



**To all known creditors**

18 May 2012

Our Reference: DAH/AGW/AD/ P11-4

Dear Sirs

**Lehman Brothers Lease & Finance No. 1 Limited – in Administration (the “Company”)**

Pursuant to Rule 2.47 of the Insolvency Rules 1986, I attach a copy of the Joint Administrators' seventh report on the progress of the Administration for the six months ended 23 April 2012, together with a copy of Form 2.24B.

Yours faithfully  
For and on behalf of the Company

A handwritten signature in black ink, appearing to read 'DA Howell', written over a horizontal line.

DA Howell  
Joint Administrator

*AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell were appointed as Joint Administrators of Lehman Brothers Lease & Finance No. 1 Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.*

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***Lehman Brothers  
Lease & Finance No. 1  
Limited –  
In Administration***

Joint Administrators' progress  
report for the period 24 October  
2011 to 23 April 2012

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18 May 2012

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# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the seventh progress report by the Joint Administrators (the "Administrators") of Lehman Brothers Lease & Finance No.1 Limited (the "Company" or "LB L&F").

This report provides an update on the work the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 23 April 2012.

## Objectives of the Administration

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

The specific aims of the Administration are to:

- protect and control the Company's assets;
- maximise trading income from utilisation of the assets; and
- maximise value for the Company at the time of sale or transfer of the assets.

## Outcome for creditors

The Administrators expect a distribution will be made to unsecured creditors in due course, however the quantum and timing of this distribution remains uncertain, principally due to uncertainty around a potential pension liability.

As previously advised, the Pensions Regulator (the "Regulator") listed LB L&F as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme.

In September 2010 the Pensions Regulator's Determinations Panel (the "Panel") decided that an FSD should be issued against six Lehman group entities. LB L&F was among 38 companies that the Panel decided should not be issued with an FSD.

The Panel's decision has been referred to the Upper Tribunal, with the Scheme Trustees asking the Upper Tribunal to overturn the Panel's decision and rule that the 38 companies (including LB L&F)

should also be subject to an FSD. This means that LB L&F is still at risk from this potential liability.

LB L&F (together with 36 other affected entities) applied to the Upper Tribunal, seeking an order that the Trustees' referral to the Upper Tribunal should be struck out on the grounds that it is now no longer possible for the Regulator to impose an FSD against LB L&F. The Trustees and the Pensions Regulator opposed the strike-out application, and the hearing took place from 12 to 15 March 2012. Judgment was reserved and has not yet been handed down.

The Administrators of LB L&F and those of the other target companies are exploring ways in which resolution of this pension issue could be expedited. If this can be achieved the Administrators will take steps to prepare for a distribution to creditors at the earliest practical opportunity.

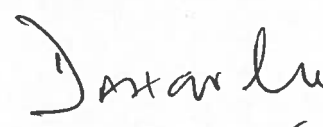
## Extension of the administration

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2012.

## Future reports

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

Signed:



DA Howell  
Joint Administrator  
Lehman Brothers Lease & Finance No.1 Limited

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

### ***Overview***

LB L&F was established to purchase and subsequently lease infrastructure assets to Lehman Brothers Limited ("LBL"), via a series of formal lease and hire purchase agreements.

On 31 March 2010, LB L&F sold all of its infrastructure assets to LBL. The Administrators realised £19.1m in respect of the sale, which is well in excess of the statement of affairs value and also exceeds the value that would have been realised by selling the assets on a piecemeal basis to third parties.

to apply to Court to request an Order to convert the administration of LB L&F into a distributing administration in order to allow them to pay a dividend to unsecured creditors.

The quantum and timing of the dividend remains uncertain.

### ***Administrators' actions to date***

In the period, the Administrators have realised c.£5.9m in respect of Corporation Tax refunds relating to the pre appointment period. This was in part achieved by the purchase of tax losses for £1,181k. The work involved has incurred tax function costs of £201k. These costs are a reallocation of costs incurred by a centralised tax team.

The Administrators have also received the final payment of £604k in respect of the lease and subsequent sale of the infrastructure assets. No further recoveries are anticipated in this regard.

On 24 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc ("LBHI") and certain other affiliates previously subject to Chapter 11 proceedings in the USA in conjunction with other UK affiliates. The Plans of Reorganisation became effective on 6 March 2012. Pursuant to this agreement the Administrators agreed in principle the claim of LBHI against LB L&F at \$192.4m.

