

Lehman Brothers UK Holdings Limited – in Administration

Joint Administrators' progress report for the period 29
September 2008 to 28 March 2009

24 April 2009

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Section 1: Purpose of the Joint Administrators' progress report

Introduction

This report has been prepared by the Joint Administrators (the "Administrators") of Lehman Brothers UK Holdings Limited ("LBUKH" or the "Company") under Rule 2.47(3)(a) of the Insolvency Rules 1986.

Creditors were notified of the Administrators' Proposals for achieving the purpose of the Administration on 21 November 2008.

The Administrators formed the view that there was insufficient property to enable a distribution to be made to unsecured creditors. Accordingly, by virtue of paragraph 52(1) (b) of Schedule B1 to the Insolvency Act 1986, a meeting of creditors was not convened.

No meeting was requested by the two known unsecured creditors of the Company, accordingly the Proposals were approved on 3 December 2008.

This report provides details of the work undertaken and the progress made during the first six months to 28 March 2009.

Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for the creditors of LBUKH as a whole, than would be likely if the Company were wound up (without first being in Administration).

The specific aim of this Administration is to protect and control any return on the Company's investments in subsidiaries and intercompany book debts, for the benefit of the unsecured creditors of LBUKH.

Creditors' Committee

There are only two known creditors of the Company. It is therefore not possible to form a Creditors' Committee.

Outcome for unsecured creditors

Due to the complexity of the intercompany relationships and the impact of insolvencies on intercompany debtor and creditor balances, the Administrators are not in a position to give an estimate of the timing or quantum of any dividend to unsecured creditors.

Future reports

The next progress report to creditors will be in six months time.

Signed:



DA Howell
Joint Administrator
Lehman Brothers UK Holdings Limited

Section 2: Background information

Background information

LBUKH is the holding company for Lehman Brothers Holdings PLC (“LBH”) and Lehman Brothers (PTG) Ltd (“LBPTG”). It principally acted to manage the flow of investment funds between these subsidiaries from Lehman Brothers Luxembourg Investments S.A.R.L (“LBLI”).

On 15 September 2008, Lehman Brothers Holdings Inc (“LBHI”), the ultimate parent of the Lehman group of companies (the “Lehman Group”), announced that it was preparing to file for Chapter 11 insolvency protection in the USA, precipitating the appointment of Administrators to protect the business and assets of Lehman Brothers International (Europe) (“LBIE”), LBH and Lehman Brothers Limited (“LBL”) on the same day.

Immediately upon their appointment, the Administrators undertook a detailed review of the UK operations of the Lehman Group.

It was apparent that LBUKH would not receive a return on its investment in LBH and the Company could not therefore repay its liability to LBLI as and when it fell due.

In addition, LBHUK had a controlling interest in LBPTG and that entity’s own subsidiaries. It was therefore essential that LBHUK retained control of LBPTG to ensure that any realisations from that source continued to flow into the estate for the benefit of LBHUK’s creditors.

The directors of the Company therefore resolved to place LBUKH into Administration, as a result of which DA Howell, MJA Jervis and AV Lomas were appointed Administrators of LBUKH on 29 September 2008.

Section 3: Joint Administrators' actions to date

Overview

LBUKH acted as the holding company and funding vehicle for LBH and LBPTG, relying on the provision of monies from LBLI.

LBUKH utilised employees seconded from LBL and principally operated from the Lehmans Group's premises at 25 Bank Street, London E14 5LE, England.

Administrators' actions to date

The Company's assets comprise the following (stated at book value, as at 29 September 2008):

- Intercompany notes (\$1.903bn);
- Equity investments in subsidiaries (\$1.128bn);
- Intercompany book debts (\$45m); and
- Corporation Tax refund (\$6k).

It is unlikely that the Company's equity and subordinated loan note investments will have any value for the creditors of LBUKH.

The recovery of any value from intercompany book debts is dependent on dividend prospects from the Administrations of the relevant entities.

The Administrators have registered the Company's claims against its subsidiaries and received estimates of its liabilities to LBLI and LB UK Holdings Delaware Inc (a USA registered entity).

Outstanding matters

The Administrators will continue to:

- Retain control of and manage the intercompany investments and debtors for the benefit of the unsecured creditors of LBUKH.

Section 4: Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court - case 8445 of 2008.
Full name:	Lehman Brothers UK Holdings Limited.
Trading name:	Lehman Brothers UK Holdings Limited.
Registered number:	207437.
Registered address:	25 Bank Street, London E14 5LE.
Company directors:	D Gibb, IM Jameson and AJ Rush.
Company secretary:	M Smith.
Shareholdings held by the directors and secretary:	None of the directors own shares in LBUKH.
Date of the Administration appointment:	29 September 2008.
Administrators' names and addresses:	DA Howell, MJA Jervis and AV Lomas, of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT.
Appointer's name and address:	The directors of the Company, 25 Bank Street, London E14 5LE.
Objective being pursued by the Administrators:	Achieving a better result for LB UK H's creditors as a whole than would be likely if LB UK RE were wound up (without first being in Administration).
Division of the Administrators' responsibilities:	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 any 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.
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 too early to estimate the likely dividend for unsecured creditors.
Estimated values of the prescribed part and 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 applies to this Administration and these are the main proceedings.

Section 5: Financial information

Statement of Affairs

The directors' Statement of Affairs was received on 7 January 2009.

This Statement was filed at Companies House on 16 January 2009 and a copy is attached to this report at Appendix A.

In preparing the Statement, the directors made various assumptions regarding recoveries from other insolvent Lehman Group entities. The resultant values provide a misleading view of recovery prospects and no reliance should be placed upon them in forming any view of the dividend prospects for the Company's creditors.

Administrators' remuneration

The manner in which Administrators' remuneration is determined and approved is set out in the Insolvency Rules 1986 2.106 to 2.109 (the "Rules").

There are insufficient creditors in this case to enable a Creditors Committee to be formed; it will therefore be a matter for the general body of creditors to agree the level of the Administrators' remuneration and Category 2 disbursements.

Full details of the Administrators' remuneration will be provided to creditors in due course.

The Administrators will only draw remuneration when appropriate approval has been given and when funds are available to do so.

Receipts and payments account

There have been no receipts and payments on behalf of LBUKH in the period covered by this report.