

Joint administrators' progress report from 14 July 2020 to 13 January 2021

LB Holdings Intermediate 2 Limited – In Administration

12 February 2021

Table of Contents

Section 1: Purpose of the Joint Administrators' progress report	3
Section 2: Joint Administrators' actions to date	5
Section 3: Financial information	9
Appendix A: Receipts and payments account	11
Appendix B: Statement of expenses	12
Appendix C: Joint Administrators' time costs for the period 1 June 2020 to 30 November 2020	13
Appendix D: Estimated future costs and other matters	17
Appendix E: Statutory and other information	19

This report has been prepared by DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara as Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under the Insolvency (England and Wales) Rules 2016 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company. Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Any persons choosing to rely on this report for any purpose or in any context other than under the Insolvency (England and Wales) Rules 2016 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Administrators' previous reports issued to the Company's creditors, which can be found at <https://www.pwc.co.uk/services/businessrecovery/administrations/non-lbiecompanies/lbh2-limited-in-administration.html>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara have been appointed as Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

The Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Administrators. Personal data will be kept secure and processed only for matters relating to the Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Administrators.

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Section 1: Purpose of the Joint Administrators' progress report

Introduction

This is the 24th progress report by the Joint Administrators (the “**Administrators**”) of LB Holdings Intermediate 2 Limited (“**LBHI2**” or the “**Company**”).

This report provides an update on the work the Administrators have undertaken since their appointment. The report focuses on the progress made in the six months to 13 January 2021 (the “**Reporting Period**”), but also references certain key events taking place shortly after the Reporting Period.

Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration) and continue to manage the Administration in accordance with the proposals approved by creditors.

Outcome for creditors

Unsubordinated creditors

As reported previously, the claims of unsubordinated, unsecured creditors have been paid in full.

Subordinated creditors

The Company has two subordinated creditors, Lehman Brothers Holdings Plc (in administration) (“**LBH**”) and Lehman Brothers Holdings Scottish LP3 (“**SLP3**”). The subordinated claims of LBH and SLP3 total c.£5.8 bn, although it is anticipated this will increase by \$961m, as explained in Section 2. The relative priority of these claims is disputed and this issue (amongst other matters) was the subject of an application to the High Court (the “**Priority Application**”). On 3 July 2020, the High Court delivered its judgment on the Priority Application (the “**Priority Application High Court Judgment**”), but this is the subject of an appeal to the Court of Appeal.

Initial distributions of £44.7m and £160.0m have been paid to LBH, with the consent of SLP3. A further distribution to LBH (again with SLP3's consent) is expected to be made shortly.

Further details regarding the initial distributions and the Priority Application are described in Section 2.

Extension to the Term of Office

The Administration was due to expire on 30 November 2020. Following an application to Court, an order was granted by the Court extending the Administrators' term of office to 30 November 2022. This will enable the Administrators to continue to realise the Company's assets and make further distributions to its subordinated creditors.

Future reports

The Administrators' next progress report to creditors will be sent in approximately six months.

Signed:



DA Howell
Joint Administrator
LB Holdings Intermediate 2 Limited

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Section 2: Joint Administrators' actions to date

Realisations

Lehman Brothers International (Europe)

In 2014 the Company entered into the Wentworth Joint Venture ("**Wentworth**") with companies managed by Elliott Management Corporation and King Street Capital Management L.P., such that, amongst other things, the Company's claims into the estate of Lehman Brothers International (Europe) (in administration) ("**LBIE**") were transferred to Wentworth. The Company retains an interest in Wentworth. LBIE has satisfied its unsubordinated and subordinated claims in full (together with statutory interest on such claims) and the Company has received £635.9m from Wentworth.

LBHI2 continues to be LBIE's sole member and at a directions hearing on 15 July 2020, the Court directed that LBIE's joint administrators could consent to requests from LBIE's directors to pay distributions to LBHI2, as shareholder, from surplus funds available in LBIE. To date LBHI2 has received £244.0m in shareholder distributions as follows:

- £29.0m in August 2020;
- £100.0m in December 2020; and
- £115.0m in January 2021.

