

Lehman Brothers UK Holdings Limited – in Administration

Joint Administrators' progress report for the period 29
March 2009 to 28 September 2009

26 October 2009

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Section 1: Purpose of the Joint Administrators' progress report

Introduction

This is the second progress report by the Joint Administrators of Lehman Brothers UK Holdings Limited ("LBUKH" or the Company).

This report provides an update on the work the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 28 September 2009.

Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for the creditors of LBUKH as a whole, than would be likely if the Company were wound up (without first being in Administration).

The specific aim of this Administration is to protect and control any return on the Company's investments in subsidiaries and intercompany book debts, for the benefit of the unsecured creditors of LBUKH.

Creditors' Committee

There are only two known creditors of the Company. It is therefore not possible to form a Creditors' Committee.

Outcome for unsecured creditors

Due to the complexity of the intercompany relationships and the impact of insolvencies on intercompany debtor and creditor balances, the Administrators are not in a position to give an estimate of the timing or quantum of any dividend to unsecured creditors.

Extension of the Administration

On the application of the Administrators, the High Court made an Order extending the period of the Administration to 30 November 2010.

Future reports

The Administrators will next report to creditors in approximately six months time or when the Administration comes to an end, whichever is sooner.

Signed:



DA Howell
Joint Administrator
Lehman Brothers UK Holdings Limited

Section 2: Joint Administrators' actions to date

Overview

LBUKH acted as the holding company and funding vehicle for two of the main parts of the Lehman group of companies. Its two subsidiaries are Lehman Brothers Holdings Plc ("LBH") and Lehman Brothers (PTG) Limited ("LBPTG"). LBUKH was the holding company and funding vehicle for LBH and LBPTG, relying on the provision of monies from its parent Lehman Brothers Luxembourg Investments S.A.R.L ("LBLI").

Administrators' actions to date

As at the date of administration, the Company's assets comprised of the following (stated at book value as at 29 September 2008):

- Subordinated intercompany notes (\$1.903bn);
- Equity investments in subsidiaries (\$1.128bn);
- Intercompany book debts (\$45m); and
- Corporation Tax refund (\$10k).

The Administrators do not expect the equity investments or subordinated loan notes will realise any value for creditors of LBUKH.

The recovery of any value from intercompany book debts is dependent on dividend prospects from the insolvency procedure of the relevant entities.

The Administrators have filed direct claims against US debtors before the relevant bar dates totalling approximately \$8k. Guarantee claims, where Lehman Brothers Holdings Inc ("LBHI") had guaranteed the debts of certain group companies, have also been filed before the applicable bar date totalling approximately \$35m.

The Administrators have also registered the Company's claims against its subsidiaries and received estimates of its liabilities to LBLI and LB UK Holdings Delaware Inc (a USA registered entity).

The timing and level of any distribution from these processes is uncertain and dependent on

circumstances outside of the Administrators' control.

Outstanding matters

The Administrators will continue to:

- Retain control of and manage the intercompany investments and debtors for the benefit of the unsecured creditors of LBUKH. This will include providing evidence in support of claims against related companies.

Extension of the Administration

On 28 July 2009 the Administrators made an application to Court to extend the period of the Administration. The Court made an Order extending the Administration until 30 November 2010.

The application was made for the following reasons:

- There are various matters in the estate that, in the Administrators' view, would be better dealt with in Administration;
- Entering into an insolvency process other than Administration has the effect of breaking the Group of Companies for tax purposes. The Administrators are aware that there are potential tax losses within the Group of Companies which may have value to this estate, and which would be lost if the Company entered into another insolvency process;
- The Administrators have not yet determined the most appropriate exit route from Administration.

Section 3: Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court - case 8445 of 2008.
Full name:	Lehman Brothers UK Holdings Limited.
Trading name:	Lehman Brothers UK Holdings Limited.
Registered number:	207437.
Registered address:	25 Bank Street, London E14 5LE.
Company directors:	D Gibb, IM Jameson and AJ Rush.
Company secretary:	M Smith.
Shareholdings held by the directors and secretary:	None of the directors own shares in LBUKH.
Date of the Administration appointment:	29 September 2008.
Administrators' names and addresses:	DA Howell, MJA Jervis and AV Lomas, of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT.
Appointer's name and address:	The directors of the Company, 25 Bank Street, London E14 5LE.
Objective being pursued by the Administrators:	Achieving a better result for LBUKH's creditors as a whole than would be likely if LBUKH were wound up (without first being in Administration).
Division of the Administrators' responsibilities:	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by any or all of the Joint Administrators may be done by any or one or more of the persons for the time being holding that office.
Details of any extensions for the initial period of appointment	The Court has granted an extension of the Administration to 30 November 2010.
Proposed end of the Administration:	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
Estimated dividend for unsecured creditors:	It is too early to estimate the likely dividend for unsecured creditors.
Estimated values of the prescribed part and net property:	There is no prescribed part.
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	Not applicable.
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings applies to this Administration and these are the main proceedings.

Section 4: Financial information

Administrators' remuneration

The manner in which Administrators' remuneration is determined and approved is set out in the Insolvency Rules 1986 2.106 to 2.109 (the "Rules").

There are insufficient creditors in this case to enable a Creditors Committee to be formed; it will therefore be a matter for the general body of creditors to agree the level of the Administrators' remuneration and Category 2 disbursements.

Full details of the Administrators' remuneration will be provided to creditors in due course.

The Administrators will only draw remuneration when appropriate approval has been given and when funds are available to do so.

Receipts and payments account

There have been no receipts and payments on behalf of LBUKH in the period covered by this report.