

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

Lehman Brothers Holdings plc
(in administration)

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

12 October 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 |
|----------------------------|---|
| Company / LBH | Lehman Brothers Holdings plc |
| Administrators | DA Howell, GE Bruce, DJ Kelly, R Downs and EJ Macnamara, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT |
| Firm | PricewaterhouseCoopers LLP |
| IR16 | Insolvency (England and Wales) Rules 2016 |
| IA86 | Insolvency Act 1986 |
| HMRC | HM Revenue & Customs |
| Reporting Period | The period from 15 March 2021 to 14 September 2021 |

This report has been prepared by DA Howell, GE Bruce, DJ Kelly, 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/lbh-plc-in-administration.html>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

DA Howell, GE Bruce, DJ Kelly, 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.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

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-sixth 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 £351.1m of their entitlements to post-administration statutory interest, which is approximately 44.6% of their total post-administration statutory interest entitlements. This includes payments made after the end of the Reporting Period. Further statutory interest totalling £442.9m will need to be paid before any 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 managed by LBGP (the “**Partnerships**”) 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.

It has been acknowledged and confirmed in the Priority Application (defined below) that any subordinated debt due to investors in the Partnerships under any guarantees ranks for payment below that due to LBHI and LBGP. The ranking between LBHI and LBGP remains subject to further court determination, as detailed below.

LBH’s ability to make further payments of statutory interest, and payments to subordinated creditors, continues to be 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.

Further comment on these issues is provided 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.

Change of Administrators

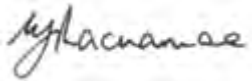
Upon an application to the High Court of Justice (the “**Court**”), an order (the “**Order**”) was made on 21 May 2021 that, with effect from 16 June 2021, DJ Kelly be appointed an Administrator and that ID Green cease to be an Administrator of the Company. The Court also ordered that ID Green shall be released from all liability (pursuant to the relevant sections of the Insolvency Act 1986 and/ or the 2016 Insolvency Rules) in respect of his acts and omissions and otherwise in respect of his conduct as an Administrator of the Company and that such release shall take effect 28 days after notification of the Order in the London Gazette. The Court gave permission for any creditor of the Company to apply to vary or discharge this Order by making an application within 28 days of notification of the Order in the London Gazette. The Order was notified in the London Gazette on 9 June 2021.

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 black ink, appearing to read 'E Macnamara', is positioned above the typed name.

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 in the Priority Application renders LBH as LBHI2's priority, subordinated creditor, ranking in priority to Lehman Brothers Holdings Scottish LP3 ("**SLP3**") the other subordinated creditor of LBHI2. To date, LBHI2 has received from LBIE equity distributions totalling £244.0m, of which it has retained £122.0m under the WW sharing arrangements.

The Priority Application

In our previous progress reports we explained the background to the Priority Application and that in July 2020 the High Court found that, among other things, LBH's subordinated debt claim against LBHI2 ranks senior to that of SLP3. We also explained that following subsequent orders by the High Court and the Court of Appeal, SLP3 has been granted permission to appeal certain of the High Court's findings.

A copy of the first instance judgment, together with a summary of its contents, as well as details of the High Court's findings in respect of the subordinated debt claims against LBH, can be found on the Administrators' website at the address below:

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

During the week commencing 4 October 2021, the Court of Appeal heard the appeal in the Priority Application. Judgment is currently awaited. Copies of the parties' skeleton arguments, as well as daily transcripts of the appeal hearing, can be found on the website, where the Administrators will update creditors further as and when there are material developments to report.

It may be recalled that the Administrators previously advised LBHI2 that they were considering the possibility that LBH may have a further subordinated claim of US\$961.0m against LBHI2, in addition to its existing subordinated claim of US\$2,225.0m, which it had already notified to LBHI2. During the Reporting Period, LBH notified LBHI2 that its unsecured, subordinated claim against LBHI2 will be increased by US\$961m. Accordingly, LBH has advised LBHI2 that it has an unsecured, subordinated claim of £1,852.8m, which comprises a total claim US\$3,186.0m less £337.1m which has been paid to LBH to date. At the current time, and pending the outcome of the Priority Application, which may render the issue irrelevant, the claim has been neither formally proved by LBH nor formally admitted by LBHI2. We will comment further on this matter after the Court of Appeal has handed down its judgement.

