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# ***Lehman Brothers International (Europe) – In Administration***

Joint Administrators' twenty-first  
progress report, for the period from  
15 September 2018 to 14 March 2019

10 April 2019

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

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## *Important notice*

### **Status of Administration**

A distribution of Post-Administration Interest has been effected under the Surplus Scheme, which means that the vast majority of non-subordinated unsecured creditors have now received their full entitlements from the Administration.

### **Reliance on data**

**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. Capitalised terms not defined shall have the meaning given to them in the Surplus Scheme documents.

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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 twenty-first such formal update to unsecured creditors and it provides details of progress made in the 6-month period from 15 September 2018 to 14 March 2019. The statutory receipts and payments accounts for the same period are attached at Appendix A.

Wherever possible in this report we have sought not to duplicate information disclosed in previous updates and reports. Copies of previous progress reports, the Surplus Scheme documents and other important announcements can be found at [www.pwc.co.uk/lehman](http://www.pwc.co.uk/lehman).

### **Scheme of Arrangement**

The Surplus Scheme became effective on 20 June 2018. A summary of the Surplus Scheme progress and distributions made can be found in Section 2 of 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 Surplus Scheme has continued throughout the Reporting period allowing 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 to distribute remaining Surplus entitlements prior to the Surplus Scheme end date of 20 June 2019;

To conclude the claims of certifying creditors; and

To maintain appropriate investment policies for LBIE's remaining 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 return remaining client securities after resolution of related House debtor litigation.

#### **LBIE costs**

To efficiently manage ongoing Administration costs.

### **Operating Committee and governance arrangements**

During the Reporting period we have had regular meetings with Operating Committee delegates to review progress, consult on major issues and approve the Administrators' fees and expenses.

The members of the Operating Committee, during the Reporting period, are set out in Appendix C.

### **Change of Administrators**

In the Reporting period, Guy Parr retired from PwC and his notice of intention to resign was served on 1 March 2019. An application was made to the UK High Court on 8 March 2019 and at a court hearing on 20 March 2019 his resignation was accepted with effect from 8 March 2019. The judgment and court order will be made available on the LBIE website when available. In accordance with the court order, Guy Parr will be discharged from any liability (save for pre-notified claims, if any) as an Administrator with effect from 7 May 2019.

Mr Parr has made a significant contribution to the success of the Administration over many years, particularly concerning the conduct of the Client Money estate and in recent years scaling down LBIE's day to day operations.

### **This report and future updates**

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

### **Update on progress of the Surplus Scheme**

During this Reporting period the Administrators have made further Surplus distributions of full Statutory Interest entitlements ("SI") of c.£17m to the remaining Scheme Creditors entitled to 8% simple interest.

Distributions were generally made net of withholding tax. Withholding tax payments to HMRC of c.£972m and c.£0.1m were made on 27 September 2018 and 11 January 2019, respectively.

The Scheme documentation provides that any Scheme Creditor entitled to a SI distribution of less than £1m who does not provide LBIE with Settlement Instructions and KYC information to LBIE's satisfaction (or confirm such information) by 20 June 2019, will be deemed to have irrevocably waived its right to receive any Scheme distribution. Any Scheme Creditors to which this applies should ensure they provide the relevant information by this date.

In accordance with the Scheme, the Administrators will seek directions from the High Court to determine how to deal with unpaid Scheme Creditors entitled to a distribution over £1m.

As a result of the further progress made during the Reporting period, the Administrators have also made significant payments to the Subordinated Creditor in respect of the Subordinated Debt and associated SI, of:

- £408m on 18 December 2018;
- £130m on 16 January 2019; and
- £80m on 13 February 2019.

This brings total distributions to date to the Subordinated Creditor in respect of the Subordinated Debt and associated SI to c.£1,892m.

### **Certifications**

The Scheme included a process to handle claims from Scheme Creditors for interest in excess of 8% simple interest. In cases where the certification was not agreed, a Dispute Resolution Procedure was used to make a final decision as to whether the claimants' certification or LBIE's response to it should be upheld.

Altogether 12 certifications were received prior to the Certifications Deadline from six parties. The outcomes are as follows:

- The claims of two parties (covering four separate certifications) were agreed without the need for the Dispute Resolution Procedure.
- The claims of the remaining four parties (eight certifications) did proceed under the Dispute Resolution Procedure and in each case the Adjudicator dismissed the certifying creditor's case and upheld LBIE's.

