
Lehman Brothers International (Europe) – In Administration

Joint Administrators' twentieth progress
report, for the period from
15 March 2018 to 14 September 2018

11 October 2018

[*www.pwc.co.uk/lehman*](http://www.pwc.co.uk/lehman)

Important notice

Status of Administration

A Surplus has arisen in the Administration. A Scheme of Arrangement (the “Surplus Scheme”) has been approved and implemented to provide a mechanism to facilitate the distribution of the Surplus and to settle the Waterfall and other proceedings. A distribution of Post-Administration Interest has been made under the Surplus Scheme, which means that the majority of non-subordinated unsecured creditors have now received their full entitlements from the Administration.

Reliance on this report

LBIE, the Administrators, their firm, its members, partners, staff and advisers accept no liability to any party for any reliance placed upon this report.

Rights against third parties

LBIE also expressly reserves all of its rights against third parties on all matters and no conclusion should be drawn by third parties as to LBIE’s position or legal arguments on any such matters from references made in this report.

Currency risk

Whilst amounts included in this report are primarily stated in sterling, certain elements of LBIE’s assets continue to be denominated in currencies other than sterling.

Rounding

Unless otherwise indicated, the figures within the report are rounded to the nearest £1 million.

Definitions

This report includes various defined terms as set out in the updated glossary of terms in Appendix D.

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Section 1:

Introduction

Introduction

This report has been prepared by the Administrators of Lehman Brothers International (Europe) in accordance with Rule 18.3 of the Insolvency Rules.

This is the twentieth such formal update to unsecured creditors and it provides details of progress made in the 6-month period from 15 March 2018 to 14 September 2018. The statutory receipts and payments accounts for the same period are attached at Appendix A.

We have recently passed the tenth anniversary of LBIE's Administration. Given the interest in this milestone we have published a document on LBIE's website highlighting key events, hurdles and milestones of the Administration over the past ten years, which may be of interest to creditors in conjunction with this report.

Wherever possible in this report we have sought not to duplicate information disclosed in previous updates and/or reports. Copies of previous progress reports, the Surplus Scheme documents, other important announcements and our 10-year chronology and key events document can be found at www.pwc.co.uk/lehman.

Scheme of Arrangement

The Surplus Scheme has been approved by creditors and sanctioned by the UK High Court to provide a mechanism to facilitate the distribution of the Surplus and to settle the Waterfall and other proceedings. The Surplus Scheme is now being implemented by LBIE. Creditors should refer to the Surplus Scheme documents for the detailed terms of the Surplus Scheme and how individual creditors are impacted. These documents set out considerable detail in the background to the Surplus Scheme and the way in which the Scheme is operated. This detail is therefore not included in this progress report.

Objective of the Administration

The Administrators continue to pursue the statutory objective and specific aims as set out in previous reports, which are summarised at Appendix C.

Aims and priorities

The approval and sanction of the Surplus Scheme has allowed the Administrators to significantly progress matters in relation to the Administration. Our aims and priorities are therefore:

LBIE Surplus Scheme

To continue to implement the Surplus Scheme with a view to resolving the claims of certifying creditors and distributing the remaining Surplus.

To maintain appropriate investment policies for LBIE's realised Surplus pending distribution.

Progression of other outstanding matters

To realise all remaining House Estate assets and pay outstanding unsecured claims and Administration expenses by:

- recovering remaining amounts owing;
- realising the value of remaining House securities;
- agreeing and admitting the small number of pending Senior claims;
- managing out and, where appropriate, releasing provisions and indemnities; and
- winding down LBIE's operations.

LBIE Trust Estate

To settle outstanding CME issues, distribute the remaining funds and obtain Court directions to enable the Client Money estate to be wound up.

To return remaining client securities after resolution of related House debtor litigation.

LBIE costs

To efficiently manage ongoing Administration costs.

Committee and new governance arrangements

During the Reporting period we have met twice with Committee members to review progress and to consult on major issues. The members were assisted by an Adviser in approving the Administrators' fees and expenses requests and by two independent observers.

The payment of Post-Administration Interest entitlements pursuant to the Surplus Scheme during the Reporting period has meant that Committee members have received their full entitlements and thus ceased to be creditors of the company. Following payment of Post-Administration Interest in July and in accordance with the Surplus Scheme, the Committee was dissolved.

We are grateful to all the participants of the Committee and its Advisers for their service and support of the Administration over many years.

In accordance with the Surplus Scheme, the functions carried out by the Committee will now be carried out by an Operating Committee, constituted pursuant to the terms of the Surplus Scheme and with the powers and duties defined in the Governance Protocol appended to the Surplus Scheme (including with respect to agreement of the Administrators' remuneration).