The total quantum of distributions that will eventually be received from LBIE will depend on the ultimate outcome of the LBIE estate. In October 2020, the administrators of LBH published on its website an assessment of potential economic outcomes for creditors of the UK Lehman Group, based on various assumptions and on information that was available at that time. That assessment, published prior to the distributions received in December 2020 and January 2021, included an assumption that LBIE would make further distributions to LBHI2 totalling £500.0m.

Although the Company is the legal owner of the LBIE preference shares, certain Wentworth entities have legal and beneficial interests relating to distributions on those preference shares received by the Company and LBHI2 has now made payments totalling £122.0m to Wentworth in relation to these interests. Any preferred equity distributions that are received from LBIE are subject to the terms of Wentworth contractual arrangements and LBHI2 will make the appropriate contractual payments to Wentworth in this regard. LBHI2 is currently obliged to transfer to Wentworth 50% of the gross distributions it receives from LBIE but in the future this will reduce to 25% of gross amounts received from LBIE.

Claim against Lehman Brothers Limited ("**LBL**")

LBL has paid the Company's principal claim in full, as well as an additional £58.0m in part payment of the Company's entitlement to post-administration statutory interest that had accrued on its claim.

Further receipts via LBL are expected through circuitous cash flows from intercompany balances in several Lehman estates. The level of the final return from LBL remains contingent on the amount ultimately paid by the Company to LBH in respect of its subordinated claim, which in large part is dependent upon the outcome of an appeal of the Priority Application High Court Judgment. LBL's primary source of funds is its own intercompany claim against LBH.

These issues are discussed below in more detail.

Shortly after the end of the Reporting Period, the Company, together with certain other Lehman entities, entered into an arrangement with LBL such that the Company's entitlement to receive further payments of post-administration statutory interest from LBL is subordinated to the claims and post-administration statutory interest entitlements of broadly the non-Lehman creditors of LBL and of LBL's unadjudicated claims (together totalling c.£61.5m).

The Lehman Brothers Holdings Inc. ("LBHI") Clawback Proceedings

The Company had a guarantee claim against LBHI which was admitted in 2011 in the amount of \$302.0m. Cumulative dividends from LBHI in respect of the guarantee claim totalled \$105.6m.

As explained in our previous progress reports, LBHI alleged that the Company was not entitled to any further distributions in respect of this claim, and in April 2019 LBHI initiated proceedings in the United States Bankruptcy Court Southern District of New York (the "**NY Bankruptcy Court**") (the "**Clawback Proceedings**") against the Company (and against certain other Lehman UK affiliate entities), seeking to reclaim the \$105.6m it had paid to the Company in relation to the guarantee claim, along with pre-judgment interest (at nine per cent per annum). The Company counterclaimed, seeking payment by LBHI of further distributions in respect of the guarantee claim.

The parties to the Clawback Proceedings agreed on a stipulation of facts and completed discovery and deposition processes, in preparation for a Summary Judgment motion that was scheduled to be heard on 13 January 2021.

During the period leading up to the Summary Judgment motion hearing, negotiations continued between LBHI, the Company, and the other Lehman UK affiliate entities that were party to the Clawback Proceedings, with a view to settling the Clawback Proceedings. Following the end of the Reporting Period, a settlement of the Clawback Proceedings was agreed between the parties and approved by the NY Bankruptcy Court. Pursuant to the terms of the Settlement Agreement, the Clawback Proceedings will be dismissed once all of the payment obligations have been discharged. As part of the terms of the settlement, the Company agreed to make a payment of \$90 million to LBHI. Such payment was made on 27 January 2021.

Distributions

Unsubordinated creditors

As reported previously, the claims of unsubordinated, unsecured creditors, including post-administration statutory interest, have been paid in full.

Subordinated creditors

Before the Priority Application High Court Judgment, the Company had paid distributions totalling £204.7m on account of LBH's subordinated claim. These payments were possible because SLP3 agreed to waive any entitlement to a share in these distributions, whilst reserving any right it may have to receive a catch-up dividend at a later stage, to the extent that the Company has future sufficient funds. No distributions were paid in the Reporting Period.

1. Priority ranking

The Priority Application High Court Judgment was handed down on 3 July 2020. As regards the subordinated debt claims against the Company, in summary, the High Court found that LBH's subordinated debt claim ranks senior to that of SLP3.