Given the timing of receipt of the Adjudicator's decisions, payment of certain SI remains outstanding but will be made in line with the Scheme.

### **Withholding tax proceedings**

On 12 February 2019, LBIE's appeal on the withholding tax litigation was heard in the UK Supreme Court.

The Supreme Court has unanimously held that statutory interest payable under the Insolvency Rules constitutes "yearly interest" for the purposes of UK withholding tax if there is more than a year between the commencement of the insolvency and the payment of proved debts.

### **Other progress and remaining issues**

#### **German tax investigation**

Throughout the Reporting period the Administrators have continued to work with their legal advisors and other experts to understand the ability of the German Public Prosecutor ("GPP") to successfully make a claim into the LBIE estate. The Administrators and the GPP are in discussions about a suitable value to be attributed to this claim. Should it not be possible to reach agreement the Administrators may need to initiate litigation proceedings.

#### **Lehman Brothers Nominees Limited – in Members' Voluntary Liquidation ("LBNL")**

During the Reporting period, the Administrators took steps to commence the winding up of LBNL. There are continuing discussions with HMRC which may have a bearing on how long the liquidation process takes and its impact on LBIE.

#### **Outstanding claims**

During the Reporting period, the Administrators have continued to assess outstanding claims, resulting in rejection of two Proofs of Debt. No challenges were received during the 21 day statutory challenge period and as a result, these Proofs of Debt are now rejected.

Discussions continue with certain other creditors on the validity of their Proofs of Debt.

## **MCF**

Progress has also been made in respect of LBIE's interest in MCF, with LBIE receiving distributions of c.£15m in the Reporting period.

## **AGR litigation**

As previously reported, the Supreme Court of New York handed down its decision on 2 July 2018 largely denying AGR's motion for summary judgment. AGR appealed this decision and an oral hearing took place on 11 December 2018. On 17 January 2019 the Appellate Division unanimously affirmed the Supreme Court's decision.

The Administrators are now working with their legal advisors, to agree witness and exhibit lists prior to a hearing expected later this year.

## **Foreign currency**

Creditors should note that some reserves and potential recoveries are denominated in a foreign currency.

## ***LBIE Trust Estate***

### **Client Assets**

LBIE still holds client securities (c.€58m combined value) relating to certain third parties that are also debtors of LBIE, pending conclusion of ongoing litigation.

### **Client Money**

The Administrators submitted an application to court to seek directions on the treatment of the remaining CME claimants and to effect a recovery of the remaining funds held in the Client Money estate to House. The application was heard on 30 October 2018 and the court order was sealed the same day ratifying the Administrators' plan to calculate final payments as at the bar date and transfer remaining assets to House.

The court order also enabled the Administrators to impose a bar date of 13 December 2018, which was communicated to c.1,500 clients. 14 previously unresponsive clients provided settlement instructions following this communication. Two new CME claims were submitted by the bar date, one of which has been withdrawn and one is currently being investigated (claim value c.\$0.5m).

Guidance from the FCA was received and reviewed on how to deal with amounts due to unresponsive clients, such that all amounts over \$25 were paid to the Insolvency Service (c.£2m) and small balances were transferred to House.

A final distribution was made to CME claimants who had confirmed their SSI details in the week commencing 14 January 2019. This distribution was made up of any remaining Client Money owed to an existing claimant.

Of the 117 existing CME claimants:

- 26 were paid their final distribution;
- 64 did not provide the required details by the bar date and their Client Money entitlements were paid to the Insolvency Service Accounts; and one remains due to be paid;
- seven paid to House;
- payment was made to the appropriate governing jurisdiction in respect of 18 dissolved companies; and
- one continues to be evaluated.

Upon resolution of the one new CME claim being investigated, any remaining surplus funds will be transferred to the House Estate, following which an application will be made to the FCA to close the Client Money estate.

In the Reporting period, c.£68m in respect of remaining claims was distributed to Laurifer and c.£503m surplus funds were distributed to the House Estate. Pending the resolution of a potential c.€0.5m withholding tax reclaim on distributions received from LB Bankhaus, Laurifer will no longer be required and will be dissolved.

## ***Outstanding matters and exit from Administration***

The agreement of the 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 statutory interest;
- Dealing with the outcome of the final certifications;
- Finalisation of the Client Money estate;
- Following release of remaining Client Assets an application will be made to the FCA to cancel its Client Assets Authorisation;
- Reviewing and developing appropriate strategies to deal with the run off of the Priority claims that remain;
- The ongoing consultation with the Subordinated Creditor under the governance agreement and making distributions 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.



