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***LB UK RE Holdings  
Limited –  
In Administration***

Joint Administrators' progress  
report for the period 15 September  
2013 to 14 March 2014

11 April 2014

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# ***Section 1 Purpose of the Joint Administrators' progress report***

## ***Introduction***

This is the eleventh progress report by the Joint Administrators of LB UK RE Holdings Limited ("LB UK RE" or the "Company").

Creditors should have received the Joint Administrators' (the "Administrators") proposals dated 4 November 2008, which were approved at a meeting of creditors held on 20 November 2008 and the Administrators' ten previous progress reports. If any creditor requires copies of these reports, please contact Stephen Ingle at PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT, alternatively these are also available on the Administrators' website <http://www.pwc.co.uk/business-recovery/administrations/lehman/lb-uk-re-holdings-limited-in-administration.jhtml>.

This report provides an update on the work that the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 14 March 2014 (the "Period").

## ***Business activities***

The principal activity of LB UK RE was the management of investments in portfolios of sub-performing, non-performing and performing loans and in real estate.

LB UK RE utilised employees from Lehman Brothers Limited (in Administration) and operated from the Lehman Group's former premises at 25 Bank Street, London, E14 5LE.

## ***Objective of the Administration***

The Administrators are pursuing the objective of achieving a better result for LB UK RE's creditors as a whole than would be likely if LB UK RE were wound up (without first being in Administration).

The specific aims of the Administration are to:

- Protect and manage LB UK RE's portfolio of assets; and
- Realise these assets on a managed basis.

## ***Creditors' Committee***

A Creditors' Committee (the "Committee") was formally constituted on 29 January 2009 and has the following members:

1. Lehman Brothers Holdings Inc ("LBHI"), formerly in Chapter 11 Bankruptcy proceedings in the US;
2. Reed Smith Richards Butler LLP;
3. Eldon Street Holdings Limited (in Administration);
4. Lehman Brothers Europe Limited (in Administration); and
5. Lehman Brothers Limited (in Administration).

The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors and in consultation with the Committee. The Administrators have met with the Committee seven times, the latest meeting having been held on 3 December 2013.

## ***LBHI proposal***

As previously reported, LBHI had indicated a desire to use a company voluntary arrangement ("CVA") process to compromise the liabilities and assume control of LB UK RE.

A revised CVA proposal from LBHI was circulated to creditors for their consideration in March 2013. The CVA proposal gave creditors the choice between taking an up-front cash payment in full and final settlement of their unsecured claims or, alternatively, equity in LB UK RE.

During the Period the Administrators have continued to liaise with LBHI in connection with the CVA proposal. However, certain issues, including pension-related matters, are still to be resolved and, as such, there remains no definite timetable for the implementation of the CVA.

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## ***Interim distribution***

On 13 March 2014 the Administrators paid a third interim dividend of 3.2 pence in the pound to creditors with agreed claims. The total paid out by way of dividend was £40.2m. This takes the cumulative dividend to 43.2 pence in the pound and aggregate payments to £515m.

## ***Future reports***

The Administrators will next report to creditors in approximately six months. The Administrators will contact creditors before this with any material developments regarding the LBHI proposal.

Signed:



D Y Schwarzmann  
Joint Administrator  
LB UK RE Holdings Limited

*DY Schwarzmann, AV Lomas, SA Pearson, and JG Parr have been appointed as Joint Administrators of LB UK RE Holdings Limited. The Joint Administrators were appointed to manage the Company's affairs, business and property as agents without personal liability.*

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

*The Joint Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration.*

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## ***Section 2 Joint Administrators' actions to date***

### ***Progress to date***

The Administrators have continued with the strategy set out in their proposals as approved by creditors on 20 November 2008.

The following sections summarise the work that has been carried out by the Administrators and their staff in respect of LB UK RE's most significant assets and other key issues.

## 2.1 Loan portfolios

### Introduction

LB UK RE invested in portfolios of sub-performing, non-performing and performing loans (“SNPLs”) throughout the world. These SNPL portfolios comprise a mixture of unsecured loans and loans secured on (mainly residential) property assets. In the case of Portugal, the loan servicer is a wholly owned subsidiary of LB UK RE.

### Strategy

The strategy adopted by the Administrators is to:

- Develop and implement bespoke strategies to optimise recoveries from each of LB UK RE’s SNPL portfolios;
- Maintain and refine the necessary processes and resources to manage the SNPL portfolios on a day-to-day basis; and
- Support and develop the Portuguese servicer with a view to maintaining and enhancing its capability and value.