The members of the Committee and the members of the Operating Committee, during the Reporting period, are set out in Appendix C. The first meeting of the Operating Committee occurred on 9 October 2018.

Change of Administrators

Tony Lomas has retired from PwC and Steven Pearson has moved to new responsibilities within PwC. Accordingly, an application was made to the UK High Court and an order dated 2 July 2018 accepted their resignations as Administrators and appointed Edward Macnamara and Gillian Bruce as new Administrators with effect from 16 July 2018. The change of Administrators was advertised in the London Gazette on 18 July 2018. In accordance with the court order, Tony Lomas and Steven Pearson were discharged from any liability as Administrators with effect from 15 August 2018.

The successful outcome of the Administration is due, in large part, to the very considerable effort and insight of the recently departed Administrators.

This report and future updates

Distributions carried out pursuant to the Surplus Scheme mean that the majority of creditors have now received their full entitlements and have ceased to be creditors in the Administration. Priority claims and pending Senior claims are reserved for in full and the economic interest in the Administration therefore lies primarily with the Subordinated Creditor and LBIE's shareholder, who are respectively represented on, and a member of, the Operating Committee.

The next formal progress report to creditors will be in approximately 6 months' time and will be posted to the LBIE website on or before 14 April 2019.

In order to minimise the costs associated with statutory reporting, we issued a general website notice in April 2018. This means that all future statutory reports and notices to creditors (except where required by the Insolvency Rules or under the Surplus Scheme) will be published on the LBIE

website. Physical copies of future reports will only be sent to creditors who specifically request them in accordance with the notice.

In the interim, we will continue to provide ad hoc updates in the event of any material developments concerning entitlements to the Surplus or other significant matters, through the LBIE website or by other means, as appropriate.

Signed:



Russell Downs

Joint Administrator

Lehman Brothers International (Europe) - In Administration

Section 2:

Progress during the Reporting period

Approval and sanction of the Surplus Scheme

In the Reporting period the Administrators continued preparing the various documentation required in order for the Surplus Scheme to be developed, launched and implemented.

Accordingly, on 18 April 2018 the Administrators issued their Practice Statement Letter to all known creditors. This was updated on 2 May 2018.

On 14 May 2018 the Administrators provided all known creditors with the Scheme document and Explanatory Statement and provided notice of the court convened creditors' meetings.

Throughout the period from issuing the various Surplus Scheme documents to its ultimate approval, the Administrators engaged with various counterparties to answer their queries, attempted to address concerns, and reviewed and implemented amendments to the Surplus Scheme documents where they considered them appropriate. The Administrators also refined information available to Scheme Creditors (for example by issuing a fourth UCC) and finalised the systems needed to enable distributions to be made.

Court convened creditors' meetings to consider the Surplus Scheme were held on 5 June 2018 and the required majorities in support of the Surplus Scheme were achieved. The UK High Court sanctioned the Surplus Scheme on 18 June 2018 and the courts in New York granted recognition of the Surplus Scheme under Chapter 15 of the US Bankruptcy Code on 19 June 2018. The Surplus Scheme became effective on 20 June 2018.

The steps taken subsequently have been significant and meaningful in terms of further advancing the Administration, in particular by:

- the conclusion of the proceedings known as the Waterfall litigation;
- the rapid calculation of the reserves necessary for various Administration claims, unsecured claims and Higher Rate Claims to be able to quickly conclude that a full payment of creditors' interest entitlements could be made;
- the payment of creditors' 8% simple interest in the vast majority of cases enabling distributions to be made totalling c.£4,101m after withholding tax deductions;
- the admission and subsequent payment to the Subordinated Creditor in respect of the principal amount of the Subordinated Debt;
- the issuing of relevant UCCs;

- reviewing and in certain cases agreeing with relevant counterparties their Higher Rate Claims to enable subsequent payment of interest and the engagement with the remaining small number of other creditors in respect of their Higher Rate Claims certification; and
- the payment to HMRC of c.£972m of withholding tax on 27 September 2018, shortly after the period end.

Other progress and remaining issues

BarCap

The Administrators are pleased to report that settlement of the BarCap litigation has been achieved, resulting in a release of reserves and enabling meaningful progression of the Client Money estate. The terms of settlement are confidential, however, a full and final settlement amount of c.£250m was paid to BarCap in the Reporting period.

