



IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS IN BIRMINGHAM
INSOLVENCY AND COMPANIES LIST (ChD)

IN THE MATTER OF LENDY LTD (IN ADMINISTRATION)
IN THE MATTER OF SAVING STREAM SECURITY HOLDING LIMITED (IN ADMINISTRATION)
AND IN THE MATTER OF THE INSOLVENCY ACT 1986

CR-2019-BHM-000443

BEFORE: HIS HONOUR JUDGE RAWLINGS (SITTING AS A HIGH COURT JUDGE)

DATED: 20 JULY 2023

B E T W E E N:

(1) Damian Webb, Phillip Rodney Sykes and Mark John Wilson
(as joint administrators of Lendy Ltd (in administration))

(2) Damian Webb, Phillip Rodney Sykes and Mark John Wilson
(as joint administrators of Saving Stream Security Holding Limited (in administration))
Applicants

—and—

(1) Lisa Taylor
(as a representative respondent on behalf of the Model 2 Investors and Model 2 Transferees)

(2) Christine Mary Laverty, Helen Julia Dale and Patrick O’Sullivan
(as joint conflict administrators of Saving Stream Security Holding Limited (in administration))
Respondents

ORDER

UPON THE APPLICATION of the Applicants for directions under paragraph 63 of Schedule B1 to the Insolvency Act 1986

AND UPON THE COURT ADOPTING the defined terms set out in Schedule 1 to this Order

AND UPON THE COURT HANDING DOWN the Judgment

AND UPON THE COURT MAKING the August 2021 Order which provided answers to the questions set out in the Final List of Issues annexed to that Order

AND UPON THE COURT READING a letter from the Applicants’ solicitors dated 27 May 2021 (with attachments) and then making the Order dated 2 June 2021, which postponed determination of the Deferred Issues, being as follows:

Issue 10: Third Party Claims

“Do the [M2 Investors] and/or [M2 Transferees] hold proprietary rights to the proceeds of any claims by Lendy against third parties relating to [M2 Loans], such that those proceeds do not form part of Lendy’s general estate?”

Issue 15: Unsecured Claims

“Do the [M2 Investors] and/or [M2 Transferees] (in their capacity as such) have any unsecured provable claims against Lendy?”

Issue 16: Administrators’ Costs

“How should the Administrators’ proper [remuneration] and expenses in relation to administering, enforcing and recovering [M2 Loan] be met if:

- (a) the [M2 Investors] and/or [M2 Transferees] hold proprietary rights to any or all of the particular assets listed in issues 9 or 10, or both;*
- (b) the Administrators are not entitled to an equitable allowance; and*
- (c) the Administrators’ proper costs and expenses in dealing with and distributing the [M2 Investors’] and/or [M2 Transferees’] property cannot be met from Lendy’s general estate.”*

AND UPON THE COURT HOLDING in the Judgment that SSSHL had surrendered to the Court its discretion to decide how to apply the M2 Estate

AND UPON THE COURT READING the Eighth Witness Statement of Damian Webb dated 20 April 2023 (including Exhibit DW8), and the Ninth Witness Statement of Damian Webb dated 11 July 2023 (including Exhibit DW9)

AND THE COURT HEARING Matthew Weaver KC, Leading Counsel for the Applicants, Carmine Conte, Counsel for the First Respondent, and the Second Respondents neither attending nor being represent

IT IS DECLARED AND ORDERED THAT:

ISSUE 10: THIRD PARTY CLAIMS

1. It is declared that all the benefit of an M2 Third Party Claim belongs to the M2 Lenders who participated in the M2 Loan to which the claim relates.

ISSUE 15: UNSECURED CLAIMS

2. It is directed that the Administrators may depart from the relevant provisions of the Act and the Rules concerning proof of debts and the admission unsecured provable claims insofar as those regimes would otherwise apply to M2 Lenders, by applying the provisions of the Unsecured Claims Protocol contained in Schedule 2.
3. To avoid any doubt, nothing in this Order shall otherwise affect the rights of Lendy's unsecured creditors.

ISSUE 16: ADMINISTRATORS' COSTS

4. It is declared that the Administrators are entitled to recover from the M2 Estate the Costs that they have properly incurred in relation to administering, enforcing and recovering all M2 Loans.
5. Schedules 3 to 10 contain a regime, which the Parties have agreed, by which the Administrators will recover from the M2 Estate the Costs that they have incurred, and will incur, in relation to administering, enforcing and recovering all M2 Loans. It is declared that the Administrators are entitled to enter into an agreement with the First Respondent, in her representative capacity, containing the terms set out in Schedules 3 to 10.

LEGAL COSTS

6. The Administrators' legal costs of and associated with considering the Deferred Issues, including their costs of agreeing the terms of this Order, shall be paid as an expense of the General Estate.
7. The First Respondent's legal costs of and associated with the following matters shall be paid as an expense of the General Estate:
 - 7.1. considering the Deferred Issues, including the First Respondent's costs of agreeing to the terms of this Order;
 - 7.2. drafting a plain English summary of the matters contained in this Order for the purpose of the First Respondent emailing that summary to the Lendy Action Group; and
 - 7.3. preparing for and attending a meeting with the candidates standing for M2 Committee election, in order to advise the candidates about any relevant aspects of this Order.

RELATED MATTERS

8. Nothing in this Order shall affect the rights of any lender to institute a Classification Claim. However, if a Classification Claim is made and succeeds:
 - 8.1. it is declared that:
 - (a) the Administrators are entitled to recover from the M2 Estate any Costs that they have properly incurred in relation to administering, enforcing and recovering the relevant M2 Loan; and
 - (b) paragraph 5 above applies to the same; and
 - 8.2. any Costs that the Administrators incur in relation to defending the Classification Claim will not be classified as M2 Costs, but will be determined by the Court that decides that claim.

OTHER MATTERS

9. In interpreting this Order or any of the Schedules to this Order:

- 9.1. if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
 - 9.2. the words ‘including’, ‘for example’, ‘such as’ or other similar expressions (in any form) are not to be interpreted as words of limitation;
 - 9.3. a reference to any gender includes all other genders; and
 - 9.4. the word ‘shall’ will be interpreted as importing an obligation to act in the way stated, and not a discretion as to whether or not to act in the way stated (or at all).
10. The Parties may agree in writing to:
- 10.1. extend any time period set out in this Order or any Schedule to this Order for a total period of up to 28 days without reference to the Court, provided that this does not affect the date given for any hearing; and
 - 10.2. make non-substantive amendments to any provision in any Schedules to this Order without reference to the Court, provided that the substance of the relevant provision is not affected.
11. Each party has liberty to apply on notice to the other parties to vary this Order.
12. The Administrators shall serve a copy of this Order on each of the other parties.
13. The Administrators are directed to consider whether paragraph 2 above and the consequential treatment of the unsecured claims of Model 2 Lenders, being different to the way in which all other unsecured creditors stand to be treated pursuant to the Rules, is unfair to Model 1 Investors and those who have taken any assignment of any M1 Loan. If the Administrators consider that it is fair, they are to explain the basis of their view to the unsecured creditors of Lendy. If they do not consider that it is fair, they are to apply to the Court for appropriate directions and they have liberty to do so within this application.

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SCHEDULE 1—DEFINED TERMS

Defined Term	Meaning
Act	Insolvency Act 1986
Administration Date	24 May 2019
Administrators	The Joint Administrators of Lendy and SSSHL; the Applicants
Amended Costs	The quantum of any Costs that: (1) the Independent Expert determines are properly payable to the Administrators following a Costs Referral; or (2) the Court determines are properly payable to the Administrators following a Costs Challenge
Amended Reviewed Schedule	A Reviewed Schedule that an Independent Expert has reviewed and amended
Amended Reviewed Waterfall	A Reviewed Waterfall that an Independent Expert has reviewed and amended
Appointment Date	The date that the Parties appoint an Independent Expert
August 2021 Order	The Order of HHJ Rawlings (sitting as a High Court Judge) made on 12 August 2021 in the Directions Applications
Borrower	A company or individual who entered an M2 Loan to borrow money
Classification Claim	A claim in which one or more lenders allege (among other things) that the Administrators have incorrectly classified the loan in which they invested as an M1 Loan when it is in fact an M2 Loan
Combined Costs	Combined Remuneration and Combined Expenses together

Defined Term	Meaning
Combined Costs Initial Share	The Combined Remuneration Initial Share and the Combined Expenses Initial Share together
Combined Costs Periodic Share	The Combined Remuneration Periodic Share and the Combined Expenses Periodic Share together
Combined Expenses	Expenses incurred which did not clearly relate to a specific M2 Loan or specific M1 Loan, but related to both the M2 Estate and the General Estate
Combined Expenses Initial Share	The meaning given to the term by paragraph 37.1(a)(iii) of Schedule 5 (Initial Costs Protocol)
Combined Expenses Periodic Share	The meaning given to the term by paragraph 45(a)(iii) of Schedule 6 (Periodic Costs Protocol)
Combined Remuneration	Remuneration payable for work performed which did not clearly relate to a specific M2 Loan or specific M1 Loan, but related to both the M2 Estate and the General Estate
Combined Remuneration Initial Share	The meaning given to the term by paragraph 37.1(a)(ii) of Schedule 5 (Initial Costs Protocol)
Combined Remuneration Periodic Share	The meaning given to the term by paragraph 45(a)(ii) of Schedule 6 (Periodic Costs Protocol)
Constitution Date	The date the M2 Committee is constituted
Costs	Remuneration and Expenses

Defined Term	Meaning
Costs Challenge	A Court application filed by the Administrators or the M2 Committee regarding an Independent Expert's determination of the issue(s) raised in a Costs Referral
Costs Protocols	The Initial Costs Protocol and the Periodic Costs Protocol together
Costs Referral	A referral of disputed issues concerning the M2 Costs to the Independent Expert for him or her to determine in accordance with Schedule 10 (Dispute Resolution Protocol)
Costs Referral Requirement Date	The date upon which the Administrators become obliged under this Order to make a Costs Referral
Decision Maker	Either: (1) the M2 Committee; (2) an Independent Expert; or (3) a Court
Deferred Issues	The issues which the Court deferred in the Order dated 2 June 2021 made in the Directions Applications, being: (1) Issue 10: Third Party Claims; (2) Issue 15: Unsecured Claims; and (3) Issue 16: Administrators' Costs
Direct Costs	Third party costs incurred in realising an asset held as security for an M2 Loan (including the fees of agents or solicitors retained, or officeholders appointed, to assist with selling the secured asset) which are deducted before any monies are transferred to the Administrators' client account
Direct M2 Loan Proceeds	The total sum recovered in respect of an M2 Loan in the Initial Period by way of repayment or realisations after enforcing any security, but excluding any M2 Third Party Claim proceeds recovered
Directions Applications	The directions applications filed by the Administrators in CR-2019-BHM-000443 and CR-2019-BHM-000444
Disallowed Costs	Costs which: (1) the Administrators have sought to be paid from the General Estate; and (2) Mazars have determined are not properly payable from the General Estate in their Report dated 8 February 2021

Defined Term	Meaning
Dispute Notice	A written notice which the M2 Committee sends to the Administrators setting out a brief description of the dispute concerning the Administrators' provision of information, and the M2 Committee's position in respect of the dispute
Dispute Notice Date	The date of any Dispute Notice
Draft Costs Referral Notice	The meaning given to the term by paragraph 10 of Schedule 10 (Dispute Resolution Protocol)
Expenses	Liabilities the Administrators have incurred on or after the Administration Date in relation to the M2 Estate which, if the General Estate included the M2 Estate, would fall within Rule 3.50(1) and would be payable from the General Estate
FCA	The Financial Conduct Authority
Final Costs Referral Notice	The final version of a Draft Costs Referral Notice the content of, and attachments to, which document either the Parties have agreed or the Independent Expert has determined
General Estate	The legal and equitable rights comprising Lendy's estate
Gross M2 Loan Proceeds	The total of: (1) all sums realised by or remitted to the Administrators in respect of an M2 Loan in the Initial Period by way of repayment or realisations after enforcing any security; and (2) any M2 Third Party Claim proceeds recovered by or remitted to the Administrators in the Initial Period
Gross Total Retention	The meaning given to the term by paragraph 4.1(a) of Schedule 9 (Retention Distribution Protocol)
Guarantor	An individual or entity who guaranteed a Borrower's obligation pursuant to an M2 Loan

Defined Term	Meaning
Independent Expert	A suitably qualified expert appointed to determine the issues raised in a Referral in accordance with paragraphs 5-9 or 38-41 of Schedule 10 (Dispute Resolution Protocol)
Information Challenge	A Court application filed by the Administrators or the M2 Committee regarding an Independent Expert's determination of the dispute outlined in an Information Referral
Information Referral	A referral of a dispute regarding the Administrators' provision of information to the Independent Expert for him or her to determine in accordance with Schedule 10 (Dispute Resolution Protocol)
Information Referral Requirement Date	The date upon which the Administrators become obliged under this Order to make an Information Referral
Initial Costs Protocol	The protocol regarding the quantification, classification, allocation, approval and payment of M2 Specific Costs, M2 General Costs and Combined Costs for the Initial Period set out in Schedule 5 (Initial Costs Protocol)
Initial Period	The period from and including the Administration Date up to and including the Order Date
Interim M2 Loan Proceeds	The total sum: (1) recovered in respect of an M2 Loan in the Initial Period by way of repayment or realisations after enforcing any security (but excluding any M2 Third Party Claim proceeds); and (2) held by the Administrators at the relevant time in the Interim Period
Interim Period	The period from and including 1 January 2023 up to and including the Order Date
Judgment	The Judgment of HHJ Rawlings (sitting as a High Court Judge) handed down on 12 August 2021 in the Directions Applications
Lendy	Lendy Ltd (CRN: 08244913)

