
Lehman Brothers International (Europe) – In Administration

Joint Administrators' fifteenth
progress report, for the period from
15 September 2015 to 14 March 2016

12 April 2016

Important notice

Following payment of the fourth interim dividend to Senior creditors on 30 April 2014, a Surplus arises in the Administration and rights to payment from that Surplus are currently being determined through the Waterfall I and II court proceedings.

The precise amount of Surplus funds that will be available in due course remains uncertain, and due to commercial sensitivity, confidentiality and/or legal privilege, we are unable to provide detailed commentary on certain issues which will impact this.

We reserve all rights concerning the relevance and calculation of all claims against the LBIE estate that might eventually share in the Surplus. No conclusion should be drawn or inferred from this report as to the way in which such claims will eventually be assessed or the allocation of the illustrative Surplus entitlements.

No inference should be taken or assumed from the matters included in this report as to a view, conclusion or belief held by the Administrators with regard to the Waterfall proceedings.

We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment from the Surplus. LBIE, the Administrators, their firm, its members, partners and staff and advisers accept no liability to any party for any reliance placed upon this report.

LBIE also expressly reserves all of its rights against third parties on all matters and no conclusion should be drawn by third parties as to LBIE's position or legal arguments on any such matters from references made in this report.

Whilst amounts included in this report are primarily stated in sterling, certain elements of LBIE's assets continue to be denominated in currencies other than sterling.

Unless it is clear otherwise, the figures within the report are rounded to the nearest £10 million, consistent with previous reports.

This report includes various defined terms as set out in the updated glossary of terms in Appendix G.

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Section 1:

Purpose of the Administrators' report

Introduction

This report has been prepared by the Administrators of Lehman Brothers International (Europe) under Rule 2.47(3) of the Insolvency Rules.

This is the fifteenth such formal update to unsecured creditors and it provides details of progress made in the 6-month period 15 September 2015 to 14 March 2016. The statutory receipts and payments accounts for the same period are attached at Appendix A.

Wherever possible, again we have sought not to duplicate information disclosed to creditors in previous updates and reports. Copies of previous progress reports and other important announcements can be found at www.pwc.co.uk/lehman.

We will host a 1-hour webinar on 28 April 2016, giving creditors an opportunity to hear a summary of the current circumstances of the Administration and to participate in a question and answer session. Details of the webinar will be posted on the above LBIE website.

Objective of the Administration

The Administrators continue to pursue the statutory objective and specific aims as set out in previous reports, which are summarised at Appendix F.

Creditors' Committee

We continue to meet the Committee to review progress and consult on major issues by way of physical meetings, telepresence or audio conference calls.

We remain grateful to the members of the Committee for their continuing efforts in support of the Administration.

During the period, Lehman Commercial Paper Inc. was replaced by Lehman Brothers Commodity Services Inc. as a Committee member. Both of these companies are under the control of Lehman Brothers Holdings Inc. and as a result the individuals representing these companies at LBIE Committee meetings are expected to be unchanged.

Details of the Committee members are listed in Appendix F.

Future report and updates

The next formal progress report to creditors will be in 6 months' time.

In the interim, we will provide ad hoc updates in the event of any material developments concerning entitlements to the Surplus or other significant matters, through the LBIE website or by other means as appropriate.

Signed:



AV Lomas

Joint Administrator
Lehman Brothers International (Europe)
In Administration

Section 2:

Executive summary

Introduction

LBIE 100p estate

The vast majority of Senior creditors have been repaid their unsecured claims in full from the 100p estate and only a relatively small number of matters remain outstanding. The remaining issues are by their nature complex and therefore steps to resolve them are necessarily moving at a slower pace than was the case for matters previously resolved, not least because a number are subject to litigation and court timetables can be protracted.

The key variables which will contribute to the ultimate outcome of the estate and therefore to the eventual size of the Surplus are:

- the outcome of the largest debtor litigation, with AGR;
- the outcome of LBIE's contribution claim against its Shareholders, if necessary, and the Shareholder claims against LBIE (in particular LBL);
- the resolution of the BarCap claim;
- the crystallisation, or otherwise, of potential tax matters and post-Administration indemnities; and
- the duration of the Administration and the associated costs, both being driven by the eventual route taken and time required to resolve entitlements to the Surplus.

LBIE Surplus estate

The Administrators' updated indicative Low and High case financial outcome scenarios indicate a potential range of Surplus outcomes between c.£6.57bn and c.£7.79bn, entitlements to which remain to be determined.

Waterfall proceedings

In the absence of a consensual solution, the resolution of entitlements to the Surplus is dependent on the Waterfall court proceedings which, if all judgments are fully appealed, are likely to extend into 2019 and perhaps beyond. In the intervening period, the Administrators have limited ability to progress entitlement issues outside of the proceedings without consensus amongst creditors.

Significant work has been undertaken in the period in order to progress Waterfall matters through the courts, including filings and submissions ahead of the Waterfall II tranche C hearing in November 2015 and identification and development of arguments relating to consequential issues not directly addressed in the Waterfall II tranches A and B judgments at first instance. We are now at the stage of awaiting various appeals to be heard: Waterfall I UK Supreme Court hearing in October 2016 and Waterfall II tranches A and B UK Appeal Court hearing in April 2017.

Preparation for the various appeal hearings will continue into autumn/winter 2016.

Following dialogue with the Shareholders in the period, it is clear that there are a number of issues relating to contributory claims, not dealt with by the current proceedings, which will require new court directions ('Waterfall III' proceedings) in order to resolve them. LBL may seek to delay the commencement of these proceedings pending conclusion of its ongoing exercise to gather a fuller factual background which it believes should be finalised before proceedings are initiated.

Surplus entitlements claims resolution initiatives

Certification of unsecured claims

In the period, the Administrators have developed the IT infrastructure that will be able to process individual entitlements to a share in the LBIE Surplus estate in due course. This Surplus infrastructure has enabled the preparation of unsecured claim certificates and the first iteration that was issued in October 2015 to all Senior creditors contained certain base information in this regard. LBIE has engaged with counterparties to receive their feedback on the contents of the first certificate. In the near future, LBIE will send a second certificate which will contain more information, building on the first certificate, including certain further factual elements which impact Surplus entitlements. It will be necessary to revisit the position regarding ISDA Master Agreements and German law agreements when the Waterfall II tranche C judgment is handed down in due course.

The issuing of the unsecured claim certificates facilitates dialogue with counterparties assisting the Administrators to identify future possible disputes that might arise in respect of individual claim attributes and resulting Surplus entitlements.

Small claims initiatives

The 'final settlement offer – small admitted claims', referred to in our previous report, was not eventually pursued due to the need to determine the applicability of UK withholding tax to such payments.

In its place, we have launched a different initiative, the 'LBIE admitted claims auction', focused on small admitted claims. This is targeted at a population of c.700 eligible creditors, each with an admitted claim no greater than £10m (aggregate value c.£700m). Auction details are available on the LBIE website and the primary purpose of the auction is to create a less burdensome assignment method for a creditor that wants to realise the value of its claim, than the alternative of selling and transacting an assignment in the secondary debt market.

Other initiatives

Dependent upon the results of the 'LBIE admitted claims auction' and any other developments, we will continue to consider alternative ways of enabling the remaining original admitted claim holders to realise the value of their Surplus entitlements claims in the event that they would prefer not to await the full-course outcome of the Waterfall court proceedings or the development of a consensual solution.

In light of the expected lengthy duration of the Waterfall appeal process and in the absence of there being material other developments in the meantime, we will consider presenting all Senior creditors with a plan to distribute at least a large part of their basic entitlements to judgment rate (i.e. 8% simple p.a.) Post-Administration Interest, after receiving the Waterfall I UK Supreme Court appeal judgment anticipated in early 2017.

Consensual solution discussions

In parallel with progressing the Waterfall court proceedings, the Administrators have continued to explore with the respondents the potential for a consensual solution of the Surplus entitlements matter. Although the parties appear to continue to be far apart in their expectations for the outcome of this matter, assuming it is handed down in the near future, it is possible that the Waterfall II tranche C judgment could stimulate further discussion.

Infrastructure and costs

A consequence of there being only a limited number of remaining issues in respect of the LBIE 100p estate, and of the long timeline for the Waterfall court process, is that the operational and organisational structure of LBIE has continued to be simplified and downsized in the period. Resource was reviewed and reduced on 1 January 2016 and will be further reduced effective from 1 August 2016 leaving a 'core resource' that will continue to progress the outstanding LBIE 100p estate and non-court, Surplus-related matters (e.g. issuance of unsecured claim certificates) and prepare for court appeals, until a point in time when the Administrators have final Surplus entitlement answers determined by the courts or a consensus is reached with creditors as to the treatment of Post-Administration Interest and Currency Conversion Claims. At this time, operations will be scaled up again to enable LBIE to deliver (via a Company Voluntary Arrangement or Scheme of Arrangement) distributions from the Surplus in accordance with an eventual waterfall of rights.

Control of ongoing Administration costs continues to be a key focus for the Administrators. Nonetheless, significant future costs remain to be incurred in advancing court appeals and developing and implementing a final solution to distribute Surplus entitlements.

Indicative financial outcome (Section 3)

A Surplus of between c.£6.57bn and c.£7.79bn is expected to be generated for eventual distribution between creditors. The updated indicative Low and High case Surplus outcomes have improved by c.£400m and c.£70m, respectively, with c.£200m of the Low case improvement resulting from the Administrators' revised assessment of the BarCap CME claim.

Pending judgments from the intended Waterfall III court application, the indicative financial outcome continues to take no account of either future recoveries from LBIE's contribution claim against its Shareholders or of Shareholder claims against LBIE.

Illustrative Surplus entitlements outcome (Section 4)

In the absence of any new Waterfall judgments in the period, the assumptions that we have used to provide examples of illustrative Surplus entitlements outcomes, provided at pages 14 and 15, remain unchanged from the previous report. These continue to assume that the Waterfall judgments handed down to date are upheld on any subsequent appeal. However, certain adjustments have been made to update the assumed amount of CCCs and assumed 'high cost of funding case' Post-Administration Interest amount to reflect queries raised by certain creditors following the issuance of the first unsecured claim certificates (in particular from one creditor which considers its CCC was materially understated) and to reflect exchange rate movements in the period.