### ***Outstanding matters***

The dispute with HM Revenue & Customs ("HMRC") regarding a pre-appointment VAT claim is continuing. HMRC has accepted that LB L&F has a valid claim in principle, but has not accepted the amount. The Administrators are in the process of revising the amount of the claim and preparing a settlement proposal to put to HMRC, which we believe will address HMRC's concerns.

### ***Distribution to unsecured creditors***

Once there is certainty that LB L&F is not subject to a liability under a FSD, the Administrators propose



## Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 9434 of 2008
<i>Full name:</i>	Lehman Brothers Lease & Finance No.1 Limited
<i>Trading name:</i>	Lehman Brothers Lease & Finance No.1 Limited
<i>Registered number:</i>	04387086
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	IM Jameson (resigned 17/07/09), SJ Williams (resigned 20/07/09)
<i>Company secretary:</i>	M Smith (resigned 25/01/10), P Dave (resigned 25/01/10), ESE Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in the Company
<i>Date of the Administration appointment:</i>	24 October 2008
<i>Administrators' names and addresses:</i>	DA Howell, DY Schwarzmans, SA Pearson, MJA Jervis and AV Lomas of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.
<i>Appointer's name and address:</i>	The directors of the Company, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for creditors as a whole than would be likely if the Company was wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	The current Joint Administrators are DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmans of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. 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 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>	A third extension has been granted by the High Court of Justice until 30 November 2012.
<i>Proposed end of the Administration:</i>	The Administrators wish to retain various exit options available to them however the most likely exit route from the Administration is to seek permission to distribute from the administration and proceed to dissolve the Company.
<i>Estimated dividend for unsecured creditors:</i>	It is too early to estimate the likely dividend for unsecured creditors.
<i>Estimated values of the prescribed part and LB L&amp;F's net property:</i>	There is no prescribed part as there is no qualifying floating charge.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

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## ***Section 4 Financial Information***

### ***Administrators' remuneration***

At the initial meeting of creditors which was held by correspondence on 8 June 2009, creditors resolved that the Administrators' remuneration be fixed by reference to the time properly given by them and the various grades of their staff. The Administrators were also authorised to draw their remuneration from time to time.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 July 2011 to 29 February 2012, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for the period 1 July 2011 to 29 February 2012 are £126,382, which represents 281.9 hours at an average hourly rate of £448.32.

Time cost analyses covering the period 24 October 2008 to 30 June 2011 have been provided previously.

To date, remuneration of £594k plus VAT has been drawn in respect of time costs incurred from 24 October 2008 to 31 December 2011.

### ***Rate increase***

The Administrators have applied an inflationary increase to charge out rates. It is the third increase to rates since appointment and has been put in place with effect from 1 January 2012. Details of increased rates are set out in Section 6.

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

An account of the receipts and payments in the Administration showing movements for the six months to 23 April 2012 is set out overleaf. The receipts have been discussed within Section 2 of this report.

## Section 5 Receipts and Payments Account

	As at 23 April 2012 GBP (£'000)	As at 23 October 2011 GBP (£'000)	Movements GBP (£'000)
<b>Receipts</b>			
Realisations from sale of tax losses	1,119	1,118	1
Corporation Tax refund	5,916	-	5,916
Realisation from infrastructure assets and Level 7 lease	19,710	19,106	604
Interest received gross	648	92	556
<b>Total Receipts</b>	<b>27,393</b>	<b>20,316</b>	<b>7,077</b>
<b>Payments</b>			
Insurance	463	463	-
Legal Fees	26	21	5
Purchase of Tax Losses	1,181	-	1,181
Joint Administrators' remuneration	594	452	142
Statutory costs	1	1	-
Employee costs	1	1	-
Tax function costs	271	70	201
VAT Paid	99	77	22
<b>Total Payments</b>	<b>2,636</b>	<b>1,085</b>	<b>1,551</b>
<b>Net Position</b>	<b>24,757</b>	<b>19,231</b>	<b>5,526</b>
<b>Cash Balances</b>			
HSBC (non-interest bearing)	5,733	112	5,621
Short term deposits	19,024	19,119	(95)
<b>Total Cash</b>	<b>24,757</b>	<b>19,231</b>	<b>5,526</b>



