

# LB Holdings Intermediate 2 Limited – In Administration

Joint Administrators' progress report for the period  
14 July 2009 to 13 January 2010

11 February 2010

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

## Introduction

This is the second progress report by the Joint Administrators of LB Holdings Intermediate 2 Limited ("LBHI2" or the "Company").

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 13 January 2010.

## Objectives of the Administration

The Joint Administrators (the "Administrators") are pursuing the objective of achieving a better result for LBHI2's creditors as a whole than would be likely if LBHI2 were wound up (without first being in Administration).

The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors.

## Creditors' Committee

No Creditors' Committee was formed as only one nomination was received.

## Extension of the Administration

The Administration was due to end automatically on 13 January 2010. The Administrators formed the view that it would not be possible to achieve the purpose of administration by that date. Accordingly they applied to Court for an order to extend the administration, and the Court has granted an extension until 30 November 2010.

## Administrators' remuneration and disbursements

It was resolved at the first meeting of the Creditors' that the Administrators' remuneration should be fixed by reference to the time properly given by them and the various grades of their staff and that remuneration could be drawn from time to time. However no remuneration has yet been drawn, as there have been no realisations to date.

## Outcome for creditors

At this time the Administrators are unable to provide a reliable estimate of the timing or quantum of the dividend to ordinary unsecured creditors as there are uncertainties regarding future net realisations.

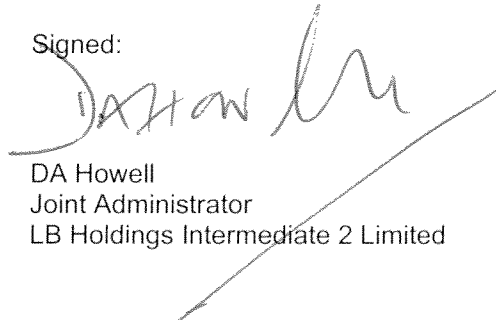
## Appointment of further Joint Administrator

By order of the High Court, on 30 November 2009 DY Schwarzmann was appointed as Joint Administrator of the Company. AV Lomas, DA Howell, SA Pearson and MJA Jervis continue to act as Administrators along with him.

## Future reports

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

Signed:



DA Howell  
Joint Administrator  
LB Holdings Intermediate 2 Limited

# Section 2: Joint Administrators' actions to date

## Overview of the Company's business

LBHI2 holds the investment in LBIE. In light of the insolvency of LBIE, it is unlikely that LBHI2 will realise any value from its investment in LBIE.

LBHI2's investment in LBIE was principally financed by the issue of:

- \$6.1bn Floating Rate Subordinated Notes (the "Floating Rate Notes") due in 2017 which are listed on the Channel Islands Stock Exchange. This entire issue was acquired by another group company, Lehman Brothers Holdings Scottish LP3;
- \$730m of Fixed Rate Notes (the "Fixed Rate Notes") due in 2012 which were listed on the Cayman Islands Stock Exchange; and
- A combination of long and short term loan facilities from LBH (the "LBH Loans") of which some \$2.2bn remains due.

Given that LBIE is an unlimited company, LBHI2 will ultimately be liable for any shortfall to LBIE's creditors if LBIE enters into Liquidation.

## Administrators' actions to date

The Administrators have continued to review the tax position of LBHI2, in order to assess the potential value that may be realised through a sale of the tax losses to other Lehman Brothers group companies. Consideration has also been given to which exit route may be chosen in order to maximise realisations for creditors.

The Administrators have also submitted claims to Lehman Brothers Holdings Inc ("LBHI") in respect of an intercompany debt due directly from LBHI, and an intercompany debt due from LBIE which is covered by the LBHI guarantee. These claims were submitted in line with bar dates set by LBHI.

## Dividend prospects

The Administrators are not yet able to determine the likely quantum and timing of any dividend to ordinary unsecured creditors.

## Receipts and payments

There have been no asset realisations in the reporting period. An account of the receipts and payments is set out in section 5 of this report.