Defined Term	Meaning
M1 Costs	M1 Specific Costs and M1 General Costs together
M1 General Costs	M1 General Remuneration and M2 General Expenses together
M1 General Expenses	Expenses incurred which did not exclusively relate to a specific M1 Loan, but exclusively related to the General Estate
M1 General Remuneration	Remuneration payable for work performed which did not exclusively relate to a specific M1 Loan, but exclusively related to the General Estate
M1 Investor	An investor in an M1 Loan
M1 Loan	A loan facilitated by the Lendy platform between Lendy (as principal) and a borrower
M1 Specific Costs	M1 Specific Remuneration and M1 Specific Expenses together
M1 Specific Expenses	Expenses incurred which exclusively related to a specific M1 Loan
M1 Specific Remuneration	Remuneration payable for work performed which exclusively related to a specific M1 Loan
M2 Committee	The committee of M2 Lenders established in accordance with the procedure set out in paragraphs 7-16 of Schedule 3 (M2 Committee) and which fulfils the functions set out in paragraph 6 of Schedule 3 (M2 Committee)
M2 Costs	M2 Specific Costs and M2 General Costs together
M2 Debenture	A debenture which a Borrower granted to SSSHL (as security trustee) as security for an M2 Loan
M2 Estate	The legal and equitable rights to the proceeds of all M2 Loans and all M2 Third Party Claims
M2 Estate Duties	The meaning given to the term by paragraph 5 of Schedule 3 (M2 Committee)

Defined Term	Meaning
M2 Expenses	M2 Specific Expenses and M2 General Expenses together
M2 General Costs	M2 General Remuneration and M2 General Expenses together
M2 General Expenses	Expenses incurred which did not exclusively relate to a specific M2 Loan, but exclusively related to the M2 Estate
M2 General Remuneration	Remuneration payable for work performed which did not exclusively relate to a specific M2 Loan, but exclusively related to the M2 Estate
M2 Initial Waterfall	An M2 Waterfall for a specific M2 Loan for the Initial Period, which includes the waterfalls contained in the following tranches of waterfalls: (1) Tranche 1 M2 Waterfalls; (2) Tranche 2 M2 Waterfalls; (3) Tranche 3 M2 Waterfalls; (4) Tranche 4 M2 Waterfalls; (5) Tranche 5 M2 Waterfalls; and (6) Tranche 6 M2 Waterfalls
M2 Investor	An initial investor in an M2 Loan
M2 Legal Charge	A legal charge which a Borrower granted to SSSL (as security trustee) as security for an M2 Loan
M2 Lenders	M2 Investors and M2 Transferees together
M2 Loan	A loan facilitated by the Lendy platform between Lendy (as agent for M2 Lenders) and a Borrower
M2 Periodic Waterfall	An M2 Waterfall for a specific M2 Loan for the preceding Relevant Period
M2 Remuneration	M2 Specific Remuneration and M2 General Remuneration together
M2 Share Percentage	70%
M2 Specific Costs	M2 Specific Remuneration and M2 Specific Expenses together

Defined Term	Meaning
M2 Specific Expenses	Expenses incurred which exclusively related to a specific M2 Loan
M2 Specific Remuneration	Remuneration payable for work performed which exclusively related to a specific M2 Loan
M2 Third Party Claim	A claim by Lendy and/or SSSHL against a third party relating to an M2 Loan (including a claim against a Guarantor, solicitor or valuer), the benefit of which claim is for the specific M2 Lenders who are owed money in respect of the M2 Loan to which the claim relates
M2 Transferees	Investors in M2 Loans who have taken an assignment of part of any M2 Loan
M2 Waterfall	A spreadsheet prepared by the Administrators setting out all of the M2 Specific Costs and the Retention for an M2 Loan
M2/Combined Costs Schedule	A schedule prepared by the Administrators setting out: (1) all of the M2 General Costs for a specified period; and (2) the share of Combined Costs for that same period which has been allocated to the M2 Estate
M2/Combined Initial Schedule	An M2/Combined Costs Schedule for a specific M2 Loan for the Initial Period
M2/Combined Periodic Schedule	An M2/Combined Costs Schedule for a specific M2 Loan for the preceding Relevant Period
Net M2 Loan Proceeds	The Gross M2 Loan Proceeds less: (1) Direct Costs; (2) any M2 Specific Remuneration for the Initial Period; (3) and any M2 Specific Expenses for the Initial Period
Net Total Retention	The meaning given to the term by paragraph 4.2(a) of Schedule 9 (Retention Distribution Protocol)
Objection Ground	The grounds set out in paragraphs 2-3 of Schedule 10 (Dispute Resolution Protocol)

Defined Term	Meaning
Order	This Court Order including all of the Schedules
Order Date	The date the Court authenticates this Order
Pari Passu Percentage	The meaning given to the term by paragraph 4.1(b)(ii) of Schedule 9 (Retention Distribution Protocol)
Parties	The Administrators and the First Respondent together
Periodic Costs Protocol	The protocol regarding the quantification, classification, allocation, approval and payment of M2 Specific Costs, M2 General Costs and Combined Costs for any Relevant Period set out in Schedule 6 (Periodic Costs Protocol)
Proof Confirmation Date	A date which is 21 days after the date of a Proof Notice
Proof Notice	The meaning given to the term by paragraph 7 of Schedule 2 (Unsecured Claims Protocol)
Realisation Completion Date	The date that: (1) the Administrators certify that, in their reasonable opinion, they have recovered the maximum possible amount that is likely to be recovered under all M1 Loans and M2 Loans; and (2) the First Respondent certifies that, in her reasonable opinion, M2 Lenders have recovered the maximum possible amount that is likely to be recovered under all M2 Third Party Claims
Referral	A Costs Referral or an Information Referral
Relevant Date	The date on which the Relevant Period ends
Relevant M2 Loan Proceeds	The total of: (1) all sums realised by or remitted to the Administrators in respect of an M2 Loan in the Relevant Period by way of repayment or realisations after enforcing any security; and (2) any M2 Third Party Claim proceeds recovered by or remitted to the Administrators in the Relevant Period

Defined Term	Meaning
Relevant Period	<p>The period:</p> <ul style="list-style-type: none"> • starting on: (1) the Order Date; or (2) if the Administrators have made a distribution under an M2 Loan after the Order Date—the date on which the Administrators made the most recent distribution; and • ending on the earlier of: (1) the date which is six months later; or (2) the date on which the total sum realised in respect of that M2 Loan since the previous distribution date is £250,000 or more
Remuneration	The proper professional fees of the Administrators and their staff for relevant work performed regarding matters relating to an M1 Loan and/or M2 Loan
Response Notice	A written response to a Dispute Notice which the Administrators send to the M2 Committee that: (1) agrees with the M2 Committee’s description of the relevant dispute or sets out the Administrators’ own brief description of the dispute; and (2) outlines the Administrators’ position in respect of the dispute
Retention	The amount of 25% of the Net M2 Loan Proceeds of an M2 Loan which the Administrators shall retain in a fund
Retention Distribution Protocol	The protocol for making payments from the Retention, and distributing any surplus held in the Retention, set out in Schedule 9 (Retention Distribution Protocol)
Reviewed Schedule	Any of the following documents that an Independent Expert has reviewed: (1) an M2/Combined Initial Schedule; (2) a Revised M2/Combined Initial Schedule; (3) an M2/Combined Periodic Schedule; or (4) a Revised M2/Combined Periodic Schedule
Reviewed Waterfall	Any of the following documents that an Independent Expert has reviewed: (1) an M2 Initial Waterfall; (2) a Revised M2 Initial Waterfall; (3) an M2 Periodic Waterfall; or (4) a Revised M2 Periodic Waterfall

Defined Term	Meaning
Revised M2 Initial Waterfall	An M2 Initial Waterfall that the Administrators have amended after: (1) having had discussions with the M2 Committee; (2) accepting the M2 Committee's objections to the previous Waterfall; or (3) a Costs Referral
Revised M2 Periodic Waterfall	An M2 Periodic Waterfall that the Administrators have amended after: (1) having had discussions with the M2 Committee; (2) accepting the M2 Committee's objections to the previous Waterfall; or (3) a Costs Referral
Revised M2/Combined Initial Schedule	An M2/Combined Initial Schedule that the Administrators have amended after: (1) having had discussions with the M2 Committee; (2) accepting the M2 Committee's objections to the previous Schedule; or (3) a Costs Referral
Revised M2/Combined Periodic Schedule	An M2/Combined Periodic Schedule that the Administrators have amended after: (1) having had discussions with the M2 Committee; (2) accepting the M2 Committee's objections to the previous Schedule; or (3) a Costs Referral
Rules	Insolvency Rules (England and Wales) Rules 2016
Schedule Provision Date	The date that the Administrators provide an M2/Combined Initial Schedule or an M2/Combined Periodic Schedule to the M2 Committee
Service Charge	The 3% charge that the Administrators have drawn from an M2 Loan, which as of the Order Date totals £1,008,330.89 and which is to be credited to the relevant M2 Lenders
Shoosmiths	Shoosmiths LLP
Shoosmiths Discount	A 17.5% discount applied to all legal fees that Shoosmiths have charged to the Administrators for work done relating to an M2 Loan or the M2 Estate
SSSHL	Saving Stream Security Holding Limited (CRN: 09736866)
Standard Amount	The meaning given to the term by paragraph 1 of Schedule 2 (Unsecured Claims Protocol)

Defined Term	Meaning
<p>Tranche 1 M2 Waterfalls</p>	<p>The M2 Waterfalls for the following M2 Loans:</p> <ul style="list-style-type: none"> • PBL157: The Chalet, Hampton Court Road, East Molesey, Greater London, KT8 9BP • PBL158: Hampton Riviera, Hampton Court Road, East Molesey, Greater London, KT8 9BP • PBL156: Manor Quay, Clive Sullivan Way, Kingston upon Hull HU3 4SA • PBL084: Scottish estate with multiple letting properties including the properties known as Tayinloan, Argyll & Bute, Killean Farm, Dalmore Farm and Culfiar Farm PA21 6XF • DFL024: Clearwater Quays, Latchford, Warrington WA4 1DE • DFL015: Penrhos Court, Lyonshall, Kington, Herefordshire, HR5 3LH • PBL200: Wishing Well Site, Carriage Grove, Bootle L20 3HZ • DFL010: Leisure Village & Fisheries, Nr Clitheroe, Lancashire BB7 9DH • PBL199: Suffolk House, Trade Street, Cardiff, CF5 1FH • DFL014: Mountfield site, Drumnadrochit, IV63 6XK
<p>Tranche 2 M2 Waterfalls</p>	<p>The M2 Waterfalls for the following M2 Loans:</p> <ul style="list-style-type: none"> • DFL017: Homer Row, Old Marylebone Road, London W1H 4AP • PBL037: Barns & Land, The Convent, Gloucestershire, GL5 5HS • PBL038: Birds Hill Farm, The Convent, Gloucestershire, GL5 5HS • PBL039: Guesthouse, Convent Lane, Gloucestershire GL5 5HS • PBL069: The Chapel, Convent Lane, Gloucestershire GL5 5HS • PBL070: The Old Convent, Convent Lane, Gloucestershire GL5 5HS • PBL071: St Anthony's Lodge, Convent Lane, Gloucestershire GL5 5HS • DFL013: Richmond Road, Bradford, West Yorkshire BD7 1D • DFL019: Phase One - Land at Ryedale Leisure Village, Malton Road, Pickering, North Yorkshire YO18 8EA

Defined Term	Meaning
	<ul style="list-style-type: none"> PBL106: Whitehills Industrial Estate in Fife, KY6 2RN
Tranche 3 M2 Waterfalls	<p>The M2 Waterfalls for the following M2 Loans:</p> <ul style="list-style-type: none"> DFL033: Haymarket Yards, Edinburgh EH12 5BH DFL001: Exeter Rydon Court Development, Old Rydon Lane, Exeter, Devon EX2 7JW DFL007: Hightown and Heathfield Avenue, Crewe, Cheshire CW1 3BU DFL032: Clewers Lane, Waltham Chase, Southampton, Hampshire, SO32 2LP (Second Charge Loan) DFL032: Clewers Lane, Waltham Chase, Southampton, Hampshire, SO32 2LP (Mezzanine Loan) PBL137: 19 Pilmuir Street, Dunfermline, Fife, KY12 7AG. DFL020: Jocelyn Square, Glasgow, G1 5JU DFL031: The Lodge Hotel, 82 Unthank Road, Norwich, NR2 2RW DFL021: Heritage House, 29 Jewison Lane, Sewerby, YO15 1DX PBL095: Gravel Quarry, Scotland ML11 8LP
Tranche 4 M2 Waterfalls	<p>The M2 Waterfalls for the following M2 Loans:</p> <ul style="list-style-type: none"> PBL196: Flat 2, 89 Hatherley Road, Sidcup, DA14 4AH PBL197: Church Avenue, Sidcup, DA14 6BU DFL002: Exeter Quayside Development, Exeter EX2 4AE (Second Charge Loan) DFL002: Exeter Quayside Development, Exeter EX2 4AE (Mezzanine Loan) DFL016: Mutton Row, 6-9 Hobbs Cross Road, Harlow, Essex, CM17 0NL PBL101: 10 Langbank, Milngavie, G62 6EL

Defined Term	Meaning
	<ul style="list-style-type: none"> • PBL102: 21 Park Road, Milngavie, G62 6PJ • DFL034: Land at Mongleath Road, Falmouth, Cornwall, TR11 4PN • DFL037: Land at Penmere Manor Hotel, Mongleath Road, Falmouth, Cornwall, TR11 4PN • PBL103: Site with planning for 117 units nr Hastings (Blocks A & B), 123, West Hill Road, St Leonards-on-Sea, East Sussex TN38
<p>Tranche 5</p> <p>M2</p> <p>Waterfalls</p>	<p>The M2 Waterfalls for the following M2 Loans:</p> <ul style="list-style-type: none"> • PBL193: Northfield Road, Rotherham, S60 1RR • PBL163: 17, 18, 19, 20 and 21 Towan Valley, Porthtowan, Cornwall, TR4 8FJ • PBL164: Phase 2 Towan Valley, Porthtowan, Cornwall, TR4 8FJ • DFL012: Herculaneum Quay, Liverpool, L3 4DJ • DFL006: Student Accommodation, Mynachdy, Cardiff, CF14 3HN • PBL177: The Winelodge, 58 Bridge Road and Flats 9, 10 and 11, 58 Bridge Road Oulton Broad Lowestoft Suffolk, NR32 3LR • PBL178: 1-8 and 12-19, 58 Bridge Road Oulton Broad Lowestoft Suffolk, NR32 3LJ • PBL064: Tenanted Office Block, Somerset, TA9 4JT • DFL005: Arboretum, Land with planning, Paignton, TQ3 3YG • PBL201: Suffolk House, Trade Street, Cardiff, CF5 1FH • PBL166: Killean Estate Interest Loan (Second Charge Loan), Scottish estate with multiple letting properties Including the properties known as Tayinloan, Argyll & Bute, Killean Farm, Dalmore Farm and Culfiar Farm PA21 6XF • PBL167: Beckhouse Farm, Pickering Cottages, YO18 8ER

