
Lehman Brothers Holdings plc – In Administration

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

11 October 2013

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Purpose of the Joint Administrators' progress report

Introduction

This is the tenth progress report by the Joint Administrators (the "Administrators") of Lehman Brothers Holdings plc ("LBH" or the "Company").

This report provides an update on the work that the Administrators have undertaken and the progress made since their appointment, with particular focus on the progress made in the six months to 14 September 2013.

Objectives of the Administration

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

The specific aims of this Administration are to:

- Realise all assets, including all cash and derivative positions on a managed basis;
- Mitigate as far as is possible and agree in principle the claims of all creditors; and
- Continue to manage its subsidiaries with a view to maximising returns to LBH.

Creditors' Committee

The Administrators have met with the Creditors' Committee on five occasions since 12 December 2008, in order to discuss significant issues and outline key decisions. The most recent meeting with your Creditors' Committee was held on 25 January 2012.

Outcome for creditors

At this time the Administrators are unable to provide a reliable estimate of the likely dividend to ordinary unsecured creditors.

However, as it seems likely that funds will become available for unsecured creditors, the Administrators are continuing the process of establishing in principle the claims of unsecured creditors. This is in line with the proposals agreed by creditors on 20 November 2008. The Administrators anticipate that LBH will become a distributing Administration in due course.

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

Pension Liability

Following a hearing in May 2013, the Supreme Court issued its judgment on 24 July 2013 in a case brought by LBH and three other Lehman entities, holding that liability derived from a FSD would constitute a provable debt in an administration.

The stay in the Upper Tribunal proceedings, which will determine whether LBH will have any liability under a FSD, has come to an end following the Supreme Court judgment. Directions for the future process have now been issued by the Upper Tribunal: LBH will be required to respond to the cases put forward by the Pensions Regulator and the pension scheme trustees in early 2014, following which there will be a hearing in the Upper Tribunal.

The Administrators continue to monitor the pensions issues closely.

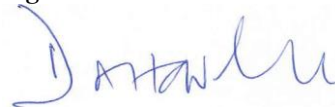
Extension to the Administration

The current Administration expires on 30 November 2013. The Administrators will be making an application to Court shortly to request a further extension to the Administration.

Future reports

The Administrators' next progress report to creditors will be sent in approximately six months or the end of the Administration whichever is sooner.

Signed:



DA Howell
Joint Administrator
Lehman Brothers Holdings plc

AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Lehman Brothers Holdings PLC to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DA Howell, GE Bruce 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.

Joint Administrators' actions to date

Asset review

Following the appointment of Administrators, a detailed review of the asset position was undertaken which identified the following categories of assets:

- Investments in subsidiary undertakings;
- Financial assets; and
- Inter-company debts.

The Administrators continue to monitor all of the investments, ensuring that the strategy put in place remains the most effective way to realise value for the benefit of LBH's creditors.

Tax

As creditors are aware, LBH incurred significant tax losses in pre-appointment tax accounting periods.

A tax loss agreement was entered into with, inter alia, the other PwC Lehman administration companies and LBH has realised £7.6m from the sale of tax losses up to 14 September 2013.

In line with the tax loss agreement, tax function costs (which are an allocation of centrally incurred tax costs) have been deducted from the payments received.

Investments in subsidiary undertakings

There are a number of subsidiary companies where LBH's equity interest may have value but, until significant matters in those companies are resolved, including the pension FSD, the amount of potential total realisations for LBH remains uncertain.

Financial assets

The most significant outstanding financial assets are:

Campo Iris ("CI")

CI is a wholly owned subsidiary of LBH which entered into a joint venture with a Spanish company. CI's only asset is cash at Bank within the joint venture, which is understood to be c. €1m.

The new director of CI is working on bringing its financial and statutory affairs up to date and will then seek to wind up CI in order to realise the funds in the joint venture.

Inter-company debts

The Company had two key functions:

- As a holding company for a number of entities in the UK Group; and
- As a "pass-through" vehicle for the transfer of subordinated debt and cash funding to Lehman Brothers International (Europe).

There are 59 intercompany relationships which have been identified. The six largest debtors total c.£329m and the six largest creditors total c.£874m which represents 89% and 90% of the total intercompany debtor and creditor balances respectively.

During the period, LBH received an interim distribution from the estate of Lehman Brothers Europe Limited totalling £65K.

On 11 October 2011, the Administration 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 LBH had its claims against Lehman Brothers Special Financing Inc ("LBSF") and Lehman Commercial Paper Inc ("LCPI") agreed at \$19.3m and \$2.2m respectively.

A third distribution was received from those estates on 4 April 2013. LBH received \$0.5m from LBSF and \$0.3m from LCPI. To date, LBH has received dividends totalling \$4.6m and \$0.76m from LBSF and LCPI respectively. These funds were immediately exchanged for GBP to minimise the foreign exchange risk.

Further dividends from LBSF and LCPI are expected to be received on a six monthly basis.

Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court – case 7943 of 2008
<i>Full name:</i>	Lehman Brothers Holdings plc
<i>Trading name:</i>	Lehman Brothers Holdings plc
<i>Registered number:</i>	01854685
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	Mr IM Jameson (resigned 25/07/09), Mr AJ Rush (resigned 19/11/08), Mr DS Rushton (resigned 25/07/09), Mr C Pellerani (resigned 13/11/08), Mr D Gibb (resigned 28/07/09)
<i>Company secretary:</i>	Ms M Smith (resigned 06/02/10), Ms P Dave (resigned 09/02/10), Ms ESE Upton (resigned 09/02/10)
<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>	15 September 2008
<i>Current Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT (MJA Jervis and DY Schwarzmans ceased to act on 22 March 2013)
<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 LBH's creditors as a whole than would be likely if LBH were wound up (without first being in Administration)
<i>Division of the Administrators' responsibilities:</i>	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.
<i>Details of any extensions of the initial period of appointment:</i>	The High Court of Justice has granted three successive extensions to the Administration period to: 30 November 2010, 30 November 2011 and most recently 30 November 2013.
<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>	There are too many uncertainties to accurately estimate the likely dividend for unsecured creditors.
<i>Estimated values of the prescribed part and LBH's net property:</i>	Not applicable 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.

Financial Information

Administrators' remuneration

Your Creditors' Committee is responsible for approving the basis and amount of the Administrators' remuneration. The Creditors' Committee has resolved that 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.

As at 14 September 2013, the Administrators have drawn remuneration of £3,053,200 plus VAT in respect of time costs incurred to 30 June 2013. Of this sum, £2,782,598 plus VAT is remuneration approved by the Creditors' Committee for time costs incurred in the period 15 September 2008 to 31 December 2011.

The balance of £270,602 plus VAT has been drawn on account in accordance with a resolution passed by the Creditors' Committee, being 75% of time costs incurred from 1 January 2012 to 30 June 2013.

Receipts and payments account

An account of the receipts and payments in the Administration for the six months to 14 September 2013, and a cumulative total since commencement of the Administration, is set out overleaf.

Key movements in period

- Receipts from LBSF and LCPI totalling \$784K;
- A further £79K has been earned in interest;
- Intercompany receipt of £65K; and
- Legal costs totalling £213K plus VAT paid in respect of the ongoing pension issue and Supreme Court litigation.

Net receipts as at 14 September 2013 total approximately £55m.

Receipts and Payments Account

	GBP Movements in Period			USD Movements in Period			EUR Movements in Period		
	14-Sep-13		14-Mar-13	14-Sep-13		14-Mar-13	14-Sep-13		14-Mar-13
Receipts									
Investments in subsidiaries	954,027	-	954,027	476,050	-	476,050	-	-	-
Intercompany debtors	94,282	65,160	29,122	5,450,848	784,220	4,666,628	-	-	-
Book debts	86,038	-	86,038	-	-	-	-	-	-
Tax refund	15,000	-	15,000	-	-	-	-	-	-
Sale of tax losses	7,612,380	-	7,612,380	-	-	-	-	-	-
Financial assets	-	-	-	23,459	-	23,459	250,000	-	250,000
Bank Interest	424,840	79,060	345,780	227,212	-	227,212	5,785	-	5,785
Assets held on trust	8,288	-	8,288	-	-	-	-	-	-
LBAM tax loss receipts	2,577,611	-	2,577,611	-	-	-	-	-	-
Net proceeds from sale of LBAM	(847,960)	-	(847,960)	74,087,363	-	74,087,363	3,377	-	3,377
Total Receipts	10,924,506	144,220	10,780,286	80,264,932	784,220	79,480,712	259,162	-	259,162
Payments									
Legal fees	762,085	213,557	548,528	4,161	-	4,161	-	-	-
Postage	5,211	2,011	3,200	-	-	-	-	-	-
Payments on behalf of subsidiaries	98,432	9,509	88,923	-	-	-	-	-	-
Wages & salaries	35,089	4,767	30,322	-	-	-	-	-	-
Bank charges	8,326	-	8,326	950	-	950	67	-	67
IT costs	170,741	-	170,741	-	-	-	-	-	-
Joint Administrators' remuneration	3,053,200	190,151	2,863,049	-	-	-	-	-	-
Joint Administrators' category 1 disbursements	51,226	12,677	38,549	-	-	-	-	-	-
Professional fees	112,798	-	112,798	-	-	-	-	-	-
Insurance	168,860	-	168,860	-	-	-	-	-	-
Contribution to tax costs	284,681	-	284,681	-	-	-	-	-	-
VAT	367,932	54,612	313,320	-	-	-	-	-	-
Total Payments	5,118,581	487,284	4,631,297	5,111	-	5,111	67	-	67
Intercompany Transfers									
Payment	-	-	-	(80,258,778)	(784,300)	(79,474,478)	(254,000)	-	(254,000)
Receipt	49,532,697	514,484	49,018,213	-	-	-	-	-	-
Net Position	55,338,622	171,420	55,167,202	1,043	80	1,123	5,095	-	5,095
Cash Balances									
HSBC	443,998	92,359	351,639	1,043	(80)	1,123	5,095	-	5,095
Money market deposits	54,894,624	79,061	54,815,563	-	-	-	-	-	-
Total Cash/Movements	55,338,622	171,420	55,167,202	1,043	80	1,123	5,095	-	5,095

Total Cash as at 14 September 2013 based on exchange rates on 14 September 2013 was £55,346,361

Funds are invested on the money markets in order to accrue interest and to manage risk.

