

Joint Administrators' progress report from 15 September 2023 to 14 March 2024

Lehman Brothers Holdings plc
(in administration)

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

12 April 2024



Strictly private and confidential

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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 / Plc	Lehman Brothers Holdings plc - in administration
Administrators	Edward John Macnamara, Gillian Eleanor Bruce and David James Kelly of PricewaterhouseCoopers LLP 7 More London Riverside, London SE1 2RT
Reporting Period	15 September 2023 to 14 March 2024
Firm / PwC	PricewaterhouseCoopers LLP
AGFP	AG Financial Products Inc. A US-based affiliate of Assured Guaranty Corp. which provided credit protection to counterparties under credit default swaps
Committee	The Creditors' Committee of the Company
Court	The High Court of Justice, the Business and Property Courts of England and Wales
DB	Deutsche Bank AG (London Branch)
ECAPS	Enhanced Capital Advantaged Preferred Securities issued by Lehman Brothers UK Capital Funding LP ("LP I"), Lehman Brothers UK Capital Funding II LP ("LP II") and Lehman Brothers UK Capital Funding III LP ("LP III") to ECAPS Holders
ECAPS Guarantees	The subordinated guarantee understood to have been given by the Company in relation to the issuance of ECAPS by LP I, LP II and LP III
ECAPS Holder	An investor in any of LP I, LP II or LP III, being the partnerships managed by LBGP, by way of Enhanced Capital Advantaged Preferred Securities
ESH	Eldon Street Holdings Limited - in administration
Framework Agreement	The agreement entered into by, among others, LBGP, LBHI, DB and the Company and which came into effect on 8 October 2023
HMRC	HM Revenue and Customs
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
LBGP	LB GP No.1 Limited - in liquidation
LBHI	Lehman Brothers Holdings Inc.
LBHI2	LB Holdings Intermediate 2 Limited - in administration
LBIE	Lehman Brothers International (Europe) - in administration
LBL	Lehman Brothers Limited - in administration
Partial Discharge Issue	The question concerning the correct calculation of certain of the Company's unsubordinated creditors' remaining entitlement to post-administration statutory interest, where those creditors have received payments from LBHI as guarantor
Priority Application II	The Administrators' application to Court for directions in relation to the Priority Legal Issues, issued on 14 March 2023
Priority Legal Issue 1	The question of whether the principal amount of LBHI's Sub-Debt claim against the Company falls to be paid in priority to statutory interest payable on LBGP's Sub-Notes claim against the Company, or whether statutory interest payable on the LBGP's Sub-Notes claim falls to be paid in priority to the principal amount of LBHI's Sub-Debt claim
Priority Legal Issues	Areas of dispute that, following the conclusion of the Priority Litigation, arose on certain legal issues relevant to the priority and payment of future distributions to subordinated debt holders

Priority Litigation	An application to Court issued on 16 March 2018 to determine, among other matters, the relative priority ranking of the subordinated claims of LBGP and LBHI against the Company
Sch. B1 IA86	Schedule B1 to the Insolvency Act 1986
SIP9	Statement of Insolvency Practice 9
SLP3	Lehman Brothers Holdings Scottish LP3
Statutory Interest	Interest calculated in accordance with IR16 on the amount of admitted claims in respect of the periods during which such claims were outstanding since the date of commencement of the administration to the date of full repayment, calculated as the greater of the rate payable in accordance with s.17 of the Judgments Act 1838 (currently 8% simple), and the rate applicable to the debt apart from the administration
Thayer	Thayer Properties Limited - in creditors voluntary liquidation

This report has been prepared by Edward John Macnamara, Gillian Eleanor Bruce and David James Kelly as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 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 or on the case website 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 IR16 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 Joint Administrators' previous reports issued to the Company's creditors, which can be found at:
<https://www.pwc.co.uk/services/business-restructuring/administrations/non-lbie-companies/lbh-plc-in-administration.html>.

Unless stated otherwise, all amounts in this report (including the appendices) are stated net of VAT.