German tax investigation

The Administrators have made considerable progress in the Reporting period by investigating LBIE's pre-Administration involvement in certain transactions (known as cum/ex trades), which are the subject of an industry-wide review in Germany, and appropriately sharing their findings with the German authorities. In advance of the bar date under the Surplus Scheme, two Proofs of Debt were submitted for consideration by the German authorities.

MCF

Significant progress has also been made in respect of LBIE's interest in MCF, with LBIE receiving distributions of c.£281m in the Reporting period after an accelerating transaction was finalised.

AGR litigation

As previously reported, AGR filed a dispositive motion on 22 February 2016 seeking summary judgment in its favour. The Supreme Court of New York handed down its decision on 2 July 2018 largely denying AGR's motion. AGR gave notice of appeal to the New York intermediate appellate court on 1 August 2018 and has 6 months to file its opening brief. The Administrators hope that the appeal may be heard and decided on an expedited basis, however, it is unlikely that this matter can be progressed until the decision of the New York intermediate appellate court is handed down. Accordingly, this matter is likely to be one of the last issues to be resolved in the Administration.

Foreign currency

Creditors should note that the AGR litigation, which continues to be unresolved, is denominated in a foreign currency.

Withholding tax proceedings

On 19 December 2017, the UK Appeal Court ruled that Post-Administration Interest payments do constitute “yearly interest” for the purposes of the Income Tax Act 2007. This means that the Administrators are obliged to withhold tax on Post-Administration Interest payments made to creditors and account for this tax to HMRC.

The UK Appeal Court refused permission to appeal but LBIE applied for permission to appeal to the UK Supreme Court. Despite an objection from HMRC, the application was accepted by the UK Supreme Court. LBIE’s appeal is due to be heard on 12 February 2019, with judgment expected sometime thereafter.

While the litigation remains outstanding, LBIE is required to make an appropriate withholding tax deduction from Post-Administration Interest payments for those counterparties where treaty clearance has not been agreed by HMRC prior to distribution.

Prior to distribution of Post-Administration Interest, the Administrators liaised with HMRC in the hope of facilitating a way forward to enable creditors to agree treaty clearance (or otherwise) for withholding tax, including the development and agreement with HMRC of clear guidance for creditors, which detailed how creditors could achieve distribution of their Post-Administration Interest entitlements without deduction of withholding tax in certain circumstances. This guidance was issued to creditors via the LBIE website on 18 April 2018, together with links to HMRC’s guidance on seeking such relief and providing creditors with an email address to where such applications could be sent.

On 27 September 2018 an amount of c.£972m in respect of withholding tax on Surplus distributions made in the period July to mid September 2018 was paid to HMRC. Should the litigation be concluded and find that withholding tax is not required, HMRC will be required to repay the tax.

LBIE Trust Estate

Client Assets

LBIE still holds client securities (c.£56m combined value) relating to certain third parties that are also debtors of LBIE, pending conclusion of litigation with those debtors which we continue to progress as quickly as we are able. These client securities will be released to the relevant third parties when LBIE’s own debt claims against those parties are also resolved.

Client Money

Due to the conclusion of the BarCap litigation, the Administrators were able to make a third interim Client Money distribution in August 2018, resulting in CME claimants having received 100p/£ on their Client Money claims. This included c.£574m in respect of CME claims assigned to Laurifer for the benefit of the House Estate.

There remain unresolved CME claimants, which comprise the following:

- 75 claims (c.\$2.5m) relating to non-engaging counterparties in respect of which a direction from the FCA will be required;
- 18 claims (c.\$3.7m) in respect of dissolved counterparties;
- 1 claim of nominal value which will be donated to charity; and
- 22 other CME claimants (with combined claims of c.\$3.8m) who, in a number of cases, have received a 100% recovery of their CME from the Client Money estate.

We anticipate that CME claimants will receive a payment of interest and gains up to a total of c.106%.

Following the end of the Reporting period, the Administrators have made an application to Court to seek directions for a bar date in order to finalise the Client Money estate and effect a payment of the remaining funds held in the estate to House.

Outstanding matters and exit from Administration

The approval and sanction of the Surplus Scheme and actions taken subsequently have taken the Administration into its penultimate phase. The priorities during this phase will be:

- resolution of those claims currently not agreed so that payment may be made together with Post-Administration Interest;
- finalisation of the certifications that are now subject to the adjudication process and dealing with the outcome of that process;
- continuing to liaise with HMRC over the withholding tax procedures they are following as creditors await news on the status of the treaty and other requests, as well as preparing for the appeal on this matter to the UK Supreme Court next year;
- identifying and where possible accelerating the realisation of remaining assets including the finalisation of the Client Money estate, so that final payments may be made to those small number of claimants and the resulting surplus moved across to the House Estate;
- reviewing and developing appropriate strategies to deal with the run off of the remaining Priority claims;
- reducing the scale and extent of LBIE's operations at its offices in Canada Square;
- the ongoing consultation with the Subordinated Creditor under the Governance Protocol and making further distributions to them, as and when it is appropriate to do so; and
- identifying how and when it will be appropriate for the Administration to come to a close.