### Progress to date

The Administrators have:

- Pro-actively managed the SNPL portfolios, working closely with, and directing the activities of, servicers and other relevant parties, to ensure that collections are made in a timely and cost efficient manner, in the face of challenging market conditions;
- Maintained reporting frameworks to manage and monitor SNPL portfolio collections; and
- Secured collections from the SNPL portfolios during the Period of £6.6m. This brings the cumulative SNPL portfolio collections during the Administration to £286m.

A summary, by country, is given below of the work undertaken on the portfolios with particular emphasis on the work undertaken during the Period.

### Portugal

The Administrators have:

- Actively directed, managed and monitored local and UK management in order to oversee the orderly run-off of the portfolio, including:

- The reviewing and monitoring of collection targets and expense budgets for the assets and entities under management; and
- Attending board meetings of the local servicer, providing input where appropriate.
- Maintained strong portfolio cash collections given the continuing poor economic environment;
- Continued to support initiatives aimed at improving the performance of the local servicer;
- Worked alongside the local servicer in maintaining its growth strategy, including:
  - Assessing and advising on the feasibility of obtaining additional primary servicing outsourcing contracts;
  - Reviewing and critically assessing the local servicer’s five year growth plan; and
  - Challenge of and support to pipeline reviews.
- Secured the release of historic pledges over property assets under management in order that these assets may be sold and value realised;
- Prepared the portfolio, local servicer and securitisation vehicle for sale, including:
  - Separately selling repossessed real estate assets rather than putting them in a portfolio sale process in order to maximise value;
  - Compiling an information memorandum and data tape to be distributed to prospective bidders; and
  - Analysing the mechanics and regulatory approvals necessary when transferring the assets to a third party.
- Initiated the sale of the portfolio, local servicer and securitisation vehicle (the “Sale”), including:
  - Working with the local servicer and the PwC Corporate Finance and Portfolio Advisory Group teams to identify potentially interested parties;
  - Agreeing non-disclosure agreements with interested parties;

- Working with the local servicer to prepare a virtual data room for potentially interested parties;
- Responding to various queries raised by interested parties during the first round;
- Meeting with first round bidders and evaluating their bids;
- Agreeing an exclusivity arrangement with a preferred bidder; and
- Attending initial meetings with the Portuguese regulator regarding the sale of the regulated securitisation vehicle.
- Negotiating the sale and purchase agreement following submission of a final bid from the preferred bidder:
  - Meetings with the preferred bidder to discuss commercial terms;
  - Liaising with legal advisers to prepare appropriate documentation; and
  - Reviewing and approving the final sale and purchase agreement. Completion of the Sale is subject to Portuguese regulatory approval which is expected in April 2014.

## ***Germany***

The Administrators have:

- Implemented the final portfolio sale strategy, which included:
  - Project managing the overall portfolio sale process;
  - Working closely with the local servicer to identify potentially interested SNPL investors;
  - Promoting separate sales for each of the secured and unsecured asset portfolios;
  - Negotiating and agreeing non-disclosure agreements with prospective bidders;
  - Reviewing and evaluating indicative bids and inviting successful parties to the final phase of the portfolio sales;
  - Responding to various queries raised by bidders during the due diligence period;
  - Drafting Loan Sale and Purchase Agreements (“LSPA”) and considering related matters;
  - Conducting extensive negotiations with the purchasers in relation to the terms of the

LSPAs; and

- Finalising and closing the sale of the portfolios at an amount in excess of total reserve prices.
- Commenced initial planning in relation to dissolving the complex securitisation structure in the most cost-efficient manner following the sale of the final portfolios.

## ***Poland***

The Administrators have:

- Actively directed, managed and monitored the collection activities of the local servicer, which is dealing with secured and unsecured corporate debtors. Less than 75 debtors now account for the vast majority of the remaining value and collections have been maintained in line with expectations;
- Reviewed and approved settlement proposals negotiated by the local servicer; and
- Initiated discussions with the local servicer in relation to the development of an appropriate exit strategy, including conducting reviews of their forecast collection models.