Edward John Macnamara, Gillian Eleanor Bruce and David James Kelly have been appointed as Joint 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 Joint Administrators are bound by the Insolvency Code of Ethics which can be found at:
<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

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Section 1: Introduction

Introduction

This is the 31st progress report prepared by the Administrators of the Company.

This report provides an update on the work the Administrators have undertaken, with a particular focus on progress made in the Reporting Period.

Earlier reports can be viewed on the Administrators' website at:

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

Objective of the Administration

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

Outcome for creditors and the Framework Agreement

As at 14 September 2023, the Administrators had paid the principal amounts of admitted, unsubordinated claims in full, together with a portion of the unsubordinated creditors' entitlements to post-administration statutory interest.

Creditors will recall that in our previous progress reports we explained that following the Court's determination in the Priority Litigation (that the subordinated claims of LBGP under what is known as the PLC Sub-Notes, rank ahead of those of LBHI under what is known as the PLC Sub-Debt), five other areas of dispute had arisen. These issues (the Priority Legal Issues) were relevant to both the priority and payment of future distributions to subordinated creditors and, accordingly, hindered progression of the LBH estate. In summary, there were five issues to be decided, however, shortly before the October 2023 Hearing, four matters were withdrawn by agreement among the parties and only one taken forward. This remaining matter (ie Priority Legal Issue 1), which concerned the question of whether the principal amount of LBHI's Sub-Debt claim falls to be paid in priority to statutory interest payable on LBGP's Sub-Notes claim, or whether statutory interest payable on LBGP's Sub-Notes claim falls to be paid in priority to the principal amount of LBHI's Sub-Debt claim, was considered at the October hearing (see Section 2 for further detail).

The Partial Discharge Issue, which concerns the correct calculation of certain of the Company's unsubordinated creditors' remaining entitlement to post-administration statutory interest, where those creditors have received payments from LBHI as guarantor, remains unresolved. The Administrators are in communication with relevant parties with a view to settling the Partial Discharge Issue and hope to reach a consensual solution over the coming months. In the event that the relevant parties cannot reach a consensual solution, the Administrators may need to seek a Court determination on that issue.

As creditors will recall from prior updates, the Administrators entered into a Framework Agreement with certain stakeholders including LBHI, DB and LBGP on 8 October 2023, which allowed the withdrawal of four of the issues which had been scheduled to be heard at the October hearing (see above) and set out the order and proportions (Tiers X, Y and Z) in which subordinated creditors will receive distributions, as well as the conditions for making those payments. The order of priority and how they are calculated are set out in more detail in Section 2.2.

This Framework Agreement represents a significant milestone in the progression and eventual resolution of the LBH estate and has already accelerated payments to creditors. The resolution of these issues is very likely to reduce overall costs in the estate.

Committee

The Administrators periodically meet with the Committee to explain how key aspects of the administration are being dealt with and to consult with the Committee on relevant issues.

Under the terms of the Framework Agreement, the ECAPS Holders may appoint an observer (the "Observer") to attend and observe meetings of the Committee. In February 2024 the ECAPS Holders appointed Paul Copley as the Observer.

To date, the Administrators have held 11 meetings with the last one being on 7 February 2024. The next Committee meeting is planned for later in 2024.

Why we remain in office

The Administrators remain in office to deal with various matters, including: (i) collecting outstanding debts (notably subordinated debt recoveries from LBHI2); (ii) making further payments to creditors, if and when the Company has sufficient funds with which to do so; (iii) compliance with tax and VAT matters; (iv) compliance with statutory tasks; and (v) concluding the administration.

Further details are contained within the body of this report.

This report and future updates

This report is for your information and you don't need to do anything.

The Administrators' next formal progress report to creditors will be in approximately six months' time, and will be posted to the website.

If you have any questions, please contact the Administrators at uk_lehmanaffiliates@pwc.com.