Appendices

Appendix A:

Receipts and payments: cumulative and 6 months to 14 September 2018

House Estate receipts and payments: cumulative and 6 months to 14 September 2018

House Estate	Notes	Cumulative - 15 September 2018 to 14 March 2018 (GBP equivalent) £m	Period - 6 months to 14 Sept 2018 (GBP equivalent) £m	Cumulative - 15 September 2018 to 14 Sept 2018 (GBP equivalent) £m
Receipts				
Counterparties	1	12,385	290	12,675
Client Money distribution	2	-	574	574
Other receipts	3	13,516	33	13,549
Total receipts for the period		25,901	897	26,798
Payments				
Dividends and Post-Administration Interest Paid	4	(12,343)	(5,593)	(17,936)
Administrators' remuneration and disbursements	5	(1,034)	(10)	(1,044)
Payroll and employee costs	6	(651)	(1)	(652)
Legal and professional costs	7	(417)	(12)	(429)
Other payments	8	(4,748)	5	*(4,742)
Total payments for the period		(19,192)	(5,611)	(24,803)
Net movement in the period		6,709	(4,714)	1,995
Foreign exchange translation differences ^a		(133)	-	(133)
Total House Estate cash deposits and government bonds	9	6,576~	(4,714)	1,862[#]

* These sums do not perfectly cast due to rounding to £m.

^a At this stage in the Administration, material receipts and payments in foreign currencies are converted to sterling as soon as practicable after receipt. Where currency sums are held for a short period, small translation differences can arise.

~ Balances held in foreign currencies at 14 March 2018 were c.\$4m and various other currencies c.£0.1m (GBP equivalent).

[#] Balances held in foreign currencies at 14 September 2018 were c.\$6m and various other currencies c.£17m (GBP equivalent), following the sale of Korean securities.

Statement of expenses incurred in the 6 months to 14 September 2018

The following table provides details of expenses incurred in the Reporting period.

Expenses	Incurred in 6 months to 14 Sept 2018 £m
Administrators' remuneration and disbursements	(7)
Payroll and employee costs	(3)
Legal and professional costs	(13)
Other payments	(4)
Total	(27)

Notes

General

Foreign currency transactions are reported in sterling at the rate prevailing on the relevant transaction date.

The transactions within the LBIE estate in the period:

- are reported on a cash receipts and payments basis and in accordance with the Insolvency Rules and best practice; and
- were completed in accounts established and controlled by the Administrators.

Separate bank accounts are held for realisations from the House Estate and the Trust Estate.

1. Counterparties

Receipts in the period principally comprise:

- c.£281m of recoveries from MCF;
- c.£7m of recoveries from LBHI; and
- c.£2m of distributions from LBSF.

2. Client Money distribution

- c.£574m distribution in respect of CME claims assigned to Laurifer for the benefit of the House Estate.

3. Other receipts

Other receipts principally comprise:

- c.£18m realisations from House securities;
- c.£14m of bank and bond interest received; and
- c.£1m of various asset services income.

4. Dividends and Post-Administration Interest Paid

Unsecured distributions of c.£5,593m have been paid in the period comprising:

- c.£4,101m Post-Administration Interest paid through the Surplus Scheme;
- c.£1,242m payments to the Subordinated Creditor in respect of the principal amount of the Subordinated Debt; and
- c.£250m Settlement with BarCap in full and final settlement of all live issues.

5. Administrators' remuneration and disbursements

Payment deferral terms (as agreed with the Committee and referred to on page 14 of this report) account for any

differences between costs incurred and payments made in the period. Out-of-pocket disbursements of less than £1m were paid in the Reporting period.

6. Payroll and employee costs

Payments relate to salary and benefits for UK-based employees and third-party contractors. This includes employee-related costs incurred on behalf of Affiliates, which are recovered by LBIE and included as other receipts.

7. Legal and professional costs

Legal and other advisers' costs relate to advice given, and to court proceedings and litigation conducted, in numerous jurisdictions by a number of professional firms in connection with a range of issues across the Administration.