Lehman Brothers Limited

Shortly after the end of the Reporting Period, the Company received from LBL £25.6m 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. In total, approximately 77.6% of the post-administration statutory interest entitlement in relation to this claim has been paid to date.

Creditors

Shortly after the end of the Reporting Period, the Company made further payments of £55.6m towards the post-administration, statutory interest entitlements of its unsubordinated creditors, of which £2.6m has been paid to HMRC in relation to UK withholding tax. The unsubordinated creditors have now been paid a total of £351.1m of their statutory interest entitlements, which for the majority of the unsubordinated creditors is approximately 44.6% of their total post-administration statutory interest entitlements. Further statutory interest totalling £442.9m 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

We continue 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 in the Priority Application is not overturned.

Based on the above, and on certain other current projections and assumptions, in February 2021 the Administrators prepared an assessment of the potential economic outcomes for LBH's creditors. This is available on the Company's website. An extract was provided in our previous progress report and is copied in Section 3 in this progress report.

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' remaining statutory interest entitlements in full;
- LBH will be in a position to make payments to LBHI and LBGP as subordinated creditors, on a pari passu basis. Given the judgment with regard to the discounting of LBGP's claims, as matters 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 LBGP; and
- There will be no distributions to individual investors in the Partnerships under any guarantee provided by the Company, nor to the Company's shareholder.

Many of LBIE's unresolved issues remain subject to litigation which continues to create uncertainty as to the final outcome and indeed as to the timing of receipt of any such recoveries. We continue to closely monitor developments.

Other activities

Shortly after the end of the Reporting Period, LBH received surplus distributions totalling c.£4.0m from its wholly-owned subsidiary, Lehman Brothers (Indonesia) Limited - in Creditors' Voluntary Liquidation ("Indonesia"). The liquidation of Indonesia has now concluded and no further dividends will be received from this source.

Additionally, during the Reporting Period the Company received a surplus distribution of £0.7m from another wholly-owned subsidiary, Lehman Brothers Equity (Nominees Number 7) Limited - in Creditors' Voluntary Liquidation ("LBENN7"). The liquidation of LBENN7 has concluded and LBENN7 is due to be dissolved on 21 November 2021. No further recoveries will be received from this source.

During the Reporting Period, LBH received distributions totalling c.\$0.1m from its claims against LBHI, as well as de minimis distributions from its claims in a number of UK Lehman estates, including Lehman Brothers (PTG) Limited, Eldon Street Holdings Limited, Storm Funding Limited (all in Administration) and Thayer Properties Limited (in Liquidation).

Section 3: Financial position

For completeness we include here an extract of the estimated financial outcomes announcement that was published on the Company's website in February 2021:

| Estimated outcome for LBH subordinated creditors | Base Case £m | High Case £m |
|--|---------------------|---------------------|
| Recoveries for subordinated creditors | 280 | 500 |
| Distributions to subordinated creditors* | | |
| 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 any guarantee provided by the Company, any such claim being 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 investors in the Partnerships) 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 appeal;
- the current remaining distributions from LBIE in the Base Case are anticipated to be £400m;
- 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; 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 2020 have been submitted.

Our receipts and payments account

An account of the receipts and payments for the six months to 14 September 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 24 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 24 months, it would accordingly be necessary for the Court to grant at least one further extension to the term of the Administration.

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 March 2021 to 31 August 2021, including the cumulative total time costs from the date of the Administrators' appointment to 31 August 2021; and

2. a summary of the Administrators' time costs for the Reporting 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 September 2021 the Administrators have drawn remuneration of c.£14.7m plus VAT in respect of time costs incurred to 31 August 2021.

Disbursements

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

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs, statutory advertising and insolvency office holders' insurance. The Administrators are not required to seek approval to draw Category 1 disbursements, of which c.£1.6k was incurred during the Reporting Period. These have not yet been drawn.

Category 2 disbursements for shared or allocated services provided by our own firm, including room hire, document storage, photocopying and communication facilities, must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves the Administrators' fees. No category 2 disbursements were incurred during the Reporting Period.

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

Appendix A: Receipts and payments

Receipts and payments account for the period ending 14 September 2021

| | £m | | |
|--|----------------|--------------------|----------------|
| | 14-Sept-21 | Movement in Period | 14-Mar-21 |
| Receipts | | | |
| Investments in subsidiaries | 619.7 | 0.7 | 619.0 |
| Intercompany debtors | 770.7 | 0.8 | 769.9 |
| Sale of tax losses | 9.1 | - | 9.1 |
| Sale of LBAM | (0.8) | - | (0.8) |
| Other receipts | 7.5 | - | 7.5 |
| Total Receipts | 1,406.2 | 1.5 | 1,404.7 |
| Payments | | | |
| Distributions to unsecured unsubordinated creditors (Note 2) | 1,369.2 | 11.5 | 1,357.7 |
| Joint Administrators' remuneration and disbursements | 14.7 | 0.9 | 13.8 |
| Legal and professional fees | 12.2 | 0.5 | 11.7 |
| Purchase of tax losses | 13.5 | - | 13.5 |
| Other payments | 2.2 | 0.1 | 2.1 |
| Net VAT irrecoverable (Note 1) | 1.6 | 0.1 | 1.5 |
| Net VAT recoverable (Note 1) | 1.0 | -0.1 | 1.1 |
| Total Payments | 1,414.4 | 13.0 | 1,401.4 |
| Intracompany Transfers | | | |
| Payment | - | - | - |
| Receipt | 99.9 | - | 99.9 |
| Total receipts less total payments | 91.7 | (11.5) | 103.2 |
| Cash Balances | | | |
| Bank accounts | 32.3 | 13.4 | 18.9 |
| Money market deposits (Note 3) | 59.4 | (24.9) | 84.3 |
| Total Cash | 91.7 | (11.5) | 103.2 |

1. LBH is VAT registered and entitled to reclaim 63.09% of input VAT. Therefore 36.91% of VAT is irrecoverable.
2. During the Reporting Period, c.£11.5m, which was deducted from the 6th dividend of a share of statutory interest in respect of income tax, was paid to HMRC. Immediately after the end of the Reporting Period, a 7th dividend of c.£56.6m was declared, being a further share of statutory interest, of which c.£2.6m is to be paid to HMRC in respect of income tax. The 7th dividend is not shown in the receipts and payments account, nor in the table below.
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\$146.7m and c.€0.3m has been received during the course of the Administration with almost all such funds now being held in £ sterling. In the reporting period, there were receipts of c.US\$56k from intercompany debtors and no € 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.

| Distributions to non-preferential unsecured unsubordinated creditors | £m |
|---|----------------|
| 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 |
| Total distributions | 1,369.2 |

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 | 0.8 | 4.2 | 20.0 |
| Legal and professional fees | 0.4 | 4.6 | 16.4 |
| Other | 0.1 | 1.0 | 3.6 |
| General reserve for uncertain future costs | | 17.2 | 17.2 |
| VAT Irrecoverable | 0.1 | 1.9 | 3.6 |
| Total | 1.3 | 29.0 | 60.8 |

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

Appendix C: Remuneration update

Our fees were approved on a time costs basis by the Creditors' Committee. Up to 14 September 2021 we have drawn remuneration and disbursements of £14.7m, 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 £0.8m. 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 | 3,635 | 62 | 35,707 | 156 | 69,442 | 12 | 3,018 | 234 | 111,801 |
| Strategy and Planning | 224 | 204,668 | 186 | 114,124 | 7 | 3,108 | 3 | 645 | 420 | 322,545 |
| Statutory and Compliance | 27 | 23,868 | 82 | 51,419 | 93 | 41,634 | - | - | 202 | 116,921 |
| Tax and VAT | 59 | 76,025 | 102 | 92,672 | 28 | 14,030 | 14 | 3,990 | 203 | 186,717 |
| Creditors and Distributions | - | - | 13 | 8,188 | 22 | 9,833 | - | - | 35 | 18,020 |
| Total for six months ended 31 August 2021 | 314 | 308,195 | 445 | 302,109 | 306 | 138,046 | 29 | 7,653 | 1,094 | 756,004 |
| Average hourly rate for the six month period to 31 August 2021 | | | | | | | | | | 691 |
| Cumulative total to 31 August 2021 | | | | | | | | | | 15,329,935 |

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

| BRS & Forensics | £ |
|--------------------------------|----------|
| Partner | 985 |
| Director | 870 |
| Senior Manager | 625 |
| Manager | 545 |
| Senior Associate | 450 |
| Associate/support staff | 280 |

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

| Tax | £ |
|-------------------------|----------|
| Partner | 1,385 |
| Director | 1,275 |
| Senior Manager | 975 |
| Manager | 710 |
| Senior Associate | 520 |
| Associate | 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 pages we provide more detail on the key areas of work.

Accounting and treasury — £111,801

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,
- 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 — £322,545

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 the Priority Application,
- Continuing communications with lawyers and Counsel and other interested parties' legal teams following the first instance judgment and orders following subsequent hearings,
- Engagement with other interested parties, e.g. LBHI2 and LBL,

- Review and consideration of impact of the 14 December 2020 appeals order on the estate,
- Preparation for Court of Appeal hearing, including reviews of skeleton arguments,
- Preparation of website updates, and
- Ongoing consideration of potential outcome scenarios in light of the Priority Application judgment.

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,
- Communications with lawyers and the administrators of LBHI2 in connection with the amendment of the Company's claim against LBHI2,
- 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 — £116,921

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

- Preparing and circulating to creditors the Administrators' 25th progress report to creditors,
- Generating monthly time cost information in support of the Administrators' remuneration,
- 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 — £186,717

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

- Preparation and submission 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 quarterly VAT returns for May 2021 and August 2021, and
- Work in arranging for VAT repayments to be distributed to the Company.

Creditors and distributions — £18,020

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

- Preparation for and holding of the 18 March 2021 webinar for investors in the Partnerships and related communications with them,
- Preparing and circulating the 7th Notice of Intended Dividend to unsubordinated creditors,
- Reviewing and analysing the level of claims admitted ahead of the 7th interim distribution,
- Calculating the 7th 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 |
|-------------------------|---|---|--|
| Legal services: | <ul style="list-style-type: none">• Linklaters LLP | <ul style="list-style-type: none">• Industry knowledge | <ul style="list-style-type: none">• Time costs |
| | <ul style="list-style-type: none">• Brown Rudnick LLP | <ul style="list-style-type: none">• Territory knowledge (also instructed by subsidiaries) | <ul style="list-style-type: none">• Time costs |
| | <ul style="list-style-type: none">• Hogan Lovells International LLP | <ul style="list-style-type: none">• Industry knowledge | <ul style="list-style-type: none">• Time costs |

Appendix D: Estimate of future time costs

The Administrators have set aside a reserve of £4.2m 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 | 1.9 |
| Statutory and Compliance, Tax and VAT | 1.4 |
| Creditors and Distributions | 0.5 |
| Total | 4.2 |

Appendix E: Other information

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|--|---|
| Court details for the administration: | High Court of Justice, Chancery Division, Companies Court — case 7943 of 2008 |
| Company's registered name: | Lehman Brothers Holdings plc |
| Trading name: | Lehman Brothers Holdings plc |
| Registered number: | 01854685 |
| Registered address: | 7 More London Riverside, London SE1 2RT |
| Date of the joint administrators' appointment: | 15 September 2008 |
| Joint administrators' names, addresses and contact details: | DA Howell, GE Bruce, DJ Kelly, 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 Adebowale, on +44 (0) 7583 5000, or at: uk_lehmanaffiliates@pwc.com . |
| Investigations and actions | 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. |
| Extension(s) to the initial period of appointment: | 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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