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# ***Appendices***

# Appendix A:

## Receipts and payments: cumulative and 6 months to 14 March 2019

### House Estate receipts and payments: cumulative and 6 months to 14 March 2019

House Estate	Notes	Cumulative - 15 September 2008 to 14 Sep 2018 (GBP equivalent) £m	Period - 6 months to 14 Mar 2019 (GBP equivalent) £m	Cumulative - 15 September 2008 to 14 Mar 2019 (GBP equivalent) £m
<b>Receipts</b>				
Counterparties	1	12,675	23	12,698
Client Money distribution	2	574	571	1,145
Other receipts	3	13,549	20	13,569
<b>Total receipts for the period</b>		<b>26,798</b>	<b>614</b>	<b>27,412</b>
<b>Payments</b>				
Dividends and Post-Administration Interest paid	4	(17,936)	(1,607)	(19,543)
Administrators' remuneration and disbursements	5	(1,044)	(5)	(1,049)
Payroll and employee costs	6	(652)	(3)	(655)
Legal and professional costs	7	(429)	(13)	*(443)
Other payments	8	(4,742)	9	(4,733)
<b>Total payments for the period</b>		<b>(24,803)</b>	<b>(1,619)</b>	<b>(26,423)</b>
<b>Net movement in the period</b>		<b>1,995</b>	<b>(1,005)</b>	<b>*989</b>
Foreign exchange translation differences		(133)	-	(133)
<b>Total House Estate</b>	<b>9</b>	<b>~1,862</b>	<b>#1,005</b>	<b>*#856</b>

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

~ Balances held in foreign currencies at 14 September 2018 were c.\$6m and various other currencies c.£17m (GBP equivalent).

# Balances held in foreign currencies at 14 March 2019 were c.\$25m.

### Statement of expenses incurred in the 6 months to 14 March 2019

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

Expenses	Incurred in 6 months to 14 Mar 2019 £m
Administrators' remuneration and disbursements	(7)
Payroll and employee costs	(2)
Legal and professional costs	(12)
Other payments	(5)
Provisions released in the period	8
<b>Total</b>	<b>(18)</b>

## 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.£15m of distributions from MCF;
- c.£5m of distributions from LBSF; and
- c.£2m of recoveries from LBNL.

#### 2. Client Money distribution

- c.£571m distribution from the CME for the benefit of the House Estate (including c.£68m through Laurifer).

#### 3. Other receipts

Other receipts principally comprise:

- c.£6m tax refund from the French tax authorities;
- c.£5m VAT repayments received from HMRC;
- c.£5m of bank and bond interest received;
- c.£2m in respect of tax losses surrendered to other Lehman entities; and
- c.£2m realisations from House securities and various asset services income.

#### 4. Dividends and Post-Administration Interest Paid

Unsecured distributions of c.£1,607m have been paid in the period comprising:

- c.£972m withholding tax deducted from SI distributions and paid to HMRC;
- c.£618m payments to the holder of Subordinated Debt; and
- c.£17m Post-Administration Interest paid through the Surplus Scheme;

#### 5. Administrators' remuneration and disbursements

Payment deferral terms (as agreed with the Operating 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 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 realisations.

#### 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.£15m) loan repayment received from LBNL in respect of the LBIE claims auctions, small deeds offers and LBNL employee purchase offers;
- c.£4m of VAT paid on invoices; and
- c.£2m of occupancy and infrastructure costs.

#### 9. Investment profile

##### Current investment strategy

For immediate liquidity requirements, LBIE invests in short-term money market deposits. During the Reporting period investments had also been held in UK government bonds, however all current and future investments are now held on money market deposits.

##### Total balances

House Estate	GBP equivalent £m
Short-term deposits #	851
Interest-bearing accounts	5
<b>Total</b>	<b>856</b>

# Average rate of return for 6 months ending 14 March 2019 of 0.63% for sterling deposits and 2.47% for US 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.

#### **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 value of the bond portfolio vastly reduced due to the Surplus distribution paid last year. Following that, a cost benefit analysis was completed where it was found to be more cost effective to place funds on money market deposit. As remaining funds matured, they were drawn down and placed on money market deposit. The final maturity was on the 6 December 2018, following which the agreement with the fund manager was terminated.

