## *LB SF No. 1 – In Administration*

Joint Administrators' progress report for the period 2 April 2010 to 1 October 2010

27 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 (the "Administrators") of LB SF No.1 ("LBSF" 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 1 October 2010.

#### **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 this Administration are to:

- Protect and control the Company's portfolios of assets; and
- Realise these assets on a managed basis.

#### **Outcome for creditors**

Based on the quantum of claims recorded in the Company's records, the Administrators anticipate that there will be funds available to allow a distribution to be made to unsecured creditors.

Paragraph 65(3) of Schedule B1 of the Insolvency Act 1986 ("IA86") states that an administrator cannot make a distribution to creditors unless permission to do so is granted by the Court. The Administrators had intended to make such an application in the second quarter of 2010. However, this was delayed because the Pensions Regulator listed LBSF 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 Determinations Panel of the Pensions Regulator issued a Determination Notice on 13 September 2010 which stated that a FSD should not be issued against LBSF. However, as the FSD legal process has not yet been completed, the Administrators are not certain at this stage that LBSF will not have liability under a FSD. The Administrators therefore need to continue to delay making an application to the Court for permission to make a distribution to creditors.

Given this ongoing process, the timing of the initial dividend to creditors remains uncertain. If you have not already submitted your claim to the Administrators, please do so by completing the enclosed statement of claim form.

#### 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 Administrators will next report to creditors in approximately six months.

Signed:

1 Alinta

DA Howell Joint Adminstrator LB SF No. 1

### Section 2 Joint Administrators' actions to date

#### Overview

LBSF holds a number of investments in subsidiary companies. These companies own a variety of performing, sub-performing and non-performing mortgage and other loan portfolios.

#### Administrators' actions to date

LBSF had three primary asset groups, which are:-

• Receivables due from other Lehman Group companies

The timing and quantum of any recoveries from intercompany receivables into LBSF remains uncertain. The Administrators have filed claims against certain US group companies in insolvency proceedings in line with the bar date set by those entities. Guarantee claims, where Lehman Brothers Holdings Inc had guaranteed the liabilities of certain Lehman Group companies, have also been filed.

• Equity investments in subsidiaries

The equity investments are unlikely to realise any value.

• A loan portfolio

The loan portfolio was realised during the first six months of the Administration.

#### **Outstanding matters**

The most significant assets to be realised are intercompany receivables and these will be realised as and when dividends are paid in those proceedings.

The Administrators are making preparations to pay a dividend to unsecured creditors and, where possible, seeking to agree claims in principle. Once there is certainty that LBSF is not subject to a FSD, the Administrators propose to apply to Court to request an Order to convert the administration of LBSF into a distributing administration in order to allow them to pay a dividend to unsecured creditors.

### Section 3 Statutory and other Information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court - case 8603 of 2008
Full name:	LB SF No. 1
Trading name:	LB SF No. 1
Registered number:	06001928
Registered address:	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
Company directors:	D Gibb (resigned 17/07/09), IM Jameson (resigned 17/07/09) and AJ Rush (resigned 17/07/09)
Company secretary:	ESE Upton (resigned 25/01/10), P Dave (resigned 25/01/10)
Shareholdings held by the directors and secretary:	None of the directors own shares in the Company
Date of the Administration appointment:	2 October 2008
Administrators' names and addresses:	AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell, of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
Appointer's name and address:	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'</i> <i>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.
Details of any extensions of the initial period of appointment:	The Court has granted a second extension of the Administration to 30 November 2011.
Proposed end of the Administration:	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.
Estimated dividend for unsecured creditors:	It is currently expected that creditors will be paid in full, with statutory interest.
Estimated values of the prescribed part and LBSF's net property:	There is no prescribed part
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	Not applicable
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

### Section 4 Financial Information

#### Administrators' remuneration

Unsecured creditors previously 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 on account from time to time. The details of remuneration drawn to date have previously been provided and no remuneration has been drawn in the period.