## ***Other portfolios***

- Spanish portfolio – the dissolution of the SPV structure is now anticipated to be completed by July 2014 following a delay caused by outstanding taxation matters;
- Belgian portfolio – the Administrators have continued to oversee and monitor the local servicer’s attempts to make recoveries on a small number of residual assets where it is cost effective to do so; and
- Argentinian portfolio – a small portfolio of loans continues to be serviced in Argentina and steady progress is being made in relation to collections. Options for a sale of the residual portfolio are to be considered in the next period.

## ***Future strategy***

The Administrators will continue to:

- Pro-actively monitor SNPL portfolio performance for the Polish, Belgian and Argentinian portfolios;
- Periodically review SNPL portfolio strategies in light of collections performance and local developments in each case, particularly as the tail of individual portfolios is reached; and

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- Develop and implement final closure strategies and plans, where appropriate.



## 2.2 Real estate investments

### Introduction

LB UK RE was the principal vehicle through which the Lehman Group's European real estate investments were made.

These investments were principally in the form of debt/equity positions in approximately 50 joint venture property holding companies ("JVs") with around 40 different partners.

### Strategy

In view of the market conditions at the date of the Administration and the nature of the investments, quick distressed sales would not have realised optimal value. As such, since their appointment, the Administrators have had the objective of stabilising the real estate investments such that:

- LB UK RE's equity is not diluted or extinguished by partners' or lenders' actions;
- Senior and mezzanine lenders do not enforce any event of default;
- Terms of property fundings are negotiated to achieve optimal positions;
- JV partners and local asset managers are incentivised to manage the investments and underlying properties actively; and
- Performance of the underlying properties is improved by increasing occupancy and rents and reducing costs.

Once the investments have been stabilised they can be managed at the same time as actively identifying, negotiating and completing either individual property or portfolio sales to achieve optimum value for the Administration.

### Progress in the Period

In summary, the Administrators continue to implement the strategy by:

- Building on the comprehensive understanding of LB UK RE's real estate investment portfolio with the assistance of Lehman Group employees and JV partners;
- Updating and adjusting a detailed strategy for each investment with a view to maximising realisations;

- Engaging with JV partners and senior lenders to implement the strategy;
- Defending or pursuing legal actions to protect ownership and/or value of the real estate investments;
- Selling investments or enforcing the repayment of loans when it is deemed that the optimal value can be realised; and
- Refining the necessary processes and resources to manage the real estate investment portfolio on a day-to-day basis.

The Administrators have:

- Realised £44.2m to date, of which £11.5m was realised during the Period, from the sale of investments, redemption and partial repayment of loans, as well as distributions from subsidiaries. In particular, the Administrators have negotiated and completed the sale of LB UK RE's interest in the Cœur Défense office complex in the La Défense business district to the west of Paris, France for €13.3m cash consideration in the Period. In addition, €1.1m is to be paid in April 2014, with the potential to receive further deferred consideration of around €15.0m based on certain contingent future events;
- Realised €24.5m to date, €2.5m in the Period, in LB UK RE subsidiaries from the sale of investments, redemption and partial repayment of loans, as well as distributions from subsidiaries;
- Realised £160m to date from the sale of individual properties within portfolios to prepay senior lenders and release cash to assist in servicing the remaining assets in the portfolios;
- Undertaken extensive market exercises to identify potential purchasers of LB UK RE's investments in property groups and companies or individual properties therein;
- Identified and discussed with parties interested in acquiring an Italian SPV with a banking regulatory licence, resulting in one sale;
- Worked with and managed JV partners, local

asset managers and letting agents:

- Developing a programme of key site visits to inspect properties and property developments;
- Formulating property developments, improvements and letting strategies;
- Managing development remedial works to meet warranties provided as part of the pre and post Administration sales;
- Pursuing and agreeing the appointment of an employee to the Asset Management Oversight Committee for assets held by a securitisation vehicle where LB UK RE is entitled to a Deferred Purchase Price in excess of the value of the bonds repaid;
- Negotiating consensual sales with discounted pay-offs to the senior lenders or a sales fees to avoid distressed liquidation;
- Agreeing a potential sale of private hospital facilities, (including facilities where LB UK RE does not have an interest) to make the investment more attractive to institutional investors; and
- Agreeing share sales to JV partners.
- Negotiated with various JV partners, senior lenders and suppliers, taking legal action where necessary, to protect and enhance LB UK RE's and its subsidiaries' interests, including:
  - Waiving LB UK RE's and its subsidiaries' insolvency event of default;
  - Agreeing loan standstills as both borrower and lender as a precursor to loan restructuring agreements;
  - Taking legal steps against buyers of assets for non-payment of deferred consideration for completed asset sales;
  - Pursuing and winning court cases against tenants who claimed that their pre-emption right to acquire their homes was still valid when the properties were sold;
  - Submitting an interest rate swap mis-selling claim against a senior lender;
  - Agreeing senior loan term extensions;
  - Brokering loan restructures between equity and senior lenders where LB UK RE has an interest in the mezzanine debt;
  - Varying shareholder agreements;
- Agreeing debt for equity swaps;
- Issuing notices to increase the interest rate ahead of an interest reset date to encourage refinancing by the senior lender;
- Negotiating with tenants to remove lease break clauses;
- As part of a sale contract, facilitating initial negotiations with Lehman Brothers Bankhaus AG (“Bankhaus”) and the purchaser to release a land charge for a senior loan repaid in full; and
- Instigating and managing solvent subsidiary liquidations resulting in distributions of trapped cash.
- Negotiated with various third party service providers and tax authorities to manage and reduce costs and tax liabilities, including:
  - Reducing the level of suppliers' fees;
  - Renegotiating loan service contracts in order to reduce servicing fees;
  - Managing and streamlining the group structures in which property investments are held in order to save costs;
  - Following extensive negotiations to eliminate a €1.0m claim, negotiated the release of the associated €1.0m cash reserve held by Bankhaus to LB UK RE's subsidiaries;
  - Agreeing the reimbursement of legal and other professional fees incurred;
  - Working with local Italian tax advisers in respect of claiming exemption from the new 5% tax payable by holders of interests in Italian real estate funds by overseas investors (Quota Holder of Italian Real Estate Funds Decree); and
  - Working with Italian tax advisers to identify the best approach for dealing with Italian tax assessments issued for omitted withholding tax on pre and post Administration dividends paid to LB UK RE.
- Negotiating and agreeing inter-company loan balances between LB UK RE's subsidiaries and non-UK Administration companies;
- Researched the charges registered as “outstanding” on the LB UK RE's charges register at Companies House and identified how these could be released; and

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- Responded to the Pension Regulator with regard to the Financial Support Direction (“FSD”) warning notices served on LB UK RE’s solvent real estate subsidiaries, including liaison with other Lehman companies in a similar situation.

### ***Future strategy***

The Administrators will continue to:

- Actively manage the remaining investments;
- Monitor the market to understand whether changes in conditions indicate that a sales strategy is now appropriate for certain assets;
- Actively identify, negotiate and complete realisation opportunities where appropriate; and
- Work with and manage JV partners, local asset managers and letting agents to improve the performance and value of the assets.

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## 2.3 *Principal investments*

### ***Introduction***

In addition to the SNPL portfolios and real estate investments, LB UK RE has other investments which include:

- Seed capital investments in Lehman Group funds;
- External hedge fund investments;
- Listed company investments; and
- Minority shareholdings.

### ***Strategy***

The Administrators have worked closely with Lehman Group employees to:

- Understand the legal and beneficial ownership structures of these investments; and
- Formulate strategies for each investment, mindful of the prevailing market conditions.

### ***Progress to date***

The Administrators have made significant realisations across all categories of principal investments, having realised almost all of those that are within their control. Total realisations for all principal investments to date are £361m.

In the Period a second distribution of \$6.0m was received in respect of the Company's investment in the Cirrus Master Fund. In addition, amounts totalling \$77k were received from redemptions made by the Bluebay Multi Strategy Fund.

Further positive steps have also been made towards securing an eventual recovery into LB UK RE from the largest remaining external hedge fund. In this regard, assets and cash have now been released to the hedge fund from the Lehman affiliate that acted as custodian prior to the Administration.

The Administrators are continuing to pursue a hold strategy in relation to two remaining small stakes in illiquid companies.

### ***Future strategy***

The Administrators will continue to:

- Retain control of and manage the investments; and

- Realise the few remaining investments when appropriate.

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## 2.4 *Inter-company claims*

### *Introduction*

LB UK RE had over 60 inter-company debtor and creditor balances, representing \$600m of debtors and \$2.4bn of creditors at book values as at 12 September 2008.

### *Strategy*

Since their appointment the Administrators have:

- Submitted claims in the estates of other Lehman entities by any relevant bar dates; and
- Continued the detailed process of reviewing the complex underlying detail behind each inter-company relationship for both debtors and creditors.

### *Progress to date*

The Administrators have:

- Filed claims with a total value of \$1.1bn against affiliates. These include trust asset claims, guarantee claims and general inter-company claims;
- Pursuant to the settlement agreement executed in 2011 by LBHI and certain US debtor affiliates and by LB UK RE and certain UK affiliates, LB UK RE has received four interim dividends from LBHI and its US debtor affiliates totalling \$3.8m, of which the latest was received in October 2013. A further distribution of \$1.0m is expected from the US affiliates in April 2014. The quantum and timing of additional future dividends are uncertain;
- Received £10.3m in the Period from LBIE as a third interim dividend payment on the unsecured claim of £43.2m bringing the total recovered so far to £40.0m;

As previously reported, the trust asset claim against LBIE was successfully concluded in August 2012 resulting in recoveries totalling £199m; and

- Following the claims agreement process in 2012, agreed all but one of the inter-company creditor balances.

### *Future Strategy*

The Administrators will continue to:

- Progress resolution of the one remaining creditor claim submitted but not yet agreed; and
- Submit claims into other affiliate estates to meet their future bar dates.

## 2.5 Other issues

### **Pension issues**

Following the Supreme Court judgment in July 2013 to which we referred in our last report, the stay which had been in force for the Upper Tribunal proceedings came to an end. The Upper Tribunal has the role of deciding whether a FSD should be made, and against which entities, in respect of the Lehman Brothers Pension Scheme. LB UK RE is one of the potential targets of a FSD.

In accordance with directions from the Upper Tribunal, written claims have been produced by the Pensions Regulator and the pension scheme trustees. The Upper Tribunal has also issued a timetable for the FSD targets (including LB UK RE) to file their written replies, and has set a date in February 2015 for a 15-day substantive hearing. The Upper Tribunal is expected to issue further directions in July 2014.

Also since our last report the Administrators have participated, with the administrators of 13 other Lehman companies, in a High Court application relating to the maximum quantum of a Contribution Notice (“CN”) if this were to be issued by the Pensions Regulator in the event of non-compliance with a FSD. The High Court held that the aggregate liability under CNs issued to more than one target company could exceed the amount of £119m claimed as a statutory debt due from the pension scheme employer, Lehman Brothers Limited (in administration). This judgment is being appealed.

In the light of the activity set out above, the risk of LB UK RE having a liability to the pension scheme under a FSD remains, and the Administrators continue to monitor the position and take steps as appropriate.

### **Tax issues**

The corporation tax computations and returns up to the year ended 14 September 2012 have been submitted to HM Revenue and Customs (“HMRC”). The accounting information for the corporation tax computation for the period ended 14 September 2013 is being prepared and the tax computation will be drafted shortly. Tax computations have been agreed for all periods up to 14 September 2010, with substantial losses being carried forward to set off against future profits. Additionally, although the enquiry period into the tax returns for periods ended 14 September 2011 and 14 September 2012 are officially still open, HMRC has

advised that it has no further queries on either return.

Amounts of £6.1m and £5.2m have been recovered to date in respect of corporation tax repayments and group relief respectively. Further recoveries for group relief for subsequent periods may be available, but these have yet to be finalised.

The main workstreams undertaken in the Period have been in respect of:

- Preparing and finalising the 2012 tax return, in particular determining the correct tax treatment for various assets received from LBIE following the conclusion of the trust asset claim;
- Considering the tax implications of the sale of the Coeur Defense property structure;
- Considering the tax implications of the sale of the Portuguese loan portfolio, local servicer and securitisation vehicle; and
- Continuing to work on obtaining tax clearances in advance of the potential CVA which has involved liaising with LBHI and HMRC to gain clearance on the potential debt waivers and confirmation that LB UK RE should not be required to resubmit prior year tax returns in the event that it comes out of Administration and returns to solvency.

VAT repayments totalling £0.9m have been received in the Period in respect of VAT return periods ended 30 November 2012, 28 February 2013, 31 May 2013 and 31 August 2013. The VAT return for the period ended 30 November 2013 has been submitted and the Administrators await approval by HMRC of a repayment of £0.3m.

The Administrators continue to take steps to ensure that tax efficiency is maintained. As such, the tax grouping has been maintained in order that any tax losses suitable for group relief are potentially available to other group companies (being both the LB UK RE sub-group and the wider administration group) to shelter profits.