At a hearing held on 24 July 2020, the High Court granted SLP3 permission to appeal in respect of the ranking dispute, but only on grounds of construction, not on grounds of rectification. Following a subsequent application

by SLP3, and by an Order dated 14 December 2020, the Court of Appeal granted SLP3 permission to appeal the Judge's conclusion that there was no basis for rectification of the terms of the LBH12 Sub-Notes.

Copies of the judgments of the High Court and the Court of Appeal, together with summaries of them, as well as details of the High Court's findings in respect of the subordinated debt claims against LBH, can be found on the Administrators' website at the address below:

<https://www.pwc.co.uk/services/business-restructuring/administrations/non-lbie-companies/lbhi2-limited-in-administration.html>

It may be recalled that LBH previously advised the Administrators that it was considering the possibility that it may have a further subordinated claim of US\$961m, in addition to the existing subordinated claim referred to above and the unsubordinated claim which has been settled in full. Following further investigation by LBH, the results of which have, we understand, been discussed with SLP3, it has been concluded in the interests of expediency that LBH is in a position to increase its existing subordinated debt claim by a further US\$961m, albeit at the current time such a claim has been neither formally proved by LBH nor admitted by the Company.

In the absence of a consensual settlement of the issues raised by the Priority Application, we currently anticipate that the Court of Appeal will hear any appeal in the week commencing 4 October 2021.

2. Outcome

The settlement of the Clawback Proceedings has enabled the Company to form the view that it will be able to pay a further distribution to LBH (in its capacity as a subordinated creditor), subject to a further waiver being granted by SLP3. Following the end of the Reporting Period, on 21 January 2021 the Company issued a Notice of Intended Dividend, with an intention to declare a distribution within two months from 12 February 2021. On 11 February 2021, the Company entered into an agreement with certain other Lehman UK affiliates and with SLP3, known as the Third Inter-Affiliate Settlement Deed ("Third IASD"). The Third IASD includes a granting by SLP3 of a further waiver to the Company. The Company intends to pay a further distribution to LBH (in its capacity as a subordinated creditor) shortly after this report is issued.

The level of further returns to subordinated creditors remains materially uncertain. The eventual outcome is subject to a number of factors, including:

- the eventual outcome of the LBIE estate;
- the return from LBL, which is affected by the circularity of claims among certain Lehman estates;
- the final outcome of the appeal in the Priority Application; and
- the costs and expenses of the Administration and of certain other UK Lehman estates.

Tax

The normal HM Revenue and Customs ("HMRC") enquiry window for the corporation tax returns submitted up to the year ended 13 January 2018 has closed. The corporation tax return covering the accounting period up to 13 January 2019 has been submitted to HMRC. The tax return covering the accounting period up to 13 January 2020 is currently being drafted and we expect to submit this shortly.

The Administrators have met their obligations under the Senior Accounting Officer legislation and submitted the 2019 certificate and notification. They have complied with their obligations regarding the publication of the Lehman group Tax Strategy and adhered to the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards and have considered their obligations under the Corporate Criminal Offence rules which came into effect in September 2017.

Investigations

Nothing has come to the Administrators' attention during the Reporting Period to suggest that they need to do any more work in line with their duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice 2.

Section 3: Financial information

Receipts and payments account

An account of the receipts and payments for the six months to 13 January 2021, together with a cumulative total since the beginning of the Administration, is provided in Appendix A.

Administrators' remuneration and expenses

Statement of Insolvency Practice number 9 ("SIP9"), issued by the Institute of Chartered Accountants in England and Wales, was revised with effect from 1 December 2015 and applies to all open insolvency cases. SIP9 details the disclosure standards required by insolvency office holders in respect of fees, expenses and payments to associates.

As previously reported, the Administrators acknowledge that the provisions of the revised SIP9 apply to this insolvency, although given the uncertainty surrounding the eventual resolution and outcome of the Priority Application, it remains difficult to provide a meaningful estimate of our future time costs. Whilst an estimate of future time costs is provided in Appendix D, the Administrators caution that actual future costs will be considerably impacted by the progress of, among other matters, the Priority Application litigation. The estimate we have provided assumes that this litigation will result in the Administration lasting for a further 30 months, which would be beyond the time by when the Administration is otherwise due to come to an end and which would therefore require the Court to grant a further extension.