The 'base case' scenario, which assumes that no Senior creditor will be entitled to Post-Administration Interest in excess of the judgment rate, now indicates that a surplus of c.£0.4bn would remain after payment of Post-Administration Interest, CCCs and any interest thereon (previously c.£0.7bn) before taking account of Shareholder claims against LBIE. The 'high cost of funding case' scenario, which assumes that certain Senior creditors will be entitled to Post-Administration Interest in excess of the judgment rate, now indicates a shortfall of c.£1.1bn (previously c.£0.7bn) before recoveries from any contribution claim that might be made against unlimited liability Shareholders and before taking account of Shareholder claims against LBIE.

Both scenarios assume a BarCap claim amount of only c.£80m/c.\$150m is entitled to share in the Surplus. BarCap continues to assert that it also has an entitlement to Post-Administration Interest on \$777m that was paid directly by LBI, which could amount to c.£240m.

When available, the output of the Waterfall II tranche C judgment will be used to revisit the cost of funding assumptions used for illustrative Surplus entitlements outcome purposes, and therefore we expect to provide refreshed illustrations in our next progress report.

Significant developments in the reporting period

Surplus entitlements and related court process

A first unsecured claim certificate was issued to c.2,000 Senior creditors in October 2015 containing details from the Administrators' records of their individual admitted claim.

The 10-day UK High Court hearing of the Waterfall II tranche C matters (cost of funding and foreign law issues) commenced on 9 November 2015.

In December 2015/January 2016, 7 consequential matters connected to Waterfall tranches A and B were addressed by written submissions to the UK High Court.

During the period, permission was granted to respondents to appeal both the Waterfall I Appeal and the Waterfall II tranches A and B judgments.

House receivables

In the reporting period, c.£180m has been recovered, predominantly from the LBIE Seoul branch liquidation.

Other Street recoveries have continued to be pursued but the majority of these are subject to legal proceedings. The largest such debt, owed by AGR, continues to be litigated but a trial date is yet to be set and will likely be 2017 at the earliest.

We have continued to recover debts owed by Affiliates and expect further distributions, in particular from MCF.

Remaining Client Assets claimant debtors have continued to be pursued, mainly through litigation.

Costs of the Administration

We have revised our future Administration costs estimate to c.£430m in both the indicative Low and High case outcomes. The outcomes are based on identical assumptions, in particular that the Waterfall proceedings will involve an extended appeal process. Our costs estimate previously assumed that the Administration would conclude in 2020. In view of the extended Surplus-related court timetable, for cost forecasting purposes we now assume that the Administration will conclude in 2022.

The UK High Court made orders in October 2015 that respondents' costs awards in relation to Waterfall II tranches A and B are payable as expenses of the Administration. Based on this, costs reserves have now been made for current and potential future respondents' costs related to Waterfall II proceedings in the sum of c.£40m.

We continue to caution that the costs estimates remain subject to significant uncertainties regarding assumed outcomes and timings.

Priority claims

In the period, a detailed review of the requirements to reserve for potential tax and post-Administration indemnities resulted in a release of c.£80m of priority claims.

Priority claims include the potential liability for certain indemnities that have been given by LBIE post-Administration, and other potential claims (including tax) that could crystallise in certain circumstances. In the High case outcome, we continue to assume that all indemnities will terminate without liability and that the majority of the tax provisions will be released.

Senior creditors

Admitted claims have increased in number by 12 to 2,850, with the total admitted claim value increasing by c.£10m to c.£12.28bn. 20 unresolved claims remain (Proofs of Debt totalling c.£650m). Of these, the BarCap claim (Proof of Debt value of c.£520m (c.\$928m)) and 5 claims that are the subject of legal proceedings (Proofs of Debt totalling c.£130m) represent more than 99% by value.

'Catch-up' dividends of c.£10m were paid in the period on eligible admitted claims.

Trust Estate

Other Client Assets

The preparation and despatch of detailed closing statements were completed in the period.

The remaining securities held, by value (c.£30m), largely relate to debtors, which are the subject of long-running German litigation.

Client Money

Limited further progress towards closure of the LBIE Client Money estate has been made in the period.

The status of the 104 unresolved CME claimants is as follows:

- 2 claims of nominal value relate to House debtor counterparties currently in litigation; and
- 102 claims (c.\$7m) relate to non-engaging counterparties in respect of which a UK High Court application for directions has been prepared.

The uncertain status of the BarCap CME claim continues to block the final resolution of the pre-Administration Client Money estate. Further significant dialogue has been had with BarCap in the period but no clear resolution has yet been reached. If BarCap decides to pursue a CME claim, instead of a Senior claim, LBIE may need to seek UK High Court directions in order to determine the status and quantum of BarCap's claim. As a result, the timescale for closure of the pre-Administration Client Money estate remains uncertain.

Investment and currency policies

Our investment policies continue to focus on keeping the estates' funds secure, utilising a combination of money market deposits and securities where appropriate.

During the period, the last remaining forward contract used to hedge the foreign exchange exposure was closed out.

The House Estate's residual material currency risk relates to its potential obligation to pay CCCs, dependent upon the Waterfall appeals. The largest part of that potential liability is US dollar denominated. Accordingly, the Administrators intend to hold, and not convert, any future US dollar House receipts, including the pre-Administration Client Money surplus that is expected to transfer to it in due course. This policy will be kept under review as Waterfall appeal judgments are received and the quantum and composition of CCCs become clearer.

Section 3:

Indicative financial outcome

Introduction

An updated summary of the indicative Low and High case financial outcome scenarios for Senior creditors is set out below. This should be read in conjunction with the assumptions set out overleaf.

Summary

Page	House Estate at 14 March 2016	Notes	Low £m	High £m	Difference £m
20	Cash deposits and government bonds		6,520	6,520	-
20	Add back: interim dividends paid and accrued to date		12,280	12,280	-
	Total cash in hand and returned to date		18,800	18,800	-
	Projected future movements				
10	Net Client Money benefit to the House Estate	1	830	1,040	210
10/11	House receivables	2	350	860	510
11	House securities	3	30	40	10
11/12	Future estimated costs	4	(430)	(430)	-
12	Priority claims [^]	5	(600)	(120)	480
	Total future cash expected to be recovered		180	1,390	1,210
	Funds available for Senior creditors		18,980	20,190	1,210
12/13	Senior creditors	6	(12,410)	(12,400)	10
	Surplus before Post-Administration Interest, non-provable claims, the Subordinated Debt and Shareholder claims		6,570	7,790	1,220

[^] Amounts included in priority claims do not rank for Post-Administration Interest.

Low and High case movements in the period

The updated indicative Low and High case Surplus outcomes are c.£6.57bn and c.£7.79bn, with increases of c.£400m and c.£70m, respectively, since our previous report. The principal changes in the outcomes are:

	Low £m	High £m	Comments
Surplus as at 14 September 2015	6,170	7,720	
Movements in the period			
BarCap claim reassessment	200	-	An assumed CME claim being pursued and ultimately determined at c.£180m/c.\$250m (previously c.£380m/c.\$590m), increasing the net Client Money benefit to the House by c.£200m in the Low case
Priority claims movement	80	(10)	Impact of tax and indemnity reviews in the period and adverse foreign exchange movement
Affiliate future recoveries	40	20	LBF supplemental settlement agreed and interest on LBHK claim notified in the period
Senior creditors movement	20	(10)	Revisions for admitted claims in the period
Other future recoveries	80	90	Mainly unrealised exchange gains on future recoveries denominated in foreign currencies
Future estimated costs	(20)	(20)	Cost savings in current period of c.£20m, revisions to assumptions for future costs of c.£(80)m, offset by costs paid in the period 1 January 2016 to 14 March 2016 of c.£40m
Total movements	400	70	
Surplus as at 14 March 2016	6,570	7,790	

Assumptions

The assumptions underlying the indicative future cash recoveries and payments and the resolution of pending Senior creditor claims are set out overleaf.

Note 1 - Net Client Money benefit to the House Estate

	Low \$m	High \$m
Pre-Administration Client Money estate		
Projected Client Money available to distribute¹		
Funds held at 14 March 2016	1,410	1,410
LBHI/LBB future recoveries ²	40	90
	1,450	1,500
Less future third party distributions		
Potential BarCap CME ³	(250)	-
Future distributions of retained CME claims ⁴ and estimated funds to be paid to the UK High Court ⁵	(10)	(10)
	(260)	(10)
Projected future distributions to the House Estate (\$m)⁶	1,190	1,490
	(£m)⁶ 830	1,040

1. It is assumed that the Administrators will not be required to trace and recover assets from the House Estate for the benefit of the Client Money pool.
2. This represents the combined potential future dividends on LBIE's LBHI guarantee claim of c.\$1.01bn and LBB unsecured claim of c.€400m.
3. The potential BarCap CME claim comprises a revised assessment by LBIE as detailed below.
4. Future final distributions to 14 claimants with retained CME at a rate of 51.8% of total CME claims of c.\$4m.
5. Includes 102 non-engaging counterparties with total CME claims of c.\$7m and 2 counterparties subject to overseas court proceedings.
6. In the period, the last remaining forward contract used to hedge the foreign exchange exposure was closed out.

Potential BarCap CME

At 14 September 2015, the Low case outcome scenario assumed the BarCap CME claim was c.\$590m, derived from deducting the \$777m LBI indemnity amount from the previously reported c.\$1.37bn unreconciled and unagreed estimate of the LBI CME claim. A detailed reconciliation exercise has now been undertaken, the results of which indicate that, subject to the 'threshold issue' (i.e. that the claim acquired from LBI can be shown to benefit from Client Money protection), the net CME claim amount is likely now to be no more than c.\$250m. This amount represents a reconciled gross CME claim of c.\$1.03bn less \$777m, and includes c.\$150m relating to transactions in Korea which require further investigation.

In the High case outcome scenario, BarCap is assumed to pursue a Senior claim rather than a CME claim.

Note 2 - House receivables

House Estate receivables as at 14 March 2016, referred to below, are indicative only and significant matters remain unresolved, predominantly relating to litigation, which may materially impact this estimate.

	Rec'd in period £m	Indicative future recoveries	
		Low £m	High £m
House receivables			
Litigation			
AGR	-	-	330
Others	-	-	50
	-	-	380
Branches			
LBIE Seoul	170	-	-
LBIE Zurich	-	30	40
	170	30	40
Other Street receivables	-	-	-
Affiliates			
MCF	-	220	280
LBHK	-	20	40
Other Affiliates	10	40	60
	10	280	380
Client Assets claimants			
Omnibus Trust assignment	-	40	40
In litigation	-	-	20
	-	40	60
Receivables at 14 March 2016	180	350	860

AGR litigation

On 11 January 2016, the New York Supreme Court issued its judgment on the parties' respective motions to challenge parts of the previously reported, court-appointed Special Referee's report and recommendation on the motion to compel AGR to disclose certain withheld documents. The judge upheld the Special Referee's report and recommendation and AGR subsequently disclosed a limited number of documents in accordance with the motion.