Signed



EJ Macnamara

Joint Administrator
Lehman Brothers Holdings plc - in administration

Section 2: Administrators' actions in the Reporting Period

Background and progress made in the Reporting Period

Creditors will recall that at the date of our last report, the Administrators had issued an application to Court to determine certain issues as regards the appropriate priority of payment to, and calculation of sums due to, subordinated creditors (the "**Priority Application II**").

In summary, there were five matters to be determined by the Court in Priority Application II:

1. Whether the principal amount of the PLC Sub-Debt (Claim C) falls to be paid in priority to statutory interest payable on the claim in respect of the PLC Sub-Notes (Claim D), or whether statutory interest payable on the PLC Sub-Notes falls to be paid in priority to the principal amount of the PLC Sub-Debt.
2. Whether statutory interest payable on the claim in respect of the PLC Sub-Notes falls to be calculated by reference to the face amount of the PLC Sub-Notes, or by reference to the discounted sum payable on that claim in accordance with Rule 14.44 of IR16.
3. Whether the applicable period for the purposes of the calculation of statutory interest on the claim in respect of the PLC Sub-Notes begins with the date on which the Company entered administration, or on the date on which, in accordance with the subordination provisions of the PLC Sub-Notes, the holder of the PLC Sub-Notes became entitled to submit proofs of debt in the Company's administration in respect of that claim (and, if so, what that date is).
4. Whether clause 2.11 of the ECAPS Guarantees imposes upon the Holder (as defined therein) a trust in respect of any proceeds which have been distributed by LBH, which takes effect on receipt of those proceeds and requires such proceeds to be turned over to LBH. If so, what are the circumstances in which such trust arises and in respect of what proceeds.
5. If LBH makes distributions on the PLC Sub-Notes but proceeds are thereafter turned over to LBH by the Holder pursuant to clause 2.11 of the ECAPS Guarantees, what is the resultant order of priority, as between the PLC Sub-Debt (Claim C) and the PLC Sub-Notes (Claim D), in respect of such sums received by LBH.

This application was scheduled to be heard in the week commencing 9 October 2023.

Prior to that hearing, the Administrators continued to explore consensual options to identify areas of agreement and possible compromise ahead of Priority Application II. In the weeks immediately prior to the hearing, stakeholders including LBHI, DB and LBGP were able to reach agreement on various matters and enter into a Heads of Terms which was then shared with the ECAPS Holders. These terms were then formalised in a Framework Agreement which was entered into on 8 October 2023, immediately prior to the commencement of the October 2023 Hearing.

This Framework Agreement represents a significant milestone in the progression and eventual resolution of the LBH estate. The immediate effects are, in summary, as follows:

- Four of the five Priority Legal Issues were withdrawn from Priority Application II and therefore were not heard in the October 2023 Hearing;
- The Strike-Out Application (which involved an argument that the Court ought not to consider certain of the Priority Legal Issues) was withdrawn from the October 2023 Hearing, other than insofar as it related to Priority Legal Issue 1;
- The Distribution Application (which related to a further application concerning aspects of the distribution process) was withdrawn from the October 2023 Hearing;
- Subject to certain very limited points which remain to be resolved or agreed, the parties to the Framework Agreement agreed not to bring and/or pursue other claims which had the potential to impact the progression of the LBH estate;
- The order of and proportions in which subordinated creditors will receive distributions, as well as the timing of and conditions for making those payments, has been agreed; and
- The Administrators were then able to re-issue the Notice of Intended Dividend that had previously been postponed and were able to pay a significant distribution to LBH's subordinated creditors before the end of 2023.

The resolution of these issues has already accelerated payments to creditors and is very likely to reduce overall costs in the estate.

Priority Legal Issue 1

As already detailed above, the remaining issue to be determined in Priority Application II is Priority Legal Issue 1, which concerns the question of whether the principal amount of LBHI's Sub-Debt claim falls to be paid in priority to statutory interest payable on LBGP's Sub-Notes claim, or whether the converse (i.e. statutory interest payable on LBGP's Sub-Notes claim falls to be paid in priority to the principal amount of LBHI's Sub-Debt claim).

On 29 November 2023, the Court issued its Judgment:

- in relation to Priority Legal Issue 1, it determined that statutory interest payable on Claim D (LBGP's Sub-Notes claim) falls to be paid in priority to the principal amount of Claim C (LBHI's Sub-Debt claim);
- in respect of the Strike-Out Application, that the bringing or pursuing of argument on Priority Legal Issue 1 was not precluded by the doctrines of cause of action estoppel, issue estoppel or abuse of process. Accordingly, the Strike-Out Application was dismissed.

LBHI (as holder of the PLC Sub-Debt) sought permission to appeal the Priority Legal Issue 1 Judgment on the issue of priority but this was refused by the Court (Mr Justice Hildyard) on 21 December 2023. LBHI has now sought permission to appeal directly from the Court of Appeal.

Documentation in relation to the Priority Application II is available through the link below:

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

Partial Discharge Issue

Creditors will recall that a separate question has arisen regarding the correct calculation of certain of the Company's unsubordinated creditors' remaining entitlement to post-administration statutory interest, where those creditors have received payments from LBHI as guarantor (the "**Partial Discharge Issue**"). The question concerns whether the Court of Appeal's decision in the Priority Litigation in 2021 in relation to the partial discharge of the PLC Sub-Debt claim is also applicable to the claims of certain of the Company's admitted unsubordinated creditors who also received payments from LBHI as guarantor of such claims.

The position adopted by LBGP and by DB is that the Court of Appeal's decision in the Priority Litigation in 2021 is applicable, such that amounts of post-administration statutory interest which remain due to the relevant unsubordinated creditors should be adjusted to account for guarantee payments made to them by LBHI.

The Administrators are in the process of consulting with affected parties and hope to reach a consensual agreement with the relevant parties however, in the absence of an agreed approach, it may become necessary to make a separate application to Court for directions on this matter.

Other progress

Other significant developments during the Reporting Period, and shortly after, include:

- On 13 November 2023, the Company received an unsecured creditor distribution of £86.0m from LBHI2;
- On 28 February 2024, the Company received an unsecured creditor distribution of £33.0m from LBHI2;
- Distributions totalling £57.4m were made to certain unsubordinated creditors (£24.4m on 23 November 2023 and £33.0m on 11 March 2024); and
- Payments totalling £187.2m were made to subordinated creditors (£172.2m on 24 November 2023 and £15.0m on 29 December 2023).

In Section 2.2 we provide further information on the Framework Agreement, including details of the payment of any future distributions to subordinated creditors.

Investigations and actions

No matters have come to the Administrators' attention during the period under review to suggest that they need to do any further work pursuant to their duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No. 2.

Receipts and payments account

The receipts and payments account for the six months to 14 March 2024, together with a cumulative total since the beginning of the administration, is included in Appendix A.

The receipts and payments account shows cash held in the £ sterling account decreasing by c.£123.9m in the period (from c.£159.9m to c.£36.0m), and largely due to c.£151.6m being transferred to the, previously nil balance, EUR account in order to facilitate the payments referred to above which were made to subordinated creditors in accordance with the Framework Agreement. After these payments, c.€0.1m remains in the EUR account. Cash in the US\$ account remains unchanged at c.US\$0.2m.

Key movements in the Reporting Period include:

- Receipts relate to:
 - sixth and seventh interim dividends from LBHI2, totalling £119.0m;
 - c.£3.4m in relation to interest on cash and investments; and
 - sale of tax losses of c.£1.0m.
- Payments relate to:
 - eighth and ninth interim distributions to unsubordinated creditors of c.£57.4m;
 - Tier X distribution to subordinated creditors under the Framework Agreement and totalling a GBP-equivalent c.£187.2m (comprising payments of €172.9m and £35.7m);
 - legal and professional fees of c.£1.3m;
 - Administrators' fees of c.£1.2m, having previously been approved by the Committee; and
 - various administration expenses of c.£0.2m, which was largely in relation to record storage.

