

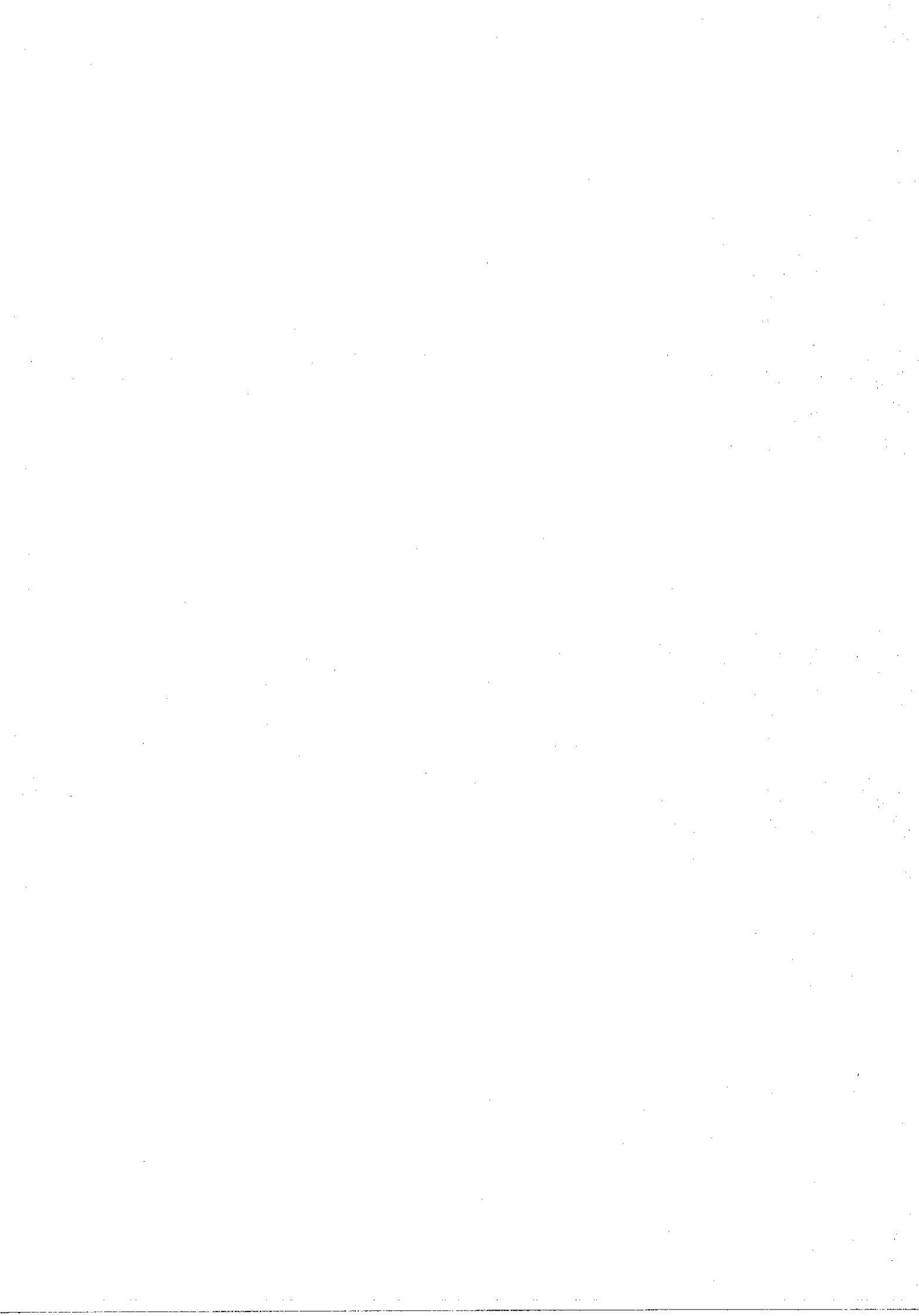
Lehman Brothers UK Holdings Limited – in Administration

Joint Administrators' progress report for the period 29
September 2009 to 28 March 2010

27 April 2010

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Section 1: Purpose of the Joint Administrators' progress report

Introduction

This is the third 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 March 2010.

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

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

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.

Additional Administrators

Steven Anthony Pearson and Dan Yoram Schwarzmann were appointed as additional Administrators on 30 November 2009.

SA Pearson and DY Schwarzmann are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

AV Lomas, MJA Jervis and DA Howell continue to act as Joint Administrators.


Change of business address

The Company has relocated from 25 Bank Street and all future correspondence should be addressed to Level 23, 25 Canada Square, London, E14 5LQ.

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:-

- Subordinated intercompany notes. These had a book value of \$1.903bn at the date of administration. The Administrators do not expect to realise any value from these notes, as the subordinated debt is owed by a Lehman group company in administration which does not expect to pay its ordinary unsecured creditors in full.
- Equity investments in subsidiaries. These investments had a book value of \$1.128bn at the date of administration. As both subsidiaries are in administration, no value is expected from these holdings.
- Intercompany book debts. The book value at the date of administration was \$45m. The Administrators do expect realisations from this asset, though the quantum and timing is dependent on circumstances outside the Administrators control. The Joint Administrators are filing claims and providing appropriate evidence to substantiate these debts. Guarantee claims totalling approximately \$35m have also been filed against Lehman Brothers Holdings Inc ("LBHI") which had guaranteed the debts of certain group companies.
- Corporation Tax refund. The book value of this refund was \$10k at the date of

administration. The Administrators' tax team are working to realise tax recoveries across the Lehman UK group as a whole.

Outstanding matters

The Administrators will continue their work to realise the intercompany investments and debtors of LBUKH. This will include providing evidence in support of claims against related companies.

Extension of the Administration

The Administrators will decide in due course whether a further extension is necessary.

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 Canada Square, London E14 5LQ.
Company directors:	D Gibb (resigned 17/07/09), IM Jameson (resigned 17/07/09) and AJ Rush (resigned 28/10/08).
Company secretaries:	M Smith (resigned 25/01/10), P Dave (resigned 25/01/10), ESE Upton (resigned 25/01/10)
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, SA Pearson, DY Schwarzmann 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. Therefore it will be the general body of creditors who will be asked to approve the basis and level of the Administrators' remuneration and Category 2 disbursements.

No remuneration has been drawn to date and as this may only be drawn when appropriate approval has been received and when funds are available to pay such remuneration.

Receipts and payments account

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