That timeframe could be shortened if the litigation is settled sooner or extended if necessary if Court decisions are appealed and the Court timetable extends beyond such period. In either scenario the eventual future time costs may be materially different from those provided in the estimate.

In March 2009, approval was obtained from the Company's creditors for the Administrators' remuneration to be fixed by reference to the time properly given by them and the various grades of their staff. The creditors also resolved that the Administrators may draw their remuneration from time to time. In accordance with SIP9, the following information has been provided in Appendix C:

(i) an analysis of the Administrators' time costs for the period 1 June 2020 to 30 November 2020, including the cumulative total time costs from the date of the Administrators' appointment to 30 November 2020; and

(ii) a summary of the Administrators' time costs for the period 1 June 2020 to 30 November 2020, including the key categories of work, further information on the work undertaken, a description of why the work was necessary, how the work benefits creditors and whether it was required by statute. In line with the creditors' approval and as at 13 January 2021, the Administrators have drawn remuneration of £19.1m plus VAT in respect of time costs incurred to 30 November 2020.

Administrators' disbursements

The Administrators' disbursements policy allows for all properly incurred disbursements to be recharged to the Administration.

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs, statutory advertising and insolvency office holders' insurance. The Administrators are not required to seek creditor approval to draw Category 1 disbursements. Category 1 disbursements incurred during the Reporting Period total £864 plus VAT. These disbursements have not yet been drawn.

Category 2 disbursements for shared or allocated services provided by our own firm, including room hire, document storage, photocopying and communication facilities, must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves the Administrators' fees.

As a result of the Company's interests in the Clawback Proceedings and the Priority Application, the scope of work undertaken by our specialist forensics team has remained at a high level. The forensics team utilises IT software to review the Lehman archives in order to obtain and supply evidence for witness statements. These exercises were (and continue to be, in relation to the Priority Application) conducted by a combination of resources from PwC and from the Administrators' legal advisors and are carried out in accordance with standard e-disclosure processes.

PwC uses a third party to provide the platform in which to access the Lehman archives and transfer the data to PwC's e-review sharing platform. PwC charges a monthly licence and hosting fee where this platform is used on an assignment.

A total of £110,415 plus VAT was incurred in the Reporting Period. As Category 2 disbursements, the Administrators will be seeking creditor approval to draw these amounts in due course.

Creditors' rights

Creditors have the right to ask for information and challenge an administrator's fees if they believe that they are too high. You can find an explanatory note online at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/a-creditors-guide-to-administrators-fees-010407.ashx?la=en>

Creditors can request a paper copy of the above guide free of charge by contacting uk_lehmanaffiliates@pwc.com.

Appendix A: Receipts and payments account

		GBP £m		
	Notes	As at 13-Jan-21	Movements in Period	As at 13-Jul-20
Receipts				
Dividends received, including from Wentworth Joint Venture		938.8	-	938.8
Sale of subordinated debt and senior claims in LBIE		650.0	-	650.0
Dividends of preferential shares received from LBIE	1	64.5	64.5	-
Reimbursement of Wentworth Joint Venture costs		4.7	-	4.7
Reimbursement of loan and advances to Wentworth Joint Venture		9.7	-	9.7
Sale of tax losses		32.8	-	32.8
Repayment of loan to LBHI		82.8	-	82.8
Recovery of investments in subsidiaries		0.0	-	0.0
Gross interest received		14.7	0.1	14.7
Total receipts		1,798.0	64.6	1,733.4
Payments				
Joint Administrators' remuneration and disbursements		19.3	2.2	17.1
Legal and professional fees		26.6	3.0	23.6
Loans and advances to Joint Venture		9.7	-	9.7
Loan to LBHI		82.6	-	82.6
Other payments		0.4	0.0	0.4
Irrecoverable VAT	2	8.6	0.7	7.8
Total payments		147.1	6.0	141.1
Intracompany transfers				
Receipts		69.8	-	69.8
Payments		-	-	-
Total receipts less total payments		1,720.6	58.6	1,662.0
Distributions to unsecured creditors				
1st distribution - 100p in the £ paid on 6 Sep 2017		698.5	-	698.5
1st distribution - statutory interest (£206.7m) paid on 6 Sep 2017 and (£35.7m) on 24 July 2018		242.4	-	242.4
2nd distribution - remaining statutory interest paid on 12 Sep 2018		240.6	-	240.6
2nd distribution - a portion of subordinated debt paid on 12 Sep 2018		44.7	-	44.7
3rd distribution - a portion of subordinated debt paid on 14 Mar 2019		160.0	-	160.0
Total distributions		1,386.3	-	1,386.3
Total cash receipts less total payments less distributions		334.3	58.6	275.8
Cash balances				
HSBC		50.7	49.8	0.9
Money markets	3	283.7	8.8	274.9
Total cash	4 & 5	334.3	58.6	275.8

Notes:

Sums have been rounded to the nearest £0.1m.

There may be rounding in this table which makes it appear to not perfectly cast.

All of the Company's assets are uncharged, there being no secured creditors.

Estimated to realise values of assets shown in the statement of affairs do not meaningfully compare with the current position and are therefore excluded.

(1) The Company owns 100% of preference equity in LBIE. Some of the Company's rights have been participated and the net receipts are shown.

There was a further £57.5m net receipt after the end of the Reporting Period.

(2) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.

(3) Funds are invested on the money market to accrue interest and manage risk.

(4) In addition to the above, c.US\$106.6m has been received during the course of the Administration with all except \$1,897 now being held in £ sterling. There were no US\$ transactions in the Reporting Period.

(5) Total cash at 13 January 2021 based on exchange rates at 13 January 2021 was c. £334.3m.

Appendix B: Statement of expenses

The table below provides details of the Administrators' expenses. Expenses are defined as amounts payable by the Administrators from the estate. They include the Administrators' fees but exclude distributions to creditors and the Wentworth loans. The table also excludes any potential tax liabilities other than VAT, that may be payable as an Administration expense. Tax amounts becoming due will depend on the position at the end of the accounting period and the impact of any tax reform.

The table should be read in conjunction with the receipts and payments account in Appendix A, which shows expenses actually paid during the Reporting Period but excludes those incurred which have not yet been paid.

It remains difficult to provide a meaningful estimate of future expenses. Whilst the table includes an estimate, the Administrators caution that actual future expenses will be considerably impacted by the progress of, among other matters, the Priority Application. The estimate we have provided assumes that this litigation will result in the Administration lasting for a further 30 months. That timeframe could be shortened if the litigation is settled sooner or extended if necessary if Court decisions are appealed and the Court timetable extends beyond such period. In either scenario the eventual future expenses may be materially different from those provided in the estimate.

Expense	Incurred in Reporting Period	Estimated future	Anticipated total
	£m	£m	£m
Legal fees and disbursements	2.9	29.3	56.5
Administrators' remuneration and disbursements	2.3	11.9	32.0
Other costs	-	0.6	0.7
Irrecoverable VAT	0.8	8.4	17.2
Total	5.9	50.2	106.4

Appendix C: Joint Administrators' time costs for the period 1 June 2020 to 30 November 2020

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	2.65	2,421	108.05	60,442	263.65	114,766	9.95	2,414	384.30	180,043
Strategy and Planning	763.75	693,024	890.85	542,697	289.60	116,956	161.35	42,699	2,105.55	1,395,375
Statutory and Other Compliance	9.20	8,063	115.00	71,673	108.90	48,850	-	-	233.10	128,585
Tax and VAT	110.20	148,846	214.60	197,505	226.50	109,311	5.65	1,343	556.95	457,005
Total for six months ended 30 November 2020	885.80	852,353	1,328.50	872,317	888.65	389,883	176.95	46,456	3,279.90	2,161,008
Average hourly rate for the six month period to 30 November 2020										659
Cumulative total to 30 November 2020										19,579,237

Notes:

- (1) The cumulative total refers to the time costs incurred to 30 November 2020, of which £19.1m plus VAT has been paid to date.
- (2) Time costs are net of VAT.
- (3) The charge out-rate for BRS Partner also applies to Derek Howell as consultant.

Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

All of our staff who work on the administration (including our cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Work carried out by our cashiers, support and secretarial staff is charged for separately and isn't included in the hourly rates charged by partners or other staff members. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We don't charge general or overhead costs.

We set out below the maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the administration.

BRS & Forensics	Up to 30 June 2020 £	From 1 July 2020 £
Partner	956	985
Director	840	870
Senior Manager	605	625
Manager	525	545
Senior Associate	435	450
Associate/support staff	270	280

We call on colleagues in our Tax department where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

Tax	Up to 30 June 2020 £	From 1 July 2020 £
Partner	1385	1385
Director	1275	1275
Senior Manager	975	975
Manager	710	710
Senior Associate	520	520
Associate	285	285

In common with many professional firms, our scale rates may rise to cover annual inflationary cost increases.

Narrative of the Joint Administrators' time costs for the period 1 June 2020 to 30 November 2020

Accounting and Treasury - £180,043

This is an essential function for the management of funds held by the Administrators on behalf of the Company. The Administrators' treasury and cash management teams monitor and control the movement of funds, mitigate risk and seek to maximise the interest made on investments for the benefit of the Company's creditors.

Activities included:

- Reconciling bank accounts;
- Provision of information for the purposes of statutory reporting;
- Arranging receipts and payments of funds and coding of movements;
- Monitoring flow of funds into the bank accounts;
- Analysing counterparties' risk and deposit rates;
- Actively managing investments held in various institutions in order to mitigate risk;
- Review of cash investment strategy and documentation agreement for bond portfolio;
- Executing foreign exchange transactions;
- Liaising with the cash management team to check liquidity requirements;
- Monitoring of funds required for immediate cash needs to ensure that optimal level of funds are held on deposit;
- Putting in place arrangements to enable access to treasury bill market;
- Monthly reporting of outstanding deposits and month end bank balances; and
- Quarterly reporting of performance and activity commentary.

Strategy and Planning - £1,395,375

The inherent complexities of the LBHI2 estate mean that the Administrators and their staff continue to invest a substantial proportion of their time in the planning and delivery of their strategy for the progression of the Administration.

Activities included:

LBIE and Wentworth

- Meetings and correspondence with tax and legal advisors and the Wentworth Joint Venture partners;
- Update meetings with LBIE and discussing strategy with the Wentworth Joint Venture partners;
- Reviewing LBIE progress report to creditors in context of future recoveries;
- Reviewing financial information from Wentworth;
- Arrangements relating to distributions of preferential equity from LBIE and onward payments to Wentworth counterparties; and
- Dealing with administrative issues relating to Wentworth.

The Priority Application

- Considering implications of Priority Application High Court and Court of Appeal Judgments and ongoing strategy;
- Liaising with lawyers, Counsel and the Courts in relation to High Court and Court of Appeal Judgments;
- Engagement with respondents and other interested parties; and
- Updates to website

Clawback Proceedings

- Reviewing the ongoing strategy for the Administration in light of the Clawback Proceedings, including regular team meetings and communication with lawyers and exploring the possibility of litigation settlement;
- Conducting settlement negotiations and communications with lawyers to prepare a settlement agreement;
- Communications with lawyers in relation to the deposition process and the motion for Summary Judgment;
- Review of documentation in relation to motion for Summary Judgment and associated hearing;
- Preparations for depositions;
- Review of deposition testimony;
- Drafting and finalising stipulation of facts, handling related matters and liaison with lawyers;
- Communications with lawyers regarding finalising document and discovery process and materials;
- Searches and reviews of data in support of deposition and discovery processes;
- Reviews of discovery materials; and
- Consideration of proceedings in context of matters surrounding the discovery process and GDPR.

General matters

- Consideration of strategy to maximise the outcome for LBHI2's creditors and updating strategy documents;
- Discussions with stakeholders regarding this strategy;
- Review and maintenance of financial information, including input into financial models to assess possible ranges of economic outcomes;
- Liaising with tax specialists in respect of provisions for the financial models; and
- Regular case team meetings to manage case progression.