Defined Term	Meaning
Tranche 6 M2 Waterfalls	<p>The M2 Waterfalls for the following M2 Loans:</p> <ul style="list-style-type: none"> • DFL003: Student accommodation block B, Manchester Road, Huddersfield, West Yorkshire HD1 3HH • DFL004: Residential Development, Sunbeam Factory, Wolverhampton, WV2 4EL • DFL022: Block A, The Waterfront, Manchester Road, Huddersfield, West Yorkshire HD1 3HH • DFL029: Kings Crescent, King Street, Derby DE1 3EE (Mezzanine Loan) • PBL027: Reform Energy, Fleetwood, FY7 8TW • PBL031: Garth Isaf Farm, Pontyclun, Wales, CF72 9NH • PBL056: Walrow Farm, Somerset, TA9 4RA • PBL065: Development Site with OPP, Shropshire SY7 9QE • PBL068: Blandford Lodge Farm, Newmarket, Cambridgeshire, CB8 0UE • PBL081: New build detached house, Leatherhead, Surrey KT22 8LA • PBL094: Planning for Care Village, Asheby Road, Isle of Wight Land, PO33 2PG • PBL155: Westbury Castle Estate, Prestatyn LL19 9TD • PBL161: Maengwyn, Blaenporth, SA43 2AS
Unsecured Claims Negotiation Period	<p>The period starting on the Realisation Completion Date and ending on the date which four weeks after the Realisation Completion Date</p>
Waterfall Provision Date	<p>The date that the Administrators provide an M2 Initial Waterfall or M2 Periodic Waterfall to the M2 Committee</p>

SCHEDULE 2—UNSECURED CLAIMS PROTOCOL

GENERAL

1. In relation to each M2 Loan, each M2 Lender shall have an unsecured provable claim against Lendy for a set amount (**Standard Amount**). The Standard Amount shall be the difference between:
 - 1.1. the capital and interest which the M2 Lender should have received regarding the relevant M2 Loan, if the Borrower had repaid all capital and interest in full on the date that the asset which the relevant M2 Loan secured was sold by, or on behalf of, Lendy; and
 - 1.2. the total sum the M2 Lender has in fact received regarding the relevant M2 Loan, including:
 - (a) all capital and interest payments that Lendy paid to the M2 Lender before the Administration Date;
 - (b) all interim and final distributions that the Administrators have made to the M2 Lender up to and including the date of the relevant Proof Notice; and
 - (c) any payments made in respect of M2 Third Party Claims.
2. Subject to paragraph 3 below, pursuant to Rule 14.3(1)(a) and paragraph 1 above, an M2 Lender wishing to recover the Standard Amount is not required to submit a proof of debt to the Administrators.
3. An M2 Lender who considers that they are entitled to recover for any loss which exceeds the Standard Amount shall submit a proof of debt to the Administrators (with supporting information and documentation) in accordance with the relevant provisions of the Act and Part 14 of the Rules.

PROPOSED PROOF OF DEBT CONTENT

4. As soon as possible after the end of the Unsecured Claims Negotiation Period, the Administrators' will prepare a proposed proof of debt for each M2 Lender in respect of that lender's unsecured claim in the General Estate. The Administrators shall calculate this proof of debt using the information contained in Lendy's books and records.

5. The proposed proof of debt will include the following information as regards each M2 Lender:
 - 5.1. each M2 Loan in which the M2 Lender invested and in respect of which there is an amount outstanding;
 - 5.2. the amount outstanding in respect of each M2 Loan; and
 - 5.3. the Standard Amount (including the calculation of the Standard Amount) payable to that M2 Lender for each relevant investment.
6. A worked example of a Standard Amount calculation for a hypothetical M2 Lender, based on a hypothetical set of facts, is as follows:

Hypothetical Facts Summary

Event	Amount or date
Capital invested by the M2 Lender	£2,000
Date the Borrower was due to repay the M2 Loan	1 February 2019
Date that SSSHL realised the security it held for the M2 Loan	1 April 2021
Standard interest due up to and including 1 February 2019	£200
Default interest due between 2 February 2019 and 1 April 2021	£400
Standard interest paid to the M2 Lender to the date of the proof	£200
Interim distribution made to M2 Lender on 30 June 2021	£350
Final distribution made to the M2 Lender on 31 July 2022	£150

Hypothetical Standard Amount Calculation

Description	Calculation	Total
Total sum of capital and interest due to the M2 Lender	£2,000 + £200 + £400	£2,600
Total sum of interest repaid and distributions made to the M2 Lender	£200 + £350 + £150	£700

Description	Calculation	Total
Standard Amount	£2,600 – £700	£1,900

PROCEDURE

7. The Administrators shall send to each M2 Lender the proposed proof of debt and a notice (**Proof Notice**). The Proof Notice shall:
 - 7.1. ask the M2 Lender to confirm in writing whether they agree with the proposed proof of debt, and in particular that their unsecured claims for the relevant M2 Loan will be quantified in the Standard Amount;
 - 7.2. advise the M2 Lender that:
 - (a) if they agree, the proposed proof of debt will become final, and the M2 Lender’s unsecured claims will be quantified in the Standard Amount; and
 - (b) if they do not agree, they may submit an individual proof of debt seeking to recover a different amount;
 - 7.3. advise the M2 Lender that, if the Administrators do not receive a written response by the Proof Confirmation Date, the M2 Lender will be deemed to have accepted the proposed proof of debt, such that it will become final, and the M2 Lender’s unsecured claims will be quantified in the Standard Amount; and
 - 7.4. note that, in any event, if the M2 Lender considers that they are entitled to recover for any loss which exceeds the Standard Amount, they shall submit a proof of debt to the Administrators (with supporting information and documentation) and the Administrators shall admit or reject the proof of debt in accordance with the relevant provisions of the Act and Part 14 of the Rules.
8. In line with the contents of the Proof Notice, a proposed proof of debt will become final, and the M2 Lender’s unsecured claims will be quantified in the Standard Amount, if:
 - 8.1. the M2 Lender agrees in writing with the proposed proof of debt; or
 - 8.2. the Administrators do not receive a written response by the Proof Confirmation Date (in which case the M2 Lender will be deemed to have accepted the proposed proof of debt).

9. If an M2 Lender has accepted, or is deemed to have accepted, a proposed proof of debt, Rules 14.7 to 14.11 will apply as if the accepted proof of debt was a standard proof of debt.
10. Subject to paragraph 11 of this Schedule, the Administrators shall be entitled to charge a fixed fee of £20 (exclusive of VAT) for each proof of debt they prepare in accordance with paragraphs 4 to 7 of this Schedule. These costs shall be classified as M2 General Costs, and subject to the Costs Protocols.
11. If the Administrators produce a proof of debt which contains an error, the Administrators shall not be entitled to charge any amount for the time and cost they incur in correcting that error.

SCHEDULE 3—M2 COMMITTEE

GENERAL

1. The Administrators shall establish the M2 Committee in accordance with the procedure set out in this Schedule. The M2 Committee shall undertake the functions set out in paragraph 6 of this Schedule, and shall be governed by the rules set out in this Schedule.
2. Subject to paragraph 3 of this Schedule, the Rules applicable to a creditors' committee (including in Part 17 and Rules 18.4 and 18.9) apply *mutatis mutandis* to the M2 Committee as if:
 - 2.1. the M2 Committee was established as Lendy's creditors' committee;
 - 2.2. the M2 Estate was the General Estate; and
 - 2.3. the M2 Lenders were Lendy's unsecured creditors.
3. This Schedule sets out the provisions which govern the M2 Committee's formation and functions. Where any paragraph of this Schedule addresses the same subject matter as a Rule which applies due to paragraph 2 of this Schedule, the relevant Rule is amended accordingly.
4. If an inconsistency arises between a paragraph of this Schedule and any Rule, the paragraph of this Schedule will apply.

M2 COMMITTEE FUNCTIONS

5. The duties which the Administrators owe to the M2 Lenders regarding their dealings with the M2 Estate are duties that have the same content as the duties that the Administrators owe to the M1 Investors regarding their dealings with the General Estate (**M2 Estate Duties**).
6. The M2 Committee's function is to assist the Administrators in discharging their M2 Estate Duties by:
 - 6.1. considering and where appropriate approving the quantification, classification and allocation of M2 Costs and Combined Costs Initial Share and Combined Costs Periodic Share;

- 6.2. performing the functions of a creditors' committee as regards the M2 Loans; and
- 6.3. acting in any other manner as may be agreed with the Administrators.

MEMBERSHIP AND FORMALITIES OF FORMATION

7. The M2 Committee shall have at least three members, and not more than five members.
8. The First Respondent will be a founding member of the M2 Committee.
9. To be eligible to be an M2 Committee member, the candidate shall:
 - 9.1. be a natural person;
 - 9.2. be an M2 Lender;
 - 9.3. have an amount owing in respect of an investment in an M2 Loan as of the date of the candidates' application to join the M2 Committee;
 - 9.4. not be a member of Lendy's creditors' committee; and
 - 9.5. provide to the Administrators a signed Non-disclosure Agreement in the form set out in Schedule 4 (Form of Non-disclosure Agreement).
10. By a date which is seven days after the Order Date, the Administrators shall invite in writing all known M2 Lenders to apply to become M2 Committee members.
11. If more than four eligible candidates apply to become M2 Committee members (the First Respondent already being a member), the Administrators shall ask the M2 Lenders to vote on which candidates are to be appointed.
12. The M2 Committee is not established (and accordingly cannot act) until the Administrators have delivered a written notice of its membership to all known M2 Lenders.
13. An M2 Committee member may resign by informing the Administrators and the remaining M2 Committee members in writing.
14. A person's membership of the M2 Committee will be automatically terminated if that person:
 - 14.1. becomes bankrupt;

- 14.2. ceases to be eligible to be an M2 Committee member as required by paragraph 9 of this Schedule; or
- 14.3. does not attend and is not represented at two consecutive M2 Committee meetings (unless at the second of those meetings the remaining M2 Committee members resolve that this rule is not to apply in the instant case).
15. If the membership of the M2 Committee changes, the Administrators shall deliver a notice to all known M2 Lenders informing them of the details of the change.
16. If there is a vacancy among the M2 Committee:
 - 16.1. it need not be filled if:
 - (a) the Administrators and a majority of the remaining M2 Committee members agree; and
 - (b) at least three members remain; or
 - 16.2. the Administrators may write to the known M2 Lenders asking them to nominate a candidate to fill the vacancy (which candidate will be appointed if he or she consents in writing).
17. The Administrators shall call a first meeting of the M2 Committee to take place within 28 days of the Constitution Date.
18. The Administrators shall give five business days' notice of the venue of a meeting to each M2 Committee member (or a member's representative, if designated for that purpose), except where the member (or his or her representative) has waived the requirement for notice.
19. An M2 Committee meeting is duly constituted if:
 - 19.1. the Administrators have given due notice of it to all the M2 Committee members;
 - 19.2. at least one of the Administrators attends, or is represented at, the meeting;
 - 19.3. subject to paragraph 20 of this Schedule, the First Respondent attends, or is represented at, the meeting; and
 - 19.4. at least one other member attends, or is represented at, the meeting.

20. An M2 Committee meeting shall be duly constituted if the Administrators and all M2 Committee members (including the First Respondent) agree in advance that the meeting can take place without the First Respondent or her representative attending the meeting.
21. The M2 Committee may meet in any manner it shall deem appropriate (including meeting in person or by video conference).
22. One of the Administrators, or their representative, shall be the chair at an M2 Committee meeting.
23. If a person seeks to act as an M2 Committee member's representative at a meeting, the person shall hold a letter of authority which:
 - 23.1. entitles him or her to act (either generally or specifically) on the M2 Committee member's behalf; and
 - 23.2. has been authenticated by, or on behalf of, the M2 Committee member.
24. If the First Respondent appoints a representative to attend a meeting on her behalf and she instructs that person to attend in his or her professional capacity, the Administrators shall pay the reasonable costs that the professional representative charges to prepare for and attend the M2 Committee meeting, and to report to the First Respondent on the outcome of the M2 Committee meeting. The professional representative's costs shall be classified as Combined Costs.

VOTING RIGHTS AND RESOLUTIONS

Resolutions at M2 Committee meetings

25. At a meeting of the M2 Committee:
 - 25.1. each member, whether attending or represented at the meeting, has one vote; and
 - 25.2. a resolution is passed when a majority of the members attending or represented at the meeting have voted in favour of it.
26. The M2 Committee shall record in writing every resolution passed. The chair shall also authenticate every resolution passed, either separately or as part of the minutes of the meeting. The authenticated record shall be kept with the records of the proceedings.

Resolutions by correspondence

27. The Administrators may seek to obtain the M2 Committee's agreement to a resolution by sending to every member (or the member's representative designated for the purpose) details of the proposed resolution.
 - 27.1. The details shall be set out in such a way that the recipient may indicate agreement or dissent.
 - 27.2. Where there is more than one proposed resolution, the details shall be set out in such a way that the recipient may indicate agreement or dissent from each proposed resolution separately.
28. By a date which is five business days after the date that the details of the proposed resolution are sent, an M2 Committee member may require the Administrators to summon a meeting of the M2 Committee to consider the matters that the proposed resolution raises.
29. If no M2 Committee member makes a request under paragraph 28 of this Schedule, the M2 Committee will pass the resolution if a majority of the members deliver notice to the Administrators that they agree with the proposed resolution.
30. The following shall be kept with the records of the proceedings:
 - 30.1. a copy of every resolution passed by correspondence; and
 - 30.2. a note that the M2 Committee's agreement was obtained.

PROVISION OF INFORMATION TO THE M2 COMMITTEE

31. The M2 Committee may in writing request the Administrators to provide it with the following written information:
 - 31.1. confirmation of the existence and allocation of any M2 Expenses or Combined Expenses (including information about the payee's identity, the nature of the Expense and the M2 Loan to which the Expense relates);
 - 31.2. information about the quantification, classification and allocation of any M2 Remuneration or Combined Remuneration; and
 - 31.3. any information falling within Rule 18.4 or Rule 18.9 applied *mutatis mutandis*.