On 22 January 2016, following disclosure of the documents, the note of issue was filed confirming that all pleadings had been served and discovery completed, to allow the case to proceed to trial.

On 22 February 2016, AGR filed its expected dispositive motion seeking summary judgment in its favour. LBIE has recently filed its opposition to this motion.

The indicative Low case outcome assumes nil recovery from AGR and the indicative High case outcome assumes c.£330m, which represents full recovery of the LBIE expert's valuation of c.\$500m (net of unpaid premiums). No account is taken of AGR credit risk and accordingly no credit value adjustment is reflected, should that be relevant in due course. Post the credit value adjustment, a value in excess of c.\$200m (c.£140m) would be appropriate, in the view of LBIE's expert.

Creditors are reminded that the eventual sum recovered could be anywhere within the indicated range.

Others in litigation

There are currently 4 ongoing Street debtor litigation actions (excluding AGR) that are subject to UK, US or Korean court jurisdiction. Further details are provided at Appendix C.

LBIE Seoul branch

Following closure of the branch, a final c.£170m of branch surplus funds was returned to LBIE in the period.

LBIE Zurich branch

We have continued to liaise with the local liquidators and FINMA over the recovery of LBIE's branch surplus funds in Zurich. Information has apparently been exchanged between them in the period but, despite a number of requests, we presently have no revised target date for the receipt of these funds (or the final quantum).

MCF

In the period we have continued our dialogue with the administrators of MCF.

They continue to estimate further recoveries of c.£250m to c.£300m, in the next 2 to 4 years, from the run-off of the portfolio of mortgage-related assets in MCF's solvent subsidiaries. This, together with other MCF expected recoveries, gives rise to a recovery to LBIE of between c.£220m and c.£280m on its admitted claim in MCF.

LBHK

LBHK distributed interest of c.£20m on LBIE admitted claims in 2 Hong Kong entity estates shortly after the period end. The remaining potential recoveries are mainly dependent upon resolution of a competing claim from one of LBIE's clients which is the subject of ongoing litigation.

Other Affiliates

Expected future recoveries relate to LBF and assumed distributions from LBSF and other insolvent Affiliate estates.

Agreement has been reached with LBF in the period to resolve all open issues. Swiss regulatory approvals were received

shortly after the period end and the settlement is now final, resulting in a c.\$20m recovery.

Client Assets claimants

In the period, a partial recovery was made from a US withholding tax reserve in respect of distributions from the Omnibus Trust on assigned claims.

Omnibus Trust distribution monies relating to a claim that has been assigned to the House remain held as post-Administration Client Money, pending transfer to the House Estate following receipt of appropriate final clearances.

The indicative High case outcome also assumes recovery of debts that are subject to litigation in a German court, where a long-awaited final hearing is due to be held shortly.

Note 3 - House securities

	Book value £m	Low £m	High £m
Securities			
Available for sale	30	20	30
Subject to litigation in Korea	10	10	10
House securities at 14 March 2016	40	30	40

The small number of remaining securities available for sale have specific issues which will take time to resolve in order to realise value. The majority of remaining value relates to a holding that is subject to an annual buyback auction initiated by the issuer. The holding did not sell at the annual auction in November 2015 and the earliest next tender date is late-2016.

Note 4 - Future estimated costs

	Low £m	High £m
Summary costs		
Future estimated costs at 1 July 2015	(480)	(480)
In the period		
Costs incurred in 6 months to 31 December 2015	70	70
Costs forecast but not incurred	20	20
Future estimated costs at 31 December 2015	(390)	(390)
Revisions to assumptions for further costs ¹	(80)	(80)
Future estimated costs at 1 January 2016	(470)	(470)
Costs paid in period to 14 March 2016	40	40
Future estimated costs at 14 March 2016	(430)	(430)

1. Comprises current and future Waterfall II respondents' costs (c.£40m), additional Surplus-related directions hearings and associated costs awards (c.£40m), extension of the Administration by 2 years (c.£10m) and costs of Surplus entitlements claims resolution initiatives (c.£10m) offset by other cost savings (c.£20m).

On a calendar year basis, we prepare a detailed annual cost budget and a long-term forecast of the costs to complete the Administration. These forecasts are reviewed and updated at 6-monthly intervals and are referred to overleaf.

The same assumptions have been made for the Low and High case outcomes reflecting the continuing uncertainties remaining regarding the future costs impact of the Waterfall proceedings, other counterparty litigation and the outcomes and timings of other matters.

The key assumptions underlying the costs estimate are that:

- litigation required to resolve the remaining disputed receivables and creditor claims will require full-term legal processes, through to an initial trial, and include a cost contingency for unforeseen delays and potential appeals;
- a full-term court appeal process will be required to settle the Surplus entitlements matter (Waterfall I, II and III) culminating in the UK Supreme Court;
- further new Surplus directions hearings will be required;
- Administration activities will be significantly reduced from mid-2017, pending further clarification of the Surplus entitlements matter; and
- the Administration and any other related processes will be completed by the end of 2022.

Note 5 - Priority claims

Priority claimants include the potential liability for post-Administration indemnities and other claims (including tax provisions) that could crystallise in certain circumstances, which would rank for payment in priority to Senior creditors. The movements in the period are summarised below.

	Low £m	High £m
Priority claims		
Reported as at 14 September 2015	(710)	(140)
Movements in the period		
Tax	40	(10)
Indemnities	40	-
Pension Fund payments	30	30
Total movements	110	20
Priority claims at 14 March 2016	(600)	(120)
Comprising		
Tax provisions	(270)	(80)
Post-Administration indemnities	(240)	-
Pension Fund liability	(30)	(30)
Other reserves	(60)	(10)
Priority claims at 14 March 2016	(600)	(120)

Tax provisions

The High case outcome assumes that LBIE's discussions with taxation authorities in a number of legal jurisdictions to finalise local tax affairs will result in the majority of tax concerns not crystallising, whilst the Low case outcome continues to recognise that there is at least the possibility that they will.

Post-Administration indemnities

The indemnities have been provided to:

- suppliers of post-Administration IT, valuation and property services to LBIE;
- third parties, branches and Affiliates in order to facilitate the release of assets to LBIE; and
- nominees of LBIE acting on its behalf, including in respect of the return of assets to counterparties.

Individual indemnities will cease upon expiry of a term set out in the providers' contracts either from commencement, cessation or a relevant jurisdictional limitation period.

Pension Fund liability

As previously reported, LBIE has agreed as part of a settlement agreement to make available funding to the Pension Fund to enable it to provide the defined benefits promised to its members. As at 14 September 2015, a residual reserve of c.£60m remained for this liability.

In the current period, payments of c.£30m have been paid to the Pension Fund, with further payments to be made in due course. The Administrators continue to expect that the value of future contributions will not exceed the remaining reserve of c.£30m.

Other reserves

In the Low case outcome, other reserves relate to a range of issues including adverse litigation cost exposure (excluding respondents' costs in the Waterfall proceedings).

Note 6 - Senior creditors

Claims received from Shareholders are excluded from the Senior creditors analysis. The majority of pending unsecured claims by value are subject to litigation, and their eventual outcome may materially impact the estimates below.

	Admitted to date ¹ £m	Pending ²		Indicative outcome ³	
		Low £m	High £m	Low £m	High £m
Senior creditors					
Non-Affiliate creditors	(11,090)	(120)	(120)	(11,210)	(11,210)
Affiliate creditors	(1,160)	(10)	-	(1,170)	(1,160)
SCSO settled claims	(30)	-	-	(30)	(30)
Total	(12,280)	(130)	(120)	(12,410)	(12,400)

1. Admitted to date includes claims agreed by Claims Determination Deeds and partial admittance letters where in certain cases legal challenge has been initiated by creditors on the balance of their Proof of Debt. The balance is included as a pending claim.
2. Proofs of Debt relating to pending claims total c.£650m.
3. The indicative outcome includes the total value of the claims admitted to date and the indicative Low/High case value of pending claims.

Assumptions

For all compliant Proofs of Debt received by the Administrators where the claim has not yet been admitted, withdrawn or rejected (with the rejection appeal period having passed), we continue to make an appropriate reserve.

Low case outcome

The indicative Low case outcome makes provision for pending claims at Proof of Debt value, except for:

- a nil value for the BarCap claim, as in this scenario it is assumed to be withdrawn in favour of a CME claim; and
- a specific value assessment in respect of 2 claims in litigation (a net c.£10m value reduction) and the remaining Affiliate claim.

High case outcome

The indicative High case outcome assumes for pending claims:

- a value of c.£80m for the BarCap claim, being the Proof of Debt value less the payment made directly by LBI to BarCap (\$777m);
- no reserve for litigation claims, except for 2 claims for which specific value assessments have been applied (c.£30m in total);
- an assumed average settlement rate of 50% of the Proof of Debt value for a claim with a Proof of Debt value of c.£2m;
- no value for the remaining Affiliate claim; and
- a nominal value for 12 claims with individual Proof of Debt values below £1m, based upon an assumed average settlement rate at the Proof of Debt value.

Pending claims status

20 creditors have submitted Proofs of Debt totalling c.£650m in response to which, due to specific legal, commercial and/or valuation issues, LBIE has yet to admit, reject or agree withdrawal.

The unresolved claims comprise:

- the BarCap claim (Proof of Debt of c.£520m);
- 5 claims that are subject to litigation either in the UK or US (combined Proofs of Debt value of c.£130m). Further details are provided at Appendix C;
- an Affiliate claim (Proof of Debt of c.£3m);
- 4 claims at various stages of settlement negotiation with Proofs of Debt of nominal value; and

- 9 claims of nominal value where CME offers have been made or rejection notices have been unable to be served, and counterparties are currently unresponsive. Accordingly, these types of claim are likely to require an application to the UK High Court in order to finalise them.

Further detail of progress in resolving Senior claims in the period is provided at Appendix B.

