

# Lehman Brothers Europe Limited – In Administration

Joint Administrators' progress report for the period  
23 March 2009 to 22 September 2009

22 October 2009

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

## Introduction

This is the second progress report by the Joint Administrators (the "Administrators") of Lehman Brothers Europe Limited ("LBEL" or the "Company").

Creditors will have received the Administrators' proposals (the "Proposals") dated 14 November 2008 which were approved at a meeting of creditors held on 1 December 2008. Creditors will also have received the Administrators' first progress report dated 21 April 2009.

This report provides an update on the work the Administrators have undertaken and the progress made since our appointment, with particular focus on the six months to 22 September 2009.

## Objectives of the Administration

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

The specific aims of the Administration are to:

- Protect and control the Company's assets;
- Realise these assets; and
- Agree creditor claims and, if applicable, make a distribution to creditors.

## Creditors' Committee

A Creditors' Committee has been formed and consists of the following members:

- Lehman Brothers International (Europe) ("LBIE")
- Lehman Brothers Holdings Inc. ("LBHI")
- Lehman Brothers Holdings plc ("LBH") – in administration
- Jupiter Finance Spa
- Thomas Marsoner

The Administrators are liaising with the Creditors' Committee to discuss significant issues and outline key decisions.

The Administrators have met with the Creditors' Committee once.

## Outcome for creditors

At this time the Administrators are unable to provide a reliable estimate of the likely dividend to ordinary unsecured creditors as there are significant uncertainties regarding future net realisations. The timing and level of any dividend therefore remains uncertain.

The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors and in consultation with the Creditors' Committee.

Until there is more certainty regarding the dividend prospects, claims agreement work will be restricted to gathering information. If you have not already submitted your claim to the Administrators please do so by completing and returning the attached statement of claim form.

## Extension of the Administration

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

## Future reports

The Administrators will next report to creditors in approximately six months.

Signed:



D Y Schwarzmann  
Joint Administrator  
Lehman Brothers Europe Limited



# Section 2: Joint Administrators' actions to date

## Business activities

LBEL's principal activity was the provision of investment banking services such as advising on Mergers and Acquisitions ("M&A") transactions.

LBEL utilised employees seconded from Lehman Brothers Limited and principally operated from the Lehman Group premises at 25 Bank Street.

## Progress to date

The Administrators have:

### Debts due from advisory services clients

- Made recoveries of c.\$3.9m from outstanding debts in relation to M&A invoices;
- Agreed settlements (subject to contract) worth \$12.1m with three separate parties and funds are expected to be recovered shortly;

### Intercompany debtors

- Submitted claims of c.\$21m into the estate of Lehman Brother Inc. where LBEL is due a share of the proceeds for the work performed on M&A deals prior to Administration; and

### Intercompany loan to LBIE

- Completed a detailed legal analysis of LBEL's title to the collateral held with a third party custodian, in respect of an intercompany loan to Lehman Brothers International Europe ("LBIE").

## Future strategy

The Administrators will continue to:

- Pursue further recoveries from M&A deals;
- Gather evidence and support for claims to be made against the other estates including Lehman Brothers Holdings Inc.; and
- Establish title of the collateral held with the third party custodian. The third party custodian has not as yet agreed to transfer the collateral back to the Lehman Group.

## Extension of the Administrations

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

The application was made for the following reasons:

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

# Section 3: Statutory and other information

<b>Court details for the Administration:</b>	High Court of Justice, Chancery Division, Companies Court - case 8243 of 2008.
<b>Full name:</b>	Lehman Brothers Europe Limited
<b>Trading name:</b>	Lehman Brothers Europe Limited
<b>Registered number:</b>	03950078
<b>Registered address:</b>	25 Bank Street, London E14 5LE, England.
<b>Company directors:</b>	D Gibb, JM Isaacs, IM Jameson, WT John, R Magnoni, JP Phizacherley, AJ Rush, PR Sherratt and A Wright.
<b>Company secretaries:</b>	Ms P Dave, Ms M Smith and Ms ESE Upton.
<b>Shareholdings held by the directors and secretary:</b>	None of the directors own shares in the Company.
<b>Date of the Administration appointment:</b>	23 September 2008.
<b>Administrators' names and addresses:</b>	MJA Jervis, AV Lomas, SA Pearson and DY Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, England.
<b>Appointer's name and address:</b>	Peter Sherratt, Director, 25 Bank Street, London E14 5LE, England.
<b>Objective being pursued by the Administrators:</b>	Achieving a better result for LBEL's creditors as a whole than would be likely if LBEL were wound up (without first being in Administration).
<b>Division of the Administrators' responsibilities:</b>	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Joint Administrators, may be done by any one or more of the persons for the time being holding that office.
<b>Details of any extensions of the initial period of appointment</b>	The Court has granted an extension of the Administration to 30 November 2010.
<b>Proposed end of the Administration:</b>	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.
<b>Estimated dividend for unsecured creditors:</b>	It is too early to estimate the likely dividend for unsecured creditors.
<b>Estimated values of the prescribed part and LBEL's net property:</b>	There is no prescribed part in this matter.
<b>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</b>	Not applicable.
<b>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</b>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

# Section 4: Financial information

## Statement of Affairs

The Directors have provided their Statement of Affairs (the “Statement”). This Statement is not attached to the progress report as disclosure of the information therein may impact adversely upon future realisations.