It has subsequently become apparent that the unsecured creditors may be paid in full. Whilst the Administrators have already obtained fee approval from unsecured creditors, for completeness, they will also be requesting that the basis and quantum of their remuneration be approved by the ultimate beneficiary of any funds that will flow to the Company's shareholder, namely Lehman Brothers Holdings Inc.

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

A receipts and payments account for LBSF, for the period from 2 April 2010 to 1 October 2010 is provided overleaf.

### Section 5 Receipts and Payments Account

GBP (E)     EUR (6)     USD (5)     SEK     1 October 10 TOTAL GPP equivalent     Movements (GBP equivalent)     1 April 2010 (GBP equivalent)     A sat 1 April 2010 (GBP equivalent)<									As per previous report, exchange rate at 1 April
Receipts     2 Apil 2010     (BPP equivalent) £     (1 April 2010)       Receipts     2 Apil 2010     (BPP equivalent) £     (1 April 2010)       Receipts     2 Apil 2010     (BPP equivalent) £     (1 April 2010)       Receipts     2 Apil 2010     (BP equivalent) £     (1 April 2010)       Receipts     2 Apil 2010     55,211,370     -     55,221,370       Receipts     2 Apil 2010     7,222,927     224,809     57,447,735       Receipts Grand Totals     2 Bpi,400     -     2 223,576     224,4099     57,447,735       Payments     Legal fees     2 12,641     33,460     -     -     241,696     146,072     95,554     96,162       Legal fees     2 12,641     33,460     -     -     617,327     -     617,327       Joint Administrators renuneration     617,327     -     -     617,327     -     617,327       Joint Administrators category 1 disbursements     859     1 42     350     -     1,203     299     646     975       Statuory adverting     1,474					051/	As at	Maximum	As at	A = -1
equivalent     to 1 October 2010     RESTATED af (GBP equivalent)     (GBP equiv		GBP (£)	EUR (€)	USD (\$)	SEK				
E     (GBP equivalent) £     1 October 10 FX     É       Receipts     Receipts     224,269     9,934     78,480     -     292,488     68,912     223,576     57,427,037       Bank Interest     224,269     9,934     78,480     -     292,488     68,912     263,676     57,422,977     224,809     57,447,735       Payments     Receipts Grand Totals     20,086,09     4,962,671     33,160,677     163,567     56,503,656     68,912     56,43,496     57,447,735       Payments     Legal disbursements     88     -     -     88     88     517,327     -     617,327 </td <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>									
Receipts									
Receipts and interest on loan facilities   27,865,340   4,962,667   38,040,207   183,687   56,211,370   -   56,211,370   57,222,927     Bank Interest   234,269   9.934   78,460   -   292,488   66,912   52,23,576   224,095     Bank Interest or loads   28,089,609   4,962,501   38,118,687   56,503,858   66,912   56,434,946   57,427,375     Payments   Legal disbursements   88   -   -   88   -   7,948   7,948     Joint Administrators' campory 1 disbursements   7,948   -   -   7,948   7,948   7,948     Bank torages   859   142   350   -   1,203   229   964   975     Statutory advertising   1,747   3,210   -   4,352   -   4,532   4,536     Tax paid on interest   -   1   -   1   1   1   1     VAT paid   129,553   36,513   350   -   1,002,318   171,856   830,463   361,099   831,096     Net position   27,119,446   4,925,688	Pacainte					L	(GDF equivalent) 2		L
Bank Interest     234,269     9.334     76,460     -     224,288     68,912     223,576     224,809     57,47,735       Receipts Grand Totals     28,089,09     4,962,501     38,118,687     183,587     56,503,858     68,912     56,434,946     57,47,735       Payments		27 855 340	4 952 567	38 040 207	183 587	56 211 370	-	56 211 370	57 222 927
