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# ***Lehman Brothers UK Holdings Limited – In Administration***

Joint Administrators' progress  
report for the period 29 September  
2010 to 28 March 2011

21 April 2011

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

## ***Introduction***

This is the fifth progress report by the Joint Administrators of Lehman Brothers UK Holdings Limited ("LBUKH" 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 28 March 2011.

## ***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.

## ***Outcome for creditors***

Owing to the complexity of the intercompany relationships and the impact of insolvencies on intercompany debtor and creditor balances, the Administrators remain uncertain of the timing and quantum of any dividend to unsecured creditors.

As previously reported, on 13 September 2010 the Pensions Regulator's determinations panel (the "Panel") decided to issue a Financial Support Direction ("FSD") against LBUKH and five other Lehman entities including three other UK administration companies. LBUKH is appealing against this decision.

At present it is not clear how the liability will be divided among the six targeted entities. The Panel's decision has been referred to the Upper Tribunal requesting that the Panel's decision should be overturned and to rule that LBUKH should not be subject to an FSD.

However, the referral to the Upper Tribunal has currently been stayed pending the outcome of a

Court application made by the Administrators in relation to LBUKH and three other Lehman entities which are in administration and which the Panel decided should receive an FSD. The Administrators sought directions from the Court on the status of an FSD liability in an administration.

On 10 December 2010, it was ruled that a liability derived from an FSD would constitute an expense of the administration (or a provable debt in a subsequent liquidation, in certain circumstances).

This decision is being appealed to the Court of Appeal, and there could be a subsequent appeal to the Supreme Court. In the meantime, the Upper Tribunal process is likely to remain stayed.

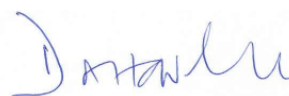
## ***Extension of the administration***

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2011. In light of the outstanding pension issue, the Administrators are expecting to apply to Court for a further extension to the Administration in due course.

## ***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 UK Holdings Limited

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## ***Section 2 Joint Administrators' actions to date***

### ***Overview***

LBUKH acted as the holding company and funding vehicle for Lehman Brothers Holdings plc ("LBH") and Lehman Brothers (PTG) Limited relying on the provision of monies from its parent Lehman Brothers Luxembourg Investments S.A.R.L.

### ***Administrators' actions to date***

The book value of debtors at the date of administration was \$45m. Whilst claims have been filed with the intercompany debtors, the timing and quantum of any realisations remains uncertain.

The Administrators have also filed a claim against Lehman Brothers Holdings Inc. in respect of a guarantee claim on subordinated notes issued by LBH totalling some \$1.9bn.

The Administrators' tax team have prepared and submitted the Company's pre-appointment tax returns up to 2007. The Administrators have realised tax refunds of £6k in respect of the returns for the period 2004 to 2007 and a further £31k in respect of the recharge of tax function costs. The tax function costs are a reallocation of costs, which are currently unbilled, incurred by a centralised tax team.

### ***Outstanding matters***

The Administrators will continue their work to realise the intercompany investments and debtors of LBUKH. This will include providing evidence in support of claims against related companies.

## Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8445 of 2008
<i>Full name:</i>	Lehman Brothers UK Holdings Limited
<i>Trading name:</i>	Lehman Brothers UK Holdings Limited
<i>Registered number:</i>	02074637
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	D Gibb (resigned 17/07/09), IM Jameson (resigned 17/07/09) and AJ Rush (resigned 28/10/08).
<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 LBUKH
<i>Date of the Administration appointment:</i>	29 September 2008
<i>Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell, of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
<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 LBUKH's creditors as a whole than would be likely if LBUKH 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 any 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 Court has granted an extension of the Administration to 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>	It is too early to estimate the likely dividend for unsecured creditors.
<i>Estimated values of the prescribed part and LBUKH'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.

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## ***Section 4 Financial Information***

### ***Administrators' remuneration***

No remuneration has been drawn to date as this may only be drawn when appropriate approval has been received. The Administrators propose to request such approval from creditors in due course.

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

Realisations in the period total some £48k and payments total £3k.

## Section 5 Receipts and Payments Account

	As at 28 March 2011 GBP (£)	As at 28 September 2010 GBP (£)	Movements GBP (£)
Receipts			
Book debts	10,753	-	10,753
Recharge of tax function costs	31,403	-	31,403
Tax repayment	5,735	-	5,735
Interest	585	-	585
<b>Total Receipts</b>	<b>48,476</b>	<b>-</b>	<b>48,476</b>
Payments			
Payment for tax losses	3,160	-	3,160
<b>Total Payments</b>	<b>3,160</b>	<b>-</b>	<b>3,160</b>
<b>Net Position</b>	<b>45,316</b>	<b>-</b>	<b>45,316</b>
Cash Balances			
HSBC	45,316	-	45,316
<b>Total Cash</b>	<b>45,316</b>	<b>-</b>	<b>45,316</b>







