
***Lehman Brothers
Holdings plc –
In Administration***

**Joint Administrators' progress
report for the period 15 March 2011
to 14 September 2011**

11 October 2011

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the sixth 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 2011.

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 four occasions since 12 December 2008, in order to discuss significant issues and outline key decisions. The most recent meeting was held on 24 February 2011.

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 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 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 the update provided in my previous progress report regarding the Lehman Brothers Pension Scheme, in July 2011 the Court of Appeal heard the Joint Administrators' case against a Financial Support Direction ("FSD") liability in an Administration process ranking as an expense of the Administration; the judgment of which is currently reserved.

Depending on the outcome of the appeal, it is possible that there could be a subsequent appeal to the Supreme Court. In the meantime, the Upper Tribunal process is likely to remain stayed in relation to the Company and the three other Lehman entities which are in administration and which the Panel decided should receive an FSD.

It is therefore likely that it will be a significant period of time before any potential liability against the Company can be quantified.

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. The Administrators will be making an application to Court to request a further 12 month extension to the Administration.

Future reports

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

Signed:



MJA Jervis
Joint Administrator
Lehman Brothers Holdings plc

Section 2 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

LBH incurred significant tax losses in pre-appointment tax accounting periods which could be of value to the other group companies to secure tax repayments.

As previously advised, a tax loss agreement was entered into with the other PwC Lehman administration companies. These agreements set out the basis for allocating tax losses, and the value to be paid to loss surrendering companies such as LBH.

In line with the tax loss agreement, tax function costs have been deducted from the payments received.

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.

As Lehman Brothers International (Europe) ("LBIE") is a creditor of LBH, it is likely that LBIE will look to exercise a lien over the shareholding, currently held within LBIE's depot. Accordingly, the shareholding may not realise any funds into the Administration.

Campo Iris

Campo Iris is a solely owned subsidiary of LBH which entered into a joint venture with a Spanish company. The company's only asset is cash at Bank.

The Administrators had written to the public prosecutor in Luxembourg requesting the instigation of the commencement of the liquidation process. However, this request was denied and the Administrators are now currently in discussions with a turnaround director in Luxembourg regarding the best alternate ways to progress the winding up of the company.

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).

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 debtor and creditor balances respectively.

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 continuing and the Administrators will shortly issue letters of understanding to some creditors in order to agree claims in principle. Undertaking this process will

enable the Company to distribute funds promptly when it is in position to do so.

In conjunction with other UK affiliates, the Administrators reached agreement in principle with LBHI and certain other US Chapter 11 debtors on a comprehensive intercompany claim settlement agreement which includes LBH and other UK affiliates committing their support to the third amended plan of reorganisation filed by LBHI and its US debtor affiliates in September 2011. This is subject to formal legal documentation and relevant approvals.

Other activities

Subsidiary Companies

All assets previously held on trust for LB ODC 3 Limited have now been returned to the liquidator of LB ODC 3 Limited.

There are a number of other subsidiary companies from which the quantum of realisations for the Administration estate remains uncertain.

Extension of the Administration

The Administrators will be making an application to Court to extend the period of the Administration to 30 November 2012. The outcome of the hearing will be advised in the next progress report.

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 Jervis and DA Howell, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2 RT
<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 first extension was granted by the High Court of Justice until 30 November 2010. A second extension was granted by the High Court of Justice until 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>	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.

Section 4 Financial Information

Administrators' remuneration

Time cost information including a detailed narrative describing the work undertaken by the Administrators and their staff has been provided to your Committee which has approved the basis and quantum of the Administrators' remuneration to 31 December 2010, totalling £2,476,586.

In the six months to 14 September 2011, a further £105,779 of remuneration has been drawn, being the balance of 25% of the Administrators' time costs for the year to 31 December 2010, in line with the fee approval agreed with your Committee.

The Administrators' total time costs to 30 June 2011 are £2,606,443 which represents 7,261 hours at an average hourly rate of £358.96.

Receipts and payments account

An account of the receipts and payments in the Administration for the six months to 14 September 2011, and a cumulative total since commencement of the Administration, is set out overleaf.

In the six months to 14 September 2011 a further £715k has been realised from the sale of tax losses to group companies.

Net receipts as at 14 September 2011 total £48.6m.

Section 5 Receipts and Payments Account

	GBP		USD		EUR	
	14-Mar-11	14-Sep-11	14-Mar-11	14-Sep-11	14-Mar-11	14-Sep-11
Receipts						
Investments in subsidiaries	895,933	895,933	476,050	476,050	-	-
Tax refund	15,000	15,000	-	-	-	-
Sale of tax losses	6,445,024	6,518,540	-	-	-	-
Book debts	12,901	82,083	-	-	-	-
Financial assets	-	-	23,459	23,459	250,000	250,000
Bank interest	14,897	100,475	214,615	227,212	5,785	5,785
Assets held on trust	3,199	6,043	-	-	-	-
Net proceeds from sale of LBAM	(844,175)	(846,921)	74,087,363	74,087,363	7,102	7,102
Assets held on trust - LB ODC3	4,115,021	4,115,021	-	-	-	-
Total Receipts	10,657,800	10,886,174	74,801,487	74,814,084	262,887	262,887
Payments						
Legal fees	466,400	488,642	4,161	4,161	-	-
Statutory costs	28,991	28,991	-	-	-	-
Assets held on trust - LB ODC3	4,115,021	4,115,021	-	-	-	-
Wages & salaries	1,968	4,339	-	-	-	-
Bank charges	8,302	8,302	602	841	67	67
IT costs	150,000	150,000	-	-	-	-
Joint Administrators' remuneration	2,370,808	2,476,587	-	-	-	-
Joint Administrators' category 1 disbursements	38,549	38,549	-	-	-	-
Professional fees	94,251	94,251	-	-	-	-
Insurance	154,272	154,272	-	-	-	-
Corporation tax	-	289,610	-	-	-	-
Contribution to tax costs	83,129	35,188	-	-	-	-
VAT	466,679	485,084	-	-	3,725	3,725
Total Payments	7,978,370	8,368,836	4,763	5,002	3,792	3,792
Intercompany Transfers						
Payment	-	-	(6,823,943)	(74,702,478)	-	-
Receipt	4,351,468	45,828,094	-	-	-	-
Net Position	7,030,898	48,345,432	67,972,781	106,604	259,095	259,095
Cash Balances						
Bank of England pre designated account	-	-	-	-	-	-
HSBC	1,446,104	304,014	200,938	106,604	259,095	259,095
Money market deposits	5,584,794	48,041,418	67,771,843	-	-	-
Total Cash	7,030,898	48,345,432	67,972,781	106,604	259,095	259,095

Total cash at 14 September 2011 based on exchange rates on 14 September 2011 was £48,637,994

Funds are invested on the money markets in order to accrue interest

Administrators' progress report

2.24B

Name of Company Lehman Brothers Holdings plc

Company Number 01854685

In the High Court of Justice Case, Chancery Division <small>(full name of court)</small>
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Court case number 7943 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 2 RT

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

b) Insert dates

from

to

(b) 15 March 2011

(b) 14 September 2011

Signed

Joint Administrator

Dated 11 October 2011

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 2 RT	
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