8. Other payments

Other payments principally comprise:

- c.£5m of VAT paid on invoices;
- c.£3m of occupancy and infrastructure costs; net of
- c.(£13m) IRS refund of US tax penalties and associated interest.

9. Investment profile

Current investment strategy

For immediate liquidity requirements, LBIE invests in short-term money market deposits. For other requirements, investments are held in UK government, quasi-government debt securities and supranational debt.

Total balances

House Estate	GBP equivalent £m
Short-dated bonds«	1,155
Short-term deposits‡	672
Interest-bearing accounts	18
Non Interest-bearing account	17
Total	1,862

« Average rate of return on bonds yet to mature (net of fund manager fees) of 0.596%.

‡ Average rate of return for 6 months ending 14 September 2018 of 0.42% for sterling deposits.

Cash management and investment policy

Subject to meeting regulatory requirements, the continuing objectives of the policy are to provide:

- security for Administration funds;
- liquidity as required by the Administration; and

- appropriate returns (positive yield net of fees).

The primary objective continues to be ensuring the security of Administration funds. To meet this objective, a comprehensive counterparty credit risk policy is in place with clear limits on counterparties, instruments, amounts and duration. Compliance with policy is measured on at least a daily basis using live indicators, and any material breaches arising from market movements are reported immediately to the Administrators.

The cash is managed by a team of treasury professionals which meets with the Administrators on a regular basis.

Policy for interest-bearing accounts and short-term deposits/notice accounts

Permitted banks must meet 4 key criteria:

- be headquartered in a sovereign state where the average long-term ratings from S&P, Moody's and Fitch are in the top 4 available tiers (AAA to AA-);
- be headquartered in a sovereign state within the top 3 tiers of the S&P banking industry country risk assessment;
- have a blended average long-term rating from S&P, Moody's and Fitch within the top 4 available tiers (AA to A); and
- be a Prudential Regulation Authority or European Banking Authority approved counterparty.

The counterparties are ranked in 3 tiers (1-3) based on their risk score (1 being least risky) which is calculated by assessing their 5-year credit default swap prices, bond yields, equity volatility, capital buffers and financial ratios. To ensure diversification, counterparty limits and durations are based on the tier to which they belong:

- 20% of funds under management with any single tier 1 bank and a maximum duration of 3 months;
- 20% of funds under management with any single tier 2 bank and a maximum duration of 2 months; and
- 15% of funds under management with any single tier 3 bank and a maximum duration of 1 month.

During the period, the Administrators effected a temporary broadening of limits (from 15% to 20%) and durations (from 1 to 2 months) in order to ensure accessibility of funds for the Surplus Scheme distributions. This has now ceased, and the Administrators have reverted to standard policy.

Policy for bond portfolio

Eligible investments for the bond portfolios are short-dated UK government debt issued by the UK, supranational debt and quasi-government debt securities benefiting from an explicit, unconditional and irrevocable guarantee from the sovereign government.

The bond portfolio is managed on a day-to-day basis by an independent fund manager.

Post-Administration Client Money receipts and payments: 6 months to 14 September 2018

		Period - 6 months to 14 Sept 2018 €m
Post-Administration Client Money		
Notes		
Total third-party balances at 14 March 2018		10
Receipts	1	1
Payments		-
Net movement in the period		-
Total third-party balances at 14 Sept 2018[∞]	2	11

[∞] Relating to clients subject to debt recovery litigation in Germany.

Notes

1. Receipts

Derived income on securities received directly into the post-Administration Client Money account.

2. Investment profile

Total balances

Post-Administration Client Money	€m
Interest-bearing accounts	11
Total	11

Cash management and investment policies for client funds

The Client Money cash management policy for interest-bearing accounts is based on that used for the House Estate, modified to comply with the additional Client Money regulatory requirements. Client Money is not eligible for investment in government bonds and can be placed on money market deposits for a maximum duration of 30 days.

**Pre-Administration Client Money receipts and payments:
cumulative and 6 months to 14 September 2018**

Pre-Administration Client Money	Notes	Cumulative - 15 September 2008 to 14 March 2018 (GBP equivalent) £m	Period - 6 months to 14 Sept 2018 (GBP equivalent) £m	Cumulative - 15 September 2008 to 14 Sept 2018 (GBP equivalent) £m
Receipts				
Client Money pool recoveries	1	1,437	3	1,440
Funds received for the House		51	-	51
Interest		16	3	19
Total receipts for the period		1,504	6	1,510
Payments				
Client Money interim distribution	2	(400)	(575)	(975)
Funds paid to the House		(51)	-	(51)
Legal costs		(6)	-	(6)
Total payments for the period		(457)	(575)	(1,032)
Net movement in the period		1,047	(569)	478
Foreign exchange translation differences [^]		81	12	93
Total balances – GBP £m	3	1,128[~]	(557)	571[#]

[^] The cumulative translation differences principally arise from translating other currencies into GBP for reporting purposes.

