
Lehman Brothers UK Holdings Limited – In Administration

Joint Administrators' progress
report for the period 29 September
2012 to 28 March 2013

17 April 2013

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the ninth progress report by the Joint Administrators (the "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 2013.

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

Due 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.

Pension Liability

As previously reported, the case in the Supreme Court relating to the status of liability under a Financial Support Direction ("FSD") is due to be heard in May 2013. In the meantime, the Upper Tribunal hearing on whether LBUKH should have a FSD made against it is likely to remain stayed.

It will likely be some time yet before any potential liability against LBUKH under a FSD can be quantified.

Change of Administrators

Upon an application to the High Court of Justice ("the Court"), an order was made on 22 March 2013

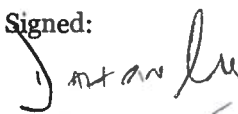
that GE Bruce and JG Parr be appointed Joint Administrators and that DY Schwarzmann and MJA Jervis cease to be Joint Administrators of the Company.

The Court also ordered that former Joint Administrators shall be released from all liability pursuant to the relevant sections in the Insolvency Act 1986 in respect of their acts and omissions and otherwise in respect of their conduct as administrators of the Company and that such release will take effect 56 days after the date of this progress report. The Court gave permission for each creditor and member of the Company to apply to vary or discharge its Order by an application issued within 28 days of receipt of this progress report.

Future reports

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

Signed:



DA Howell
Joint Administrator
Lehman Brothers UK Holdings Limited

AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Lehman Brothers UK Holdings Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The Joint Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration.

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

On 11 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc ("LBHI") and certain other affiliates previously subject to Chapter 11 proceedings in the USA in conjunction with other UK affiliates. The Plans of Reorganisation became effective on 6 March 2012 following approval from court.

Pursuant to this agreement LBUKH had its guarantee claim against LBHI agreed at \$608,943,967 and its direct claim agreed at \$10,645.

The first distribution from LBHI was made on 17 April 2012 and LBUKH received c\$27.4m. A second distribution of c\$18.5m was received on 1 October 2012. A third distribution of \$23.4m was received from LBHI after the date of this report. These funds were immediately exchanged for GBP to minimise the foreign exchange risk.

Further dividends from LBHI are expected on a six monthly basis.

Outstanding matters

The Administrators continue their work to realise the intercompany investments and debtors of LBUKH. This includes providing evidence in support of claims to its debtors.

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>Current Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT (MJA Jervis and DY Schwarzmann ceased to act on 22 March 2013)
<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 a further extension to the Administration to 30 November 2013.
<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.

Section 4 Financial Information

Administrators' remuneration

In August 2011, the Administrators requested and received consent from the creditors of the Company for the Administrators' time costs to be fixed by reference to the time properly given by them and the various grades of their staff.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 September 2012 to 28 February 2013, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Creditors have previously been provided with details of the Administrators' time costs for the period 29 September 2008 to 31 August 2012.

Total time costs for the period 1 September 2012 to 28 February 2013 are £15,941, which comprises 43.62 hours at an average hourly rate of £365.

To date, remuneration of £168,840 plus VAT has been drawn in respect of all time costs to 30 April 2011.

The Administrators will write to creditors separately to obtain formal confirmation that they may draw their remuneration for the period 1 May 2011 to 28 February 2013 totalling £74,677 plus VAT.

Receipts and payments account

An account of Receipts and Payments is shown in Section 5.

Net receipts to 28 March 2013 amount to £28.5m, including £66k earned in interest.