The receipts and payments account does not show “estimated to realise” values from the directors' statement of affairs as this would not provide a meaningful comparison with actual asset recoveries.

Administrators' fees

An update on the Administrators' remuneration - which covers the Administrators' fees, disbursements and other related matters in this case - is set out at Appendix C.

Administrators' expenses

A statement of the expenses incurred to the date covered by this report and an estimate of future expenses is set out at Appendix B.

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:

<https://www.icaew.com/-/media/corporate/files/regulations/insolvency/creditors-guides/2021/administration-creditor-fee-guide-1-april-2021.ashx>

Creditors may also wish to refer to the previous creditors' guidance to understand the applicable regulations for appointments prior to 5 April 2010:

<https://www.icaew.com/-/media/corporate/files/regulations/insolvency/creditors-guides/2007/a-creditors-guide-to-administrators-fees-1-apr-2007.ashx>

Creditors can also get copies of these guides free of charge by telephoning Adrienne Rorden on 0113 289 4000 or by emailing uk_lehmanaffiliates@pwc.com.

2.1 Key value drivers

Whilst the Framework Agreement has resolved a number of material matters affecting the LBH estate, the nature of the Company's assets and ongoing realisations mean that any estimate of the final outcome for creditors continues to be uncertain.

The matters which continue to impact the ultimate outcome for creditors include:

LBHI2

The Administrators have an outstanding subordinated claim of £1,624m against LBHI2 in respect of a total claim of US\$3,186m less £566m which has been paid by LBHI2 to date.

The outcome for LBH's creditors is highly dependent on recoveries from LBHI2, which in turn is dependent on the outcome of the LBIE estate (after taking account of LBHI2's sharing arrangements under the Wentworth Joint Venture ("WW") sharing agreement).

To date, LBHI2 has received £402m of which it has retained £201m under the WW sharing arrangements. There remains uncertainty as to the final outcome of the LBIE estate and therefore the amount of LBH's future recoveries from this source.

LBIE

AGFP litigation

On 8 March 2023, Justice Crane issued her decision in favour of AGFP with the Clerk's office entering judgment on 30 June 2023. LBIE lodged its appeal of that decision on 22 September 2023.

During the Period, LBIE continued to progress its appeal of Judge Crane's decision. AGFP lodged its final Reply brief on 15 December 2023. LBIE lodged its final Reply brief on 12 January 2024.

Following an oral hearing on 21 February 2024, the New York Supreme Court, Appellate Division, First Judicial Department entered its decision and order on 14 March 2024, affirming Justice Crane's decision in full.

LBIE intends to submit an application to the Appellate Division seeking leave to appeal to the Court of Appeals. For further information please refer to the "AGFP Litigation" section of the LBIE website:

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

US Tax reclaim

As set out in previous reports, LBIE is awaiting final approval of a significant tax refund from the IRS' Joint Committee of Taxation, albeit the timing is uncertain.

Firth Rixson

As creditors may recall, under LBIE's agreement with Firth Rixson, the agreed settlement amount is to be received in two instalments. The first instalment of c.£12m was received on 12 July 2023, and the second instalment is due by 14 July 2024.

Lehman Brothers Limited

The Company has an entitlement to post-administration statutory interest on a claim against LBL that was assigned to the Company in 2019 by Lehman Brothers Europe Limited (now dissolved), the principal element of the claim having previously been paid in full.

To date, a total of £157.4m of post-administration statutory interest has been paid.

We understand that, notwithstanding the Partial Discharge Issue (which potentially affects the remaining amount payable by the Company to LBL in respect of its post-administration statutory interest), LBL ultimately expects to have funds available for distribution to the Company as its shareholder. Consequently, it is taking steps to develop a strategy that may see an equity distribution being made to the Company in late 2024/early 2025. The quantum of that equity distribution is dependent on, amongst other things, the Partial Discharge Issue.

2.2 Creditor claims and dividend prospects

Unsubordinated creditors

As creditors are aware from previous reports and prior to the Reporting Period:

- dividends totalling approximately £1,074.8m (100p in the £) had been paid on admitted, unsecured, unsubordinated claims; and
- further distributions of £354.1m had been paid in relation to admitted, unsecured, unsubordinated creditors' statutory interest entitlements.

As a result of the Framework Agreement and the conclusion of the Priority Litigation, the Administrators were able to make further dividend payments to LBH's unsubordinated creditors. In the Reporting Period, the Administrators paid their eighth and ninth interim dividends to unsubordinated creditors of £24.4m and £33.0m respectively, as set out below:

- Eighth interim distribution: On 28 November 2023, a dividend was paid to certain unsubordinated creditors being LBIE (£14.6m), Thayer (£6.0m) and ESH (£3.8m). Payments to LBIE and Thayer were final distributions with no further amounts being owed to those estates. In respect of ESH, further amounts (of up to £9m) may be due to it depending on the outcome of the Partial Discharge Issue.
- As part of the eighth interim distribution, PAMI/LBHI, LBL and MBAM agreed to defer receipt of their unsubordinated statutory interest on this occasion to allow LBH to pay (i) the other unsubordinated creditors and (ii) Tier X (in full) - see below.
- Ninth interim distribution: A dividend of £33.0m was paid to LBHI on 11 March 2024.
- As part of the ninth interim distribution, LBL and MBAM agreed to defer receipt of their unsubordinated statutory interest on this occasion to allow LBH to pay LBHI in respect of its unsubordinated post-administration statutory interest entitlement.

Based on current information, the Administrators are of the view that there will ultimately be sufficient realisations to allow unsubordinated creditors' remaining entitlements to post-administration statutory interest to be paid in full.

Subordinated creditors and the Framework Agreement

The claim from LBGP in respect of the PLC Sub-Notes has now been agreed and admitted at c.£187.2m. This is after discounting in accordance with IR16 and in line with the outcome of the Priority Litigation, as detailed in previous progress reports. The claim from LBHI (in respect of the PLC Sub-Debt) totals c.£1,059.0m.

The Framework Agreement, which became effective on 8 October 2023, sets out a structure under which LBH will make payments to LBGP and LBHI of funds available for subordinated creditors. These payments are governed by a specific sharing formula, summarised below:

Tier X - first available funds of £187.2m:

In the Period, the first £187.2m of funds available for the subordinated creditors was paid, as set out below:

- On 24 November 2023, 92% of Tier X (being £172.2m) was paid to LBGP.
- On 29 December 2023, the remaining 8% of Tier X (being £15.0m) was paid to LBHI.

As a consequence of the above, Tier X has been paid in full.

Tier Y - next available funds of up to £225.0m:

Distributions under Tier Y can only take place once:

- Tier X funds have been distributed in full (which is now the case);
- There has been a final adjudication or settlement of Priority Legal Issue 1; and
- The unsubordinated creditors' remaining entitlement to post-administration statutory interest has been satisfied in full, if necessary adjusted for the resolution of the Partial Discharge Issue.

If Priority Legal Issue 1 is resolved such that statutory interest payable on LBGP's Sub-Notes claim falls to be paid in priority to the principal amount of LBHI's Sub-Debt claim, the Tier Y funds will be distributed to LBGP and LBHI in the ratios 94% and 6% respectively.

If Priority Legal Issue 1 is resolved such that the principal amount of LBHI's Sub-Debt claim falls to be paid in priority to statutory interest payable on LBGP's Sub-Notes claim, the entirety of any Tier Y funds will be distributed to LBHI.

The Administrators do not expect payments under Tier Y to be made for some time given that (i) there remains outstanding post-administration statutory interest due to unsubordinated creditors and where the Partial Discharge Issue is not yet resolved and (ii) Priority Legal Issue 1 is subject to a potential appeal by LBHI and so not finally determined.

Tier Z - remaining funds available:

Subject first to the distributions of Tiers X and Y, further distributions to LBH's subordinated creditors will be paid from any remaining funds available in the following proportions:

- If Priority Legal Issue 1 is resolved such that statutory interest payable on the LBGP's Sub-Notes claim falls to be paid in priority to the principal amount of LBHI's Sub-Debt claim, the Tier Z funds will be distributed to LBGP and LBHI in the ratios 42% and 58%, respectively.
- If Priority Legal Issue 1 is resolved such that principal amount of LBHI's Sub-Debt claim falls to be paid in priority to statutory interest payable on LBGP's Sub-Notes claim, the Tier Z funds will be distributed to LBGP and LBHI in the ratios 12% and 88%, respectively.

Estimated outcome and future distributions

In June 2023 the Administrators prepared an updated assessment of the potential economic outcomes for LBH's creditors. It indicated a potential return to subordinated creditors of between £233m and £490m in Base and High cases respectively, subject to important notes and assumptions which are included within that update.

The update can be accessed through the link below:

<https://www.pwc.co.uk/business-recovery/administrations/lehman/lbh-plc-update-june-2023.pdf>

LBH's ability to pay additional distributions to both unsubordinated and subordinated creditors (and the timing of such distributions) is dependent on a number of matters, including:

- Various of LBIE's unresolved issues which remain subject to litigation, creating uncertainty as to the final outcome and timing of receipt of any recoveries. LBIE reports that the most significant of its unresolved issues is the AGFP litigation, as referred to in Section 2.1 above;
- The resultant quantum of further payments to LBHI2 from LBIE, and the proportion of such payments retained by LBHI2 under the WW sharing agreement;
- The duration, future costs and priority expenses of the LBH, LBIE, LBHI2 and LBL administrations; and
- Under the terms of the Framework Agreement, further distributions to subordinated creditors, beyond that which have recently been paid as Tier X distributions, cannot be made until (i) Priority Legal Issue 1 has been finally adjudicated or otherwise settled, and (ii) the unsubordinated creditors have received their remaining, post-administration statutory interest entitlements, if necessary adjusted for the resolution of the Partial Discharge Issue.

The Administrators will continue to provide further updates through the LBH website (or by other means as appropriate).

2.3 Tax and compliance

All corporation tax returns up to and including the year ended 14 September 2022 have been submitted to HMRC. The Corporate Interest Restriction return for the year ended 14 September 2022 has also been submitted to HMRC. The next corporation tax and corporate interest restriction returns for the year ended 14 September 2023 are due on 14 September 2024 and work on these is in progress.

The Administrators have met their obligations under the Senior Accounting Officer (“**SAO**”) legislation and submitted their 2023 certification and notification. They have complied with their obligations regarding the Lehman group Tax Strategy published for the period ended 30 November 2023 and adhered to the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards.

Progress in the Reporting Period

Corporation Tax

Specific progress in the Reporting Period includes:

- Commencing work on the year ended 14 September 2023 tax return and computations;
- Providing tax support regarding potential future statutory interest payments;
- Considering the tax treatment of payments under certain subordinated debt instruments;
- Input into Estimated Outcome Statement modelling; and
- Updating tax reserves.

VAT

All VAT returns have been submitted up to, and including, the quarter ended February 2024.

Since the last report to creditors, LBH has received £0.6m of VAT repayments in connection with the VAT return periods August 2022 to August 2023. This receipt was offset by various payable payments to suppliers within the Reporting Period, and as such it is reduced in the receipts and payments account. The VAT returns for the quarter ended November 2023 and February 2024 show VAT repayments due to LBH of £0.3m, however, this amount is yet to be received by the representative member, Lehman Brothers Limited - in administration (“**LBL**”).

Due to an open liability for PAYE and Employers’ National Insurance liabilities showing as due on HMRC’s system for LBL, HMRC is withholding VAT repayments for the VAT return quarter ended November 2021, May 2022 and part of August 2022. The LBL administrators are liaising with HMRC to remove the liability as they believe no such liabilities are due and, in turn, release the remaining VAT repayments. LBL anticipates receiving VAT repayments for the VAT return periods from November 2021 to August 2022 (inclusive) in the near future, of which c.£0.3m relates to LBH.