Receipts Grand Totals     28,089,609     4,962,501     38,118,687     183,587     56,503,858     68,912     56,434,946     57,447,735       Payments     Legal disbursements     88     -     -     24,666     146,072     95,594     96,162       Legal disbursements     88     -     -     88     -     88     88       Joint Administrators' caregory 1 disbursements     7,948     -     -     7,948     -     7,948     7,918,944     1,92,553     1,002,318     171,1856     830,463     831,096     831,096	•				-	, ,	68 912		
Legal disbursements   212,641   33,460   -   -   241,666   146,072   95,594   96,162     Legal disbursements   88   -   -   -   88   -   88   88     Joint Administrators' remuneration   617,327   -   -   617,327   -   617,327   -   617,327   -   7,948   -   7,948   -   7,948   7,948   7,948   7,948   -   7,948   -   7,948   7,856   1,02,313   1,01   1   1   1   1   1   1   1,04,009   104,009   831,096   <					183,587				
Legal disbursements     88     -     -     -     88     -     617,327     -     617,327     6	Payments								
Joint Administrators' remuneration   617,327   -   617,327   -   617,327   7,948   -   7,948   -   7,948   -   7,948   -   7,948   -   7,948   -   7,948   -   7,948   -   7,948   -   7,948   9964   975   7,948   975   54,852   -   4,532   -   4,532   4,586   4,586   32,99   9644   975   1   -   1	Legal fees	212,641	33,460	-	-	241,666	146,072	95,594	96,162
Joint Administrators' category 1 disbursements     7,948     -     -     7,948     -     7,948     7,948       Bark charges     859     142     350     -     1,203     239     964     975       Statutory advertising     1,747     3,210     -     -     4,532     -     4,582       Tax paid on interest     -     1     -     1     -     1     1       VAT paid     129,553     -     -     129,553     25,544     104,009     104,009       Payments Grand Totals     970,163     36,813     350     -     1,02,318     171,856     830,463     356,616,639       Intercompany Transfer     Payment     (4,805,389)     (183,000)     (4,185,700)     (102,944)     55,604,483     56,616,639       Net Position     31,126,575     120,299     38,118,337     587     55,322,969     739,861     55,745,327     739,861     55,745,327     56,616,639     739,861     55,745,327     56,616,639     739,861     55,745,327     56,616,639     739,861 <td>Legal disbursements</td> <td>88</td> <td>-</td> <td>-</td> <td>-</td> <td>88</td> <td>-</td> <td>88</td> <td>88</td>	Legal disbursements	88	-	-	-	88	-	88	88
Bank charges     859     142     350     1,203     239     964     975       Statutory advertising     1,747     3,210     -     4,532     -     4,582     4,586       Tax paid on interest     -     1     -     1     -     1     1     1       VAT paid     129,553     -     -     129,553     25,544     104,009     831,096     831,096       Payments Grand Totals     970,163     36,813     350     -     1,002,318     171,856     830,463     831,096	Joint Administrators' remuneration	617,327	-	-	-	617,327	-	617,327	617,327
Statutory advertising   1,747   3,210   -   4,532   -   4,532   4,586     Tax paid on interest   -   1   -   1   -   1   1     VAT paid   128,553   -   -   128,553   25,544   104,009   104,009   831,096     Payments Grand Totals   970,163   36,813   350   -   1,002,318   171,856   830,463   831,096     Net position   27,119,446   4,925,688   38,118,337   183,587   55,501,540   (102,944)   55,604,483   56,616,639     Intercompany Transfer   -   4,007,129   4,007,129   -   4,007,129   -   4,007,129   -   4,007,129   -   -   131,746   131,730   739,581   135,730   739,581   55,745,327   -   55,644,633   -   55,745,327   -   56,616,639   -   131,746   -   131,730   739,581   55,745,327   -   56,616,639   -   55,745,327   -   56,616,639   -   55,745,327   -   56,616,639   -   55,745,327   -   56,616,639 <td>Joint Administrators' category 1 disbursements</td> <td>7,948</td> <td>-</td> <td>-</td> <td>-</td> <td>7,948</td> <td>-</td> <td>7,948</td> <td>7,948</td>	Joint Administrators' category 1 disbursements	7,948	-	-	-	7,948	-	7,948	7,948