[~] Balances held in currencies other than GBP at 14 March 2018 were c.£195m.

[#] Balances held in currencies other than GBP at 14 September 2018 were c.£19m.

Notes

1. Client Money pool recoveries

Receipts in the period comprised of the fifteenth distribution from LBHI in respect of LBIE's guarantee.

2. Client Money interim distribution

Payments in the period comprise c.£575m Client Money distributions to claimants including c.£574m to House in respect of claims assigned by counterparties to Laurifer.

3. Investment profile

Total balances

Pre-Administration Client Money	GBP equivalent £m
Short-term deposits [^]	570
Interest-bearing accounts	1
Total	571

[^] Average rate of return for 6 months ending 14 September 2018 of 0.39% for sterling deposits and 1.82% for US dollar deposits.

Appendix B:

Administrators' remuneration

Analysis of Administrators' remuneration by grade and work activity

The basis of Administrators' remuneration approved by the Committee is by reference to the time properly given by the Administrators or their staff in attending to matters arising in the Administration. The table below provides an analysis of the Administrators' total hours incurred and the associated cost by staff grade and work activity for the previous time reporting period (to 31 December 2017) and the current period (to 30 June 2018).

	Prior actual 1 July 2017 to 31 December 2017		Current actual 1 January 2018 to 30 June 2018	
	Hours	£'000	Hours	£'000
By grade				
Partner	1,433	1,365	1,561	1,438
Director	2,623	1,916	1,477	1,121
Senior Manager	4,889	2,591	2,888	1,563
Manager	3,999	1,684	4,345	1,733
Senior Associate	3,240	983	2,740	934
Associate	1,907	362	3,240	616
Total	18,091	8,901	16,251	7,405
Average hourly rate		£492		£456
By work activity				
Resolution of the LBIE 100p estate	496	351	16	11
Surplus	4,424	2,789	3,103	1,917
Finance and reporting	2,892	1,415	2,277	1,113
Infrastructure [‡]	10,279	4,346	10,855	4,364
Total	18,091	8,901	16,251	7,405

[‡] Infrastructure includes specialist PwC resource relating to information technology, forensics, tax, pensions and certain other back office functions

Administrators' remuneration approval

Details of the statutory framework for the approval of the Administrators' remuneration, the role of the Adviser to the Committee and the level and detail of disclosure provided by the Administrators are set out in our earlier reports.

Total time costs incurred in the Reporting period are c.£7m, which includes time costs incurred from 1 July 2018 to 14 September 2018, not reported in detail above, of c.£2.6m. A full analysis of these costs will be included as part of the 6-month period to 31 December 2018 in the next progress report.

Cumulative time costs accrued to 30 June 2018 are c.£1,008m. Total Administrators' remuneration and disbursements paid to 14 September 2018 are c.£1,044m.

In the Reporting period we have continued to provide the Committee and its Adviser with detailed information relating to our remuneration and Category 2 disbursements, in accordance with SIP 9.

The Committee has been dissolved and, in accordance with the terms of the Surplus Scheme, from 1 August 2018 the Administrators' remuneration will be authorised by the Operating Committee.

Creditors' rights

Creditors have the right to ask for more information about remuneration or expenses within 21 days of receiving this report as set out in Rule 18.9 of the Insolvency Rules. Any request must be in writing. Creditors can also challenge remuneration and expenses within 8 weeks of receiving this report as set out in Rule 18.34 of the Insolvency Rules.

An explanatory note on the rights of creditors in relation to an administrator's remuneration and expenses and how to request further information can be found online at:

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

This guide is for appointments on or after 1 November 2011 and whilst not all of the provisions apply to the LBIE Administration (which commenced on 15 September 2008) it is the most appropriate guide currently available following the changes made by the Insolvency (England and Wales) Rules 2016.

You can also get a copy free of charge by telephoning Lucy Caveney on 0113 289 4559.

Approvals by the Committee

The Committee reviewed and approved time costs for the year to 31 December 2017 and the 7 months ended 31 July 2018, including the deferred element relating to 2017 and the 7 months ended 31 July 2018.

During the Reporting period, the Committee was provided with Category 2 disbursements information relating to the 6-month period to 30 June 2018, amounting to £96,493.