Section 4:

Illustrative Surplus entitlements outcome and related court process

Introduction

Because there have been no new judgments from the Waterfall court process in the period to assist with how entitlements to the Surplus will eventually be determined, the assumptions made in our illustrative Surplus entitlements outcomes, set out below, remain unchanged from the previous progress report. However, certain adjustments have been made to update the assumed amount of CCCs (c.£0.2bn) and assumed 'high cost of funding case' Post-Administration Interest amount (c.£0.1bn) to reflect queries raised by creditors following issuance of the first unsecured claim certificates, and to reflect exchange rate movements in the period (c.£0.1bn).

We will refresh again the illustrative 'base case' and the 'high cost of funding case' Surplus entitlements outcomes in our next progress report, by which time we should have the benefit of the Waterfall II tranche C judgment.

BarCap claim assumption

For the purpose of illustrating a range of possible Surplus entitlements outcomes, we have assumed an available Surplus of c.£7.4bn (updated High case outcome of c.£7.8bn discounted by 5%). In deriving that amount, it is assumed that BarCap pursues and is paid a Senior claim of c.£80m/c.\$150m being the net (at 15 September 2008 US dollar exchange rate) of c.\$928m less \$777m received from LBI. We have therefore also assumed that a BarCap claim of c.£80m is within the pool of claims on which Post-Administration Interest will be paid and CCCs will be calculated.

Based upon our discussions with BarCap in the period, in the event that a Senior claim (rather than a CME claim) is pursued by BarCap, as part of any settlement that LBIE might reach with BarCap, the statutory interest-bearing status of the \$777m LBI indemnity payment already received by BarCap is likely to become the subject of an application for UK High Court directions. In both the 'base case' and the 'high cost of funding case' Surplus entitlements outcome illustrations, set out below, we make no provision for Post-Administration Interest that might become payable on the \$777m amount. In the event that Post-Administration Interest were ultimately to be payable on this, the amount could be c.£240m.

Illustrative Surplus entitlements outcome

Base case

An illustrative 'base case' is set out below to demonstrate how, eventually, the Surplus may be allocated between different categories of claimant, based on the following key simplifying assumptions:

- any appeals to the Waterfall I and Waterfall II tranches A and B judgments will be unsuccessful;
- pending receipt of the Waterfall II tranche C judgment, Post-Administration Interest is restricted to 8% simple p.a. with no creditor assumed to claim a contractual cost of funding rate at an amount in excess of that;
- contractual interest accrues on CCCs as set out in the Waterfall II tranche A judgment and is not released by the CRA or CDDs (this is one of the 7 consequential issues where judgment is awaited);
- Senior claims are c.£12.4bn and no new Senior claims will be submitted to LBIE post 14 March 2016;
- no new disputes to LBIE's creditor claim disaggregation will be raised by creditors; and
- the eventual Surplus value will be c.£7.4bn (updated High case outcome of c.£7.8bn discounted by 5%).

The illustrative 'base case' produces the following outcome:

- a) aggregate Post-Administration Interest claims of c.£5.0bn; followed by
- b) c.£1.6bn of CCCs plus c.£0.4bn of related non-provable contractual interest on CCCs; leaving
- c) c.£0.4bn available to pay a dividend against Shareholder (LBHI2 and LBL) claims and the Subordinated Debt claim.

In these circumstances, we assume that LBIE would not pursue a contribution claim against its Shareholders and that the remaining matters as between LBIE and its 2 unlimited liability Shareholders could be resolved through tripartite negotiation.

The remaining c.£0.4bn Surplus amount would reduce to less than £0.2bn in the event that BarCap successfully argues its entitlement to Post-Administration Interest on the sterling equivalent of the \$777m that it has recovered from LBI (referred to above).

High cost of funding case

Pending receipt of the Waterfall II tranche C judgment, our variant illustration referred to as the 'high cost of funding case' assumes scenario 6 in the annex to the Administrators' witness statement, dated 20 August 2015, to determine the cost of funding apart from the Administration. In such circumstances, for illustrative purposes only, c.£2.2bn of the claim population might be entitled to claim at a rate in the range of 7% - 20% compound p.a., resulting in:

- a) aggregate Post-Administration Interest claims of c.£6.1bn; followed by
- b) c.£1.6bn of CCCs plus c.£0.8bn of related non-provable contractual interest on CCCs; giving rise to
- c) a shortfall of c.£1.1bn, before payment of any dividend against Shareholder (LBHI2 and LBL) claims and the Subordinated Debt claim.

In these circumstances we assume that LBIE would pursue a contribution claim against its Shareholders. In light of the net recoveries already achieved in the LBHI2 and LBL estates, any recovery in respect of a successful contribution claim could be significant but, consistent with our treatment elsewhere in this report, no value has been included in respect of recoveries under such claims.

The resulting shortfall amount of c.£1.1bn would increase to in excess of £1.3bn in the event that BarCap was to successfully argue its entitlement to Post-Administration Interest on the sterling equivalent of the \$777m that it has recovered from LBI (referred to on page 14).

Subject to the impact of the BarCap claim, in both these illustrative scenarios, the assumed Surplus will be sufficient to settle Senior creditors' Post-Administration Interest claims in full. In addition, non-provable CCCs and related interest claims will settle at 100% in the 'base case' and 54% in the 'high cost of funding case'.

We have provided the above 2 example outcomes **for illustrative purposes only**. The Administrators express no view as to the likelihood of either outcome materialising in due course and caution against creditors assuming that these 2 illustrative outcomes represent the limits of the full range of potential outcomes.

Contributory claims

Whereas LBIE had previously been of the view that LBL's original Proof of Debt at c.£360m in respect of pre-appointment services provided was overstated and was not expected to exceed c.£100m, following a review of further information provided by LBL, the Administrators now believe that in respect of these matters LBL will be indebted to LBIE in the range of £40m-£90m. No recovery has been assumed from LBL in this regard in the indicative financial outcome.

In the period, LBL sought to amend the quantum of its original Proof of Debt to include a recharge of the costs of the LBL administration (c.£30m); and certain other significant post-insolvency events such as:

- a) losses incurred on intercompany receivables (c.£530m);
- b) the recharge of a third party landlord claim (which is currently being disputed by LBL) (c.£330m); and
- c) the recharge of LBIE's own contingent contribution claim into LBL.

In the event that there is a shortfall of funds to cover the Post-Administration Interest and CCC entitlements of all Senior claims, then the value of the contribution claim that LBIE has against its 2 Shareholders could be relevant and potentially material.

Before we are able to finalise entitlements to the Surplus, a number of Shareholder-related issues which are not addressed by the current Waterfall proceedings will require further court directions, in particular:

- the nature of the liability for the contribution claim as between the Shareholders;
- the application of set-off in the context of the contribution claim;
- the enforceability of the disputed inbound LBL claim against LBIE; and
- the LBL proposed recharge to LBIE of LBIE's own contingent contribution claim against LBL.

LBIE is moving to commence the new Waterfall III proceedings as quickly as possible in order to deal with these matters.

Certification of unsecured claims

To assist with the eventual agreement of individual creditor's entitlements to share in the Surplus, the Administrators have commenced the issuance of unsecured claim certificates setting out the components of each admitted claim.

A first certificate, issued on 29 October 2015, contained details from the Administrators' records of the admitted claim including:

- the split of claim by component, e.g. master agreement;
- the reference currency used by LBIE to calculate each element of the claim;
- the reference date for each component, e.g. termination date of master agreement;
- the value and timing of dividend payments made to the creditor; and
- set-off of debit balances, if any, owed by the counterparty.

A second certificate is planned to be issued in June 2016, which will contain further factual elements which impact Surplus entitlements.

Following engagement with creditors after the issuance of the first certificate, we will make a small number of adjustments resulting from contractual currency and reference date queries, where appropriate, when we issue the second certificate.

In situations where disputes persist, there may be a need to make further UK High Court directions applications to resolve specific matters.

Small admitted claims initiatives

The 'final settlement offer – small admitted claims' referred to in our previous report was not eventually pursued due to the ongoing uncertainty (in the absence of HMRC clearance) regarding the application of UK withholding tax to Post-Administration Interest payments.

To resolve the impasse with HMRC regarding the status of UK withholding tax in the context of payment of Post-Administration Interest, an application to the UK High Court was made on 22 December 2015. A 2-day hearing is scheduled for 28 April 2016.

In its place we have launched a different initiative focused on small admitted claims, building on soundings taken from a sample of relevant claimants and prospective claims purchasers. In response to creditors expressing a desire to dispose of their LBIE claims, but a reluctance to do so in the secondary debt market which they perceive as burdensome, the 'LBIE admitted claims auction' was launched on 4 April 2016, with full details available on the LBIE website. This auction is intended to enable c.700 eligible creditors, each with an individual admitted claim value of below £10m, to have the option to sell their admitted claim to third party purchasers without the burden of secondary debt market claims transfer bureaucracy. The benefits to the House Estate from a successful auction will be future cost savings resulting from having to deal with significantly fewer counterparties and a

'lock-down' of the claim attributes set out in the unsecured claim certificates that have been issued in respect of those claims.

The auction is planned for 12 May 2016 and we will provide updates on the result on the LBIE website.

Waterfall II tranches A and B respondents' costs awards

The orders made by the UK High Court on 9 October 2015 included respondents' costs awards to be paid as expenses of the Administration to Wentworth and the Senior Creditor Group. In addition, for tranche A, 30% of York's costs were also directed to be paid as an expense of the Administration. Discussions regarding the quantum of these costs are ongoing.

Development of a consensual solution

Our interactions with major creditors and groups of creditors, including Waterfall respondents, have continued during the period. The major parties continue to appear to be still some way apart in their views as to an appropriate outcome to the disputed matters, but we will continue to encourage parties towards a consensual solution rather than pursuit of the Waterfall proceedings through to their natural conclusion in the UK Supreme Court. Assuming it will be handed down in the near future, it is possible that the Waterfall II tranche C judgment could stimulate further discussion.

We believe that c.70% of all Senior claims against LBIE are in the hands of parties that are involved, directly or indirectly, in the Waterfall proceedings. Whilst there have been a small number of claim assignments to such parties during the period, we believe that more than 25% of claims remain with other parties. We have reminded the Waterfall respondents that the Administrators act in the interest of all creditors and therefore will protect the interests of this 25%+ community of creditors in any consensual solution that might eventually be agreed.

