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# *Lehman Brothers Holdings plc – In Administration*

Joint Administrators' progress  
report for the period 15 March 2010  
to 14 September 2010

12 October 2010

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

## ***Introduction***

This is the fourth progress report by the Joint 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 2010.

## ***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 three occasions since 12 December 2008, in order to discuss significant issues and outline key decisions.

## ***Outcome for creditors***

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

As it seems likely that funds will become available for unsecured creditors, the Administrators are beginning 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 will continue to manage the Administration in accordance with the proposals

approved by creditors and will also consult with your Creditors' Committee.

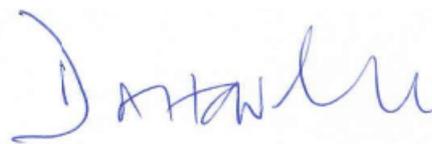
## ***Extension of the administration***

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2011.

## ***Future reports***

The Joint Administrators' next progress report to creditors will be sent in approximately six months time.

Signed:



DA Howell  
Joint Administrator  
Lehman Brothers Holdings plc

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

### ***Asset review***

It was noted in the Administrators' previous progress report that a detailed review of the asset position had been carried out, which identified the following category 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.

### ***Investments in subsidiary undertakings***

#### ***Lehman Brothers Asset Management (Europe) Limited ("LBAM")***

The sale of business and assets of LBAM, a solely owned subsidiary of the Company, was concluded on 7 May 2009 for \$74m (c.£48m). Residual tax losses were also retained by LBH, and the Administrators are continuing to work with tax specialists to realise value for these losses.

### ***Financial assets***

The most significant outstanding financial assets are:

#### ***EPE Special Opportunities plc ("ESO")***

LBH's shareholding was diluted to 9% following a share consolidation of ESO, however it remains a significant shareholder of the fund.

A strategy has been agreed in consultation with the Creditors' Committee. The Administrators are continuing to work closely with the investment advisors in order to maximise realisations from this asset.

#### ***Campo Iris***

Campo Iris, a 100% subsidiary of LBH, owns 50% of the equity in a Spanish real estate company that is being liquidated. The only asset in this company is cash, of which c.£400k is expected to be received by LBH. In order to realise this asset it will be necessary to appoint liquidators to an overseas company and there are a number of issues that

need to be overcome before the appointment can be made.

#### ***LB USD Liquidity Fund***

This asset management fund was terminated with effect from 30 March 2009. As shareholder, LBH has received redemption proceeds of c.£309k. Further proceeds are expected, although they will be minimal.

### ***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 sub-debt and cash funding to Lehman Brothers International (Europe).

61 intercompany relationships have been identified, of which c.£442m are net debtors owing to LBH and net creditors owing c.£1.3bn. The top six debtors and the top five creditors represent 86% of the total balances.

The Administrators established a specific workstream to work on the intercompany book debt position of the UK Administration companies. Its primary task on behalf of LBH is to provide evidence to support LBH's claim against the debtors and to adjudicate upon the evidence submitted by LBH's creditors. Discussions regarding creditors' claims are at an advanced stage and the Administrators will shortly be in a position to agree almost two thirds, by value, of claims in principle.

### ***Other activities***

#### ***Subsidiary Companies***

There are a number of other subsidiary companies from which the quantum of realisations for the Administration estate remains uncertain. Further information will be provided in future progress reports as and when these positions crystallise.

#### ***Extension of the Administration***

On 27 July 2010 the Administrators made an application to Court to extend the period of the Administration and the Court made an Order extending the Administration until 30 November 2011.

## Section 3 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>Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DY Schwarzmann, MJA Jarvis and DA Howell, of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
<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 Court has granted an extension of the Administration to 30 November 2011.
<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>	It is too early to estimate the likely dividend for unsecured creditors.
<i>Estimated values of the prescribed part and LBH's net property:</i>	Not applicable.
<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 does apply to this Administration and these are the main proceedings.