## Section 3 Statutory and other information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 7944 of 2008.
<i>Full name:</i>	LB UK RE Holdings Limited
<i>Trading name:</i>	LB UK RE Holdings Limited
<i>Registered number:</i>	05347966
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Date of the Administration appointment:</i>	15 September 2008
<i>Administrators' names and addresses:</i>	DY Schwarzmann, AV Lomas, SA Pearson, and JG Parr, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.
<i>Appointer's name and address:</i>	High Court of Justice, Chancery Division, Companies Court.
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LB UK RE's creditors as a whole than would be likely if LB UK RE were wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) Sch.B1 of The Insolvency Act 1986, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by any or all of the Joint Administrators may be done by any or one or more of the persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	The Court has granted an extension of the Administration to 30 November 2016.
<i>Proposed end of the Administration:</i>	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
<i>Estimated dividend for unsecured creditors:</i>	The Administrators estimate a dividend range of 56 to 61 pence in the pound to creditors (including the 43.2 pence already paid) however this is subject to a number of uncertainties and assumes no pension liability arises through any future FSD.
<i>Estimated values of LB UK RE's net property and the prescribed part</i>	In the absence of qualifying floating charges, The Insolvency Act 1986 (Prescribed Part) Order 2003 does not apply to these proceedings.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are the main proceedings.

## Section 4 Financial information

### Administrators' remuneration

On 29 January 2009 the Committee was formed, whose duties include approving the basis and quantum of the Administrators' remuneration.

The Committee resolved that the basis of the Administrators' remuneration be fixed by reference to the time properly given by the Administrators and their staff in attending to matters arising in the Administration, and accordingly the Committee has been provided with an account of the time spent and the relevant charge-out rates, together with additional information setting out the approach to the project and key milestones.

As at the end of the Period, pursuant to the resolution agreed by the Committee in February 2012, the Joint Administrators have drawn remuneration equal to 75% of their time costs on account of £2.1m plus VAT from 1 July 2013 to 31 January 2014.

At a meeting of the Committee held on 3 December 2013, the Committee approved an outstanding element of the Administrators' time costs for the period 1 July 2012 to 30 June 2013 totalling £53k plus VAT.

The time cost analyses and narratives for the period from 1 July 2013 to 31 December 2013 have been submitted to the Committee.

The Administrators have drawn remuneration of £42.6m plus VAT in total since the commencement of the Administration.

### Additional analysis of Administrators' remuneration

The table below provides an analysis of the total hours and cost by grade in respect of the period 1 July 2013 to 31 December 2013:

Grade	Hours	Costs (£)
Partner	158.0	137,162
Director	469.5	325,194
Senior Manager	1,154.7	724,706
Manager	1,185.4	509,263
Senior Associate	1,615.1	493,773
Associate	993.8	218,135
<b>Total</b>	<b>5,576.5</b>	<b>2,408,233</b>

The following table provides a further analysis of the total hours and costs incurred by activity:

Activity	Hours	Costs (£)
Working assets/realisations	2,902.6	1,363,501
Strategy, administration, planning and compliance	1,216.7	477,387
Tax and VAT	433.6	252,264
Creditors, intercompany and LB UK RE group companies	256.5	104,171
Treasury	503.9	150,501
Central services	218.2	60,409
<b>Total</b>	<b>5,576.5</b>	<b>2,408,233</b>

In addition, LB UK RE has incurred time costs in relation to the recovery of corporation tax and VAT. Time costs are initially borne on a group level basis for the Lehman Group of companies and apportioned to individual estates based on the level of individual recovery. The share of Administrators' time costs allocated to LB UK RE will fluctuate when any entity within the Group makes a recovery or a payment. A full breakdown of these time costs will be submitted once all entities within the Group have collected all expected recoveries.



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## ***Receipts and payments account***

An account of the receipts and payments in the Administration for the six months to 14 March 2014, and a cumulative total since commencement of the Administration, is set out in Section 5 of this report.

Significant receipts in the Period include:

- £11.5m in respect of income from and the sale of real estate investments;
- £10.8m in respect of distributions received;
- £6.6m in respect of principal and interest income from the SNPL portfolios; and
- £3.6m in respect of realisations from principal investments.

