

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 April 2011

(b) 23 October 2011

Signed

D. Howell
Joint Administrator

Dated 21 November 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 2RT

Tel 0207 583 5000

DX Number

DX Exchange

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

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

21 November 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 (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 October 2011.

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

As previously advised, the Pensions 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 (the "Pension Scheme").

The Determinations Panel of the Pensions Regulator issued a Determination Notice on 13 September 2010 which stated that an FSD should not be issued against LB L&F.

As the FSD legal process has not yet been completed, the Administrators are not certain at this stage that LB L&F will not have a liability under an FSD.

The Administrators currently consider that the exit route most likely to give the best result to creditors is to make an application to Court for permission to make a distribution to creditors and to proceed to have the Company dissolved once the distribution has been made.

However, given the ongoing pension matter, the timing of any initial dividend to creditors remains uncertain. The most appropriate strategy is for the Company to remain in administration for the time being.

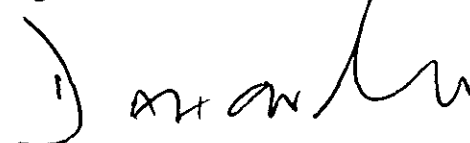
Extension of the administration

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 or when the Administration comes to an end, whichever is sooner.

Signed



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

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.

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.

Administrators' actions to date

On 11 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc ("LBHI"), which will become effective when LBHI's Plan of Reorganisation is approved by the court and itself becomes effective. Pursuant to this agreement, LB L&F has agreed LBHI's creditor claim of c £118.7m.

In the period, the Administrators have realised c £80k in respect of the surrender of some of LB L&F's tax losses to group companies and £40k in respect of interest from investment on the money markets.

Outstanding matters

The dispute with HM Revenue & Customs ("HMRC") regarding the pre-appointment VAT claim is continuing. Whilst there is ongoing correspondence with HMRC, the level of any realisations from this claim remains uncertain.

Distribution to unsecured creditors

Once there is certainty that LB L&F is not subject to a FSD, the Administrators propose to make a first interim dividend to unsecured creditors, although the timing and quantum remains uncertain at present.

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 Schwarzmman, 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 Schwarzmman 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>	The first and second extensions were granted by the High Court of Justice until 30 November 2010 and 30 November 2011 respectively. A third extension has now 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&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

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 March 2011 to 30 June 2011, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for the period 1 March 2011 to 30 June 2011 are £33,326, which represents 95 7 hours at an average hourly rate of £348 23.

Time cost analyses covering the period 24 October 2008 to 28 February 2011 have been provided previously.

To date, remuneration of £452k plus VAT has been drawn in respect of time costs incurred from 24 October 2008 to 30 June 2011

The Administrators' time costs for the period 1 July 2011 to 23 October 2011 are estimated at £49,106. Please note that the estimate is an approximation of the time costs incurred and has not yet been approved internally for reporting and billing. Owing to the size and complexity of the Lehman Brothers companies in administration, only an estimate of the time costs has been provided as there is a delay in providing time costs information to ensure its accuracy and integrity.

Receipts and payments account

An account of the receipts and payments in the Administration showing movements for the six months to 23 October 2011 is set out overleaf

Section 5 Receipts and Payments Account

	As at 23 October 2011 GBP (£'000)	As at 23 April 2011 GBP (£'000)	Movements GBP (£'000)
Receipts			
Realisations from sale of tax losses	1,118	1,038	80
Realisation from infrastructure assets and Level 7 lease	19,106	19,106	-
Interest received gross	92	52	40
Total Receipts	20,316	20,196	120
Payments			
Insurance	463	463	-
Legal Fees	21	19	2
Joint Administrators' remuneration	452	390	62
Statutory costs	1	1	-
Employee costs	1	-	1
Net tax function costs	70	73	(3)
VAT Paid	77	65	12
Total Payments	1,085	1,011	74
Net Position	19,231	19,185	46
Cash Balances			
HSBC (non-interest bearing)	112	203	(91)
Short term deposits	19,119	18,982	137
Total Cash	19,231	19,185	46

Section 6 Joint Administrators' time costs

Joint Administrators' time costs for the period 1 March 2011 to 30 June 2011

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support staff		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Accounting and Treasury	-	-	8.3	3,129	14.0	4,487	12.7	2,672	35.0	10,288
Asset Realisations	-	-	1.1	435	3.3	1,089	-	-	4.4	1,524
Statutory and Reporting	-	-	0.6	282	5.7	1,881	5.5	1,155	11.8	3,318
Strategy and Planning	1.0	800	2.2	907	7.7	1,991	0.3	52	11.2	3,750
Tax and VAT	1.9	1,937	6.9	5,132	12.8	4,736	6.2	1,209	27.8	13,014
LBL recharges	0.1	80	2.3	828	1.7	347	1.4	177	5.5	1,432
Grand Total	3.0	2,817	21.4	10,713	45.2	14,531	26.1	5,265	95.7	33,326

The Joint Administrators' policy for charging for disbursements is

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All other disbursements are charged at cost

Costs to date (£)	
-	-
19	19
Total	19

Current charge out rates	Business		Specialist*	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	800	800	980	980
Director	610	610	890	890
Senior manager	470	470	830	830
Manager	395	395	605	605
Senior Associate	330	330	330	330
Associate / Support Staff	210	210	195	195

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.