Statutory and Other Compliance - £128,585

The following tasks were undertaken in accordance with the Administrators' statutory obligations and/or internal compliance:

- Preparing and circulating the Administrators' 23rd progress report to creditors, including the receipts and payments account;
- Preparing timecost information in support of the Administrators' billing;
- Dealing with statutory filings at Companies House and the Court;
- Preparing the Administrators' internal six-monthly reviews in accordance with professional requirements;
- Managing and updating communications on the Company's website;
- Maintaining and managing case files, records and the Company's database; and
- Dealing with other ad-hoc compliance and statutory tasks.

Tax and VAT - £457,005

The following tasks were undertaken for tax and VAT compliance purposes and in some circumstances for the benefit of creditors:

- Ongoing preparation of corporation tax computation for the year ended 13 January 2019 and submission to HMRC;
- Preparation of corporation tax computation for the year ended 13 January 2020;
- Ongoing input into financial models to assess possible ranges of economic outcomes;
- Ongoing consideration of withholding tax in relation to distributions, including liaison with HMRC;
- Input with respect to potential withholding tax on interest payments made to overseas creditors; and
- Preparing VAT returns as required by HMRC despite the Company's VAT status.

Appendix D: Estimated future costs and other matters

The Administrators continue to actively progress all matters pertaining to the estate.

As previously reported, the Administrators acknowledge that the provisions of the revised SIP9 apply to this insolvency, although given the uncertainty surrounding the eventual resolution and outcome of the Priority Application, it remains difficult to provide a meaningful estimate of our future time costs.

Whilst an estimate of future time costs is provided in the table below, the Administrators caution that actual future time costs will be considerably impacted by the progress of these matters. The estimate we have provided assumes that these legal proceedings will result in the Administration lasting for a further 30 months. That timeframe could be shortened if the litigation is settled sooner or extended if necessary if Court decisions are appealed and the Court timetable extends beyond such period. In either scenario the eventual future time costs may be materially different from those provided in the estimate below.

Classification of work	£m
Accounting & Treasury	700
Strategy & Planning	9,000
Creditors	500
Statutory and Other Compliance	700
Tax & VAT	1,000
Total	11,900

Relationships

The Administrators have no business or personal relationships with the parties who approve their fees or who provide services to the Administration where the relationship could give rise to a conflict of interest.

Details of subcontracted work

Certain centralised services are undertaken on behalf of LBHI2 by employees retained by LBIE and LBSF Warehouse Limited for their prior and ongoing knowledge of the Company's affairs. Included in these services are the provision of certain tax and VAT services, claims review services and key staff resources. The benefit to the Company's creditors is through cost savings. This is because the Administrators consider it more efficient that this work is carried out by subcontractors and by the centralisation of services. The costs of such services are recharged to LBHI2 on a time costs basis and are invoiced directly to the estate.

Legal firms

The Administrators have instructed the following professionals to assist with various legal matters arising in the Administration.

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services	Linklaters LLP	Industry knowledge	Time costs
Legal services	Dentons UK and Middle East LLP	Industry knowledge	Time costs
Legal services	Davis Polk & Wardwell LLP	Industry knowledge	Time costs

The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether a conflict exists. Davis Polk & Wardwell LLP were instructed to provide advice and representation in relation to the Clawback Proceedings in the NY Bankruptcy Court. All professional firms instructed by the Administrators are required to provide a narrative explanation in support of invoices. All invoices are reviewed before being approved for payment. The Administrators are satisfied that the level of legal costs is appropriate.

Appendix E: Statutory and other information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court – Court Case 429 of 2009 / CR-2009-000052
<i>Full name:</i>	LB Holdings Intermediate 2 Limited
<i>Trading name:</i>	LB Holdings Intermediate 2 Limited
<i>Registered number:</i>	05957878
<i>Registered address:</i>	7 More London Riverside, London, SE1 2RT, United Kingdom
<i>Date of the Administration appointment:</i>	14 January 2009
<i>Current Administrators' names and addresses:</i>	DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara 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 LBHI2's creditors as a whole than would be likely if LBHI2 were wound up (without first being in Administration)
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) of schedule B1 to the Insolvency Act 1986, during the period for which the Administration is in force, any act required or authorized 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 High Court of Justice has granted six successive extensions to the Administration period to: 30 November 2010; 30 November 2011; 30 November 2013; 30 November 2015; 30 November 2020; and 30 November 2022.