In addition, Category 1 disbursements of £109,427 were incurred in the 6-month period to 30 June 2018 and paid in the Reporting period.

In total, £90,271 of Category 1 disbursements and £124,505 of Category 2 disbursements were incurred in the 6-month Reporting period.

Appendix C:

Statutory and other information

Court details for the Administration:	High Court of Justice, Business and Property Courts of England and Wales Insolvency & Companies List (ChD). Court case number 7942 of 2008
Full name:	Lehman Brothers International (Europe)
Trading name:	Lehman Brothers International (Europe)
Registered number:	02538254
Registered address:	Level 23, 25 Canada Square, London E14 5LQ
Contact address:	Lehman Brothers International (Europe) – in Administration, Level 23, 25 Canada Square, London E14 5LQ
Contact telephone / email:	+44 (0)20 3036 2000 / generalqueries@lbia-eu.com
Date of the Administration appointment:	15 September 2008
Administrators' names and addresses:	R Downs (appointed 2 November 2011), JG Parr (appointed 22 March 2013), EJ Macnamara and GE Bruce (both appointed 16 July 2018) of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT. MJA Jervis and DY Schwarzmunn ceased to act on 2 November 2011. DA Howell ceased to act on 22 March 2013. PD Copley ceased to act on 24 June 2016. AV Lomas and SA Pearson ceased to act on 16 July 2018
Appointor's name and address:	High Court of Justice, Chancery Division, Companies Court on the application of LBIE's directors
Objective being pursued by the Administrators:	Achieving a better result for LBIE's creditors as a whole than would be likely if LBIE were wound up (without first being in Administration)
Aims of the Administration:	Recover and/or realise all House assets, including cash, securities and in-the-money financial contracts, on a managed basis Admit unsecured creditors' claims and make distributions to creditors including any Surplus Recover Client Assets and Client Money, assess the claims to such property and return all such property to its rightful owners on a systematic basis
Division of the Administrators' responsibilities:	In relation to paragraph 100(2) of Schedule B1 to the Insolvency Act, 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 Administrators may be done by any one or more of the persons for the time being holding that office
Details of any extensions for the initial period of appointment:	The UK High Court on 4 November 2016 granted a further extension of the Administration to 30 November 2022
Proposed end of the Administration:	The Administrators have yet to determine the most appropriate exit
Estimated dividend for unsecured creditors:	Interim dividends paid to date at a cumulative rate of 100p/£1
Estimated values of the prescribed part and LBIE's net property:	The prescribed part is not considered to be relevant as all Senior admitted creditors have been paid or reserved for at a rate of 100p/£1
Whether and why the Administrators intend to apply to court under Section 176A(5) of the Insolvency Act:	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 not apply to this Administration as LBIE is an investment undertaking
Creditors' Committee members:	Lehman Brothers Holdings Inc. Ramus LLC Lehman Brothers Commercial Corporation Asia Limited
Operating Committee members:	Lehman Brothers Holdings Inc. LB Holdings Intermediate 2 Limited Elliot Management Corporation King Street Capital Management L.P.

Appendix D:

Glossary of terms

Abbreviation	Term	Definition
Administration	Administration	UK corporate insolvency process governed by the Insolvency Act 1986 applicable to LBIE following the granting of an administration order dated 15 September 2008
Administrators	Joint Administrators	R Downs (appointed 2 November 2011), JG Parr (appointed 22 March 2013), EJ Macnamara and GE Bruce (both appointed 16 July 2018) of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales
Adviser	Adviser	An adviser retained to assist the Committee in considering the Administrators' remuneration requests
Affiliate	Affiliate entities	Various subsidiaries and affiliates of Lehman Brothers Holdings Inc.
AGR	AG Financial Products Inc.	A US-based affiliate of Assured Guaranty Corp. which provided credit protection to counterparties under credit default swaps
BarCap	Barclays Capital Inc.	Investment banking business of Barclays Bank PLC
Category 1 disbursements	Administrators' Category 1 disbursements	Costs that are directly referable to the Administration supplied by and paid to external third parties
Category 2 disbursements	Administrators' Category 2 disbursements	Costs that are directly referable to the Administration but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the Administration on a proper and reasonable basis
Client Assets	Client Assets	Client securities which LBIE should have held as at 15 September 2008
Client Money	Client Money	Client cash balances held by LBIE as at 15 September 2008 or received thereafter by LBIE and which are, in each case, subject to the UK Financial Conduct Authority's client money rules and/or applicable client money distribution rules
CME	Client Money Entitlement	The entitlement to receive a distribution from the pre-Administration Client Money pool
Committee	Creditors' Committee	Creditors voted to represent the general body of creditors of LBIE to assist the Administrators in discharging their functions set out in the Insolvency Act
Higher Rate Claim	Higher Rate Claim	A Senior claim which is derived from one of the limited types of contract that may provide for a contractual right to interest at a rate higher than 8% simple but where such rate is not specified
HMRC	HM Revenue & Customs	Organisation of the UK government primarily responsible for the collection of taxes
House Estate/House	House Estate	Dealings that relate to LBIE's general unsecured estate
Insolvency Act	Insolvency Act 1986	Statutory legislation that provides the legal platform for matters relating to personal and corporate insolvency in the UK
Insolvency Rules	Insolvency (England and Wales) Rules 2016	Statutory rules that provide the legal platform for matters relating to personal and corporate insolvency in England and Wales
IRS	Internal Revenue Service	The USA national tax collection agency
LBHI	Lehman Brothers Holdings Inc.	Ultimate parent of the Lehman group, incorporated in the USA and formerly subject to Chapter 11 bankruptcy protection from 15 September 2008. LBHI's plan of reorganisation became effective on 6 March 2012
LBHI2	LB Holdings Intermediate 2 Limited	Affiliate entity subject to insolvency proceedings in the UK
LBIE	Lehman Brothers International (Europe) – In Administration	Private unlimited UK subsidiary of LBHI, acting as its main European broker dealer, subject to an administration order dated 15 September 2008
LBSF	Lehman Brothers Special Financing Inc.	Affiliate entity subject to insolvency proceedings in the USA
MCF	Mable Commercial Funding Limited	Affiliate entity subject to insolvency proceedings in the UK
Operating Committee	Operating Committee	A committee constituted pursuant to the terms of the Surplus Scheme to assist the Administrators and authorise their remuneration in place of the former Committee
Post-Administration Interest	Post-Administration Interest	Statutory interest payable pursuant to Rule 14.23(7) of the Insolvency Rules

Abbreviation	Term	Definition
Priority claims	Priority Claims	These are claims which could crystallise in certain circumstances and would rank for payment in priority to Senior claims
Proof of Debt/POD	Proof of Debt or Statement of Claim	A formal document prescribed by the Insolvency Rules submitted to the Administrators by a creditor wishing to prove their claim. The form is made in writing or electronically under the responsibility of a creditor and signed by an authorised person
Reporting period	Reporting period	15 March 2018 to 14 September 2018, the period covered by this report
Scheme of Arrangement	Scheme of Arrangement	Statutory procedure under Part 26 of the Companies Act 2006 for a court-approved agreement between a company and its creditors
Senior	Senior unsecured creditor	Unsecured, non-preferential, non-Shareholder, not subordinated creditor
SIP 9	Statement of Insolvency Practice 9	Rules issued by the Joint Insolvency Committee which provide guidance to insolvency practitioners and creditors' committees in relation to the remuneration of Administrators
Subordinated Creditor	Subordinated Creditor	Wentworth Sons Sub-Debt S.a.r.l
Subordinated Debt	Subordinated Debt	The subordinated liabilities arising pursuant to 3 intercompany loan agreements entered into between LBIE and LBHI2, each dated 1 November 2006, and which have been assigned by LBHI2 to the Subordinated Creditor
Surplus	Surplus	Assets remaining after the payment in full of Senior creditor claims and Shareholder claims but before Post-Administration Interest, non-provable claims, and the Subordinated Debt
Surplus Scheme	Surplus Scheme of Arrangement	A Scheme of Arrangement, pursuant to the UK Companies Act 2006, sanctioned by the UK High Court and which became effective on 20 June 2018, relating to the distribution of the Surplus
Trust Estate	Trust Estate	Client Assets and Client Money
UCC	UCC	Unsecured claim certificate
UK Appeal Court	Court of Appeal of England and Wales	The second most senior court in the English legal system for civil cases. Permission to appeal is required, either from the lower court or the Court of Appeal itself
UK High Court	High Court of England and Wales	Court of England and Wales which deals with all high value and high importance cases, and also has a supervisory jurisdiction over all subordinate courts
UK Supreme Court	Supreme Court of the United Kingdom	Court of last resort and highest appellate court in the United Kingdom for civil cases
VAT	Value Added Tax	A consumption tax levied on the sale of goods and services in the UK
Waterfall	Waterfall	Waterfall I, II, III and IV legal proceedings
Wentworth	Wentworth Joint Venture	A joint venture between Elliott Management Corporation, King Street Capital Management L.P., LBHI and LBHI2

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