Significant payments in the Period are:

- £40.2m in respect of the third dividend payment to creditors;
- £3.7m (including VAT) in respect of Administrators' remuneration;
- £3.1m (within "other professional fees") relating to LB UK RE's share of the Portuguese SNPL retention/incentivisation costs which had previously been borne, in their entirety, by another Lehman affiliate; and
- £2.1m in respect of Firstcity credit facility funding.

Cash held as at 14 March 2014 totals £119m (GBP equivalent).

## Section 5 Receipts and payments

RECEIPTS	As at 14 March 2014			As at	Movements	As at	As at	
	GBP (£)	US (\$)	EUR (€)	14 March 2014	from 15 September	14 September 2013	14 September	
	mil	mil	mil	TOTAL (GBP equivalent)	2013 to 14 March 2014	(GBP equivalent)	2013	
				GBP (£)	(GBP equivalent)	exchange rate	RESTATED	
					GBP (£)	GBP (£)	at 14 March 2014	
							exchange rate	
							GBP (£)	
							mil	
							mil	
							mil	
SNPL recoveries	3.0	58.0	296.3	286.0	6.6		279.4	280.8
Real Estate recoveries	7.7	0.1	43.3	44.2	11.5		32.7	32.7
Principal investments	60.4	235.2	190.3	361.1	3.6		357.5	363.8
Other recoveries	1.5	-	-	1.5	-		1.5	1.5
Distributions received	40.0	3.8	-	42.2	10.8		31.4	31.4
Internal currency transfer	602.9	2.6	1.7	606.1	126.7		479.4	479.6
Corporation Tax repayments	11.3	-	-	11.3	-		11.3	11.3
VAT repayments	5.5	-	-	5.5	0.9		4.6	4.6
Interest	0.6	1.0	2.7	3.5	0.1		3.4	3.3
<b>Receipts Grand Totals</b>	<b>732.9</b>	<b>300.7</b>	<b>534.3</b>	<b>1,361.4</b>	<b>160.2</b>		<b>1,201.2</b>	<b>1,209.0</b>
<b>PAYMENTS</b>								
Building and occupancy costs	5.6	-	-	5.6	0.1		5.5	5.6
Payroll and employee costs	16.9	-	3.1	19.4	0.8		18.6	18.5
Legal fees	14.7	-	0.8	15.5	0.8		14.7	14.8
Insurance premiums	2.1	-	0.2	2.3	0.1		2.2	2.3
Principal investments	-	0.3	-	0.2	-		0.2	0.2
Acquisition of Portuguese loan portfolio	-	-	7.3	6.1	-		6.1	6.1
Office holders' remuneration	51.1	-	-	51.1	3.7		47.4	47.4
Office holders' disbursements	0.3	-	-	0.3	-		0.3	0.3
Other professional fees	4.8	-	1.7	6.2	3.3		2.9	3.1
Distribution to unsecured creditors	515.2	-	-	515.2	40.2		475.0	475.0
Real Estate valuation costs	0.2	-	-	0.2	-		0.2	0.2
Firstcity credit facility	-	-	4.0	3.4	2.1		1.3	1.3
Portuguese tax liability	-	-	1.7	1.4	-		1.4	1.4
Whitestar working capital facility	-	-	-	-	(0.6)		0.6	0.5
Internal currency transfer	3.2	300.3	515.4	615.6	123.3		492.3	495.0
<b>Payments Grand Totals</b>	<b>614.1</b>	<b>300.6</b>	<b>534.2</b>	<b>1,242.5</b>	<b>173.8</b>		<b>1,068.7</b>	<b>1,071.7</b>
<b>NET POSITION</b>	<b>118.8</b>	<b>0.1</b>	<b>0.1</b>	<b>118.9</b>	<b>(13.6)</b>		<b>132.5</b>	<b>137.3</b>
<b>CASH BALANCES</b>								
HSBC	22.0	0.1	0.1	22.1				
Bank of New York	2.9	-	-	2.9				
Money markets	93.9	-	-	93.9				
<b>Total Cash</b>	<b>118.8</b>	<b>0.1</b>	<b>0.1</b>	<b>118.9</b>				
<b>Exchange rates as at 14 September 2013:</b>								
US\$ 1 : GBP		0.6303						
EURO €1 : GBP		0.8357						
<b>Exchange rates as at 14 March 2014:</b>								
US\$ 1 : GBP		0.6014						
EURO €1 : GBP		0.8375						

Amounts include VAT where applicable

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