## Administrators’ remuneration

By way of context, the manner in which Administrators’ remuneration is determined and approved is set out in the Insolvency Rules 1986 2.106 to 2.109 (the “Rules”).

At a meeting by correspondence held on 20 February 2009, creditors resolved to form a Creditors’ Committee (the “Committee”), whose duties will include approving the basis and quantum of the Administrators’ remuneration.

There are two bases of determining the remuneration under the Rules, either:

- A percentage of the value of the property with which the Administrator has to deal; or
- By reference to the time properly given by the insolvency practitioner and his staff in attending to matters arising in the Administration.

The Rules also provide that in arriving at its decision on remuneration the Committee is required to consider the following matters:

- The complexity (or otherwise) of the case;
- Any responsibility of an exceptional kind or degree which falls on the Administrators;
- The effectiveness with which the Administrators appear to be carrying out, or have carried out, their duties; and
- The value and nature of the property which the Administrators have to deal with.

## Statement of Insolvency Practice No.9 (“SIP 9”)

In addition to the Rules, SIP 9, issued by the Joint Insolvency Committee provides guidance to insolvency practitioners and creditors’ committees in relation to the remuneration of, *inter alia*, Administrators.

The purpose of SIP 9 is to:

- Ensure that Administrators are familiar with the statutory provisions relating to office holders’ remuneration;
- Set out best practice with regard to the observance of the statutory provisions;
- Set out best practice with regard to the provision of information to those responsible for the approval of remuneration to enable them to exercise their rights under the insolvency legislation; and
- Set out best practice with regard to the disclosure and drawing of disbursements.

When seeking agreement for remuneration, the Administrators are required to provide sufficient supporting information to enable those responsible for approving their remuneration (“the approving body”) to form a judgement as to whether the proposed remuneration is reasonable, having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend upon:

- The nature of the approval being sought;
- The stage during the Administration of the case at which it is being sought; and
- The size and complexity of the case.

## Remuneration review and approval process

In accordance with SIP 9 the Creditors’ Committee has been provided with details of the charge-out rates for all grades of staff who have been or will be involved on the case.

The Creditors’ Committee have resolved that the Administrators’ remuneration will be based on a percentage of asset realisations. The Creditors’ Committee will be provided with an account of the realisations made in order to monitor progress.



## **Receipts and payments account**

An account of the receipts and payments in the Administration for the six months to 22 September 2009, and a cumulative total since commencement of the Administration, is set out in section 6 to this report.

Significant receipts in the period covered by this report include:

- £1.5m in respect of outstanding debts.

Significant payments in the period covered by this report include:

- £0.23m in respect of legal fees.

Net receipts as at 23 September 2009 total \$3.5m.

## Section 5: Receipts and payments

	As at 22 September 2009				As at 22 March 2009	Movements
	GBP (£'000)	US (\$'000)	EUR (€'000)	Total (USD Equivalent) (\$'000)	Total (USD Equivalent) (\$'000)	(USD Equivalent) (\$'000)
<b>RECEIPT</b>						
Book debts	1,500.0	250.1	900.6	4,038.5	1,471.8	2,566.7
Currency transfer	786.5	-	-	1,287.8	15.2	1,272.6
<b>Receipts Totals</b>	<b>2,286.5</b>	<b>250.1</b>	<b>900.6</b>	<b>5,326.3</b>	<b>1,487.0</b>	<b>3,839.3</b>
<b>PAYMENT</b>						
Employee costs	-	15.9	64.6	111.5	103.6	7.9
Legal fees	233.5	-	-	382.3	14.3	368.0
Office holder's category 1 disbursements	10.8	-	-	17.7	-	17.7
Currency transfer	-	133.3	786.0	1,296.0	16.3	1,279.7
<b>Payments Totals</b>	<b>244.3</b>	<b>149.2</b>	<b>850.6</b>	<b>1,807.5</b>	<b>134.2</b>	<b>1,673.3</b>
<b>NET POSITION</b>	<b>2,042.2</b>	<b>100.9</b>	<b>50.0</b>	<b>3,518.8</b>	<b>1,352.8</b>	<b>2,166.0</b>
<b>CASH BALANCES</b>						
BoE	0.2	100.0	-	100.3		
HSBC	2,042.0	0.9	50.0	3,418.5		
<b>Total Cash</b>	<b>2,042.2</b>	<b>100.9</b>	<b>50.0</b>	<b>3,518.8</b>		

US\$ equivalent is for information purposes only. Rates used for conversion are Financial Times rates on 22 September 2009:

1 GBP = 1.6374 US\$,

1 € = 1.4793 US\$

Receipts and payments are inclusive of VAT where applicable