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

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

As previously reported, your Creditors' Committee has approved the basis and quantum of the Administrators' remuneration to 28 February 2010, which totalled £2,212,512, and has been drawn. In accordance with the resolution passed by the Committee, the Administrators have since drawn further remuneration of £77,251 which represents 75% of the time costs incurred from 1 March 2010 to 14 May 2010 inclusive.

The Administrators' total time costs to 31 August 2010 are £2,400,672 which represents 6,627 hours at an average hourly rate of £362.26.

The monthly time costs have reduced from an average of c.£156k per month for the first six months of the Administration to an average of c.£31k per month for the six months to 31 August 2010.

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

An account of the receipts and payments in the Administration for the six months to 14 September 2010, and a cumulative total since commencement of the Administration, is set out overleaf.

Net receipts as at 14 September 2010 total £47.6m, of which c.£2.5m is being held on trust for LB ODC3.

# Section 5 Receipts and Payments Account

As per previous report,  
exchange rate at 14  
March 2010

	As at 14 September 2010			As at 14 September 10 TOTAL GBP equivalent £	Movements 15 March 2010 to 14 September 2010 (GBP equivalent) £	As at 14 March 2010 (GBP equivalent) £		As at 14 March 2010 (GBP equivalent) £
	GBP (£)	EUR (€)	USD (\$)			RESTATEd at 14 Sept 10 FX rate		
<b>Receipts</b>								
Investments in subsidiaries	895,933	-	476,050	1,204,976	-	1,204,976		1,210,012
Financial assets	-	250,000	23,459	223,562	-	223,562		242,688
Bank Interest	12,103	5,785	158,191	119,619	39,569	80,050		81,516
Net proceeds from sale of LBAM	(784,552)	7,102	74,087,363	47,317,551	-	47,317,551		48,101,868
Assets held on trust - LB ODC3	4,506,820	-	-	4,506,820	-	4,506,820		4,506,820
<b>Receipts Grand Totals</b>	<b>4,630,304</b>	<b>262,887</b>	<b>74,745,063</b>	<b>53,372,528</b>	<b>39,569</b>	<b>53,332,959</b>		<b>54,142,904</b>
<b>Payments</b>								
Legal fees	439,782	-	4,161	442,483	45,905	396,578		396,622
Statutory costs	24,271	-	-	24,271	16,000	8,271		8,271
Assets held on trust - LB ODC3	1,428,419	-	-	1,428,419	-	1,428,419		1,428,419
Bank charges	8,251	64	520	8,642	(137)	8,779		8,785
IT costs	150,000	-	-	150,000	-	150,000		150,000
Joint Administrators' remuneration	2,289,763	-	-	2,289,763	240,919	2,048,844		2,048,844
Joint Administrators' category 1 disbursements	38,549	-	-	38,549	-	38,549		38,549
Professional fees	90,407	-	-	90,407	256	90,151		90,151
Insurance	147,000	-	-	147,000	-	147,000		147,000
VAT	1,091,751	3,725	-	1,094,855	49,580	1,045,275		1,045,556
<b>Payments Grand Totals</b>	<b>5,708,193</b>	<b>3,789</b>	<b>4,681</b>	<b>5,714,389</b>	<b>352,523</b>	<b>5,361,866</b>		<b>5,362,197</b>
<b>Intercompany Transfer (USD to GBP)</b>								
Payment			(6,823,943)	(4,429,981)				
Receipt	4,351,468			4,351,468				
<b>Net Position</b>	<b>3,273,579</b>	<b>259,098</b>	<b>67,916,439</b>	<b>47,579,626</b>				
<b>Cash Balances</b>								
HSBC	3,273,579	259,098	324,344	3,700,052				
Money market deposits	-	-	67,592,095	43,879,574				
<b>Total Cash</b>	<b>3,273,579</b>	<b>259,098</b>	<b>67,916,439</b>	<b>47,579,626</b>				

FX	14/09/2010	14/03/2010
USD	1.5404	1.5157
EUR	1.2000	1.1003