Respondents are aware that the natural conclusion of the Waterfall proceedings in the UK Supreme Court might not occur until 2019 or later. Conscious of this, and in the absence of there being material developments towards a full consensual solution in the meantime, we will continue to explore alternative ways (i) to enable the remaining original holders to realise the value of their Surplus entitlements claims, should they wish to do so, and (ii) to distribute to all Senior creditors at least a large part of their basic entitlements to judgment rate (i.e. 8% simple p.a.) Post-Administration Interest (after receiving the Waterfall I UK Supreme Court appeal judgment).

Waterfall court proceedings

Waterfall II Application

The 10-day UK High Court hearing of the tranche C matters (cost of funding and foreign law issues) was held in the 3-week period commencing 9 November 2015. The key issues put forward for determination are summarised below.

Matter	UK High Court judgment
What is meant by the 'cost of funding the relevant amount' in the default rate definition in the ISDA Master Agreements? In particular, is 'cost of funding' restricted to the cost of borrowing (i.e. debt) or can it also include the cost of other forms of funding (e.g. equity finance)?	Pending
Whether a creditor's certification of a cost of funding is conclusive and/or how can such certification be constrained by good faith and rationality?	Pending
Whether an assignee creditor can claim interest from LBIE at a higher rate than the rate that would have been payable to the assignor creditor had the assignment not taken place?	Pending
Whether, as a matter of German law in the circumstances of LBIE's Administration, a creditor can obtain an award for damages for late payment of a debt (i.e. a close-out amount) in the form of a rate of interest? If so, whether such an award can constitute a 'rate applicable to the debt apart from the administration'?	Pending

Judgment is expected by May 2016, but it seems likely to be appealed to the UK Appeal Court.

7 separate consequential matters connected to Waterfall II tranches A and B were addressed by written submissions to the UK High Court in the period. The issues put forward for determination are as follows:

Matter	UK High Court judgment
1(a). Whether, and in what circumstances, for a provable debt that is a close-out sum under a contract 'the rate applicable to the debt apart from the administration' in Rule 2.88(9) includes a contractual rate of interest that began to accrue only after it became due and payable due to action taken by the creditor post-administration?	Pending
1(b). How is an entitlement to interest on a non-provable CCC that 'arises outside or other than from the administration' to be determined if such a rate would only accrue on a contingent or future debt if some action was taken post-administration and how is this to be assessed if the creditor did not take such action?	Pending
1(c). Where contractual interest first commences on a provable debt post-administration, is the 'rate applicable' for the intervening period from the date of administration that which is payable once the interest commences or a zero rate; and should Post-Administration Interest be calculated by assessing the greater of the 'rate applicable' and Judgments Act 1838 rate separately for the periods prior to and post the commencement of contractual interest separately or combined?	Pending
2. Whether, and if so in what circumstances, a CCC can arise from the discharge of a debt by way of set-off pursuant to Rule 2.85(3)?	Pending
3. Whether, and if so to what extent, a non-provable claim to interest on a CCC should be reduced by Post-Administration Interest received by the creditor on its proved debt?	Pending
4. Whether, to the extent that a creditor has a non-provable claim to interest, it has been released under the terms of the CRA or a CDD and if so, whether the Administrators would be directed not to enforce such a release?	Pending
5. Whether, to the extent that a creditor has a non-provable claim for interest on a CCC, it has been released under the terms of the CRA or a CDD and if so, whether the Administrators would be directed not to enforce such a release?	Pending

It is hoped that judgment on these matters will also be handed down in the spring time. As with most other Waterfall matters to date, it seems likely that these judgments may also be appealed in due course.

Waterfall appeals timetable

An actual (date) and illustrative (half-year period) projected timeline is summarised below for Waterfall I and II, assuming all matters are ultimately determined by appeal to the UK Supreme Court.

Matter	UK Appeal Court hearing	UK Supreme Court hearing
Waterfall I	23 March 2015	17 October 2016
Waterfall II tranche A (insolvency law issues)	3 April 2017	H2 2018
Waterfall II tranche B (post-Administration contract releases)	3 April 2017	H2 2018
Waterfall II tranche C (cost of funding and foreign law issues)	H1 2017	H1 2019

In each of the proceedings, judgments are likely to be handed down 3 to 6 months after the hearing dates.

Subject to permission being granted to appeal, the planned Waterfall III proceeding could take until 2020 to reach the UK Supreme Court.

Appendices

Appendix A:

Receipts and payments: cumulative and 6 months to 14 March 2016

House Estate receipts and payments: cumulative and 6 months to 14 March 2016

House Estate	Notes	Cumulative - 15 September 2008 to 14 September 2015 (GBP equivalent) £m	Period - 6 months to 14 March 2016 (GBP equivalent) £m	Cumulative - 15 September 2008 to 14 March 2016 (GBP equivalent) £m
Receipts				
Counterparties	1	11,986	178	12,164
Other receipts	2	13,344	38	13,382
Total receipts for the period/to date		25,330	216	25,546
Payments				
Payroll and employee costs	3	(603)	(28)	(631)
Pension Fund settlement	4	(87)	(25)	(112)
Administrators' remuneration and expenses	5	(959)	(19)	(978)
Dividends paid	6	(12,147)	(14)	(12,161)
Legal and professional costs	7	(364)	(13)	(377)
Other payments	8	(4,481)	(30)	(4,511)
Total payments for the period/to date		(18,641)	(129)	(18,770)
Net movement in the period/to date		6,689	87	6,776
Foreign exchange translation differences [^]		(136)	(1)	(137)
Total balances	9	6,553	86	6,639
Less: Funds held subject to potential third party claims	10	(119)	-	(119)
Total House Estate cash deposits and government bonds		6,434[~]	86	6,520[#]

[^] At this stage in the Administration, material receipts and payments in foreign currencies are converted to sterling as soon as practicable after receipt. Where currency sums are held for a short period, small translation differences can arise.

[~] Balances held in foreign currencies at 14 September 2015 were c.\$1m and various other currencies c.£2m (equivalent).

[#] Balances held in foreign currencies at 14 March 2016 were c.\$1m and various other currencies c.£1m (equivalent).

Notes

General

Foreign currency transactions are reported in sterling at the rate prevailing on the relevant transaction date.

The transactions within the LBIE estate in the period:

- are reported on a cash receipts and payments basis in accordance with the Insolvency Act and Insolvency Rules; and
- were completed in accounts established and controlled by the Administrators.

Separate bank accounts are held for realisations from the House Estate and the Trust Estate.

1. Counterparties

Receipts in the period comprise:

- c.£166m of LBIE Seoul branch recoveries;
- c.£7m of further Affiliates distributions, principally LBSF and LBH;
- c.£3m related to House third party debtor settlements; and
- c.£2m recovery of a US withholding tax reserve relating to distributions from the Omnibus Trust on assigned claims.

2. Other receipts

Other receipts comprise:

- c.£25m of bank and bond interest received;
- c.£13m of distributions from LBHI, received into the House bank account in the period, relating to pre-Administration Client Money (see note 8);
- c.£7m of VAT repayments received from HMRC; and
- c.£5m of other realisations, including c.£1m of realised gain on the interest rate hedge, used to manage the Pension Fund deficit valuation risk between the settlement agreement date and completion date.

The above amounts are offset by c.£12m of costs related to forward contracts used to hedge the foreign exchange exposure on potential future US dollar denominated pre-Administration Client Money recoveries into House.

3. Payroll and employee costs

Payments relate to salary and benefits for UK-based employees and third party contractors. This includes employee-related costs incurred on behalf of Affiliates, which are recovered by LBIE and included as other realisations.

4. Pension Fund settlement

Further payments of c.£25m were made as part of a settlement agreement to the Pension Fund to enable it to provide the defined benefits promised to its members.

5. Administrators' remuneration and expenses

Payment deferral terms, as agreed with the Committee and referred to on page 31 of this report, account for differences between costs incurred and payments made in the period.

Out-of-pocket expenses of c.£1m were paid in the period.

6. Dividends paid

c.£14m of unsecured 'catch-up' dividends were paid in the period as further claims were admitted or blockers to prior distributions were resolved, bringing cumulative dividends paid to 14 March 2016 to c.£12.16bn.

7. Legal and professional costs

Legal and other advisers' costs relate to advice given, and to court proceedings and litigation conducted, in numerous jurisdictions by a number of professional firms in connection with a range of issues across the Administration.

8. Other payments

Other payments comprise:

- a c.£13m transfer of the LBHI distribution received to the pre-Administration Client Money bank account (see note 2);
- c.£7m of VAT paid on invoices;
- c.£6m of occupancy and infrastructure costs;
- c.£2m of claim settlements with third parties; and
- c.£2m of other net sundry payments and reclassifications.

9. Investment profile

Current investment strategy

For immediate liquidity requirements, LBIE invests in short-term money market deposits. For other requirements, investments are made in short-dated government securities.

Total balances

House Estate	GBP equivalent £m
Short-dated government bonds ¹	6,530
Short-term deposits ²	75
Long-dated government bonds	15
Interest-bearing accounts	19
Total	6,639

1. Average rate of return on bonds yet to mature (net of fund manager fees) of 0.45%.

2. Average rate of return for 6 months ending 14 March 2016 of 0.37%.

Cash management and investment policies

Subject to meeting regulatory requirements, the continuing objectives of the policies are to provide:

- security for Administration funds;
- liquidity as required by the Administration; and
- appropriate returns (positive yield net of fees).

The primary objective continues to be ensuring the security of Administration funds. To meet this objective, a comprehensive counterparty credit risk policy is in place with clear limits on counterparties, instruments, amounts and duration. Compliance with policy is measured on at least a daily basis using live indicators, and any material breaches arising from market movements are reported immediately to the Administrators.

The cash is managed by a team of treasury professionals which meets with the Administrators on a regular basis.

Policy for interest-bearing accounts and short-term deposits/notice accounts

Permitted banks must meet 5 key criteria:

- be headquartered in a sovereign state where the average long-term ratings from S&P, Moody's and Fitch are in the top 4 available tiers (AAA to AA-);
- be headquartered in a sovereign state within the top 3 tiers of the S&P banking industry country risk assessment;
- have a blended average long-term rating from S&P, Moody's and Fitch within the top 4 available tiers (AA- to A-);
- be a Prudential Regulation Authority or European Banking Authority approved counterparty; and
- have 5-year credit default swap prices, bond yields, equity volatility, capital buffers and financial ratios below a specified (prudent) threshold.

The counterparties are ranked in 3 tiers (1-3) based on their risk score (1 being least risky). To ensure diversification, counterparty limits are based on the tier to which they belong:

- 20% of funds under management with any single tier 1 or tier 2 bank; and
- 15% of funds under management with any single tier 3 bank.

