

Accounting and treasury - £54,964

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 c.£245k was accrued 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 £100m of funds.

Creditor claims - £56,204

All claims have now been admitted:

- Corresponding with creditors to confirm bank details to enable dividend payments to be made electronically;
- Undertaking the appropriate steps and notices in relation to the seventh and eighth interim dividends totalling £71.2m which were paid on 2 July and 9 August 2016 to unsecured creditors;
- Finalising and executing a Settlement Deed to admit a claim from a Lehman entity; and
- Arranging a catch up payment for previous dividends of 39.6 pence in the pound to that creditor.

Realisation of assets - £28,858

Work undertaken is to maximise recovery of monies and reduce longer term risk. Recoveries for the benefit of the creditors totalled £39.4m and \$3.7m:

- Ensuring all distributions from admitted claims are received;
- Finalising the accelerated repayment of the £39.4m outstanding PF5 loan balance;
- Monitoring the receipt of \$3.7m of distributions from Lehman Brothers Special Financing Inc, LBHI and Lehman Commercial Paper Inc;
- Receiving and reconciling recoveries made from the securities held pursuant to the Investment Management Agreement with LBIE. Recovering a total of £0.1 m during the Period. All securities have now been realised or disposed of;
- Ongoing discussions with entities in the Group in respect of the reimbursement of AMS Decision Advisors LLP's costs incurred by Storm, £2.26m received in the Period;
- Continuing to monitor the impact that the regulatory matters have on Acenden and the deferred consideration expected; and
- Discussions with Acenden's management in respect of the CURL securitised loan portfolio recoveries and the timing of Storm's receipt of its allocation of these proceeds. Net proceeds of £3k were received in the Period.

Statutory and compliance - £99,163

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

- Preparation, circulation and billing for payment for the time-cost reports covering the period; 1 July to 31 December 2015 and 1 January to 30 June 2016;
- Reviewing the detailed monthly fee analysis to ensure that time is properly recorded;
- Ensuring Administrators' statutory obligations are discharged;
- Ensuring compliance with all other statutory and governance issues;
- Updating compliance database and the Firm's internal databases;
- Preparing and finalising the 15th progress report detailing work to date and complying with the additional requirements of revised SIP 9;
- Meetings and training regarding the new time reporting systems and processes; and
- Planning for preparation of the application to extend the Administration period including reviewing and updating the witness statement.

Strategy and planning - £53,794

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;
- Analysing and reviewing any costs recharged to Storm;
- Regular monitoring of the estimated outcome from remaining assets; and
- Updating Storm's webpage with progress made.

Tax and VAT - £57,778

The following tasks were undertaken in accordance with tax compliance. During the period, VAT refunds totalling £69k were received by Storm for the benefit of creditors:

- Ongoing review of tax controls to ensure compliance with SAO legislation;
- Regular communication with HMRC for outstanding VAT repayments including the capped claim of Acenden now distributable to Storm;
- Calculation and discussion of tax provisions required to be held for dividend purposes;
- Preparing and submitting the quarterly VAT returns;
- VAT reconciliations for the returns submitted in 2015;
- Providing analysis of the tax implications of various potential exit routes from Administration including entering a creditors' voluntary liquidation;
- Ongoing work in respect of the tax implications of potential foreign exchange credits arising in Storm;
- Tax implications of cessation of trade and treatment of post cessation income;
- Other tax advice in relation to guarantee payments and statutory interest;
- Ongoing work in respect of UK and US Fair and Accurate Credit Transactions Act and Common Reporting Standards including liaison with PwC tax specialists and the Lehman tax team; and
- Work was also required to adhere to the UK and US Foreign Account Tax Compliance Act

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 £2.9m and is expected to comprise, but not be limited to the following:

- Accounting and treasury functions including those outlined in the summary above;
- Maximising realisations from remaining assets;
- Distributing future available funds to creditors with admitted claims;
- 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;
- Tax and VAT compliance including preparing tax computations and returns and seeking final tax clearance prior to closure; and
- Tax planning after the post consultation impact of the changes to tax loss relief introduced by this year's budget is known.

Please refer to the table in Section 8 'Remuneration and other matters' which gives an indication of estimated run rates in the main areas.



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