#### ***Post-Administration Client Money receipts and payments: 6 months to 14 March 2019***

		Period - 6 months to 14 March 2019 €m
<b>Post-Administration Client Money</b>	<b>Notes</b>	
<b>Total third party balances at 14 September 2018</b>	-	<b>11</b>
Receipts	-	-
Payments	-	-
<b>Net movement in the period</b>	-	-
<b>Total third party balances at 14 March 2019<sup>∞</sup></b>	<b>1</b>	<b>11</b>

<sup>∞</sup> Relating to clients subject to debt recovery litigation in Germany.

#### **1. Investment profile**

##### **Total balances**

<b>Post-Administration Client Money</b>	<b>€m</b>
Interest-bearing accounts	11
<b>Total</b>	<b>11</b>

#### ***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 March 2019**

Pre-Administration Client Money	Notes	Cumulative - 15 September 2008 to 14 Sept 2018 (GBP equivalent) £m	Period - 6 months to 14 Mar 2019 (GBP equivalent) £m	Cumulative - 15 September 2008 to 14 Mar 2019 (GBP equivalent) £m
<b>Receipts</b>				
Client Money pool recoveries	1	1,440	5	1,445
Funds received for the House		51	-	51
Interest		19	1	20
<b>Total receipts for the period</b>		<b>1,510</b>	<b>6</b>	<b>1,516</b>
<b>Payments</b>				
Client Money interim distribution	2	(975)	(576)	(1,551)
Funds paid to the House		(51)	-	(51)
Legal costs		(6)	-	(6)
<b>Total payments for the period</b>		<b>(1,032)</b>	<b>(576)</b>	<b>(1,608)</b>
<b>Net movement in the period</b>		<b>478</b>	<b>(570)</b>	<b>(92)</b>
Foreign exchange translation differences <sup>^</sup>			-	93
<b>Total balances</b>	<b>3</b>	<b>-571</b>	<b>(570)</b>	<b>-1</b>

<sup>^</sup> The cumulative translation differences principally arise from translating other currencies into GBP for reporting purposes.

<sup>~</sup> Balances held in currencies other than GBP at 14 September 2018 were c.£19m.

<sup>#</sup> Balances held in currencies other than GBP at 14 March 2019 were c.£1m.

**Notes**

**1. Client Money pool recoveries**

Receipts in the period relate to the sixteenth distribution from LBHI in respect of the guarantee held by LBIE.

**2. Client Money interim distribution**

Payments in the period represent c.£571m transferred to House (c.£503m surplus funds and c.£68m in respect of claims assigned by counterparties to Laurifer) and c.£5m final Client Money distributions.

**3. Investment profile**

**Total balances**

Pre-Administration Client Money	GBP equivalent £m
Interest-bearing accounts	1
<b>Total</b>	<b>1</b>

# Appendix B:

## Administrators' remuneration

### *Analysis of Administrators' remuneration by grade and work activity*

During the Reporting period, the Operating Committee has resolved to continue to fix the basis of the Administrators' remuneration 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 30 June 2018) and the current period (to 31 December 2018).

	Prior actual		Current actual	
	1 January 2018 to 30 June 2018		1 July 2018 to 31 December 2018	
	Hours	£'000	Hours	£'000
<b>By grade</b>				
Partner	1,561	1,438	1,033	985
Director	1,477	1,121	1,107	946
Senior Manager	2,888	1,563	3,225	1,799
Manager	4,345	1,733	3,468	1,606
Senior Associate	2,740	934	3,102	1,069
Associate	3,240	616	2,250	437
<b>Total</b>	<b>16,251</b>	<b>7,405</b>	<b>14,185</b>	<b>6,842</b>
<b>Average hourly rate</b>		<b>£456</b>		<b>£482</b>
<b>By work activity~</b>				
Resolution of residual matters	3,903	2,384	3,510	2,388
Taxation, finance, treasury and reporting	5,731	2,863	4,595	2,330
IT and Data	6,617	2,158	6,080	2,124
<b>Total</b>	<b>16,251</b>	<b>7,405</b>	<b>14,185</b>	<b>6,842</b>

~Reclassification of work activity has occurred during this Reporting period.



## ***Information about remuneration***

Details of the statutory framework for the approval of the Administrators' remuneration 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.£6.2m, which includes time costs incurred from 1 January 2019 to 14 March 2019, not reported in detail on page 13, of c.£2.4m. A full analysis of these costs will be included as part of the 6-month period to 30 June 2019 in the next progress report.

Cumulative time costs accrued to 31 December 2018 are c.£1,014m. As shown in Appendix A, the total Administrators' remuneration and disbursements paid to 14 March 2019 are c.£1,049m.

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

## ***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/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

This guide is for appointments on or after 1 October 2015, or where information is provided by the administrator about fees, expenses or other payments after 6 April 2017 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 Kate McNerlin on +44 (0) 7566 771007.

## ***Approvals by the Operating Committee***

During the Reporting period, Category 2 disbursements were paid for the 3-month period to 30 June 2018, amounting to £55,443.

In addition, Category 1 disbursements of £68,141 and Category 2 disbursements of £134,269 were incurred in the 6-month period to 31 December 2018.

In total, c.£61,342 of Category 1 disbursements and c.£144,030 of Category 2 disbursements were incurred in the 6-month Reporting period.

# Appendix C:

## Statutory and other information

<b>Court details for the Administration:</b>	High Court of Justice, Business and Property Courts of England and Wales Insolvency & Companies List (ChD) Court case number 7942 of 2008
<b>Full name:</b>	Lehman Brothers International (Europe)
<b>Trading name:</b>	Lehman Brothers International (Europe)
<b>Registered number:</b>	02538254
<b>Registered address:</b>	Level 23, 25 Canada Square, London E14 5LQ
<b>Contact address:</b>	Lehman Brothers International (Europe) – in Administration, Level 23, 25 Canada Square, London E14 5LQ
<b>Contact telephone / email:</b>	+44 (0)7566 771007 / Generalqueries@lb-ia-eu.com
<b>Date of the Administration appointment:</b>	15 September 2008
<b>Administrators' names and addresses:</b>	R Downs (appointed 2 November 2011), EJ Macnamara and GE Bruce (both appointed 16 July 2018) of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT MJA Jervis and DY Schwarzmann 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. JG Parr ceased to act on 8 March 2019
<b>Appointor's name and address:</b>	High Court of Justice, Chancery Division, Companies Court on the application of LBIE's directors
<b>Objective being pursued by the Administrators:</b>	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)
<b>Aims of the Administration:</b>	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
<b>Division of the Administrators' responsibilities:</b>	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
<b>Details of any extensions for the initial period of appointment:</b>	The UK High Court on 4 November 2016 granted a further extension of the Administration to 30 November 2022
<b>Proposed end of the Administration:</b>	The Administrators have yet to determine the most appropriate exit
<b>Estimated dividend for unsecured creditors:</b>	Interim dividends paid to date at a cumulative rate of 100p/£1
<b>Estimated values of the prescribed part and LBIE's net property:</b>	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
<b>Whether and why the Administrators intend to apply to court under Section 176A(5) of the Insolvency Act:</b>	Not applicable
<b>The European Regulation on Insolvency Proceedings (Council Regulation (EC) No. 1346/2000 of 29 May 2000):</b>	The European Regulation on Insolvency Proceedings does not apply to this Administration as LBIE is an investment undertaking
<b>Operating Committee members:</b>	Lehman Brothers Holdings Inc., LB Holdings Intermediate 2 Limited, Elliot Management Corporation and King Street Capital Management L.P.



# Appendix D:

## Glossary of terms

Abbreviation	Term	Definition
<b>Administration</b>	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
<b>Administrators</b>	Joint Administrators	R Downs was appointed as Joint Administrator of LBIE on 2 November 2011. JG Parr (appointed on 22 March 2013 and resigned as Administrator effective on 8 March 2019), EJ Macnamara and GE Bruce (both appointed on 16 July 2018). All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales
<b>Adjudicator</b>	Adjudicator	A person appointed as an adjudicator to determine an appeal in accordance with clause 23 of the Surplus Scheme document
<b>Affiliate</b>	Affiliate entities	Various subsidiaries and affiliates of Lehman Brothers Holdings Inc.
<b>AGR</b>	AG Financial Products Inc.	A US-based affiliate of Assured Guaranty Corp. which provided credit protection to counterparties under credit default swaps
<b>Category 1 disbursements</b>	Administrators' Category 1 disbursements	Costs that are directly referable to the Administration supplied by and paid to external third parties
<b>Category 2 disbursements</b>	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
<b>Certifications Deadline</b>	Certifications Deadline	The date by which a certifying creditor must provide a certification in respect of each Higher Rate Claim for which it has made a valid certification election. In accordance with the Surplus Scheme the Certification Deadline is the effective date, 20 June 2019
<b>Client Assets</b>	Client Assets	Client securities which LBIE should have held as at 15 September 2008
<b>Client Assets Authorisation</b>	Client Assets Authorisation	Under the Financial Services and Markets Act (FSMA) 2000, financial activities have to be regulated by the FCA. Any firm carrying out a regulated activity must be authorised or registered by FCA, unless they are exempt
<b>Client Money</b>	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
<b>CME</b>	Client Money Entitlement	The entitlement to receive a distribution from the pre-Administration Client Money pool
<b>Dispute Resolution Procedure</b>	Dispute Resolution Procedure	An out of court dispute procedure pursuant to which an independent adjudicator will determine the applicable contractual interest rate and SI payable in respect of Higher Rate Claims
<b>FCA</b>	FCA	The conduct regulator for financial services firms and financial markets in the UK
<b>Higher Rate Claim</b>	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
<b>HMRC</b>	HM Revenue & Customs	Organisation of the UK government primarily responsible for the collection of taxes
<b>House Estate/House</b>	House Estate	Dealings that relate to LBIE's general unsecured estate
<b>Insolvency Act</b>	Insolvency Act 1986	Statutory legislation that provides the legal platform for matters relating to personal and corporate insolvency in the UK
<b>Insolvency Rules</b>	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
<b>Insolvency Service</b>	Insolvency Service Account	Government body that deals with insolvencies in England and Wales. Any monies that are connected to a company insolvency in England and Wales must be passed through the bank account known as the Insolvency Services Account
<b>KYC</b>	KYC	Know Your Customer a legal requirement to comply with Anti-Money Laundering Laws
<b>Laurifer</b>	Laurifer Limited	Special purpose vehicle registered in Jersey set up for the purposes of the Trust Estate property return scheme
<b>LBHI</b>	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
<b>LBHI2</b>	LB Holdings Intermediate 2 Limited	Affiliate entity subject to insolvency proceedings in the UK

Abbreviation	Term	Definition
<b>LBIE</b>	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
<b>LBNL</b>	Lehman Brothers Nominees Limited - in MVL	Private limited UK subsidiary of LBIE in members' voluntary liquidation
<b>LBSF</b>	Lehman Brothers Special Financing Inc.	Affiliate entity subject to insolvency proceedings in the USA
<b>MCF</b>	Mable Commercial Funding Limited	Affiliate entity subject to insolvency proceedings in the UK
<b>Operating Committee</b>	Operating Committee	A committee constituted pursuant to the terms of the Surplus Scheme which has assumed the roles and responsibilities of the former Creditors' Committee
<b>Post-Administration Interest</b>	Post-Administration Interest	Statutory interest payable pursuant to Rule 14.23(7) of the Insolvency Rules
<b>Priority claims</b>	Priority claims	These are claims which could crystallise in certain circumstances and would rank for payment in priority to Senior claims
<b>Proofs of Debt</b>	Proof of Debt	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
<b>Reporting period</b>	Reporting period	15 September 2018 to 14 March 2019, the period covered by this report
<b>Scheme Creditors</b>	Scheme Creditors	Persons with provable claims against LBIE under the Scheme of Arrangement
<b>Scheme</b>	Scheme of Arrangement	Statutory procedure under Part 26 of the Companies Act 2006 for a court-approved agreement between a company and its creditors
<b>Senior</b>	Senior unsecured creditor	Unsecured, non-preferential, non-Shareholder, not subordinated creditor
<b>SIP 9</b>	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
<b>SSI</b>	Settlement Instructions	Standard Settlement Instructions
<b>Subordinated Creditor</b>	Subordinated Creditor	Wentworth Sons Sub-Debt S.a.r.l
<b>Subordinated Debt</b>	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
<b>Supreme Court of the State of New York</b>	Supreme Court of New York / Supreme Court	N.Y. State Supreme Court is the trial-level court for civil cases in the state of New York
<b>Supreme Court of New York - Appellate Division, First Department</b>	Appellate Division	The Appellate Divisions of the Supreme Court of the State of New York, the intermediate appellate court in New York State
<b>Surplus</b>	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
<b>Surplus Scheme</b>	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
<b>Trust Estate</b>	Trust Estate	Client Assets and Client Money
<b>UK High Court</b>	High Court	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
<b>UK Supreme Court</b>	Supreme Court	Court of last resort and highest appellate court in the United Kingdom for civil cases
<b>VAT</b>	Value Added Tax	A consumption tax levied on the sale of goods and services in the UK

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