Short-term deposits/notice accounts are placed for a maximum duration of 12 weeks with tier 1 banks, 8 weeks with tier 2 banks and 4 weeks with tier 3 banks.

Policy for government bonds

Eligible investments for the bond portfolios are short-dated government debt issued by the UK and quasi-government debt securities benefiting from an explicit, unconditional and irrevocable guarantee from the UK government.

The bond portfolio is managed on a day-to-day basis by an independent fund manager.

10. Funds held subject to potential third party claims

This reserve relates to unpaid dividends on admitted unsecured claims.

**Post-Administration Client Money receipts and payments:
cumulative and 6 months to 14 March 2016**

Post-Administration Client Money	Notes	Cumulative - 15 September 2008 to 14 September 2015 (USD equivalent) \$m	Period - 6 months to 14 March 2016 (USD equivalent) \$m	Cumulative - 15 September 2008 to 14 March 2016 (USD equivalent) \$m
Receipts				
Funds received in error	1	121	20	141
Affiliate-related	2	715	9	724
Other receipts		6,915	-	6,915
Total receipts for the period/to date		7,751	29	7,780
Payments				
Return of funds received in error	1	(121)	(20)	(141)
Affiliate settlements	3	(1,458)	(15)	(1,473)
Other payments		(6,047)	(1)	(6,048)
Total payments for the period/to date		(7,626)	(36)	(7,662)
Net movement in the period/to date		125	(7)	118
Foreign exchange translation differences [^]		42	1	43
Total balances	4	167⁻	(6)	161[#]
Comprising				
Segregated Affiliate post-Administration Client Money balance [*]		98	(6)	92
Other third party post-Administration Client Money balance [™]		69	-	69
Total balances		167	(6)	161

[^] The translation differences largely arise from translating other currencies into US dollars for reporting purposes.

⁻ Balances held in currencies other than US dollars at 14 September 2015 were c.€9m and various other currencies c.\$1m (equivalent).

[#] Balances held in currencies other than US dollars at 14 March 2016 were c.€9m.

^{*} Principally LBF-related balances.

[™] Mainly c.\$59m of Omnibus Trust-related funds expected to be transferred to the House and c.\$10m relating to clients subject to debt recovery litigation in Germany.

Notes

1. Funds received in error/return of funds received in error

Distributions which were mistakenly paid by third parties and subsequently repaid.

2. Affiliate-related

Distributions and derived income on securities received directly into the segregated Affiliate accounts.

3. Affiliate settlements

Affiliate settlements mainly comprise return of funds to LBF and to clients of LBHK.

4. Investment profile

Total balances

Post-Administration Client Money	USD equivalent \$m
Short-term deposits	137
Interest-bearing accounts	24
Total	161

Cash management and investment policies for client funds

The Client Money cash management policies for short-term deposits and interest-bearing accounts are based on those used for the House Estate, modified to comply with the additional Client Money regulatory requirements. Client Money is not eligible for investment in government bonds and can be placed on money market deposits for a maximum duration of 30 days.

**Pre-Administration Client Money receipts and payments:
cumulative and 6 months to 14 March 2016**

Pre-Administration Client Money	Notes	Cumulative - 15 September 2008 to 14 September 2015 (USD equivalent) \$m	Period - 6 months to 14 March 2016 (USD equivalent) \$m	Cumulative - 15 September 2008 to 14 March 2016 (USD equivalent) \$m
Receipts				
Client Money pool recoveries	1	2,146	20	2,166
Funds received for the House		69	-	69
Interest		9	2	11
Total receipts for the period/to date		2,224	22	2,246
Payments				
Client Money interim distribution		(675)	-	(675)
Funds paid to the House		(68)	-	(68)
Legal costs		(10)	-	(10)
Total payments for the period/to date		(753)	-	(753)
Net movement in the period/to date		1,471	22	1,493
Foreign exchange translation differences [^]		(38)	(45)	(83)
Total balances	2	1,433[~]	(23)	1,410[#]

[^] The cumulative translation differences principally arise from translating other currencies into US dollars for reporting purposes.

[~] Balances held in currencies other than US dollars at 14 September 2015 were c.€372m and c.£32m.

[#] Balances held in currencies other than US dollars at 14 March 2016 were c.£396m.

Notes

1. Client Money pool recoveries

Receipts in the period largely comprised c.\$20m as an eighth distribution from LBHI in respect of LBIE's guarantee claim.

2. Investment profile

Pre-Administration Client Money	USD equivalent \$m
Short-term deposits	1,202
Interest-bearing accounts	208
Total	1,410

Appendix B:

Supplemental schedules

Movements in non-Affiliate Senior creditors in the 6 months to 14 March 2016 are shown below.

Claims resolution

	Admitted ^{1,2}			Pending-non-litigation			Pending-in litigation/ BarCap ³		Total		
	No. of deeds	Proof of Debt £m	Admitted value £m	No. of PODs	Proof of Debt £m	LBIE view £m	No.	Proof of Debt £m	No. of deeds/ PODs	Proof of Debt £m	Admitted value/ LBIE view £m
Non-Affiliate Senior creditors											
Non-Affiliate Senior creditors as at 14 September 2015	1,914	(15,230)	(11,080)	22	(10)	-	7	(670)	1,943	(15,910)	(11,080)
Withdrawals in period	-	-	-	(2)	10	-	-	-	(2)	10	-
Admitted claims in period	9	(20)	(10)	(8)	-	-	(1)	20	-	-	(10)
New claims submitted	3	-	-	1	-	-	-	-	4	-	-
Non-Affiliate Senior creditors at 14 March 2016	1,926	(15,250)	(11,090)	13	-	-	6	(650)	1,945	(15,900)	(11,090)

1. The admitted population excludes 851 creditors (c.£30m aggregate value) that have accepted the SCSO.
2. c.\$1.5bn of non-Affiliate Client Money claims has been waived or assigned to LBIE's nominee, Laurifer, in exchange for admission as an unsecured claim.
3. Although the US litigation between BarCap and LBI related to this claim has been resolved, the possibility continues that aspects of the claim will eventually need to be resolved by the UK courts.

Appendix C:

Litigation summary

The following litigation is a matter of public record in the relevant legal jurisdiction noted below.

Debtor litigation

Counterparty	Claim (principal)	Type	Commenced	Court	Court reference
AG Financial Products Inc.	\$500m	Street	Nov. 2011	Supreme Court of the State of New York	653284/2011
SAAD Trading, Contracting and Financial Services Company	\$125m	Street	Jun. 2015	Supreme Court of the State of New York	652319/2015
Kumho Industrial Co. Limited	KRW129bn	Street	Jul. 2015	Seoul Central District Court	
DZ Bank AG Deutsche Zentral-Genossenschaftsbank & The Bank of New York Mellon	€31m	Street	Jul. 2014	UK High Court	2014-835
Dietmar Hopp Stiftung GmbH	€26m	Trust	Aug. 2010	German Supreme Court	BGH XI ZR 9/14
DH Besitzgesellschaft AG & Co KG					
ExxonMobil Financial Services BV	\$14m	Street	Aug. 2014	UK High Court	2014-1006

Senior creditor litigation

Counterparty	POD £m	Type	Commenced	Court	Court reference
SAAD Investment Company Ltd	77	Other - rejection appeal	Jan. 2014	UK High Court	7942 of 2008
DZ Bank AG Deutsche Zentral - Genossenschaftsbank	31	Debtor	Jul. 2014	UK High Court	2014-835
AG Financial Products Inc.	16	Debtor	Nov. 2011	Supreme Court of the State of New York	653284/2011
ExxonMobil Financial Services BV	5	Debtor	Aug. 2014	UK High Court	2014-1006
Employee	3	Other - rejection appeal	Dec. 2014	UK High Court	7942 of 2008

Appendix D:

Surplus entitlements court process (Waterfall I and II)

Summary of Waterfall II UK High Court/UK Appeal Court process milestones in the current reporting period:

30 Sep. 2015	Senior Creditor Group and Wentworth filed a joint statement of their New York law experts (tranche C)
05 Oct. 2015	Wentworth and the Senior Creditor Group filed further German law expert reports addressing the revised German law issues (tranche C)
07 Oct. 2015	Administrators filed the thirteenth witness statement of Anthony Victor Lomas and its Exhibit AVL13 in respect of the French law issues (tranche C)
08 Oct. 2015	Senior Creditor Group, Wentworth, York and the Administrators filed skeleton arguments in advance of the consequential matters hearing (tranches A & B)
08 Oct. 2015	Senior Creditor Group, Wentworth, Goldman Sachs International and the Administrators filed skeleton arguments in advance of the pre-trial review (tranche C)
09 Oct. 2015	Consequential matters hearing took place before Mr Justice David Richards regarding the approved judgments on tranches A and B
09 Oct. 2015	Pre-trial review hearing took place before Mr Justice Hildyard on procedural steps in respect of the tranche C hearing
16 Oct. 2015	Senior Creditor Group, Wentworth and Goldman Sachs International filed skeleton arguments in respect of the tranche C issues other than 20 and 21
22 Oct. 2015	Positions in respect of Issues 16, 18 and 27 agreed between the Administrators, the Senior Creditor Group, Wentworth and Goldman Sachs International (tranche C)
23 Oct. 2015	Administrators filed skeleton argument in respect of the tranche C issues other than 20 and 21
26 Oct. 2015	Senior Creditor Group and Wentworth filed skeleton arguments in respect of Issues 20 and 21 (tranche C)
29 Oct. 2015	Wentworth and the Senior Creditor Group filed a joint statement of their German law experts on 22 October (in German). The English translation of this statement was filed with the court on 29 October 2015 (tranche C)
29 Oct. 2015	Administrators filed the fourteenth witness statement of Anthony Victor Lomas in support of their skeleton argument filed on 23 October 2015
30 Oct. 2015	Wentworth and Goldman Sachs International filed supplemental skeleton arguments in respect of tranche C issues
30 Oct. 2015	Directions Order following pre-trial review for tranche C hearing sealed
02 Nov. 2015	Re-amended Application Notice filed at court further to paragraph 1 of the tranche C pre-trial review order
04 Nov. 2015	Senior Creditor Group filed its reply skeleton argument in respect of Issues 20 and 21 (tranche C)
06 Nov. 2015	Wentworth filed a further German law expert report in reply to the Appendix to Freshfields Bruckhaus Deringer LLP's letter dated 23 October 2015 in respect of Issues 20 and 21 (tranche C)
09 Nov. 2015	10-day UK High Court hearing of the tranche C issues commenced
13 Nov. 2015	Senior Creditor Group, Wentworth and York filed appellant's notices and grounds of appeal in respect of the tranche A judgment
13 Nov. 2015	Wentworth filed its appellant's notice and grounds of appeal in respect of the tranche B judgment
24 Nov. 2015	Senior Creditor Group and Wentworth filed written closing submissions in respect of Issues 20 and 21 (tranche C)
27 Nov. 2015	Directions Orders following consequential matters hearing in respect of the tranches A and B judgments sealed
04 Dec. 2015	UK Appeal Court granted an extension to the deadline for the filing of skeleton arguments in respect of the tranches A and B appeals
07 Dec. 2015	York filed written submissions on Supplemental Issue 1(a) (tranches A & B)
14 Dec. 2015	Senior Creditor Group and the Administrators filed written submissions on Supplemental Issue 1(a) (tranches A & B)
21 Dec. 2015	York filed reply written submissions on Supplemental Issue 1(a) (tranches A & B)
22 Dec. 2015	York filed written submissions on Supplemental Issues 1(b), 1(c) and 2-5 (tranches A & B)
22 Dec. 2015	Senior Creditor Group and Wentworth filed written submissions on Supplemental Issues 1(c) and 2-5 (tranches A & B)
23 Dec. 2015	Wentworth filed its appellant's skeleton argument in respect of its tranche B appeal
13 Jan. 2016	Senior Creditor Group and Wentworth filed written submissions on Supplemental Issue 1(b) (tranches A & B)
13 Jan. 2016	Administrators filed written submissions on Supplemental Issues 1(b), 1(c) and 2-5 (tranches A & B)
20 Jan. 2016	Senior Creditor Group filed written reply submissions on Supplemental Issues 2 and 5 (tranches A & B)
20 Jan. 2016	Wentworth filed written reply submissions on Supplemental Issues 1(c), 2, 3 and 5 (tranches A & B)
20 Jan. 2016	York filed written reply submissions on Supplemental Issues 1(b) and 2 (tranches A & B)
01 Feb. 2016	Senior Creditor Group and Wentworth filed appellants' skeleton arguments in respect of tranches A and B appeals
26 Feb. 2016	York filed its skeleton arguments in respect of tranches A and B appeals

Summary of Waterfall II UK High Court/UK Appeal Court process milestones expected in future reporting periods:

20 May 2016	Respondents' skeleton arguments in respect of tranches A and B appeals
May 2016	Approved judgment of Mr Justice Hildyard handed down on tranche C issues
May/Jun. 2016	Approved judgments handed down on tranches A and B supplemental issues
17 Jun. 2016	Administrators to file skeleton argument in respect of tranches A and B appeals
03 Apr. 2017	6-day UK Appeal Court hearing on tranches A and B issues to take place

Summary of Waterfall I UK Supreme Court process milestones in the current reporting period:

04 Nov. 2015	UK Supreme Court granted permission to appeal and permission to cross-appeal the UK Appeal Court judgment dated 14 May 2015
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Summary of Waterfall I UK Supreme Court process milestones expected in future reporting periods:

Spring 2016	LBL to file statement of agreed facts and accompanying appendix
Autumn 2016	Parties to serve their cases ahead of UK Supreme Court hearing
17 Oct. 2016	UK Supreme Court hearing to commence

Appendix E:

Administrators' remuneration

Analysis of Administrators' remuneration by grade and work activity

The table below provides an analysis of the Administrators' total hours incurred and the associated cost by staff grade and work activity for the previous time reporting period (to 30 June 2015) and the current period (to 31 December 2015), together with the forecast for the current and next period (to 30 June 2016).

	Prior actual		Current actual		Current forecast		Future forecast	
	1 January 2015 to 30 June 2015		1 July 2015 to 31 December 2015		1 July 2015 to 31 December 2015		1 January 2016 to 30 June 2016	
	Hours	£'000	Hours	£'000	Hours	£'000	Hours	£'000
By grade								
Partner	4,123	3,347	2,932	2,529	3,151	2,747	1,525	1,451
Director	10,641	6,926	7,208	4,926	8,930	6,009	4,723	3,353
Senior Manager	23,566	11,884	19,141	9,880	19,462	10,415	7,623	4,126
Manager	28,277	10,585	17,580	6,926	21,938	8,728	9,183	3,681
Senior Associate	22,234	5,863	15,201	4,046	16,176	4,353	6,567	1,785
Associate	10,235	1,684	3,887	685	3,102	516	965	206
Total	99,076	40,289	65,949	28,992	72,759	32,768	30,586	14,602
Average hourly rate		£407		£440		£450		£477
By work activity¹								
Resolution of the 100p estate	12,941	5,121	5,980	3,071	8,916	4,299	4,532	2,349
Surplus	27,032	11,916	15,446	7,416	20,190	10,222	7,459	3,628
Finance and reporting	15,554	5,366	11,337	4,289	14,047	5,183	6,000	2,630
Infrastructure ²	43,549	17,886	33,186	14,216	29,606	13,064	12,595	5,995
Total	99,076	40,289	65,949	28,992	72,759	32,768	30,586	14,602

- The LBIE operating model has been simplified to meet the changing needs of the Administration with new work activity categories being reported upon in the reporting period. The prior period time (6 months to 30 June 2015) by work activity has been restated in the new format. The Surplus classification in the prior period included significant time allocated that related to counterparty resolution, middle office and valuations activities which have significantly reduced in the current reporting period.
- Infrastructure includes information technology, tax, VAT and pensions and certain other back office functions.

Staff headcount profile

The table below provides a summary of the actual staff headcount profile for the previous and current time reporting periods and the forecast for the current and next time reporting periods.

	Actual		Forecast	
	Prior period ended 30 Jun 2015	Current period ended 31 Dec 2015	Current period ended 31 Dec 2015	Future period ending 30 Jun 2016
Staff profile				
LBIE staff (including contractors)	196	142	150	74
PwC staff ¹	100	64	71	31
Ratio of LBIE to PwC staff	2.0	2.2	2.1	2.4

- PwC staff numbers are calculated on the basis of 8 worked man-hours being equal to 1 full-time equivalent man-day.

We estimate that in the period ending 30 June 2016 the LBIE headcount will reduce by 48%. In the corresponding period, the PwC staff will have reduced by 52%.

The fluctuating ratio of LBIE to PwC staff reflects PwC staff being released at shorter notice than LBIE staff as workload reduces.

Administrators' remuneration movements between the current period and the prior period

In the current time reporting period to 31 December 2015, total hours reduced by 33% compared to the period ended 30 June 2015, with a corresponding reduction in total costs of 28%.

All work activities reported reduced activity in the period. In particular, significant reductions related to:

- Surplus, as Waterfall activity decreased and PwC staff were released early, recognising the lack of progress towards a consensual solution; and
- residual 100p estate matters, as simplification projects completed and also PwC staff within transaction processing and control were released as volumes of assets held by LBIE continued to reduce.

Administrators' remuneration movements between the current period actual and forecast

The total actual hours are 9% lower and costs are 12% lower compared to the forecast. This reflects:

- simplification activities across all work activities allowing early release of PwC staff compared to forecast; and
- PwC staff working on Surplus having early releases due to lower Waterfall activity compared to forecast.

Administrators' remuneration forecast for the next period

The forecast 6-monthly time reporting period to 30 June 2016 indicates a 54% reduction in hours and a 50% reduction in costs compared with the current period. This reflects the activity across all work streams continuing to reduce. In particular, the notably reduced Surplus work activity reflects no significant scheduled hearings in the forecast period.

The increase of c.8% in the average hourly rate predominantly reflects a grade mix change, with junior roles being fulfilled by LBIE staff, where appropriate.

Administrators' remuneration approval

Details of the statutory framework for the approval of the Administrators' remuneration, the role of the Creditors' Committee Adviser and the level and detail of disclosure provided by the Administrators are set out in our earlier reports.

Cumulative time costs accrued to 31 December 2015 are c.£955m. Total Administrators' remuneration and disbursements paid to 14 March 2016 are c.£978m.

Time costs incurred in the period from 1 January to 14 March 2016, not reported in detail on page 30, are c.£7m. A full analysis of these costs will be included as part of the 6-month period to 30 June 2016 in the next progress report.

We continue to provide the Committee and its Adviser with detailed information relating to our remuneration and to Category 2 disbursements, in accordance with SIP 9.

Creditors' rights

An explanatory note on the rights of creditors in relation to an administrator's remuneration and expenses and how to request further information can be found online at:

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/a-creditors-guide-to-administrators-fees-010407.pdf>

You can also get a copy free of charge by telephoning Lesley Bingham on 0203 036 2661.

Approvals by the Creditors' Committee

The Committee will shortly review and be requested to approve all time costs for the period to 31 December 2015, including the deferred element relating to 2015 that was agreed to be subject to Committee review in early 2016.

The Committee will also be requested to provide final approval of remuneration arrangements for 2016, which again propose deferral of a significant proportion of the Administrators' time costs that will be incurred in the calendar year.

The Committee has been provided with Category 2 disbursement information relating to the 6-month period to 31 December 2015 amounting to £724,037, with Category 2 disbursements of £871,166 being approved for payment in the period relating to the current and prior period.

In addition, Category 1 disbursements incurred and paid in the 6-month period to 31 December 2015 amounted to £497,150.