# Section 6 Joint Administrators' time costs

Joint Administrators' time costs for the period 1 July 2011 to 29 February 2012

Classification of work	Partner / Director	Senior Manager / Manager	Senior Associate	Associate / Support staff	Total
	Hrs	£	Hrs	£	Hrs
Accounting and Treasury	-	-	37.5	11,290	33.4
Asset Realisations	-	-	4.5	1,387	-
Statutory and Other Compliance	-	-	45.0	13,116	6.1
Strategy and Planning	1.8	1,459	8.9	2,815	0.8
Tax and VAT	31.2	33,114	16.0	4,607	6.1
LBL recharges	0.1	90	3.7	897	1.7
Grand Total	33.1	34,663	115.6	34,112	48.1
					281.9
					126,382

The Joint Administrators' policy for charging for disbursements is:

Photocopying is charged at 3p per sheet for creditors and bulk copying  
 Mileage is charged at a maximum of 62p per mile (up to 2000cc) or 81p per mile (over 2000cc)  
 All other disbursements are charged at cost

Costs to date (£)
-
-
-
-
-

Current charge out rates	Business	Recovery Services	Specialist*
Grade	Max £/hr	From 1 Jan 12	To 31 Dec 11
Partner	800	838	980
Director	610	639	890
Senior manager	470	492	830
Manager	395	414	605
Senior Associate	330	346	330
Associate / Support Staff	210	220	195
			1,027
			932
			869
			634
			389
			204

The Administrators' remuneration has been fixed by reference to the time properly given by the joint administrators and their staff in attending to matters arising in the administration. The remuneration is to be paid as and when funds become available at the charge-out rates shown for the various grades of staff who may be involved in this administration.

\*Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a number of hours, should we require their expert advice. Their rates do vary, however, the figures shown give an indication of the maximum rate per hour.

In common with all professional firms, the scale rates used by the Joint Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover annual inflationary cost increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

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## ***Summary of the Joint Administrators' time costs for the period 1 July 2011 to 29 February 2012***

### **Accounting and Treasury - £24,005**

- Reconciliation of bank accounts;
- Arranging receipts and payments of funds and coding of movements;
- Monitoring flow of funds into bank accounts;
- Managing funds in various institutions in order to mitigate risk; and
- Dealing funds on the money markets and inputting deals.

### **Asset Realisations - £4,185**

- Review debtor positions; and
- Agreeing and implementing the Plan of Reorganisation.

### **Statutory and Reporting - £15,032**

- Managing LB L&F Administration database;
- Preparing and reviewing Administrators' progress report;
- Undertaking six monthly review of administration; and
- Review of time costs in preparation for billing.

### **Strategy and Planning - £10,202**

- Reviewing financial information;
- Updating strategy documents;
- Reviewing time cost information;
- Preparation of witness statement for pension claim;
- Discussions with advisors regarding pension claims; and
- Preparing analysis of time costs.

### **Tax and VAT - £70,070**

- Submission of pre appointment Corporation Tax return to facilitate refunds;
- Discussions regarding pre-appointment VAT claim, meetings internally and with HMRC, and correspondence with HMRC;
- Preparation of VAT returns; and
- Submission of VAT returns.

### **LBL recharges - £2,888**

- This is an apportionment of the costs incurred by Lehman Brothers Limited in the administration companies

The Insolvency Act 1986

**Administrators' progress report**

Name of Company  
Lehman Brothers Lease & Finance No.1 Limited

Company number  
04387086

In the  
High Court of Justice, Chancery Division  
[full name of court]

Court case number  
9434 of 2008

(a) Insert full name(s) and  
address(es) of  
administrator(s)

We (a) Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann,  
Michael John Andrew Jervis and Derek Anthony Howell of

PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

Joint Administrators of the above company attach a progress report for the period

(b) Insert dates

from

to

(b) 24 October 2011

(b) 23 April 2012

Signed



Joint Administrator

Dated 18 May 2012

**Contact Details:**

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

PricewaterhouseCoopers LLP

7 More London Riverside, London, SE1 2RT

Tel 0207 583 5000

DX Number

DX Exchange

Companies House receipt date barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff