

# Joint administrators' progress report from 15 September 2020 to 14 March 2021

**Lehman Brothers Holdings plc**  
(in administration)

**High Court of Justice, Chancery Division,  
Companies Court**  
Case no. 7943 of 2008

13 April 2021

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# Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report:

Abbreviation or definition	Meaning
<b>Company / LBH</b>	Lehman Brothers Holdings plc
<b>Administrators</b>	DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
<b>Firm</b>	PricewaterhouseCoopers LLP
<b>IR16</b>	Insolvency (England and Wales) Rules 2016
<b>IA86</b>	Insolvency Act 1986
<b>HMRC</b>	HM Revenue & Customs
<b>Reporting Period</b>	The period from 15 September 2020 to 14 March 2021

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/lbhi2-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: [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: Introduction

This report has been prepared by the Administrators of Lehman Brothers Holdings plc, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016.

This is the twenty-fifth progress report to the unsubordinated and subordinated, unsecured creditors of LBH and it provides details of the progress made in the Reporting Period. The statutory receipts and payments account for the Reporting Period is attached at Appendix A.

We have sought not to duplicate information disclosed to creditors in prior reports and updates, copies of which can be found at:

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

Creditors may also find it helpful to review the documents filed by Lehman Brothers International (Europe) (in administration) (“**LBIE**”), Lehman Brothers Limited (in administration) (“**LBL**”) and LB Holdings Intermediate 2 Limited (in administration) (“**LBHI2**”). These may be found respectively at:

<https://www.pwc.co.uk/services/business-restructuring/administrations/lehman.html>

and

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

and

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

## **Objective of the Administration**

The Administrators continue to pursue the statutory objective of achieving a better result for the Company’s creditors than would be likely in a winding up.

## **Issues determining the outcome for LBH’s creditors**

All unsubordinated, unsecured creditors have had their admitted claims paid in full, and have been paid £294.5m of their entitlements to post-administration statutory interest, which is approximately 37% of their total post-administration statutory interest entitlements. Further statutory interest totalling £499.5m will need to be paid before distributions to subordinated creditors may commence.

Claims have been received in respect of three types of subordinated debt: from Lehman Brothers Holdings Inc. (“**LBHI**”), from LB GP No.1 Limited (in liquidation) (“**LBGP**”), and from individual investors in partnerships (the “**Partnerships**”) managed by LBGP under guarantees. The claims from LBHI and LBGP total £1,690m before the application of any discounting of future sums due, or £1,227m after applying a discount on the LBGP claim, in line with the first instance judgment in the Priority Application. No payments towards subordinated debt have been made to date.

LBH’s ability to make further payments of statutory interest, and payments to subordinated creditors, is dependent on a number of material factors, the key ones being:

- the quantum of further payments to LBHI2 from LBIE, and the proportion of such payments retained by LBHI2 under the Wentworth Joint Venture (“**WW**”) sharing agreement;
- the outcome of the subordinated debt litigation (“**Priority Application**”) being pursued by LBH in the LBHI2 estate; and
- the duration, future costs and priority expenses (including tax), of the LBH, LBIE, LBHI2 and LBL administrations.

The Priority Application, as it relates to LBH, will also determine the basis upon which LBH’s subordinated creditors will share in any funds available at LBH for distribution to them.

Until recently, a further issue affecting the outcome for LBH’s creditors was the determination of the clawback litigation, which was being pursued by LBH against LBHI2 and LBL (amongst others) in the United States Bankruptcy Court Southern District of New York (“**NY Bankruptcy Court**”) (the “**Clawback Litigation**”). During the reporting period, the Clawback Litigation was settled.

In March 2021 a Webinar was held for individual investors in the Partnerships. Further comment is provided on the Webinar, and on the other issues mentioned above, in section 2.

### **Creditors’ committee**

The creditors’ committee (“**the Committee**”) is comprised of: LBHI, LBIE, LBL, LBGP, and Lehman Brothers Securities Asia Limited (in liquidation). We have met with the Committee on nine occasions, the most recent being on 16 December 2020.

### **Extension to the Term of Office**

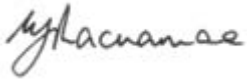
The Administration was due to expire on 30 November 2020. Following an application to Court, an Order was made by the Court extending the Administrators’ term of office to 30 November 2022. This will enable the Administrators to continue to realise the Company’s assets and make further distributions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

### **Next steps and future reports**

The Administrators' next formal progress report to creditors will be in six months' time.

In the interim, we will provide ad hoc updates in the event of any material developments, through the LBH website or by other means as appropriate.

Signed:

A handwritten signature in cursive script, appearing to read 'E Macnamara'.

E Macnamara  
Joint Administrator  
Lehman Brothers Holdings plc

# Section 2: Progress during the reporting period

## Key value drivers

### LBIE and LBHI2

As mentioned above, the final outcome in the LBIE estate has a key impact on the outcome for LBH's creditors through LBH's interests in LBHI2 (after LBHI2's sharing arrangements with WW have been taken into account).

The first instance ruling of the Priority Application renders LBH as LBHI2's priority, subordinated creditor, benefitting in priority to the other, remaining subordinated creditor of LBHI2. Since our previous progress report, LBHI2 has received further equity distributions from LBIE, in respect of which it has retained £107.5m under the WW sharing arrangements. To date, LBHI2 has received from LBIE equity distributions totalling £244.0m, of which it has retained £122.0m under the WW sharing arrangements.

### Clawback Litigation

As previously reported, LBH has significant interests in a number of entities, including LBHI2, as described above, MBAM Investor Limited ("**MBAM**") and LBL, each of which had been in receipt of guarantee payments from LBHI. In April 2019 LBHI issued proceedings for the recovery of those guarantee payments and a motion for summary judgment was scheduled to be heard in January 2021. During that month, the scheduled hearing having been postponed, a settlement of the Clawback Proceedings was agreed between the parties, following which the Clawback Proceedings were dismissed.

Further information concerning the settlement of Clawback Litigation can be found in LBHI2's 24th Progress Report, here:

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

### The Priority Application

LBH is directly involved in the Priority Application, which materially affects the potential range of recoveries for its creditors. As previously reported, following a High Court trial in November 2019, Mr Justice Marcus Smith handed down his first instance judgment in the Priority Application on 3 July 2020. At a subsequent Consequential Hearing on 24 July 2020, an Order was made permitting appeals in relation to certain aspects of the 3 July 2020 judgment, while refusing permission to appeal in relation to certain other findings.

Following a subsequent application by Lehman Brothers Holdings Scottish LP3 ("**SLP3**"), and by an Order dated 14 December 2020, the Court of Appeal granted SLP3 permission to appeal the Judge's conclusion in the 3 July 2020 judgment that there was no basis for rectification of the terms of the LBHI2 Sub-Notes.

A high-level summary of the outcome of those hearings and copies of the orders, as well as details of the High Court's findings in respect of the subordinated debt claims against LBH, are available on the Company's website at:

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

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 the appeal in the week commencing 4 October 2021.

Creditors may recall that the Administrators had been investigating whether LBHI2 is indebted to the Company for an additional, subordinated amount of c.US\$961m, over and above the Company's current claim of c.US\$2.225bn. Following further investigation, the results of which were discussed with SLP3, LBHI2 has confirmed that the Company is in a position to increase its existing subordinated debt claim by a further US\$961m. In the event the current judgment in the Priority Application is overturned by the Court of Appeal, the Company will submit a Proof of Debt for the increased amount.

### **Third Inter-Affiliate Settlement Deed**

As mentioned above, since our previous progress report LBHI2 has received significant further distributions from LBIE. Following LBHI2's receipt of those funds, and the settlement of the Clawback Proceedings, in February 2021 LBH, together with certain other Lehman UK Affiliates including LBHI2, entered into the Third Inter-Affiliate Settlement Deed ("**Third IASD**"), to accelerate further distributions to creditors.

Under the terms of the Third IASD, LBHI2 distributed to LBH a further £132.4m on account of its subordinated claim. This payment was possible, despite the continuing uncertainty about the ranking of the subordinated claims until the Priority Application is finally resolved, because SLP3 agreed to waive any entitlement to a share in this distribution, whilst preserving any rights it may have to receive a catch up dividend at a later stage, to the extent that LBHI2 has future sufficient funds.

Also under the terms of the Third IASD, the Company received from LBL £68.1m in part payment of the Company's entitlement to post-administration statutory interest. This relates to a claim that was assigned in 2019 to LBH by Lehman Brothers Europe Limited (now dissolved), the principal element of the claim having previously been paid in full. Under the Third IASD the Company also received a dividend of £16.0m from MBAM as its sole parent.

### **Creditors**

The Third IASD enabled the Company to make further payments in February 2021 of £267.3m towards the post-administration, statutory interest entitlements of its unsubordinated creditors, of which £11.5m was paid to HMRC in relation to UK withholding tax. The unsubordinated creditors have now been paid a total of £294.5m of their statutory interest entitlements, which is approximately 37% of their total post-administration statutory interest entitlements. Further statutory interest totalling £499.5m will need to be paid before any distributions to subordinated creditors may be made. No payments towards subordinated debt have been made to date.

### **Estimated Outcomes**

In light of LBHI2's receipt of further distributions from LBIE, and the recent settlement of the Clawback Litigation, and having re-evaluated the level of further funds that might be received by



LBHI2 from LBIE, we now believe it is reasonable to estimate that in the Base Case scenario, c.£208m (High Case of c.£428m) of further funds will be retained by LBHI2 from distributions by LBIE, and subsequently distributed by LBHI2 to LBH, net of costs and reserves, on the assumption that the first instance ruling of the Priority Application is not overturned.

Based on the above, and on certain other current projections and assumptions, the Administrators have prepared an assessment of the potential economic outcomes for LBH's creditors. This is available on the Company's website and an extract is provided at Section 3.

In summary, and on the assumption the current judgment in the Priority Application is upheld by the Court of Appeal, we continue to anticipate that:

- LBH will be able to pay all of its unsecured, unsubordinated creditors' statutory interest in full;
- LBH will be in a position to make payments to its subordinated creditors on a pari passu basis. Given the judgment with regard to the discounting of the Partnerships' claims, as things stand LBHI will be paid c.86% of funds available for distribution to LBH's subordinated creditors, with c.14% of such funds payable to the Partnerships collectively (to be apportioned on a pro rata basis); and
- There will be no distributions to individual investors in the Partnerships under any guarantee provided by the Company (the "ECAPS") or to the Company's shareholder.

We note many of LBIE's unresolved issues continue to be subject to litigation which of course creates uncertainty as to the final outcome and indeed as to the timing of receipt of any such recoveries. We continue to closely monitor developments.

## **Resolution facilitation efforts**

On 18 March 2021 the Administrators held a webinar for holders of the ECAPS in which those in attendance were provided with an update in relation to the status of the Priority Application, the Administrators' assessment of the potential economic outcomes for LBH's creditors, and the prospects of a mutually beneficial settlement between subordinated creditors in relation to the Priority Application. The presentation slides used for the webinar are now available on the Company's website.

The Administrators continue to promote and hold discussions with parties to explore the basis upon which a settlement of the Priority Application might be achieved. We will continue to hold discussions bilaterally with interested parties on a periodic basis in an attempt to expedite progress.

## **Other activities**

Following the Consequential Hearing, SLP3 was ordered to pay certain costs that the Company has incurred in relation to the Priority Application at first instance, and payment was received in December 2020.

During the Reporting Period, the Company received de minimis distributions from its claims in a number of other UK Lehman estates, including Lehman Brothers (PTG) Limited, Eldon Street Holdings Limited, Storm Funding Limited (all in Administration) and Thayer Properties Limited (in Liquidation), as well as from LBHI.

# Section 3: Financial position

For completeness we include here an extract of the estimated financial outcomes announcement that was recently published on the Company's website:

<b>Estimated outcome for LBH subordinated creditors</b>	<b>Base Case £m</b>	<b>High Case £m</b>
<b>Recoveries for subordinated creditors</b>	280	500
<b>Distributions to subordinated creditors*</b>		
LBHI subordinated claim	(86%) 241	430
LBH Sub-Notes claim (a conduit for the ECAP holders)	(14%) 39	70

\* No return shown for individual investors in the Partnerships under a guarantee provided by the Company which is subordinated to the LBHI subordinated claim and the LBH Sub-Notes claim

Distributions to LBH's subordinated creditors relate to (i) LBHI's subordinated debt claim of c.£1,059m and (ii) an LBH Sub-Notes claim (a conduit for the ECAP holders) of c.£631m which, in line with the first instance judgment in the Priority Application, has been discounted to c.£168m. Distributions are shown on a pari passu basis.

In these circumstances no recoveries should be expected by stakeholders whose interests are junior to the claims of LBHI and LBGP.

## Assumptions

The Administrators believe that these estimated outcomes are a fair representation, on the basis of certain assumptions and the information currently available to them as administrators, of the range of likely financial outcomes for LBH's stakeholders.

The assumptions supporting these estimated outcomes include (but are not limited to):

- the first instance judgment in the Priority Application stands and is not overturned on any appeal;
- the current remaining distributions from LBIE in the Base Case are now anticipated to be £400m, given a distribution of £100m preferential equity prior to the 2020 year-end versus the previous estimated outcomes published in October 2020;
- the £400m Base Case figure is inclusive of the £115m distribution made by LBIE to LBHI2 during January 2021, i.e. is reflected in LBHI2's future recoveries;
- we assume in the Base Case that £192m is not available to LBHI2 and the remaining £208m flows through LBHI2 to LBH in light of the current judgment;
- this estimate excludes any recoveries from certain of LBIE's pending material litigation;
- certain assumptions relating to expense liabilities (including in relation to tax) across the UK Lehman group;

- a recovery at the level indicated in the High Case is substantially predicated upon success in litigation that LBIE is party to. Such litigation has a very wide range of potential outcomes: including the possibility of loss and additional payment to the litigating counterparty not included in the £400m Base Case; and
- in order to achieve the High Case £500m outcome, there would need to be an additional £293m recovery at LBIE (post tax and reserves) in order to see an uplift in outcome by c.£220m for LBH's subordinated creditors (compared to the Base Case).

The Administrators make no comment about the likelihood of achieving such a High Case result at LBIE. In order to assist interested parties, given there is insufficient information available to predict an ultimate outcome at LBIE, it is reasonable to assume that for every additional pound beyond the current prediction of future cash to be generated by LBIE (i.e. of £400m in the Base Case scenario) c.75% will be available to LBHI2 and flow to the LBH subordinated creditors referenced above, assuming all the above assumptions continue to apply.

The Administrators of LBH have made their own assumptions based on the information available to them in that capacity.

# Section 4: Other matters

## **Tax**

The corporation tax returns for all periods up to and including 14 September 2019 have been submitted. The return for the year ended 14 September 2020 is currently being prepared.

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

## **Our receipts and payments account**

An account of the receipts and payments for the six months to 14 March 2021, together with a cumulative total since the beginning of the Administration, is in Appendix A.

## **Our 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.

We set out in Appendix B a statement of the expenses we have incurred during the Reporting Period and an estimate of our future expenses. The information in the expenses statement should be read together 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.

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 and of the other matters described in this report, 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. 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 currently due to come to an end. In order for the Administration to continue for another 30 months, it would accordingly be necessary for the Court to grant at least one further extension to the term of the Administration.

That timeframe could be shortened if the litigation is settled sooner. The eventual future time costs may be expected to be materially different from those provided in the estimate.

The Committee is responsible for approving the basis and amount of the Administrators' remuneration. The Committee has resolved that the Administrators' remuneration be fixed by reference to the time properly given by the Administrators and their staff in attending to matters arising in the Administration.

In accordance with SIP9, the following information has been provided in Appendix C:

1. an analysis of the Administrators' time costs for the period 1 September 2020 to 28 February 2021, including the cumulative total time costs from the date of the Administrators' appointment to 28 February 2021; and
2. a summary of the Administrators' time costs for the period, 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 Committee's approval, as at 14 March 2021, the Administrators have drawn remuneration of c.£13.5m plus VAT in respect of time costs incurred to 28 February 2021.

### **Disbursements**

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 approval to draw Category 1 disbursements. No Category 1 disbursements were incurred during the Reporting Period.

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.

Our specialist Forensics team undertook work in the Reporting Period as a result of the Company's direct interest in the Priority Applications. The Forensics team utilises IT software to review the Lehman archives in order to obtain and supply evidence for witness statements. These exercises were conducted by a combination of PwC and legal resources 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 £0.1m plus VAT was incurred in the Reporting Period. As Category 2 disbursements, the Administrators will be seeking Committee approval to draw these amounts due course.

The Administrators' disbursements policy allows for all properly incurred disbursements to be recharged to the Administration. The disbursements referred to above have not yet been drawn.

### **Creditors' rights**

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

<http://www.icaew.com/~media/corporate/files/technical/insolvency/creditors%20guides/a%20creditors%20guide%20to%20administrators%20fees%20010407.ashx>

Creditors can request a paper copy of the above guide by contacting [uk\\_lehmanaffiliates@pwc.com](mailto:uk_lehmanaffiliates@pwc.com)

# Appendix A: Receipts and payments

## Receipts and payments account for the period ending 14 March 2021

	£m		
	14-Mar-21	Movements in Period	14-Sep-20
<b>Receipts</b>			
Investments in subsidiaries	619.0	16.0	603.0
Intercompany debtors	769.9	200.6	569.3
Sale of tax losses	9.1	-	9.1
Sale of LBAM	(0.8)	-	(0.8)
Other receipts	7.5	1.5	6.0
<b>Total Receipts</b>	<b>1,404.7</b>	<b>218.1</b>	<b>1,186.6</b>
<b>Payments</b>			
Distributions to unsecured unsubordinated creditors (Note 2)	1,357.7	255.8	1,101.9
Joint Administrators' remuneration and disbursements	13.8	1.5	12.3
Legal and professional fees	11.7	1.3	10.4
Purchase of tax losses	13.5	-	13.5
Other payments	2.1	0.2	1.9
Net VAT irrecoverable (Note 1)	1.5	0.2	1.3
Net VAT recoverable (Note 1)	1.1	0.4	0.7
<b>Total Payments</b>	<b>1,401.4</b>	<b>259.4</b>	<b>1,142.0</b>
<b>Intracompany Transfers</b>			
Payment	-	-	-
Receipt	99.9	-	99.9
<b>Total receipts less total payments</b>	<b>103.2</b>	<b>(41.3)</b>	<b>144.5</b>
<b>Cash Balances</b>			
Bank accounts	18.9	16.3	2.6
Money market deposits (Note 3)	84.3	(57.6)	141.9
<b>Total Cash</b>	<b>103.2</b>	<b>(41.3)</b>	<b>144.5</b>

1. LBH is VAT registered and entitled to reclaim 63.09% of input VAT. Therefore 36.91% of VAT is irrecoverable.
2. The sums of £1.2m and £11.5m were deducted from the 5th and 6th statutory interest dividends respectively, in respect of income tax due to HM Revenue & Customs. The £11.5m deduction was paid outside the Reporting Period.
3. Funds are invested on the money markets in order to accrue interest and to manage risk.
4. In addition to the receipts listed above, c.US\$146.6m and c.€0.3m has been received during the course of the Administration, almost all of which is now being held in £ sterling. In the Reporting Period, there were no € receipts and c.US\$13k debtor receipts.
5. Sums have been rounded to the nearest 0.1m (GBP, USD or EUR as appropriate).
6. There may be rounding in this table which makes it appear to not perfectly cast.

<b>Distributions to non-preferential unsecured unsubordinated creditors</b>	<b>£m</b>
1st dividend of 4.08p in the £, declared 3 September 2014	43.8
2nd dividend of 2.00p in the £, declared 10 February 2016	21.6
3rd dividend of 62.963p in the £, declared 6 September 2017	676.7
4th dividend of 18.587p in the £, declared 13 September 2018	199.8
5th dividend of 12.37p in the £, declared 15 March 2019	132.9
5th dividend of a share of statutory interest, declared 15 March 2019 (Note 2)	27.1
6th dividend of a share of statutory interest, declared 16 February 2021 (Note 2)	267.3
<b>Total distributions</b>	<b>1,369.2</b>

# Appendix B: Expenses

The following table provides details of the expenses we incurred in the Reporting Period, together with an estimate of our future and total expenses. Expenses are amounts properly payable by us as administrators from the estate and includes our fees, but excludes distributions to creditors. The table also excludes any potential tax liabilities that we may need to pay as an administration expense, other than VAT, because amounts becoming due will depend on the position at the end of the tax accounting period.

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

In estimating future expenses, assumptions have been made relevant to the annual run rate and the possible duration of the Administration, where appropriate.

Sums have been rounded to the nearest £0.1m.

Expense	Incurred in the period under review £m	Estimated future £m	Anticipated total £m
Joint Administrators' remuneration & disbursements	1.3	5.0	20.0
Legal and professional fees	0.9	5.0	16.4
Other	0.2	1.1	3.6
General reserve for uncertain future costs		17.2	17.2
VAT Irrecoverable	0.2	2.0	3.6
<b>Total</b>	<b>2.6</b>	<b>30.3</b>	<b>60.8</b>



# Appendix C: Remuneration update

Our fees were approved on a time costs basis by the Creditors' Committee. Up to 14 March 2021 we have drawn remuneration and disbursements of £13.8m, in line with the approval given, as shown in the Receipts and Payments account in Appendix A.

The time cost charges incurred in the Reporting Period, regardless of whether paid and/or invoiced, are £1.2m. This amount does not necessarily reflect how much we will eventually draw as fees for this period.

We set out later in this Appendix details of our work to date, anticipated future work, disbursements, subcontracted work and payments to associates.

## Our hours and average rates:

Work Classification	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	4	3,860	69	39,194	197	87,267	12	2,924	282	133,244
Strategy and Planning	475	442,428	257	160,257	7	2,948	1	184	740	605,816
Statutory and Compliance	63	57,298	212	132,062	101	44,909	-	-	375	234,268
Tax and VAT	72	97,153	135	125,343	23	11,778	35	8,993	265	243,267
Creditors and Distributions	-	-	16	9,938	42	19,013	-	-	58	28,950
Total for six months ended 28 February 2021	614	600,739	688	466,792	370	165,914	48	12,101	1,720	1,245,545
Average hourly rate for the six month period to 28 February 2021										724
Cumulative total to 28 February 2021										14,573,931

**Note:** 'Hours' has been rounded up or down, to the nearest whole hour, and there may be rounding in this table which makes it appear to not perfectly cast.

## 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.

<b>BRS &amp; Forensics</b>	<b>Up to 30 June 2020 £</b>	<b>From 1 July 2020 £</b>
<b>Partner</b>	956	985
<b>Director</b>	840	870
<b>Senior Manager</b>	605	625
<b>Manager</b>	525	545
<b>Senior Associate</b>	435	450
<b>Associate/support staff</b>	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.

<b>Tax</b>	<b>Up to 30 June 2020 £</b>	<b>From 1 July 2020 £</b>
<b>Partner</b>	1,385	1,385
<b>Director</b>	1,275	1,275
<b>Senior Manager</b>	975	975
<b>Manager</b>	710	710
<b>Senior Associate</b>	520	520
<b>Associate</b>	285	285

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

## **Our work in the period**

Although not an exhaustive list, in the following table we provide more detail on the key areas of work.

### **Accounting and treasury — £133,244**

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.

- Provision of information for the purposes of statutory reporting,
- Analysis of interest rates available with counterparties,
- Active management of deposits held in various institutions including mitigating risk on such deposits,
- Due consideration of best strategy for dealing with cash,
- Reconciling bank accounts,
- Arrangement of receipts and payments of funds and coding of movements, including receipts and payments under the Third IASD
- Monitoring flow of funds into the bank accounts,
- Monthly reporting of outstanding deposits and month end bank balances, and
- Daily monitoring of funds required for immediate cash needs, to ensure that the optimal level of funds is held on deposit.

### **Strategy and planning — £605,816**

The inherent complexities of the Company's estate mean that the Administrators and their staff continue to invest a significant proportion of their time in the planning and delivery of their strategy for the progression of the Administration. This is whilst ensuring that the Company's interests in relation to the wider Lehman Brothers group are appropriately represented.

The Administrators continue to explore strategies that will enable the Administration to be brought to a conclusion and they anticipate that the Company will be dissolved after the conclusion of the Administration. Activities include:

#### **Subordinated debt proceedings**

- Ongoing development of strategy for Priority Application,
- Continuing communications with lawyers and Counsel and other interested parties' legal teams following first instance judgment and orders following subsequent hearings,
- Engagement with other interested parties e.g. LBHI2 and LBL,
- Review and consideration of impact of 14 December 2020 appeals Order on the estate,
- Preparation of website updates,

- Ongoing modelling of potential outcome scenarios in light of Priority Application judgement, and
- Preparation and publication of February 2021 updated announcement of potential outcomes for creditors following Clawback resolution.

### **General matters**

- Consideration of strategy to maximise the outcome for the Company's creditors and updating strategy documents,
- Discussions with stakeholders in regards to this strategy,
- Consideration of impact of settlement of Clawback,
- Continued development of financial models to estimate possible ranges of outcomes for the estate,
- Review and maintenance of financial information including updating the estimated outcome statement,
- Liaising with tax specialists in respect of provisions for potential outcomes,
- Regular case team meetings to manage case progression,
- Ongoing review of assets in subsidiary companies and determining strategies to maximise recoveries, and
- Liaising with debtors and liquidators in order to collect balances payable.

### **Statutory and compliance — £234,268**

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

- Preparing and circulating to creditors the Administrators' 24th progress report to creditors,
- Generating monthly time cost information in support of the Administrators' remuneration,
- Preparing for and holding 9th meeting of the Creditors' Committee and related fee approvals,
- Dealing with statutory filings at Companies House and the Court,
- Preparing the Administrators' internal six monthly case reviews in accordance with professional requirements,
- Managing and updating communications on the Company's website, maintaining and managing case files, records and the Company database, and
- Dealing with other ad-hoc compliance and statutory issues.

### **Tax and VAT — £243,267**

The following tasks were undertaken for VAT and tax compliance purposes:

- Preparation of the 2020 tax computation and return,
- Continued analysis of the application of the new loss restriction rules, corporate interest restriction rules and proposed changes to capital gains tax legislation,
- Quarterly tax update meetings and regular internal update meetings,

- Complying with the Administrators' responsibilities under Senior Accounting Officer legislation, Tax Strategy and Corporate Criminal Offence legislation,
- Liaising with PwC tax and accounting specialists,
- Preparation of the 2020 VAT reconciliations,
- Preparation of the quarterly VAT returns for November 2020 and February 2021, and
- Work in arranging for VAT repayments to be distributed to the Company.

### **Creditors and distributions — £28,950**

The following tasks were undertaken for the benefit of the creditors:

- Preparation for 18 March 2021 webinar for holders of ECAPS and related communications with ECAPS holders,
- Preparing and circulating the 6th Notice of Intended Dividend to unsubordinated creditors,
- Reviewing and analysing the level of claims admitted ahead of the 6th interim distribution,
- Calculating and paying the 6th interim distribution and dealing with associated legal notices, and
- Responding to creditor enquiries received via the Lehman Affiliate mailbox and updating creditor information.

### **Our relationships**

We have no business or personal relationships with the parties who approve our 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 the Company by employees retained by LBIE and LB SF 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 the Company on a time costs basis and are invoiced directly to the estate.

### **Legal and other professional firms**

We have instructed the following professionals on this case to assist with various legal matters arising in the Administration. In addition, the directors of some of the Company's subsidiaries have instructed Brown Rudnick LLP and Davis Polk & Wardwell LLP.

The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether a conflict exists. All professional firms instructed by us are required to provide a narrative explanation in support of invoices. All invoices are reviewed before being approved for payment. We are satisfied that the level of legal and professional costs are appropriate.

Service provided	Name of firm / organisation	Reason selected	Basis of fees
<b>Legal services:</b>	• Linklaters LLP	• Industry knowledge	• Time costs
	• Brown Rudnick LLP	• Territory knowledge (also instructed by subsidiaries)	• Time costs
	• Davis Polk & Wardwell LLP	• Industry and territory knowledge (also instructed by subsidiaries)	• Time costs
	• Hogan Lovells International LLP	• Industry knowledge	• Time costs

# Appendix D: Estimate of future time costs

The Administrators have set aside a reserve of £5.0m their future time costs, broadly analysed as follows:

The below figures assume that:

- The Administration will not be concluded prior to 30 November 2022, which is when the Administration is currently due to end,
- Time costs relating to progression of the case and associated litigation will be incurred at a similar rate to that incurred in recent reporting periods, and
- There will be further distributions to the Company's creditors.

Classification of work	£m
Accounting and Treasury	0.4
Strategy and Planning	2.2
Statutory and Compliance, Tax and VAT	1.9
Creditors and Distributions	0.5
<b>Total</b>	<b>5.0</b>

# Appendix E: Other information

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<b>Court details for the administration:</b>	High Court of Justice, Chancery Division, Companies Court — case 7943 of 2008
<b>Company's registered name:</b>	Lehman Brothers Holdings plc
<b>Trading name:</b>	Lehman Brothers Holdings plc
<b>Registered number:</b>	01854685
<b>Registered address:</b>	7 More London Riverside, London SE1 2RT
<b>Date of the joint administrators' appointment:</b>	15 September 2008
<b>Joint administrators' names, addresses and contact details:</b>	DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT  If you've got any questions, please get in touch with Diane Adebawale, on +44 (0) 7583 5000, or at: <a href="mailto:uk_lehmanaffiliates@pwc.com">uk_lehmanaffiliates@pwc.com</a> .
<b>Investigations and actions</b>	Nothing has come to our attention during the period under review to suggest that we need to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.
<b>Extension(s) to the initial period of appointment:</b>	The High Court of Justice has granted six extensions to the Administration period to: 30 November 2010, 30 November 2011, 30 November 2013, 30 November 2015, 30 November 2020 and to 30 November 2022.

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