Appendix F:

Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court Court case number 7942 of 2008
Full name:	Lehman Brothers International (Europe)
Trading name:	Lehman Brothers International (Europe)
Registered number:	02538254
Registered address:	Level 23, 25 Canada Square, London E14 5LQ
Date of the Administration appointment:	15 September 2008
Administrators' names and addresses:	AV Lomas, SA Pearson (both appointed 15 September 2008), PD Copley and R Downs (both appointed 2 November 2011) and JG Parr (appointed 22 March 2013) of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT. MJA Jervis and DY Schwarzmman ceased to act on 2 November 2011. DA Howell ceased to act on 22 March 2013
Appointor's name and address:	High Court of Justice, Chancery Division, Companies Court on the application of LBIE's directors
Objective being pursued by the Administrators:	Achieving a better result for LBIE's creditors as a whole than would be likely if LBIE were wound up (without first being in Administration)
Aims of the Administration:	Recover and/or realise all House assets, including cash, securities and in-the-money financial contracts, on a managed basis Admit unsecured creditors' claims and make distributions to creditors Recover Client Assets and Client Money, assess the claims to such property and return all such property to its rightful owners on a systematic basis
Division of the Administrators' responsibilities:	In relation to paragraph 100(2) of Schedule B1 to the Insolvency Act, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Administrators may be done by any one or more of the persons for the time being holding that office
Details of any extensions for the initial period of appointment:	The UK High Court on 2 November 2011 granted an extension of the Administration to 30 November 2016
Proposed end of the Administration:	The Administrators have yet to determine the most appropriate exit
Estimated dividend for unsecured creditors:	Interim dividends paid to date at a cumulative rate of 100p/£1
Estimated values of the prescribed part and LBIE's net property:	The prescribed part is not considered to be relevant as all Senior admitted creditors have been paid or reserved for at a rate of 100p/£1
Whether and why the Administrators intend to apply to court under Section 176A(5) of the Insolvency Act:	Not applicable
The European Regulation on Insolvency Proceedings (Council Regulation (EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings does not apply to this Administration as LBIE is an investment undertaking
Creditors' Committee members:	Lehman Brothers Commodity Services Inc. Ramius LLC Lehman Brothers Commercial Corporation Asia Limited During the period, Lehman Commercial Paper Inc. was replaced by Lehman Brothers Commodity Services Inc. as a Committee member

Appendix G:

Glossary of terms

Abbreviation	Term	Definition
Administration	Administration	UK corporate insolvency process governed by the Insolvency Act 1986 applicable to LBIE following the granting of an administration order dated 15 September 2008
Administrators	Joint Administrators	AV Lomas and SA Pearson were appointed as Joint Administrators of LBIE on 15 September 2008. PD Copley and R Downs were appointed on 2 November 2011. JG Parr was appointed on 22 March 2013. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales
Adviser	Adviser	An adviser retained to assist the Committee in considering the Administrators' remuneration requests
Affiliates	Affiliate entities	Various subsidiaries and affiliates of Lehman Brothers Holdings Inc.
AGR	AG Financial Products Inc.	A US-based affiliate of Assured Guaranty Corp. which provided credit protection to counterparties under credit default swaps
BarCap	Barclays Capital Inc.	Investment banking business of Barclays Bank PLC
Category 1 disbursements	Administrators' Category 1 disbursements	Costs that are directly referable to the Administration supplied by and paid to external third parties
Category 2 disbursements	Administrators' Category 2 disbursements	Costs that are directly referable to the Administration but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the Administration on a proper and reasonable basis
Claims Determination Deed (also referred to as CDD)	Claims Determination Deed	A standardised legal document for agreeing claims under the Consensual Approach
Client Assets	Client Assets	Client securities which LBIE should have held as at 15 September 2008
Client Money	Client Money	Client cash balances held by LBIE as at 15 September 2008 or received thereafter by LBIE and which are in each case subject to the UK Financial Conduct Authority's client money rules and/or applicable client money distribution rules
CME	Client Money Entitlement	The entitlement to receive a distribution from the pre-Administration Client Money pool
Committee	Creditors' Committee	Creditors voted to represent the general body of creditors of LBIE to assist the Administrators in discharging their functions set out in the Insolvency Act
Consensual Approach	Consensual Approach	A framework developed for the expedient resolution of the unsecured claims of financial trading counterparties
CRA	Claim Resolution Agreement	The claim resolution framework which governs the return of Client Assets. The CRA was proposed by the Administrators to clients in November 2009 and was accepted by over 90% of eligible Client Assets claimants
Currency Conversion Claim (also referred to as CCC)	Currency Conversion Claim	Non-provable claim derived from contractual rights to be paid in a currency other than sterling, where the value of sterling has declined as against the currency of the claim between the date of Administration and the date(s) of payment of distributions in respect of the claim
Customer Property	Customer Property as defined in SIPA	A combination of claims to securities and certain cash amounts relating to securities, as defined in SIPA
FINMA	FINMA	Swiss Financial Market Supervisory Authority FINMA
HMRC	HM Revenue & Customs	Organisation of the UK government primarily responsible for the collection of taxes
House Estate (also referred to as House)	House Estate	Dealings that relate to LBIE's general unsecured estate
Insolvency Act	Insolvency Act 1986	Statutory legislation that provides the legal platform for matters relating to personal and corporate insolvency in the UK
Insolvency Rules	Insolvency Rules 1986	Statutory rules that provide the legal platform for matters relating to personal and corporate insolvency in the UK
ISDA (also referred to as ISDA Master Agreement)	International Swaps and Derivatives Association Master Agreement	Global trade association for over-the-counter derivatives standard documentation
Laurifer	Laurifer Limited	Special purpose vehicle registered in Jersey set up for the purposes of the Trust Estate property return scheme
LBB	Lehman Brothers Bankhaus A.G.	Affiliate entity subject to insolvency proceedings in Germany
LBF	Lehman Brothers Finance S.A. (Switzerland)	Affiliate entity subject to insolvency proceedings in Switzerland
LBH	Lehman Brothers Holdings plc (in administration)	Affiliate entity subject to insolvency proceedings in the UK

Abbreviation	Term	Definition
LBHI	Lehman Brothers Holdings Inc.	Ultimate parent of the Lehman group, incorporated in the USA and formerly subject to Chapter 11 bankruptcy protection from 15 September 2008. The plan of reorganisation became effective on 6 March 2012
LBHI2	LB Holdings Intermediate 2 Limited	Affiliate entity subject to insolvency proceedings in the UK
LBHK	Lehman Brothers Hong Kong	Collective group of affiliate entities subject to insolvency proceedings in Hong Kong: Lehman Brothers Asia Holdings Ltd, Lehman Brothers Commercial Corporation Asia Ltd, Lehman Brothers Asia Capital Company Ltd, Lehman Brothers Securities Asia Ltd, Lehman Brothers Futures Asia Ltd, Lehman Brothers Asia Ltd and Lehman Brothers Nominees (H.K.) Ltd
LB	Lehman Brothers Inc.	US broker-dealer affiliate entity, incorporated in the USA which entered SIPA trusteeship on 19 September 2008
LBIE	Lehman Brothers International (Europe) – In Administration	Private unlimited UK subsidiary of LBHI, acting as its main European broker dealer, subject to an administration order dated 15 September 2008
LBL	Lehman Brothers Limited	UK service entity for the Lehman Administration Companies. LBL was placed into Administration on 15 September 2008
LBSF	Lehman Brothers Special Financing Inc.	Affiliate entity subject to insolvency proceedings in the USA
MCF	Mable Commercial Funding Limited	Affiliate entity subject to insolvency proceedings in the UK
Omnibus Trust	Omnibus Trust	Trust under which the asset returns to LBIE by LBI of SIPA Customer Property relating to LBIE client positions are held and the assets constituting the trust property thereof
Pension Fund	Lehman Brothers Pension Scheme	Group pension scheme for employees of UK Lehman entities
Post-Administration Interest	Post-Administration Interest	Statutory interest payable pursuant to Rule 2.88(7) of the Insolvency Rules
Proof of Debt (also referred to as POD)	Proof of Debt or Statement of Claim	A formal document prescribed by the Insolvency Rules submitted to the Administrators by a creditor wishing to prove their claim. The form is made in writing or electronically under the responsibility of a creditor and signed by an authorised person
SCSO	Small Claims Settlement Offer	An initiative under which creditors with agreed claims up to £150,000 were offered a one-off payment of 90% of their agreed claim in full and final settlement
Senior	Senior unsecured creditor	Unsecured, non-preferential, non-Shareholder, not subordinated creditor
Senior Creditor Group	Senior Creditor Group	Collectively 3 respondents to the Waterfall II Application: Burlington Loan Management Limited, CVI GVF (Lux) Master SARL and Hutchinson Investors, LLC
Shareholder(s)	Shareholder(s) of LBIE	LBL and/or LBHI2
SIP 9	Statement of Insolvency Practice 9	Rules issued by the Joint Insolvency Committee which provide guidance to insolvency practitioners and creditors' committees in relation to the remuneration of, <i>inter alios</i> , administrators
SIPA	Securities Investor Protection Act 1970	A US legal proceeding for handling the liquidation of a broker-dealer
Street	Street counterparties	Third party counterparties consisting of financial institutions, including asset managers, custodians and banks; and non-banking financial institutions, including pension funds and corporate entities
Subordinated Debt	Subordinated Debt	The subordinated liabilities arising pursuant to 3 intercompany loan agreements entered into between LBIE and LBHI2, each dated 1 November 2006, and which have been assigned by LBHI2 to the Wentworth joint venture companies
Surplus	Surplus	Assets remaining after the payment in full of Senior creditor claims and before Post-Administration Interest, non-provable claims, the Subordinated Debt and Shareholder claims
Trust Estate	Trust Estate	Client Assets, Client Money and Omnibus Trust
UK Appeal Court	Court of Appeal of England and Wales	The second most senior court in the English legal system for civil cases. Permission to appeal is required, either from the lower court or the Court of Appeal itself
UK High Court	High Court of England and Wales	Court of England and Wales which deals with all high value and high importance cases, and also has a supervisory jurisdiction over all subordinate courts
UK Supreme Court	Supreme Court of the United Kingdom	This is the court of last resort and highest appellate court in the United Kingdom for civil cases
VAT	Value Added Tax	A consumption tax levied on the sale of goods and services in the UK
Waterfall	Waterfall	Waterfall I, II and III legal proceedings

Abbreviation	Term	Definition
Waterfall I Appeal	Waterfall I Appeal	Appeal proceedings of all issues in respect of the Waterfall I Application judgment given by the UK High Court on 19 May 2014
Waterfall I Application (also referred to as Waterfall I)	Waterfall I Application	A joint application by LBIE, LBL and LBHI2 to the UK High Court issued on 14 February 2013 seeking a determination on statutory interest priority, contribution rights and other issues relating to LBIE and its Shareholders
Waterfall II Application (also referred to as Waterfall II)	Waterfall II Application	An application to the UK High Court issued on 12 June 2014 seeking a further determination on issues that impact the rights of creditors to payment from the Surplus and the distribution of that Surplus in a timely manner
Waterfall III Application (also referred to as Waterfall III)	Waterfall III Application	Proposed application to the UK High Court seeking a determination on issues relating to contributory claims
Wentworth	Wentworth	Wentworth Sons Sub-Debt SARL, a respondent to the Waterfall II Application
York	York	York Global Finance BDH, LLC, a respondent to the Waterfall II Application

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