32. Subject to paragraph 33 of this Schedule, the Administrators shall provide the M2 Committee with the written information requested by no later than 14 days after the date of the request.
33. The Administrators need not provide an item of requested information if:
 - 33.1. the time or cost of preparing the information would be excessive;
 - 33.2. disclosing the information would be prejudicial to the Administrators' conduct:
 - (a) of the administration of Lendy or SSSHL; or
 - (b) in implementing of any paragraph of this Order;
 - 33.3. disclosing the information might reasonably be expected to lead to violence against any person;
 - 33.4. the Administrators are subject to a confidentiality obligation in relation to the information; or
 - 33.5. there are insufficient assets in the M2 Estate (including the Retention) to enable the Administrators to comply.
34. If a dispute arises as to whether the Administrators have provided sufficient information in response to a request, the procedure in paragraphs 36-54 of Schedule 10 (Dispute Resolution Protocol) applies.

SCHEDULE 4—NON-DISCLOSURE AGREEMENT

GENERAL

1. The Administrators and each M2 Committee member shall sign a Non-disclosure Agreement in the form set out in this Schedule.

FORM OF NON-DISCLOSURE AGREEMENT

To: [insert name and address of the proposed M2 Committee member]

Strictly Private and Confidential

Date: 2023

Dear [Mr/Mrs] [Name],

**Lendy Ltd (in Administration) (Lendy) and Saving Stream Security Holdings Limited (in Administration) (SSSHL) (together, Companies)
Non-disclosure agreement (NDA)**

1. We write to you in your capacity as a proposed member of the committee of lenders (**M2 Committee**) established in accordance with the procedure set out in Schedule 3 to the Order of HHJ Rawlings dated [insert] (**Order**).
2. In this NDA, unless the context denotes otherwise:
 - 2.1. **Administration Date** means 24 May 2019.
 - 2.2. **Borrower** means a company or individual who entered an M2 Loan to borrow money.
 - 2.3. **Company Advice** means legal advice provided to us or the Companies.
 - 2.4. **Confidential Information:**
 - (a) means all information:
 - (i) in any medium (including without limitation in written, oral, visual and electronic form);

- (ii) which anyone on behalf of the Companies (including without limitation us) discloses to you on and from the date of this NDA; and
- (iii) which:
 - (A) is communicated in a manner or form indicating that the information is confidential in nature (whether the communication is marked as “confidential” or not); or
 - (B) a reasonable person would consider to be confidential; but
- (b) does not include information which:
 - (i) is in the public domain (other than Confidential Information that has entered the public domain as a result of you disclosing it to a third party);
 - (ii) may reasonably be inferred from matters in the public domain;
 - (iii) you can show you:
 - (A) possessed before any Confidential Information was disclosed to you in connection with the Permitted Purposes; and
 - (B) lawfully acquired from a party other than someone acting on behalf of the Companies (including without limitation us or the Companies’ advisers);
 - (iv) you lawfully acquired from a third party who did not obtain it in circumstances giving rise to any (express or implied) obligation of confidentiality owed to us or to the Companies;
 - (v) is disclosed with our prior written approval (to the extent and for the purpose so approved);
 - (vi) is disclosed pursuant to a request of a regulatory body, or an order of a court of competent jurisdiction; or
 - (vii) is disclosed to comply with a mandatory legal obligation.

2.5. **Confidential Matter** means the accuracy or completeness of any:

- (a) Confidential Information; or

- (b) oral or written communication made in connection with any Confidential Information.
- 2.6. **General Estate** means the legal and equitable rights comprising Lendy's estate.
- 2.7. **Guarantor** means an individual or entity who guaranteed a Borrower's obligation pursuant to an M2 Loan.
- 2.8. **M1 Investor** means an investor in a loan facilitated by the Lendy platform between Lendy (as principal) and a Borrower.
- 2.9. **M2 Estate** means the legal and equitable rights to the proceeds of all M2 Loans and all M2 Third Party Claims.
- 2.10. **M2 Estate Duties** means the duties which Administrators owe to the M2 Lenders regarding their dealings with the M2 Estate, which duties have the same content as the duties that the Administrators owe to the M1 Investors regarding their dealings with the General Estate.
- 2.11. **M2 Lender** means an investor in an M2 Loan, including an investor who has invested by way of taking an assignment of part of any M2 Loan.
- 2.12. **M2 Loan** means a loan facilitated by the Lendy platform between Lendy (as agent for M2 Lenders) and a Borrower.
- 2.13. **M2 Third Party Claims** means a claim by Lendy and/or SSSHL against a third party relating to an M2 Loan (including a claim against a Guarantor, solicitor or valuer), the benefit of which claim is for the specific M2 Lenders who are owed money in respect of the M2 Loan to which the claim relates.
- 2.14. **Permitted Purpose** means for the purpose of:
- (a) the M2 Committee carrying out its functions in accordance with paragraph 3 below;
 - (b) you fulfilling your role as an M2 Committee member; or
 - (c) you fulfilling any purpose which we expressly permit you in writing to fulfil.
- 2.15. **Undertakings** means the undertakings set out in paragraph 5 below.
3. Your role as an M2 Committee member is to assist us in discharging our M2 Estate Duties, as contemplated by the terms of the Order.

4. In consideration for us and/or the Companies directly or indirectly providing to you for a Permitted Purpose any Confidential Information relating to the M2 Estate, the General Estate, the Companies' businesses before the Administration Date and/or our conduct of the administration of each Company, you agree to provide the Undertakings.
5. You undertake to us and the Companies separately as follows:
 - 5.1. You will keep the Confidential Information in strict confidence and not disclose any Confidential Information to any third party.
 - 5.2. You will only use the Confidential Information for a Permitted Purpose.
 - 5.3. You acknowledge:
 - (a) one or both Companies' proprietary rights in the Confidential Information; and
 - (b) that any disclosure of the Confidential Information to you will not confer upon you any rights whatsoever in respect of that information (or any part of it), save for any rights arising in connection with the Permitted Purposes.
 - 5.4. You will only copy any document or other material (in any medium) containing any Confidential Information as is reasonably necessary for fulfilling the Permitted Purposes.
 - 5.5. Upon our written request at any time, you will promptly return to us and/or the Companies, or destroy or permanently delete:
 - (a) all documents or other material containing any Confidential Information in your possession or control; or
 - (b) all copies or extracts of any Confidential Information in your possession or control.
 - 5.6. Upon our written request at any time, you will promptly confirm in writing to us and/or the Companies that you have complied with your obligations under this paragraph 5.
6. The Undertakings shall end on a date which is two years after the date on which the administration of both Companies ends.
7. You further acknowledge and confirm that:

- 7.1. Any Confidential Information provided to you which also comprises Company Advice is strictly for the Companies' benefit, and you will not rely upon it.
- 7.2. Subject to paragraph 7.3 below, we, the Companies (including without limitation any of their agents, officers or employees) or any of our respective advisers do not:
 - (a) accept any responsibility or liability for any Confidential Matter;
 - (b) make any (express or implied) representation or statement with respect to any Confidential Matter; or
 - (c) express any opinion, or give any warranty, with respect to any Confidential Matter.
- 7.3. The exclusion in paragraph 7.2 above does not apply if and to the extent that any representation, statement, expression of opinion or warranty is expressly incorporated into a legally binding contract.
- 7.4. Damages alone would not be an adequate remedy for any breach you commit of the Undertakings.
8. We and the Companies acknowledge and confirm that, if you threaten to or in fact breach any of the Undertakings, our and/or the Companies' remedies will be limited to the following remedies only:
 - 8.1. in the case of a threatened or actual breach—we and/or the Companies may, without proof of any special damage, apply for an injunction or specific performance, save that in any such application we and/or the Companies will not seek any costs order against you personally; and
 - 8.2. in the case of an actual breach—we and/or the Companies, in our sole discretion, may expel you from the M2 Committee.
9. The provisions of this NDA shall be governed by, and construed in accordance with, English law.
10. By accepting the terms of this NDA, you irrevocably agree to submit to the exclusive jurisdiction of the Courts of England and Wales.

Please indicate that you accept the terms of the NDA by signing the enclosed copy of this letter where indicated below, and by returning the signed copy to us.

Yours faithfully,

Joint Administrators of Lendy Ltd (in Administration) and Saving Stream Security Holdings Limited (in Administration)

I agree to be bound by the terms contained in the above letter:

[Insert name of the proposed M2 Committee member]

Date: 2023

SCHEDULE 5—INITIAL COSTS PROTOCOL

GENERAL

1. The Administrators shall be paid the M2 Costs and Combined Costs incurred in the Initial Period in accordance with the Initial Costs Protocol set out in this Schedule.
2. The Costs of the interim distributions that the Administrators have performed in the Interim Period will be paid in accordance with paragraphs 7-8 of this Schedule.
3. The Costs of M2 Third Party Claims that the Administrators have incurred in the Initial Period will be dealt with in accordance with paragraphs 9-11 of this Schedule.
4. M2 Specific Costs for the Initial Period will be quantified, classified, allocated, approved and paid in accordance with paragraphs 12-26 of this Schedule.
5. M2 General Costs and Combined Costs for the Initial Period will be quantified, classified, allocated, approved and paid in accordance with paragraphs 27-45 of this Schedule.
6. To avoid any doubt:
 - 6.1. If a Classification Claim succeeds, then, subject to paragraph 8.2 of this Order, any Costs that the Administrators have properly incurred in relation to administering, enforcing and recovering the relevant M2 Loan will be dealt with by applying this Initial Costs Protocol *mutatis mutandis*.
 - 6.2. If the Administrators have drawn a Service Charge in relation to a specific M2 Loan, then when implementing the Costs Protocols they shall treat that Service Charge as forming part of the Gross M2 Loan Proceeds.
 - 6.3. This Initial Costs Protocol does not entitle the Administrators to recover from the M2 Estate any:
 - (a) M1 Specific Costs;
 - (b) M1 General Costs; or
 - (c) Disallowed Costs.

INTERIM DISTRIBUTIONS

7. In the Interim Period, the Administrators made interim distributions of the Interim M2 Loans Proceeds in respect of various M2 Loans. A summary of the interim distributions made in the Interim Period, including the percentage of the total Direct M2 Loan Proceeds distributed up to and including the Order Date for each relevant M2 Loan, is as follows:

Interim Distributions in the Interim Period

No	M2 Loan	Amount Distributed	Total Direct M2 Loan Proceeds Distributed (%)
1	DFL005	285,007.13	65
2	DFL006	797,451.95	65
3	DFL024	775,561.31	65
4	DFL015	560,250.99	65
5	PBL084	2,008,121.86	65
6	DFL005	285,007.13	65
7	DFL006	797,451.95	65
8	DFL015	560,250.99	65
9	DFL024	775,561.31	65
10	PBL084	2,008,121.86	65
11	PBL101	209,049.98	65
12	PBL102	106,278.11	65
13	PBL156	1,002,410.75	65
14	PBL157	1,008,378.50	65
15	PBL158	145,519.50	65
16	PBL199	2,165,265.49	65

8. On and from the Order Date, the Administrators shall be entitled to draw from the Retention a fee of £6,000 for each M2 Loan in respect of which they made an interim

distribution in the Interim Period (without with the need for any M2 Committee approval).

THIRD PARTY CLAIMS COSTS

9. If, as at the Order Date, an M2 Third Party Claim has been settled or concluded, then the Costs that the Administrators have incurred in relation to that M2 Third Party Claim shall be subject to this Initial Costs Protocol.
10. If, as at the Order Date, an M2 Third Party Claim remains ongoing, then the Costs that the Administrators have incurred in relation to that M2 Third Party Claim in the Initial Period shall be subject to the Initial Costs Protocol.
11. If there are insufficient M2 Third Party Claim proceeds to pay all of the M2 Specific Costs incurred regarding any M2 Third Party Claim in the Initial Period, then:
 - 11.1. if the Costs relate to M2 Specific Expenses—the Administrators may draw the balance of those Expenses from the Retention on and from the Order Date; and
 - 11.2. if the Costs relate to M2 Specific Remuneration—the Administrators may draw the balance of that Remuneration from the Retention, if and when the M2 Committee approves those sums in accordance with this Initial Costs Protocol.

M2 SPECIFIC COSTS

Quantification

12. The Administrators shall quantify their M2 Specific Remuneration for the Initial Period by:
 - 12.1. reference to the time that they and their staff have spent completing work in relation to the relevant M2 Loans in the Initial Period;
 - 12.2. charging for relevant work performed at the professional hourly rates for the Administrators and their staff, and at the disbursement rates, set out in Schedule 7 (Administrators Fees); and
 - 12.3. for any work performed, charging the relevant rate that applied when the work was completed, or the disbursement was incurred.

13. The Administrators may charge the M2 Specific Expenses for the Interim Period on an indemnity basis.
14. The Administrators bear the onus of proving the existence and quantum of all M2 Specific Costs incurred in the Initial Period.

Classification and allocation

15. All Remuneration is presumed to be Combined Remuneration. The Administrators bear the onus of rebutting this presumption, and proving that any relevant Remuneration is properly to be classified as M2 Specific Remuneration.
16. All Expenses are presumed to be Combined Expenses. The Administrators bear the onus of rebutting this presumption, and proving that any relevant Expenses are properly to be classified as M2 Specific Expenses.
17. All M2 Specific Costs for the Interim Period are to be allocated to the M2 Loan to which they relate.

Approval

18. The Administrators have treated the M2 Specific Expenses for the Initial Period as if the Act and the Rules applied to them.
19. An M2 Initial Waterfall or a Revised M2 Initial Waterfall may be approved, wholly or partially, by any of the following Decision Makers:
 - 19.1. the M2 Committee at a committee meeting or by resolution;
 - 19.2. an Independent Expert following a Costs Referral; or
 - 19.3. a Court following a Costs Challenge.
20. The following procedure for M2 Committee approval will apply:
 - 20.1. The Administrators shall prepare an M2 Initial Waterfall for each M2 Loan. The M2 Initial Waterfall will quantify the amount of the proposed distribution to be made to the relevant M2 Lenders in respect of that loan. The Waterfall will:
 - (a) State the Gross M2 Loan Proceeds.
 - (b) Subtract from that amount:

- (i) the Direct Costs;
- (ii) the M2 Specific Remuneration for the Initial Period;
- (iii) the M2 Specific Expenses for the Initial Period;
- (iv) the Retention; and
- (v) any amounts distributed to the relevant M2 Lenders in the Initial Period.

(A) A worked example of an M2 Initial Waterfall for a hypothetical M2 Loan is as follows:

M2 Initial Waterfall for Hypothetical M2 Loan no 001

Description	Amount
Gross M2 Loan Proceeds for M2 Loan 001	£1,000,000
Direct Costs	(£25,000)
M2 Specific Remuneration for the Initial Period	(£12,000)
M2 Specific Expenses for the Initial Period	(£160,000)
<i>Total amount available for distribution</i>	<i>£803,000</i>
Retention	(£200,750)
Distributions made to the M2 Lenders to date	(£150,000)
Proposed interim distribution amount	£452,250

20.2. The Administrators shall provide a copy of the following M2 Initial Waterfalls to the M2 Committee members on the following Waterfall Provision Dates:

- (a) Tranche 1 M2 Waterfalls—14 Days after the Constitution Date;
- (b) Tranche 2 M2 Waterfalls—2 months after the Constitution Date;
- (c) Tranche 3 M2 Waterfalls—4 months after the Constitution Date;
- (d) Tranche 4 M2 Waterfalls—6 months after the Constitution Date;
- (e) Tranche 5 M2 Waterfalls—8 months after the Constitution Date; and

- (f) Tranche 6 M2 Waterfalls—10 months after the Constitution Date.
- 20.3. The M2 Committee will consider each M2 Initial Waterfall.
- 20.4. Subject to paragraph 20.5 of this Schedule, by a date which is 28 days after the relevant Waterfall Provision Date, the Administrators shall call an M2 Committee meeting or circulate a proposed written resolution for the purpose of the members voting on each of the M2 Initial Waterfalls.
- 20.5. If the Administrators seek to call an M2 Committee meeting or circulate a proposed written resolution but the Committee is not yet in a position to vote on any M2 Initial Waterfall, it may request the Administrators do not call the meeting or circulate the resolution for up to an additional 14 days.
- 20.6. When voting on an M2 Initial Waterfall, the M2 Committee shall either:
- (a) request further written information from the Administrators under paragraph 31 of Schedule 3 (M2 Committee) regarding that M2 Initial Waterfall, in which case paragraph 21 of this Schedule will apply;
 - (b) decline to approve all or part of the M2 Initial Waterfall based on an Objection Ground, in which case paragraph 22 of this Schedule will apply; or
 - (c) approve the M2 Initial Waterfall, in which case paragraph 25 of this Schedule will apply.
21. If the M2 Committee requests further written information regarding any aspect of an M2 Initial Waterfall:
- 21.1. the procedure outlined in paragraphs 32-34 of Schedule 3 (M2 Committee) will apply; and
- 21.2. once the Administrators have provided the information or any dispute is resolved:
- (a) if necessary, the Administrators shall produce a Revised M2 Initial Waterfall and provide each M2 Committee member with a copy of that Revised M2 Initial Waterfall;
 - (b) the Administrators shall call a further M2 Committee meeting, or circulate a proposed written resolution, for the purpose of the members voting on the M2 Initial Waterfall or the Revised M2 Initial Waterfall; and

- (c) the further M2 Committee meeting will be held, or the further proposed written resolution will be circulated, on a date which is no later than seven days after the date the Administrators provided the written information to the M2 Committee, or the Parties have resolved their dispute.

22. If the M2 Committee declines to approve all or part of an M2 Initial Waterfall:

22.1. By a date which is seven days after the M2 Committee meeting or the date of the majority dissent from the proposed resolution, the M2 Committee shall provide the Administrators with its written reasons for declining to approve all or part of the M2 Initial Waterfall.

22.2. By a date which is 14 days after the M2 Committee meeting or the date of the majority dissent from the proposed resolution, the Administrators shall either:

- (a) accept all of the M2 Committee's objections, produce a Revised M2 Initial Waterfall and provide a copy of it to each M2 Committee member, noting the Administrators' acceptance of the objections;
- (b) accept some but not all of the M2 Committee's objections, in which case:
 - (i) the Administrators shall produce a Revised M2 Initial Waterfall and provide a copy of it to each M2 Committee member, noting the Administrators' changes;
 - (ii) the Administrators shall call a further M2 Committee meeting, or circulate a proposed written resolution, for the purpose of the members voting on the Revised M2 Initial Waterfall; and
 - (iii) either:
 - (A) the further M2 Committee meeting will be held on a date which is no later than 21 days after the date the original M2 Committee meeting was held; or
 - (B) the further proposed written resolution will be circulated on a date which is no later than 21 days after the original proposed resolution was circulated; or
- (c) make a Costs Referral in accordance with Schedule 10 (Dispute Resolution Protocol).

Payment

23. The M2 Specific Costs for the Initial Period will fall within the first limb of the security waterfall set out in the relevant security document relating to a specific M2 Loan, for example:
 - 23.1. paragraph 21.1.1 (or other relevant paragraph) of each M2 Debenture; or
 - 23.2. paragraph 15.1.1 (or other relevant paragraph) of each M2 Legal Charge.
24. On and from the Order Date, the Administrators may draw from the Gross M2 Loan Proceeds a sum equal to the M2 Specific Expenses for the Initial Period. However:
 - 24.1. before making any withdrawal, the Administrators shall check that Shoosmiths have applied the Shoosmiths Discount (and, to avoid any doubt, the Administrators shall not be entitled to draw any sums falling within the Shoosmiths Discount from the Gross M2 Loan Proceeds); and
 - 24.2. if a Decision Maker later determines that the Administrators were not properly entitled to draw all or part of a particular M2 Specific Expense from the Gross M2 Loan Proceeds, then Administrators shall pay a sum equal to the relevant withdrawn amount into the Retention.
25. Once a Decision Maker has approved all or part of an M2 Initial Waterfall or Revised M2 Initial Waterfall:
 - 25.1. by no later than 28 days after the date the approval is given, the Administrators shall make an interim or final distribution on the lending platform in accordance with the terms of the relevant waterfall; and
 - 25.2. subject to paragraph 25.3 of this Schedule, the Administrators may draw from the Gross M2 Loan Proceeds a sum equal to the amount of approved M2 Specific Remuneration; and
 - 25.3. if the amount of Remuneration previously paid exceeds the amount of M2 Specific Remuneration in the M2 Initial Waterfall or the Revised M2 Initial Waterfall, then Administrators shall pay a sum equal to the difference in value into the Retention.
26. To avoid any doubt:

- 26.1. if a Decision Maker does not approve any part of an M2 Initial Waterfall or Revised M2 Initial Waterfall, the Administrators shall pay the unapproved sums to the M2 Lenders who are owed money in respect of the specific M2 Loan to which the waterfall relates; and
- 26.2. if, for any reason, part of the Gross M2 Loan Proceeds remain after the Administrators have completed all distributions and drawn their proper M2 Specific Costs from that fund, the Administrators shall pay the remaining amount to the M2 Lenders who are owed money in respect of the specific M2 Loan.

M2 GENERAL COSTS AND COMBINED COSTS

Quantification

27. The Administrators shall quantify their M2 General Remuneration for the Initial Period by:
 - 27.1. reference to the time that they and their staff have spent completing work in relation to the relevant M2 Loans in the Initial Period; and
 - 27.2. charging for relevant work performed at the professional hourly rates for the Administrators and their staff, and at the disbursement rates, set out in Schedule 7 (Administrators Fees); and
 - 27.3. for any work performed, charging the relevant rate that applied when the work was completed, or the disbursement was incurred.
28. The Administrators may charge the M2 General Expenses for the Initial Period on an indemnity basis.
29. The Administrators shall quantify their Combined Remuneration by:
 - 29.1. reference to the time that they and their staff have spent completing work in the Initial Period in relation to matters which:
 - (a) did not clearly relate to a specific M2 Loan or specific M1 Loan; but
 - (b) related to both the M2 Estate and the General Estate; and

- 29.2. charging for relevant work performed at the professional hourly rates for the Administrators and their staff, and at the disbursement rates, set out in Schedule 7 (Administrators Fees); and
- 29.3. for any work performed, charging the relevant rate that applied when the work was completed, or the disbursement was incurred.
30. The Administrators may charge the Combined Expenses for the Initial Period on an indemnity basis.
31. The Administrators bear the onus of proving the existence and quantum of all M2 General Costs and Combined Costs.

Classification

32. Subject to paragraph 34 of this Schedule, all Remuneration is presumed to be Combined Remuneration. The Administrators bear the onus of rebutting this presumption, and proving that any relevant Remuneration is properly to be classified as M2 General Remuneration.
33. Subject to paragraph 34 of this Schedule, all Expenses are presumed to be Combined Expenses. The Administrators bear the onus of rebutting this presumption, and proving that any relevant Expenses are properly to be classified as M2 General Expenses.
34. The Costs of implementing the Initial Costs Protocol will be classified as M2 General Remuneration or M2 General Expenses.

Approval

35. The Administrators have treated the M2 General Expenses and the Combined Expenses for the Initial Period as if the Act and the Rules applied to them.
36. An M2/Combined Initial Schedule or a Revised M2/Combined Initial Schedule may be approved, wholly or partially, by any Decision Maker.
37. The following procedure for M2 Committee approval will apply:
- 37.1. The Administrators shall prepare an M2/Combined Initial Schedule.
- (a) The M2/Combined Initial Schedule will set out:

- (i) the M2 General Costs for the Initial Period;
 - (ii) the share of the Combined Remuneration for the Initial Period that the Administrators have allocated to the M2 Estate (**Combined Remuneration Initial Share**); and
 - (iii) the share of the Combined Expenses for the Initial Period that the Administrators have allocated to the M2 Estate (**Combined Expenses Initial Share**).
- (b) The Schedule will apply the M2 Share Percentage to:
- (i) the Combined Remuneration for the Initial Period to produce the Combined Remuneration Initial Share; and
 - (ii) the Combined Expenses for the Initial Period to produce the Combined Expenses Initial Share.
- (A) A worked example of how the Combined Remuneration Initial Share and the Combined Expenses Initial Share is calculated for a hypothetical M2 Loan is as follows:

Combined Remuneration Initial Share Calculation

Description	Amount/ratio
Combined Remuneration for the Initial Period	£200,000
M2 Share Percentage	70%
<i>Combined Remuneration Initial Share (200,000 x 0.70)</i>	£140,000

Combined Expenses Initial Share Calculation

Description	Amount/ratio
Combined Expenses for the Initial Period	£400,000
M2 Share Percentage	70%
<i>Combined Expenses Initial Share (400,000 x 0.70)</i>	£280,000

- 37.2. By a date which is 14 days after the Constitution Date, the Administrators shall provide a copy of the M2/Combined Initial Schedule to the M2 Committee members.
- 37.3. The M2 Committee will consider the M2/Combined Initial Schedule.
- 37.4. Subject to paragraph 37.5 of this Schedule, by a date which is 28 days after the Schedule Provision Date, the Administrators shall call an M2 Committee meeting or circulate a proposed written resolution for the purpose of the members voting on each of the M2/Combined Initial Schedule.
- 37.5. If the Administrators seek to call an M2 Committee meeting or circulate a proposed written resolution but the Committee is not yet in a position to vote on the M2/Combined Initial Schedule, it may request the Administrators do not call the meeting or circulate the resolution for up to an additional 14 days.
- 37.6. When voting on an M2/Combined Initial Schedule, the M2 Committee shall either:
- (a) request further written information from the Administrators under paragraph 31 of Schedule 3 (M2 Committee) regarding the M2/Combined Initial Schedule, in which case paragraph 38 of this Schedule will apply;
 - (b) decline to approve all or part of the M2/Combined Initial Schedule based on an Objection Ground, in which case paragraph 39 of this Schedule will apply;
or
 - (c) approve the M2/Combined Initial Schedule, in which case paragraph 44 of this Schedule will apply.
38. If the M2 Committee requests further written information regarding any aspect of the M2/Combined Initial Schedule:
- 38.1. the procedure outlined in paragraphs 32-34 of Schedule 3 (M2 Committee) will apply; and
- 38.2. once the Administrators have provided the information or any dispute is resolved:
- (a) if necessary, the Administrators shall produce a Revised M2/Combined Initial Schedule and provide each M2 Committee member with a copy of that Revised M2/Combined Initial Schedule;

- (b) the Administrators shall call a further M2 Committee meeting, or circulate a proposed written resolution, for the purpose of the members voting on the M2/Combined Initial Schedule or the Revised M2/Combined Initial Schedule; and
 - (c) the further M2 Committee meeting will be held, or the further proposed written resolution will be circulated, on a date which is no later than seven days after the date the Administrators provided the written information to the M2 Committee, or the Parties have resolved their dispute.
- 39. If the M2 Committee declines to approve all or part of the M2/Combined Initial Schedule:
 - 39.1. By a date which is seven days after the M2 Committee meeting or the date of the majority dissent from the proposed resolution, the M2 Committee shall provide the Administrators with its written reasons for declining to approve all or part of the M2/Combined Initial Schedule.
 - 39.2. By a date which is 14 days after the M2 Committee meeting or the date of the majority dissent from the proposed resolution, the Administrators shall either:
 - (a) accept all of the M2 Committee's objections, produce a Revised M2/Combined Initial Schedule and provide a copy of it to each M2 Committee member, noting the Administrators' acceptance of the objections;
 - (b) accept some but not all of the M2 Committee's objections, in which case:
 - (i) the Administrators shall produce a Revised M2/Combined Initial Schedule and provide a copy of it to each M2 Committee member, noting the Administrators' changes;
 - (ii) the Administrators shall call a further M2 Committee meeting, or circulate a proposed written resolution, for the purpose of the members voting on the Revised M2/Combined Initial Schedule; and
 - (iii) either:
 - (A) the further M2 Committee meeting will be held on a date which is no later than 21 days after the date the original M2 Committee meeting was held; or

- (B) the further proposed written resolution will be circulated on a date which is no later than 21 days after the original proposed resolution was circulated; or
- (c) make a Costs Referral in accordance with Schedule 10 (Dispute Resolution Protocol).