Tax paid on interest   -   1   -   1   -   1   -   1   1     VAT paid   129,553   -   -   129,553   25,544   104,009   104,009     Payments Grand Totals   970,163   36,813   350   -   1,002,318   171,856   830,463   831,096     Net position   27,119,446   4,925,688   38,118,337   183,587   55,501,540   (102,944)   55,604,483   56,616,639     Intercompany Transfer   Payment   (4,805,389)   (183,000)   (4,185,700)   4,007,129   55,322,969   56,313,337   587   55,322,969   55,322,969   55,322,969   131,746   131,746   131,730   739,581   55,745,327   739,581   55,745,327   739,581   55,745,327   56,616,639   739,581   55,745,327   56,616,639   739,581   55,745,327   56,616,639   56,616,639   56,616,639   55,745,327   56,616,639   739,581   55,745,327   56,616,639   739,581   55,745,327   56,616,639   56,616,639   56,616,639   55,745,327   56,616,639   56,616,639   56,616,639   56,616,639	Bank charges	859	142	350	-	1,203	239	964	975
VAT paid     129,553     -     -     129,553     25,544     104,009     104,009     104,009     831,096 <td>Statutory advertising</td> <td>1,747</td> <td>3,210</td> <td>-</td> <td>-</td> <td>4,532</td> <td>-</td> <td>4,532</td> <td>4,586</td>	Statutory advertising	1,747	3,210	-	-	4,532	-	4,532	4,586
Payments Grand Totals   970,163   36,813   350   -   1,002,318   171,856   830,463   831,096     Net position   27,119,446   4,925,688   38,118,337   183,587   55,501,540   (102,944)   55,604,483   56,616,639     Intercompany Transfer	Tax paid on interest	-	1	-	-	1	-	1	1
Net position     27,119,446     4,925,688     38,118,337     183,587     55,501,540     (102,944)     55,604,483     56,616,639       Intercompany Transfer     Payment     (4,805,389)     (183,000)     (4,185,700)     Receipt     4,007,129     4,007,129     140,07,129     140,07,129     140,07,129     140,07,129     140,07,129     111,730     131,730     131,730     131,730     131,730     131,730     131,730     139,581     131,730     139,581     131,730     139,581     131,730     139,581     131,730     139,581     131,730     139,581     131,730     139,581     131,730     139,581     131,730     139,581     131,730     139,581     135,517     139,581     135,517     139,939     37,971,319     54,798,463     135,51745,327     56,616,639     155,745,327     56,616,639     155,745,327     56,616,639     56,616,639     155,616,639     156,616,639     155,616,639     156,616,639     156,616,639     156,616,639     156,616,639     156,616,639     156,616,639     156,616,639     156,616,639     156,616,639     156,616,639     156	VAT paid	129,553	-	-	-	129,553	25,544	104,009	104,009
Intercompany Transfer     Payment   (4,805,389)   (183,000)   (4,185,700)     Receipt   4,007,129   4,007,129     Net Position   31,126,575   120,299   38,118,337   587   55,322,969     Cash Balances   Bank of England   131,746   131,746   131,730     HSBC   195,430   120,299   147,018   587   392,760     Money market deposits   30,799,399   37,971,319   54,798,463   739,581     Total Cash   31,126,575   120,299   38,118,337   587   55,322,969     FX   01/04/2010   01/10/2010   01/10/2010   01/10/2010     USD   0.66564   0.6830   EUR   0.8844   0.8675	Payments Grand Totals	970,163	36,813	350	-	1,002,318	171,856	830,463	831,096
Payment   (4,805,389)   (183,000)   (4,185,700)     Receipt   4,007,129   4,007,129     Net Position   31,126,575   120,299   38,118,337   587   55,322,969     Cash Balances   Employed   131,746   131,730     Money market deposits   195,430   120,299   147,018   587   392,760     Money market deposits   30,799,399   37,971,319   54,798,463   55,745,327     Total Cash   31,126,575   120,299   38,118,337   587   55,322,969     FX   01/04/2010   01/10/2010   01/10/2010   01/10/2010   56,616,639     EUR   0.8844   0.8675   01/04/2010   01/10/2010   01/04/2010	Net position	27,119,446	4,925,688	38,118,337	183,587	55,501,540	(102,944)	55,604,483	56,616,639