Section 5 Receipts and Payments Account

	As at 28 March 2013		As at 28 September 2012		Movements	
	GBP (£)	USD (\$)	GBP (£)	USD (\$)	GBP (£)	USD (\$)
Receipts						
Dividend from LBHI	-	46,013,118	-	27,473,184	-	18,539,934
Book debts	10,753	-	10,753	-	-	-
Recharge of tax function costs	32,886	-	32,886	-	-	-
Tax repayment	6,404	-	6,404	-	-	-
Interest	65,698	-	28,410	-	37,288	-
Total Receipts	115,741	46,013,118	78,453	27,473,184	37,288	18,539,934
Payments						
Legal fees	11,725	-	9,464	-	2,261	-
Payment for tax losses	3,535	-	3,535	-	-	-
Employee costs	1,781	-	1,781	-	-	-
Bank charges	8	47	-	47	8	-
IT costs	5,741	-	-	-	5,741	-
Joint administrators' remuneration	168,840	-	168,840	-	-	-
Joint administrators' category 1 disbursements	1,618	-	1,618	-	-	-
Loan to Lehman Brothers Limited in respect of VAT compliance costs	1,128	-	1,128	-	-	-
Input VAT	28,027	-	28,027	-	-	-
Total Payments	222,403	47	214,393	47	8,010	-
Net Position	(106,662)	46,013,071	(135,940)	27,473,137	29,278	18,539,933
Intracompany Transfer						
Payment	-	(46,011,100)	-	(27,472,100)	-	(18,539,000)
Receipt	28,671,600	-	17,192,628	-	11,478,972	-
Net Position	28,564,938	1,971	17,056,688	1,037	11,508,250	934
Cash Balances						
HSBC (Non-interest bearing)	97,739	1,971	101,772	1,037	(4,033)	934
Money Markets	28,467,199	-	16,954,916	-	11,512,283	-
Total Cash	28,564,938	1,971	17,056,688	1,037	11,508,250	934

Based on exchange rates at 28 March 2013, the cash in hand is equivalent to GBP £28,566,236.

Section 6 Joint Administrators' time costs for the period 1 September 2012 to 28 February 2013

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	0.80	331	1.05	313	2.40	528	4.25	1,172
Administration and Planning	1.10	922	3.00	1,344	0.60	152	-	-	4.70	2,418
Asset Realisation	-	-	0.80	331	-	-	-	-	0.80	331
Creditors	-	-	0.50	207	0.60	152	-	-	1.10	359
Statutory and Compliance	-	-	5.30	2,288	22.25	5,629	0.50	110	28.05	8,027
Tax and VAT	3.00	2,844	1.00	586	-	-	0.10	22	4.10	3,452
LBL Recharges	0.01	6	0.16	70	0.17	46	0.28	60	0.62	182
Grand Total	4.11	3,772	11.56	5,157	24.67	6,292	3.28	720	43.62	15,941

Current charge out rates Grade	Business Recovery Services		Specialist	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	838		1,027	
Director	639		932	
Senior manager	492		869	
Manager	414		634	
Senior Associate	346		389	
Associate/Support Staff	220		204	

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 maximum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.

* 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 inflation cost increase) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

Narrative of the Joint Administrators' time costs for the period 1 September 2012 to 28 February 2013

Accounting and treasury - £1,172

- Reconciliation of bank accounts; and
- Arranging receipts and payments of funds and coding of movements.

Administration and planning - £2,418

- Preparing for the Supreme Court hearing regarding the FSD;
- Discussions regarding strategy for the administration;
- Reviewing financial information; and
- Updating strategy documents.

Asset Realisations - £331

- Dividend distribution from LBHI.

Creditors - £359

- Updating list of creditor claims; and
- Reviewing creditor claim submissions.

Statutory and compliance – £8,027

- Preparation of the Administrators' eighth progress report;
- Circulate progress report to creditors;
- Statutory filings at Companies House and Court;
- Prepare receipts and payments account;
- Prepare detailed remuneration summary;
- Manage the LBUKH database; and
- Liaise with Administrators on statutory issues.

Tax and VAT - £3,452

- Dealing with tax and VAT queries;
- Preparation of Corporation Tax returns; and
- VAT reconciliation and preparation of VAT returns.

LBL recharges - £182

- This is an apportionment of the costs incurred by Lehman Brothers Limited associated with the administration companies.