Payment

- 40. The Administrators shall retain the Retention in order to pay (among other things):
 - 40.1. the M2 General Costs for the Initial Period; and
 - 40.2. the Combined Costs Initial Share.
- 41. Subject to paragraphs 42 and 43 of this Schedule, on and from the Order Date, the Administrators may draw from the Retention a sum equal to:
 - 41.1. the M2 General Expenses for the Initial Period; and
 - 41.2. the Combined Expenses Initial Share.
- 42. Before making any withdrawal from the Retention, the Administrators shall check that Shoosmiths have applied the Shoosmiths Discount (and, to avoid any doubt, the Administrators shall not be entitled to draw any sums falling within the Shoosmiths Discount from the Gross M2 Loan Proceeds).
- 43. If a Decision Maker determines that the Administrators were not properly entitled to draw all or part of a particular Expense falling within paragraph 41 of this Schedule from the Retention, then Administrators shall pay a sum equal to the relevant withdrawn amount into the Retention.
- 44. Once a Decision Maker has approved all or part of the M2/Combined Initial Schedule or Revised M2/Combined Initial Schedule, the Administrators may draw from the Retention a sum equal to the amount of approved:
 - 44.1. M2 General Remuneration for the Initial Period; and
 - 44.2. the Combined Remuneration Initial Share.

45. To avoid any doubt, if a Decision Maker does not approve any part of an M2/Combined Initial Schedule or Revised M2/Combined Initial Schedule, the Administrators shall pay the unapproved sums into the Retention.

SCHEDULE 6—PERIODIC COSTS PROTOCOL

GENERAL

1. The Administrators shall be paid the M2 Costs and Combined Costs incurred after the Order Date in accordance with the Periodic Costs Protocol set out in this Schedule.
2. The Costs of M2 Third Party Claims that the Administrators incur after the Order Date will be dealt with in accordance with paragraph 10 of this Schedule.
3. M2 Specific Costs for any Relevant Period will be quantified, classified, allocated, approved and paid in accordance with paragraphs 11-23 of this Schedule.
4. The M2 General Costs and Combined Costs for any Relevant Period will be quantified, classified, allocated, approved and paid in accordance with paragraphs 24-40 of this Schedule.
5. To avoid any doubt, this Periodic Costs Protocol does not entitle the Administrators to recover from the M2 Estate any:
 - 5.1. M1 Specific Costs;
 - 5.2. M1 General Costs; or
 - 5.3. Disallowed Costs.

PRELIMINARY MATTERS

6. The Parties may agree in writing at any time to vary the value threshold and/or the time limit in the definition of Relevant Period.
7. If there are no Relevant M2 Loan Proceeds in the Relevant Period, the Administrators shall not be required to prepare a M2 Periodic Waterfall.
8. As regards M2 Specific Expenses in the form of legal costs, from the Order Date onwards:
 - 8.1. by a date which is 28 days before the end of any quarter, the Administrators will provide to the M2 Committee an estimate for the legal work that their current solicitors are to perform in the following quarter;

- 8.2. by a date which is 14 days before the end of the same quarter, M2 Committee will have the right to request the Administrators to obtain an estimate for the same work from a comparable firm of solicitors;
 - 8.3. by a date which is seven days before the end of the same quarter:
 - (a) subject to paragraph 8.3(b) of this Schedule, the Administrators, in their absolute discretion, will have the right to instruct a new firm of solicitors to perform the relevant work in the following quarter; and
 - (b) the Administrators will not instruct as a new firm of solicitors any firm that is currently acting on any matter for the benefit of the General Estate; and
 - 8.4. the M2 Committee will have the right to direct the Administrators to refer any invoice for legal fees to a detailed assessment, with the Costs of any detailed assessment being subject to the Periodic Costs Protocol.
9. As regards the Combined Costs relating to the salaries of former Lendy employees:
- 9.1. the Administrators shall continue to employ Messrs Alan Darling and Zaydur Rahman until 1 December 2023; and
 - 9.2. if the Administrators wish to employ Messrs Darling and Rahman to perform duties in relation to the M2 Estate beyond 1 December 2023, they shall first obtain the M2 Committee's written consent to doing so.

THIRD PARTY CLAIMS COSTS

10. If, as at the Order Date, an M2 Third Party Claim remains ongoing, then:
- 10.1. subject to paragraphs 10.2-10.3 of this Schedule, the Costs that the Administrators incur in relation to that M2 Third Party Claim after the Order Date shall be subject to this Periodic Costs Protocol;
 - 10.2. the M2 Committee will have the right to direct the Administrators as to which firm of solicitors to instruct in relation to that M2 Third Party Claim moving forward; and
 - 10.3. if the M2 Committee issues a direction under paragraph 10.2 of this Schedule, any Costs that the Administrators incur in instructing the relevant firm of solicitors shall be subject to this Periodic Costs Protocol.

M2 SPECIFIC COSTS

Quantification

11. The Administrators shall quantify their M2 Specific Remuneration for the Relevant Period by:
 - 11.1. reference to the time that they and their staff have spent completing work in relation to the relevant M2 Loans in the Relevant Period; and
 - 11.2. charging for relevant work performed at the professional hourly rates for the Administrators and their staff, and at the disbursement rates, set out in Schedule 7 (Administrators Fees); and
 - 11.3. for any work performed, charging the relevant rate that applied when the work was completed, or the disbursement was incurred.
12. The Administrators may charge the M2 Specific Expenses for the Relevant Period on an indemnity basis.
13. The Administrators bear the onus of proving the existence and quantum of all M2 Specific Costs incurred in the Relevant Period.

Classification and allocation

14. All Remuneration is presumed to be Combined Remuneration. The Administrators bear the onus of rebutting this presumption, and proving that any relevant Remuneration is properly to be classified as M2 Specific Remuneration.
15. All Expenses are presumed to be Combined Expenses. The Administrators bear the onus of rebutting this presumption, and proving that any relevant Expenses are properly to be classified as M2 Specific Expenses.
16. All M2 Specific Costs for the Relevant Period are to be allocated to the M2 Loan to which they relate.

Approval

17. An M2 Periodic Waterfall or a Revised M2 Periodic Waterfall may be approved, wholly or partially, by any of the following Decision Makers:
 - 17.1. the M2 Committee at a committee meeting or by resolution;
 - 17.2. an Independent Expert following a Costs Referral; or
 - 17.3. a Court following a Costs Challenge.
18. The following procedure for M2 Committee approval will apply:
 - 18.1. The Administrators shall prepare an M2 Periodic Waterfall for each M2 Loan. The M2 Periodic Waterfall will quantify the amount of the proposed distribution to be made to the relevant M2 Lenders in respect of that loan. The Waterfall will:
 - (a) State the Relevant M2 Loan Proceeds.
 - (b) Subtract from that amount:
 - (i) the Direct Costs;
 - (ii) the M2 Specific Remuneration for the Relevant Period; and
 - (iii) the M2 Specific Expenses for the Relevant Period;
 - (iv) the Retention.

(A) A worked example of an M2 Periodic Waterfall for a hypothetical M2 Loan is as follows:

M2 Periodic Waterfall for Hypothetical M2 Loan no 002

Description	Amount
Relevant M2 Loan Proceeds for M2 Loan 002	£300,000
Direct Costs	(£12,000)
M2 Specific Remuneration for the Relevant Period	(£5,000)
M2 Specific Expenses for the Relevant Period	(£22,000)
<i>Total amount available for distribution</i>	<i>£261,000</i>
Retention	(£65,250)
Proposed interim distribution amount	£195,750

18.2. By a date which is 14 days after the Relevant Date, the Administrators shall provide a copy of the M2 Periodic Waterfall to the M2 Committee members.

18.3. The M2 Committee will consider the M2 Periodic Waterfall.

18.4. Subject to paragraph 18.5 of this Schedule, by a date which is 28 days after the Waterfall Provision Date, the Administrators shall call an M2 Committee meeting or circulate a proposed written resolution for the purpose of the members voting on the M2 Periodic Waterfall.

18.5. If the Administrators seek to call an M2 Committee meeting or circulate a proposed written resolution but the Committee is not yet in a position to vote on the M2 Periodic Waterfall, it may request the Administrators do not call the meeting or circulate the resolution for up to an additional 14 days.

18.6. When voting on an M2 Periodic Waterfall, the M2 Committee shall either:

- (a) request further written information from the Administrators under paragraph 31 of Schedule 3 (M2 Committee) regarding that M2 Periodic Waterfall, in which case paragraph 19 of this Schedule will apply;
 - (b) decline to approve all or part of the M2 Periodic Waterfall based on an Objection Ground, in which case paragraph 20 of this Schedule will apply;
- or

- (c) approve the M2 Periodic Waterfall, in which case paragraph 23 of this Schedule will apply.
- 19. If the M2 Committee requests further written information regarding any aspect of an M2 Periodic Waterfall:
 - 19.1. the procedure outlined in paragraphs 32-34 of Schedule 3 (M2 Committee) will apply; and
 - 19.2. once the Administrators have provided the information or any dispute is resolved:
 - (a) if necessary, the Administrators shall produce a Revised M2 Periodic Waterfall and provide each M2 Committee member with a copy of that Revised M2 Periodic Waterfall;
 - (b) the Administrators shall call a further M2 Committee meeting, or circulate a proposed written resolution, for the purpose of the members voting on the M2 Periodic Waterfall or the Revised M2 Periodic Waterfall; and
 - (c) the further M2 Committee meeting will be held, or the further proposed written resolution will be circulated, on a date which is no later than seven days after the date the Administrators provided the written information to the M2 Committee, or the Parties have resolved their dispute.
- 20. If the M2 Committee declines to approve all or part of an M2 Periodic Waterfall:
 - 20.1. By a date which is seven days after the M2 Committee meeting or the date of the majority dissent from the proposed resolution, the M2 Committee shall provide the Administrators with its written reasons for declining to approve all or part of the M2 Periodic Waterfall.
 - 20.2. By a date which is 14 days after the M2 Committee meeting or the date of the majority dissent from the proposed resolution, the Administrators shall either:
 - (a) accept all of the M2 Committee's objections, produce a Revised M2 Periodic Waterfall and provide a copy of it to each M2 Committee member, noting the Administrators' acceptance of the objections;
 - (b) accept some but not all of the M2 Committee's objections, in which case:

- (i) the Administrators shall produce a Revised M2 Periodic Waterfall and provide a copy of it to each M2 Committee member, noting the Administrators' changes;
- (ii) the Administrators shall call a further M2 Committee meeting, or circulate a proposed written resolution, for the purpose of the members voting on the Revised M2 Periodic Waterfall; and
 - (iii) either:
 - (A) the further M2 Committee meeting will be held on a date which is no later than 21 days after the date the original M2 Committee meeting was held; or
 - (B) the further proposed written resolution will be circulated on a date which is no later than 21 days after the original proposed resolution was circulated; or
- (c) make a Costs Referral in accordance with Schedule 10 (Dispute Resolution Protocol).

Payment

- 21. The M2 Specific Costs for the Relevant Period will fall within the first limb of the security waterfall set out in the relevant security document relating to a specific M2 Loan, for example:
 - 21.1. paragraph 21.1.1 (or other relevant paragraph) of each M2 Debenture; or
 - 21.2. paragraph 15.1.1 (or other relevant paragraph) of each M2 Legal Charge.
- 22. On and from the Order Date, the Administrators may draw from the Gross M2 Loan Proceeds a sum equal to the M2 Specific Expenses for the Relevant Period. However, if a Decision Maker later determines that the Administrators were not properly entitled to draw all or part of a particular M2 Specific Expense from the Gross M2 Loan Proceeds, then Administrators shall pay a sum equal to the relevant withdrawn amount into the Retention.
- 23. Once a Decision Maker has approved all or part of an M2 Periodic Waterfall or Revised M2 Periodic Waterfall:

- 23.1. by no later than seven days after the date the approval is given, the Administrators shall make an interim or final distribution on the lending platform in accordance with the terms of the relevant waterfall; and
- 23.2. the Administrators may draw from the Relevant M2 Loan Proceeds a sum equal to the amount of approved M2 Specific Remuneration.

M2 GENERAL COSTS AND COMBINED COSTS

Quantification

24. The Administrators shall quantify their M2 General Remuneration for the Relevant Period by:
 - 24.1. reference to the time that they and their staff have spent completing work in relation to the relevant M2 Loans in the Relevant Period; and
 - 24.2. charging for relevant work performed at the professional hourly rates for the Administrators and their staff, and at the disbursement rates, set out in Schedule 7 (Administrators Fees); and
 - 24.3. for any work performed, charging the relevant rate that applied when the work was completed, or the disbursement was incurred.
25. The Administrators may charge the M2 General Expenses for the Relevant Period on an indemnity basis.
26. The Administrators shall quantify their Combined Remuneration by:
 - 26.1. reference to the time that they and their staff have spent completing work in the Relevant Period in relation to matters which:
 - (a) did not clearly relate to a specific M2 Loan or specific M1 Loan; but
 - (b) related to both the M2 Estate and the General Estate; and
 - 26.2. charging for relevant work performed at the professional hourly rates for the Administrators and their staff, and at the disbursement rates, set out in Schedule 7 (Administrators Fees); and
 - 26.3. for any work performed, charging the relevant rate that applied when the work was completed, or the disbursement was incurred.

27. The Administrators may charge the Combined Expenses for the Relevant Period on an indemnity basis.
28. The Administrators bear the onus of proving the existence and quantum of all M2 General Costs and Combined Costs.

Classification

29. Subject to paragraph 31 of this Schedule, all Remuneration is presumed to be Combined Remuneration. The Administrators bear the onus of rebutting this presumption, and proving that any relevant Remuneration is properly to be classified as M2 General Remuneration.
30. Subject to paragraph 31 of this Schedule, all Expenses are presumed to be Combined Expenses. The Administrators bear the onus of rebutting this presumption, and proving that any relevant Expenses are properly to be classified as M2 General Expenses.
31. The Costs of implementing the Periodic Costs Protocol will be classified as M2 General Remuneration or M2 General Expenses.

Approval

32. An M2/Combined Periodic Schedule or a Revised M2/Combined Periodic Schedule may be approved, wholly or partially, by any Decision Maker.
33. The following procedure for M2 Committee approval will apply:
 - 33.1. The Administrators shall prepare an M2/Combined Periodic Schedule.
 - (a) The M2/Combined Periodic Schedule will set out:
 - (i) the M2 General Costs for the Relevant Period;
 - (ii) the share of the Combined Remuneration for the Relevant Period that the Administrators have allocated to the M2 Estate (**Combined Remuneration Periodic Share**); and
 - (iii) the share of the Combined Expenses for the Relevant Period that the Administrators have allocated to the M2 Estate (**Combined Expenses Periodic Share**).

- (b) The Schedule will apply the M2 Share Percentage to:
- (i) the Combined Remuneration for the Relevant Period to produce the Combined Remuneration Periodic Share; and
 - (ii) the Combined Expenses for the Relevant Period to produce the Combined Expenses Periodic Share.
- (A) A worked example of how the Combined Remuneration Periodic Share and the Combined Expenses Periodic Share is calculated for a hypothetical M2 Loan is as follows:

Combined Remuneration Periodic Share Calculation

Description	Amount/ratio
Combined Remuneration for the Relevant Period	£50,000
M2 Share Percentage	70%
<i>Combined Remuneration Initial Share (50,000 x 0.70)</i>	£35,000

Combined Expenses Periodic Share Calculation

Description	Amount/ratio
Combined Expenses for the Relevant Period	£90,000
M2 Share Percentage	70%
<i>Combined Expenses Periodic Share (90,000 x 0.70)</i>	£63,000

33.2. By a date which is 28 days after the Relevant Date, the Administrators shall provide a copy of the M2/Combined Periodic Schedule to the M2 Committee members.

33.3. The M2 Committee will consider the M2/Combined Periodic Schedule.

33.4. Subject to paragraph 33.5 of this Schedule, by a date which is 28 days after the Schedule Provision Date, the Administrators shall call an M2 Committee meeting or circulate a proposed written resolution for the purpose of the members voting on each of the M2/Combined Periodic Schedule.

- 33.5. If the Administrators seek to call an M2 Committee meeting or circulate a proposed written resolution but the Committee is not yet in a position to vote on the M2/Combined Periodic Schedule, it may request the Administrators do not call the meeting or circulate the resolution for up to an additional 14 days.
- 33.6. When voting on an M2/Combined Periodic Schedule, the M2 Committee shall either:
- (a) request further written information from the Administrators under paragraph 31 of Schedule 3 (M2 Committee) regarding the M2/Combined Periodic Schedule, in which case paragraph 34 of this Schedule will apply;
 - (b) decline to approve all or part of the M2/Combined Periodic Schedule based on an Objection Ground, in which case paragraph 35 of this Schedule will apply; or
 - (c) approve the M2/Combined Periodic Schedule, in which case paragraph 39 of this Schedule will apply.
34. If the M2 Committee requests further written information regarding any aspect of the M2/Combined Periodic Schedule:
- 34.1. the procedure outlined in paragraphs 32-34 of Schedule 3 (M2 Committee) will apply; and
- 34.2. once the Administrators have provided the information or any dispute is resolved:
- (a) if necessary, the Administrators shall produce a Revised M2/Combined Periodic Schedule and provide each M2 Committee member with a copy of that Revised M2/Combined Periodic Schedule;
 - (b) the Administrators shall call a further M2 Committee meeting, or circulate a proposed written resolution, for the purpose of the members voting on the M2/Combined Periodic Schedule or the Revised M2/Combined Periodic Schedule; and
 - (c) the further M2 Committee meeting will held, or the further proposed written resolution will be circulated, on a date which is no later than seven days after the date the Administrators provided the written information to the M2 Committee, or the Parties have resolved their dispute.

35. If the M2 Committee declines to approve all or part of the M2/Combined Periodic Schedule:

35.1. By a date which is seven days after the M2 Committee meeting or the date of the majority dissent from the proposed resolution, the M2 Committee shall provide the Administrators with its written reasons for declining to approve all or part of the M2/Combined Periodic Schedule.

35.2. By a date which is 14 days after the M2 Committee meeting or the date of the majority dissent from the proposed resolution, the Administrators shall either:

(a) accept all of the M2 Committee's objections, produce a Revised M2/Combined Periodic Schedule and provide a copy of it to each M2 Committee member, noting the Administrators acceptance of the objections;

(b) accept some but not all of the M2 Committee's objections, in which case:

(i) the Administrators shall produce a Revised M2/Combined Periodic Schedule and provide a copy of it to each M2 Committee member, noting the Administrators' changes;

(ii) the Administrators shall call a further M2 Committee meeting, or circulate a proposed written resolution, for the purpose of the members voting on the Revised M2/Combined Periodic Schedule; and

(iii) either:

(A) the further M2 Committee meeting will be held on a date which is no later than 21 days after the date the original M2 Committee meeting was held; or

(B) the further proposed written resolution will be circulated on a date which is no later than 21 days after the original proposed resolution was circulated; or

(c) make a Costs Referral in accordance with Schedule 10 (Dispute Resolution Protocol).

Payment

36. The Administrators shall retain the Retention in order to pay (among other things):
 - 36.1. the M2 General Costs for the Relevant Period; and
 - 36.2. the Combined Costs Periodic Share.
37. Subject to paragraph 38 of this Schedule, on and from the Order Date, the Administrators may draw from the Retention a sum equal to:
 - 37.1. the M2 General Expenses for the Relevant Period; and
 - 37.2. the Combined Expenses Periodic Share.
38. If a Decision Maker determines that the Administrators were not properly entitled to draw all or part of a particular Expense falling within paragraph 37 of this Schedule from the Retention, then Administrators shall pay a sum equal to the relevant withdrawn amount into the Retention.
39. Once a Decision Maker has approved all or part of the M2/Combined Periodic Schedule or Revised M2/Combined Periodic Schedule, the Administrators may draw from the Retention a sum equal to the amount of approved:
 - 39.1. M2 General Remuneration for the Relevant Period; and
 - 39.2. the Combined Remuneration Periodic Share.
40. To avoid any doubt, if a Decision Maker does not approve any part of an M2/Combined Periodic Schedule or Revised M2/Combined Periodic Schedule, the Administrators shall pay the unapproved sums into the Retention.

SCHEDULE 7—ADMINISTRATORS’ FEES

GENERAL

1. The Administrators shall calculate their Remuneration by reference to the time that they and their staff have spent completing work in relation to M2 Loans.
2. This Schedule contains the professional hourly charge out rates for the Administrators and their staff, and the disbursement rates applied, at different times. For any work performed, the Administrators and/or their staff will charge the relevant rate that applied when the work was completed, or the disbursement was incurred.

RATES APPLICABLE FOR THE PERIOD FROM APPOINTMENT TO THE ORDER DATE

Professional Hourly Charge Out Rates

	Year and Rate (£)			
Description	2019	2020	2021	2022
Partner	625	625	650	750
Director	575	575	575	600
Associate Director	450	450	450	500
Manager	280 - 345	280 - 345	345	375
Associate	210 - 290	210 - 290	280	300
Executive	210	210	210	250
Analyst	105 - 180	105 - 180	120	200
Cashier	90 - 190	90 - 190	170	175

Disbursement Rates

No	Description	Calculation
1	Subsistence	£25 per night
2	Travel (car)	42.5p per mile
3	'Tracker' Searches	£10 per case

RATES APPLICABLE FOR THE PERIOD FROM THE ORDER DATE ONWARDS

3. The professional hourly charge out rates and the disbursements rates will be subject to annual increases, starting on 1 January 2024.
4. The rate increase applied both to the professional hourly charge out rates and the disbursements rates must not exceed the rate increase that the Administrators' firm applies to the same category of expenses in a comparable insolvency practitioner appointment as at date of the increase.
5. The M2 Committee may request a written explanation of why another appointment is said to be comparable, and written evidence of a relevant increase applied in one of the putatively comparable appointments. If so requested, the Administrators will provide that written information to the M2 Committee within 14 days of the request.

SCHEDULE 8—EXAMPLE COST CATEGORIES

GENERAL

1. The Administrators shall classify Remuneration and Expenses into categories by applying various distinctions (such as M1/M2/Combined and Specific/General).
2. This Schedule sets out non-exhaustive examples of various categories of M1 Costs, M2 Costs and Combined Costs. In conducting the classification exercise, the Administrators shall be guided by the examples outlined in this Schedule.

M1 COSTS

M1 Specific Costs

3. Examples of M1 Specific Costs include the Costs incurred in relation to the following:
 - 3.1. considering a specific M1 Loan which is approaching maturity;
 - 3.2. obtaining professional advice (such as legal advice) regarding a specific M1 Loan;
 - 3.3. enforcing a security regarding a specific M1 Loan, including any rights under a guarantee of that loan;
 - 3.4. perusing claims against third parties (such as negligence claims against solicitors or valuers) in connection with a specific M1 Loan; and
 - 3.5. defending claims or counterclaims that borrowers or guarantors have made regarding specific M1 Loans.

M1 General Costs

4. Examples of M1 General Costs include the Costs incurred in relation to the following:
 - 4.1. dealing with general enquiries regarding the General Estate;
 - 4.2. dealing with proofs of debt lodged by Lendy's unsecured creditors (save for the costs set out in paragraph 10 of Schedule 3);

- 4.3. investigating, considering and instituting proceedings against third parties seeking to make recoveries for the General Estate's benefit (for example, claims seeking relief against Lendy's former directors); and
- 4.4. obtaining professional advice (such as legal advice) regarding the enforcement of M1 Loans generally, where the advice does not relate to a specific M1 Loan.

M2 COSTS

M2 Specific Costs

5. Examples of M2 Specific Costs include the Costs incurred in relation to the following:
 - 5.1. considering a specific M2 Loan which is approaching maturity;
 - 5.2. obtaining professional advice (such as legal advice) regarding a specific M2 Loan;
 - 5.3. enforcing a security regarding a specific M2 Loan, including any rights under a guarantee of that loan;
 - 5.4. pursuing claims against third parties (such as negligence claims against solicitors or valuers) in connection with a specific M2 Loan; and
 - 5.5. defending claims or counterclaims that Borrowers or Guarantors have made regarding specific M2 Loans.

M2 General Costs

6. Examples of M2 General Costs include the Costs incurred in relation to the following:
 - 6.1. complying with the CASS Rules (regarding segregation and reconciliation of client monies);
 - 6.2. communicating with the FCA regarding matters pertaining to the M2 Loans generally or the M2 Estate;
 - 6.3. dealing with general enquiries regarding the M2 Estate;
 - 6.4. obtaining professional advice (such as legal advice) regarding the enforcement of M2 Loans generally, where the advice does not relate to a specific M2 Loan; and
 - 6.5. the Administrators costs of bringing any claim for a threatened or actual breach of a Non-disclosure Agreement.

COMBINED COSTS

Combined Costs

7. Examples of Combined Costs include the Costs incurred in relation to the following:
 - 7.1. investigating and considering matters of potential value to both the M2 Estate and General Estate;
 - 7.2. the salaries of former Lendy employees who have completed work regarding M1 Loans and M2 Loans;
 - 7.3. communicating with an M1 Loan or M2 Loan borrower or guarantor, or the representatives of either party;
 - 7.4. obtaining professional advice (such as legal advice) considering matters of potential value both to the M2 Estate and General Estate;
 - 7.5. meetings with consultants (such as Mr Bill Beech) and former Lendy employees to discuss M1 Loan and M2 Loan realisations generally;
 - 7.6. maintaining the lending platform (such as engaging Si Digital, specialist IT service providers, to assist in maintaining the platform);
 - 7.7. dealing with the Administrators' proposals and progress reports;
 - 7.8. dealing with the Lendy creditors' committee; and
 - 7.9. dealing with general administration enquiries.

SCHEDULE 9—RETENTION DISTRIBUTION PROTOCOL

GENERAL

1. The Administrators shall take the Retention from the proceeds of the M2 Loans and the proceeds of the M2 Third Party Claims in accordance with the Costs Protocols.
2. The Administrators shall make payments from the Retention, and then distribute the balance of that fund, in accordance with the Retention Distribution Protocol set out in this Schedule.

DRAWINGS BEFORE AND ON THE REALISATION COMPLETION DATE

3. In the period up to and including the Realisation Completion Date, the Administrators may draw from the Retention to pay the following Costs:
 - 3.1. on and from the Order Date:
 - (a) the M2 General Expenses;
 - (b) the Combined Expenses Initial Share; and
 - (c) the Combined Expenses Periodic Share;
 - 3.2. if approved by the M2 Committee:
 - (a) the M2 General Remuneration;
 - (b) the Combined Remuneration Initial Share; and
 - (c) the Combined Remuneration Periodic Share;
 - 3.3. in cases falling within paragraph 28.2 and 52.2 of Schedule 10 (Dispute Resolution Protocol)—the Independent Expert's costs of a Costs Referral or Information Referral respectively; and
 - 3.4. if approved by the Independent Expert—the Amended Costs.

DISTRIBUTIONS AFTER THE REALISATION COMPLETION DATE

4. By a date which is 21 days after the Realisation Completion Date, the Administrators shall distribute the amount of any Retention that remains to the M2 Lenders (without the need for any M2 Committee approval) in the following two steps:
 - 4.1. As to the first step, the Administrators shall:
 - (a) add up the Retention held for each M2 Loan to arrive a total figure for all M2 Loans (**Gross Total Retention**); and
 - (b) for each M2 Loan:
 - (i) divide the Retention for that specific M2 Loan by the Gross Total Retention; and
 - (ii) multiply the figure obtained by 100 (**Pari Passu Percentage**).
 - 4.2. As to the second step, the Administrators shall:
 - (a) deduct all Costs already paid from the Gross Total Retention to give the net value of the total Retention as at the Realisation Completion Date (**Net Total Retention**);
 - (b) for each M2 Loan, multiply the Net Total Retention by the Pari Passu Percentage for the specific M2 Loan, which will provide the share of the Net Total Retention that is to distributed to the M2 Lenders of the specific M2 Loan; and
 - (c) pay out the relevant sum to the M2 Lenders of the specific M2 Loan.
5. A worked example of how the Administrators shall distribute a share of the Net Total Retention to hypothetical M2 Lenders who invested in hypothetical M2 Loan is as follows:

Retention Distribution for Hypothetical M2 Loan no 003

Description	Amount/ percentage
Gross Total Retention	£1,000,000
Retention for M2 Loan no 003	£50,000
<i>Pari Passu Percentage (being $50,000 \div 1,000,000 \times 100$)</i>	5%
Net Total Retention	£675,000
Share of Net Total Retention to be distributed to M2 Loan no 005 ($675,000 \times 0.05$)	£33,750

6. To avoid any doubt, if, as at the Realisation Completion Date, no amount remains in the Retention, the Administrators need not make any further distributions to the M2 Lenders.
7. The Costs of implementing the Retention Distribution Protocol will be classified as either M2 General Remuneration or M2 General Expenses.

SCHEDULE 10—DISPUTE RESOLUTION PROTOCOL

GENERAL

1. The Parties shall resolve any disputes concerning the M2 Costs or the Administrators' provision of written information in accordance with the Dispute Resolution Protocol set out in this Schedule.