Payment   (4,805,389)   (183,000)   (4,185,700)     Receipt   4,007,129   4,007,129     Net Position   31,126,575   120,299   38,118,337   587   55,322,969     Cash Balances   Employed   131,746   131,730     Money market deposits   195,430   120,299   147,018   587   392,760     Money market deposits   30,799,399   37,971,319   54,798,463   55,745,327     Total Cash   31,126,575   120,299   38,118,337   587   55,322,969     FX   01/04/2010   01/10/2010   01/10/2010   01/10/2010   56,616,639     EUR   0.8844   0.8675   01/04/2010   01/10/2010   01/04/2010	Intercompany Transfer								
Net Position     31,126,575     120,299     38,118,337     587     55,322,969       Cash Balances     Bank of England     131,746     131,746     131,730       HSBC     195,430     120,299     147,018     587     392,760     739,581       Money market deposits     30,799,399     37,971,319     54,798,463     55,745,327       Total Cash     31,126,575     120,299     38,118,337     587     55,322,969       Fx     01/04/2010     01/10/2010     11/10/2010     56,616,639     56,616,639       USD     0.66564     0.6320     54,798     55,322,969     56,616,639       EUR     0.8844     0.8675     55,322,969     56,616,639     56,616,639	Payment		(4,805,389)		(183,000)	(4,185,700)			
Cash Balances     Bank of England   131,746     HSBC   195,430   120,299   147,018   587   392,760   739,581     Money market deposits   30,799,399   37,971,319   54,798,463   55,745,327     Total Cash   31,126,575   120,299   38,118,337   587   55,322,969     FX   01/04/2010   01/10/2010   01/10/2010   56,616,639     EUR   0.8844   0.8675   6656	Receipt	4,007,129				4,007,129			
Bank of England     131,746     131,746     131,730       HSBC     195,430     120,299     147,018     587     392,760     739,581       Money market deposits     30,799,399     37,971,319     54,798,463     55,745,327       Total Cash     31,126,575     120,299     38,118,337     587     55,322,969       FX     01/04/2010     01/10/2010     01/10/2010     04.6664     0.6320     EUR     0.8844     0.8675	Net Position	31,126,575	120,299	38,118,337	587	55,322,969			
Bank of England     131,746     131,746     131,730       HSBC     195,430     120,299     147,018     587     392,760     739,581       Money market deposits     30,799,399     37,971,319     54,798,463     55,745,327       Total Cash     31,126,575     120,299     38,118,337     587     55,322,969       FX     01/04/2010     01/10/2010     01/10/2010     04.6664     0.6320     EUR     0.8844     0.8675	Cash Balances								
HSBC 195,430 120,299 147,018 587 392,760 739,581   Money market deposits 30,799,399 37,971,319 54,798,463 55,745,327   Total Cash 31,126,575 120,299 38,118,337 587 55,322,969   Fx 01/04/2010 01/10/2010   USD 0.6664 0.6320   EUR 0.8844 0.8675		131 746				131 7/6			131 730
Money market deposits     30,799,399     37,971,319     54,798,463     55,745,327       Total Cash     31,126,575     120,299     38,118,337     587     55,322,969     56,616,639       FX     01/04/2010     01/10/2010     01/10/2010     01/10/2010     01/04/2010     01/0		- , -	120,299	147.018	587				
Total Cash     31,126,575     120,299     38,118,337     587     55,322,969     56,616,639       FX     01/04/2010     01/10/2010     01/10/2010     56,616,639     56,616			.20,200						
USD 0.6564 0.6320 EUR 0.8844 0.8675		· _ · _ ·	120,299		587				
USD 0.6564 0.6320 EUR 0.8844 0.8675	Fx	01/04/2010	01/10/2010						
EUR 0.8844 0.8675									
	SEK	0.0913	0.0940						