# Section 3: Statutory and other information

<b>Court details for the Administration:</b>	High Court of Justice, Chancery Division, Companies Court - Court Case 429 of 2009
<b>Full name:</b>	LB Holdings Intermediate 2 Limited
<b>Trading name:</b>	LB Holdings Intermediate 2 Limited
<b>Registered number:</b>	05957878
<b>Registered address:</b>	25 Bank Street, London E14 5LE
<b>Company directors:</b>	Dominic Ian Gibb, Ian Michael Jameson and Anthony John Rush (all now resigned)
<b>Company secretary:</b>	Parul Dave and Emily Upton (both have now resigned)
<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>	14 January 2009
<b>Administrators' names and addresses:</b>	DA Howell, AV Lomas, SA Pearson, MJA Jervis and DY Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
<b>Appointer's name and address:</b>	The directors, 25 Bank Street, London E14 5LE
<b>Objective being pursued by the Administrators:</b>	Achieving a better result for LBHI2's creditors as a whole than would be likely if LBHI2 were wound up (without first being in Administration)
<b>Division of the Administrators' responsibilities:</b>	Statement of powers for the purposes of paragraph 100(2) of schedule B1 to the Insolvency Act 1986. The joint administrators will act jointly and severally so that all functions may be exercised by any or all of them.
<b>Details of any extensions for the initial period of Administration:</b>	First extension was granted by the High Court of Justice until 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 LBHI2's net property:</b>	Nil
<b>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</b>	Not applicable as there is no prescribed part.
<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

## **Administrators' remuneration**

At the meeting of creditors which was held by correspondence on 24 March 2009, creditors resolved that:

- The administrators' remuneration be fixed by reference to the time properly given by the administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that the administrators be authorised to draw such fees on account from time to time.
- That the administrators be authorised to draw Category 2 disbursements provided by their own firm as follows: Photocopying - charged for circulars to creditors and other bulk copying only at 3p per sheet; mileage - at a maximum of 62p per mile (up to 2,000 cc) or 81p per mile (over 2,000cc)
- The Administrators have incurred time costs totalling £37,602 for the period 1 July 2009 to 31 December 2009. The Administrators intend to draw their remuneration when sufficient funds become available.

# Section 5: Receipts and payments account for the period ended 13 January 2010

LB Holdings Intermediate 2 Limited	As at 13 January 2010 GBP (£)	As at 13 July 2009 GBP (£)	Movements GBP (£)
<b>RECEIPT</b>			
Loan from Group company	442	442	-
<b>Receipts Grand Totals</b>	<b>442</b>	<b>442</b>	-
<b>PAYMENT</b>			
Statutory Advertising	384	384	-
VAT paid	58	58	-
<b>Payments Grand Totals</b>	<b>442</b>	<b>442</b>	-
<b>NET POSITION</b>	<b>-</b>	<b>-</b>	
<b>CASH BALANCES</b>			
HSBC	-		
<b>Total Cash</b>	<b>-</b>		

# Appendix: Summary of the Joint Administrators' time costs for the period 1 July 2009 to 31 December 2009

LB Holdings Intermediate 2 Limited - in administration

Time cost summary for the period 1 July 2009 to 31 December 2009

Classification of work	PARTNER / DIRECTOR		SENIOR MANAGER / MANAGER		SENIOR ASSOCIATE		ASSOCIATE / SUPPORT STAFF		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Strategy and Planning	2.5	1982	5.0	2211	18.9	6005	0.8	95	27.2	10,293
Tax & VAT	1.3	981	4.1	2321	0.0	0	0.0	0	5.4	3,302
Accounting and treasury	0.0	5	3.1	1619	0.7	179	8.3	1663	12.1	3,466
Statutory, compliance and other workstreams	9.5	7308	15.9	6510	6.8	2093	23.5	4631	55.7	20,542
<b>Grand Total</b>	<b>13.3</b>	<b>10,276</b>	<b>28.1</b>	<b>12,661</b>	<b>26.4</b>	<b>8,277</b>	<b>32.6</b>	<b>6,389</b>	<b>100.4</b>	<b>37,603</b>

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  
**Total**

Costs to date (£)	

Current charge out rates Grade	Business Recovery Services		Specialist*	
	Max £/hr		Max £/hr	
Partner	785		1,070	
Director	590		890	
Senior manager	450		810	
Manager	390		590	
Senior Associate	320		395	
Associate / Support Staff	200		200	

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 small 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.

# Appendix: Narrative of time costs

The following narrative summarises the work undertaken by the Joint Administrators' and their staff during the period.

## **Strategy and planning - £10,293**

- Reviewed financial information;
- Performed fee analysis for Administrators' update;
- Analysed timesheets for completeness and accuracy;
- Worked on planning overall case strategy.

## **Tax and VAT - £3,302**

- Preparation of pre appointment tax accounts;

## **Accounting and treasury - £3,465**

- Reconciliation of bank accounts;
- Assistance for preparation of statutory accounts for subsidiaries including retrieving historic accounting data

## **Statutory, compliance and other workstreams - £20,541**

- Managed statutory database;
- Dealing with statutory issues;
- Application to Court for extension of the administration;
- Submission of claims against LBHI;
- Lehman Brothers Limited – in Administration recharges; and
- Prepared Administrators' first progress report