DISPUTES REGARDING COSTS

Independent Expert review—Costs Referrals

Objection Grounds

2. The M2 Committee may object to any Cost on one or more of the following Objection Grounds:
 - 2.1. The Administrators have failed to discharge their burden of proving the existence and/or quantum of any Cost.
 - 2.2. The Administrators have failed to rebut a relevant presumption regarding the classification of any Cost.
 - 2.3. The Administrators have incorrectly allocated or classified the Cost, for example, by:
 - (a) not allocating an M2 Specific Cost to the particular M2 Loan to which it properly relates;
 - (b) wrongly classifying an M1 General Cost as an M2 General Cost; or
 - (c) wrongly classifying a Combined Cost as an M2 General Cost.
3. The M2 Committee may object to any item of Remuneration on the following Objection Grounds:
 - 3.1. the Remuneration is unfair or unreasonable;
 - 3.2. the Remuneration is disproportionate; or
 - 3.3. the quantum of the Remuneration is excessive in all the circumstances (including the nature and complexity of the specific M2 Loan).

4. If the M2 Committee objects to any Cost or item of Remuneration, they shall provide written reasons in support of their objection.

Independent Expert nomination and appointment

5. If, as at the date of the Costs Referral Requirement Date, the Parties have previously appointed an Independent Expert to determine an Information Referral, the Parties may appoint that same person to act as the Independent Expert to deal with a Costs Referral. If the Parties do not so agree, then paragraphs 6-8 of this Schedule will apply.
6. By a date which is two days after the Costs Referral Requirement Date, the Administrators shall provide the M2 Committee with the name of a nominee who they propose will act as Independent Expert.
7. By a date which is four days after the Costs Referral Requirement Date, the M2 Committee will inform the Administrators that the Committee:
 - 7.1. agrees that the nominee should be appointed; or
 - 7.2. they do not agree to appoint the nominee, in which case the M2 Committee will provide the name of a different nominee.
8. If, by a date which is seven days after the Cost Referral Requirement Date, the Administrators do not agree to appoint the M2 Committee's nominee, the Administrators shall propose a further nominee and the M2 Committee, acting reasonably, will select one of the three nominees referred to in paragraphs 6, 7.2 and 8 of this Schedule.
9. As to engaging the Independent Expert:
 - 9.1. the Administrators shall negotiate the terms of engagement on the Parties' behalf, which terms shall reflect the contents of this Schedule; and
 - 9.2. before signing those engagement terms on the Parties' behalf, the Administrators shall obtain the M2 Committee's written consent to those terms (which shall not be unreasonably withheld).
10. By a date which is no later than 14 days after the Appointment Date, the Administrators shall send the M2 Committee a notice (**Draft Costs Referral Notice**) which shall (at least):
 - 10.1. set out a brief summary of the background to the Costs Referral;
 - 10.2. outline the issues that the Independent Expert shall decide;

- 10.3. state the Objection Ground(s) relevant to each issue;
 - 10.4. attach a copy of all relevant documents; and
 - 10.5. attach a copy of the Independent Expert's terms of engagement.
11. By a date which is no later than 21 days after the Appointment Date, the M2 Committee shall send the Administrators any comments on the Draft Costs Referral Notice.
 12. The Parties shall seek to agree the contents of, and attachments to, a Final Costs Referral Notice.
 13. By a date which is no later than 24 days after the Appointment Date, the Administrators shall provide the Independent Expert with:
 - 13.1. a Final Costs Referral Notice; or
 - 13.2. a Draft Costs Referral Notice which, by way of track changes and comments, shows any disputes that remain between the Parties as to the contents of and/or attachments to the Notice.
 14. If, for any reason, the Independent Expert becomes unwilling or unable to carry out his or her functions and confirms this fact in writing, the Parties, acting reasonably, will seek to appoint a new Independent Expert by agreement by a date which is seven days after the date of that written confirmation.

The Independent Expert's role

15. The Independent Expert shall act as an expert and not act as an arbitrator.
16. Unless the Parties agree otherwise, the Independent Expert shall only determine the issues set out in the Final Costs Referral Notice or Draft Costs Referral Notice.

Review procedure

17. Subject to paragraphs 18-21 of this Schedule, the Independent Expert will determine his or her own procedure. However, to avoid any doubt, the Independent Expert is not entitled to determine the scope of his or her own jurisdiction.
18. The Independent Expert shall:
 - 18.1. give the Administrators and M2 Committee a reasonable opportunity to make written representations to him or her; and

- 18.2. require each Party to send any written representations to the Independent Expert and other Party at the same time.
19. In any review, the Independent Expert shall consider each Party's written representations and any supporting documents. However, if having done so, the Independent Expert has any doubt about whether an Objection Ground is valid, he or she shall resolve that doubt against the Administrators.
20. The Parties shall co-operate with the Independent Expert. In particular (but without limitation):
- 20.1. The Independent Expert may, in carrying out his or her duties under this Schedule, make reasonable written requests for information, documentation or representations from either Party or both Parties.
- 20.2. If the Independent Expert makes a written request of:
- (a) one party under paragraph 20.1 of this Schedule, he or she shall provide a written copy of the request to the other Party when it is made;
 - (b) one or both Parties under paragraph 20.1 of this Schedule, the Party or Parties shall seek to provide the information, documentation or representations sought within seven days of the request.
21. The Independent Expert and the Parties shall keep the fact, content and result of any Costs Referral confidential. However, either Party may disclose any such confidential information:
- 21.1. to enable with Administrators to comply with their statutory duties;
 - 21.2. to the Second Respondents or the FCA, upon request;
 - 21.3. to a third party, with the other Party's express written consent;
 - 21.4. to the Party's professional advisers, on a confidential basis;
 - 21.5. to the extent required by law;
 - 21.6. pursuant to an order of a Court of competent jurisdiction;
 - 21.7. as far as is necessary to enforce to enforce that Party's rights arising from, or related to, this Order;
 - 21.8. for the purpose of making a Costs Challenge; and

21.9. for the purpose of making a claim against any third party.

The Independent Expert's decision

22. By a date which is no later than 28 days after the Appointment Date (or such further time as the Parties and the Independent Expert agree in writing), the Independent Expert shall:
- 22.1. prepare a written report containing (at least):
- (a) a summary of his or her instructions;
 - (b) a statement of the issues;
 - (c) a statement of the Independent Expert's decision on each issue; and
 - (d) his or her reasons for each decision; and
- 22.2. send a copy of the report to the Administrators and each M2 Committee member.
23. If the Independent Expert finds that no Objection Ground is well-founded, he or she shall approve a Reviewed Waterfall and/or a Reviewed Schedule.
24. If the Independent Expert finds that any Objection Ground is well-founded, he or she may do any one or more of the following:
- 24.1. find that the Administrators are not properly entitled to recover a Cost at all;
 - 24.2. reduce the quantum of any Cost;
 - 24.3. reclassify or reallocate any Cost;
 - 24.4. require the Administrators to reimburse any amount to the Retention;
 - 24.5. state the sum of any Amended Costs;
 - 24.6. approve an Amended Reviewed Waterfall; or
 - 24.7. approve an Amended Reviewed Schedule.
25. Once an Independent Expert has approved an Amended Reviewed Waterfall or an Amended Reviewed Schedule, the Administrators shall be paid any approved Amended Costs in line with the Independent Expert's direction.
26. The Independent Expert's written determination on the matters referred to him or her will be binding on the Parties.

27. A Party's right to challenge the Independent Expert's decision is limited to the grounds of challenge that would apply if the Independent Expert was an expert that the Parties had appointed as an expert under a contract between them, including:
 - 27.1. procedural unfairness;
 - 27.2. manifest error in reaching the decision;
 - 27.3. departure from instructions; or
 - 27.4. exceeding jurisdiction.

Costs

28. The Administrators shall pay Independent Expert's costs of any Costs Referral, without the need for any M2 Committee approval, from the following sources:
 - 28.1. for issues involving the determination of matters relating to M2 Specific Costs—from the proceeds of the M2 Loan to which the relevant Costs relate; and
 - 28.2. for all other issues—from the Retention.
29. The Costs of any Costs Referral will be classified as M2 General Costs. Accordingly, and to avoid any doubt, a Decision Maker must approve any M2 General Remuneration incurred in relation to a Costs Referral before the Administrators may draw the relevant sum from the Retention.

Judicial Review—Costs Challenges

30. The Administrators and the M2 Committee are only entitled to file one Costs Challenge.
31. A Party may only file its Costs Challenge on a date which is at least three months after Realisation Completion Date.
32. The applicant shall make its Costs Challenge by filing an Application Notice in the existing Direction Applications.
33. Any Costs Challenge shall, in that single application, deal with all the objections that the applying Party has regarding the outcomes of all of the Costs Referrals conducted to the date of the application.
34. Any Costs Challenge will proceed by way of a review not re-hearing.

35. To avoid any doubt, the Court will decide the cost consequences of any Costs Challenge by exercising its discretion.

DISPUTES REGARDING THE PROVISION OF WRITTEN INFORMATION

Independent Expert review—Information Referrals

Initial dispute resolution process

36. If a dispute arises as to whether the Administrators have provided sufficient information in response to the M2 Committee's request for written information, the following procedure will apply:
 - 36.1. the M2 Committee may provide the Administrators with a Dispute Notice;
 - 36.2. by a date which is seven days after the Dispute Notice Date, the Administrators shall provide the M2 Committee with a Response Notice;
 - 36.3. in the following 14 days, the Parties shall engage in discussions in an attempt to settle the dispute; and
 - 36.4. if by a date which is 21 days after the Dispute Notice Date the dispute remains unresolved, the Administrators shall make an Information Referral within the following three days.

Independent Expert nomination and appointment

37. If, as at the Information Referral Requirement Date, the Parties have previously appointed an Independent Expert to determine a Costs Referral, the Parties may appoint that same person to act as the Independent Expert to deal with an Information Referral. If the Parties do not so agree, then paragraphs 38-40 of this Schedule will apply.
38. By a date which is two days after the Information Referral Requirement Date, the Administrators shall provide the M2 Committee with the name of a nominee who they propose will act as Independent Expert.
39. By a date which is four days after the Information Referral Requirement Date, the M2 Committee will inform the Administrators that the Committee:
 - 39.1. agrees that the nominee should be appointed; or

- 39.2. they do not agree to appoint the nominee, in which case the M2 Committee will provide the name of a different nominee.
40. If, by a date which is seven days after the Information Referral Requirement Date, the Administrators do not agree to appoint the M2 Committee's nominee, the Administrators shall propose a further nominee and the M2 Committee, acting reasonably, will select one of the three nominees referred to in paragraphs 38, 39.2 and 40 of this Schedule.
41. As to engaging the Independent Expert:
- 41.1. the Administrators shall negotiate the terms of engagement on the Parties' behalf, which terms shall reflect the contents of this Schedule; and
- 41.2. before signing those engagement terms on the Parties' behalf, the Administrators shall obtain the M2 Committee's written consent to those terms (which shall not be unreasonably withheld).
42. By a date which is no later than 14 days after the Appointment Date, the Administrators shall:
- 42.1. provide the Independent Expert with a copy of the Dispute Notice and the Response Notice; and
- 42.2. if the Parties agree on the description of the dispute and the issue—request that the Independent Expert address the issue and resolve the dispute; or
- 42.3. if the Parties do not agree on the description of the dispute or the issue—request the Independent Expert to identify the issue and then resolve the dispute.

The Independent Expert's role

43. The Independent Expert shall act as an expert and not act as an arbitrator.
44. Unless the Parties agree otherwise, the Independent Expert shall only determine the issue regarding the dispute arising from M2 Committee's information request, either as agreed or as the Independent Expert has defined it.

Review procedure

45. Subject to paragraph 46 of this Schedule, the Independent Expert will determine his or her own procedure. However, to avoid any doubt, the Independent Expert is not entitled to be entitled to determine the scope of his or her own jurisdiction.

46. The review procedure for Costs Referrals set out in paragraphs 18-21 of this Schedule applies *mutatis mutandis* to Information Referrals.

The Independent Expert's decision

47. By a date which is no later than seven days after the Appointment Date (or such further time as the Parties and the Independent Expert agree in writing), the Independent Expert shall:

47.1. prepare a written report containing (at least):

- (a) a summary of his or her instructions;
- (b) a statement of the dispute;
- (c) a statement of the issue(s);
- (d) a statement of the Independent Expert's decision on the issue(s); and
- (e) his or her reasons for each decision; and

47.2. send a copy of the report to the Administrators and each M2 Committee member.

48. The Independent Expert may do any one or more of the following:

48.1. find that the Administrators do not need to provide the M2 Committee with any further written information or documents; or

48.2. hold that the Administrators shall provide the M2 Committee with further items or categories of written information or documents:

- (a) which the M2 Committee sought (providing a list of those items or categories); or
- (b) which the M2 Committee did not seek, but to which they are properly entitled (providing a list of those items or categories).

49. If the Independent Expert finds that the Administrators must provide the M2 Committee with any further written information or documents, the Administrators shall provide that information and/or those documents to the M2 Committee within three days of the date of the Independent Expert's report.

50. The Independent Expert's written determination on the matters referred to him or her will be binding on the Parties.

51. A Party's right to challenge the Independent Expert's decision is limited to the grounds of challenge that would apply if the Independent Expert was an expert that the Parties had appointed as an expert under a contract between them, including:
 - 51.1. procedural unfairness;
 - 51.2. manifest error in reaching the decision;
 - 51.3. departure from instructions; or
 - 51.4. exceeding jurisdiction.

Costs

52. The Administrators shall pay Independent Expert's costs of any Information Referral, without the need for any M2 Committee approval, from the following sources:
 - 52.1. for a dispute involving a request for written information concerning M2 Specific Costs—from the proceeds of the M2 Loan to which the relevant Costs relate; and
 - 52.2. for all other disputes—from the Retention.
53. The Costs of any Information Referral will be classified as M2 General Costs. Accordingly, and to avoid any doubt, a Decision Maker must approve any M2 General Remuneration incurred in relation to an Information Referral before the Administrators may draw the relevant sum from the Retention.

Judicial Review—Information Challenges

54. Any Party may file an Information Challenge.
55. The applicant shall make its Information Challenge by filing an Application Notice in the existing Direction Applications.
56. Any Information Challenge will proceed by way of a review not re-hearing.
57. To avoid any doubt, the Court will decide the cost consequences of any Information Challenge by exercising its discretion.