Appendix A: Receipts and payments

Sterling Account

Amount in £ millions	Notes	As at 14 Mar 2024	As at 14 Sep 2023	Movement
Receipts				
Investments in subsidiaries		623.6	623.6	-
Intercompany debtors		1,025.5	906.4	119.1
Sale of tax losses		10.2	9.2	1.0
Sale of LBAM		(0.8)	(0.8)	-
Other receipts		14.2	10.8	3.4
Total receipts		1,672.6	1,549.2	123.4
Payments				
Distributions to unsecured unsubordinated creditors	7	1,486.3	1,428.9	57.4
Distributions under the Framework Agreement *	7	35.7	-	35.7
Administrators' remuneration	2	19.7	18.5	1.2
Administrators' expenses	3	5.5	5.5	-
Legal and professional fees		17.7	16.4	1.3
Purchase of tax losses		13.5	13.5	-
Other payments	4	2.7	2.5	0.2
Net irrecoverable VAT	1	2.5	2.5	0.0
Net recoverable VAT	1	1.4	1.4	0.0
Total Payments		1,585.1	1,489.2	95.9
Inter-currency transfers				
Receipts		99.9	99.9	-
Payments		151.6	-	151.6
Total receipts less total payments		35.8	159.9	(124.1)
Cash Balances				
Bank accounts		3.3	16.6	(13.3)
Money market deposits	5	32.7	143.3	(110.6)
Net cash position		36.0	159.9	(123.9)

* Further distributions made from the EUR account. See note 7 to the receipts and payments accounts.

Note: Costs have been rounded up or down, to the nearest £0.1m which may result in rounding differences in the casting of the table above.

US Dollar Account

Amount in \$ millions	Notes	As at 14 Mar 2024	As at 14 Sep 2023	Movement
Receipts				
Investments in subsidiaries		0.5	0.5	-
Intercompany debtors		57.8	57.8	-
Sale of LBAM		74.1	74.1	-
Other receipts		14.3	14.3	-
Total receipts for period		146.7	146.7	-
Payments				
Total payments for period		-	-	-
Inter-currency transfers				
Payments of inter-currency transfers to £ account		146.5	146.5	-
Total receipts less total payments		0.2	0.2	-
Net cash position	6	0.2	0.2	-

EUR Account

Amount in € millions	Notes	As at 14 Mar 2024	As at 14 Sep 2023	Movement
Receipts				
Other receipts		0.3	0.3	-
Total receipts		0.3	0.3	-
Payments				
Distributions under the Framework Agreement *	7	172.9	-	172.9
Other payments		-	-	-
Total payments		172.9	-	172.9
Inter-currency transfers				
Receipts		173.0	-	173.0
Payments		0.3	0.3	-
Total receipts less total payments		0.1	-	0.1
Net cash position	6	0.1	-	0.1

* Further distributions made from the GBP account. See note 7 to the receipts and payments accounts.

Notes to the receipts and payments accounts

- Amounts shown exclude VAT. Funds currently held may include monies due to HMRC or other members of a VAT group, or exclude monies which will be received in due course from these parties.
LBH is VAT registered and entitled to reclaim 63.09% of input VAT, therefore 36.91% of VAT is irrecoverable.
- As explained further in Appendix C, the Administrators' fees are based on time costs. The receipts and payments account shows the amount paid in the period and total to date.
- Included within 'Administrators' expenses' is c.£5.4m paid in total to date in relation to 'Category 2' disbursements in accordance with the policy explained in Appendix B.
- Included within Other Payments is £35,350 paid in the period and c.£1.8m paid in total, in relation to work the Administrators have either subcontracted or payments to associates, as explained further in Appendix C.
- Funds are held in interest-bearing accounts or invested in short-term money market deposits. The below table shows the cash held in all bank accounts as at 14 March 2024.

Account type	GBP	EUR	USD	GBP Equiv.
Short-term deposits	32,719,571	-	-	32,719,571
Interest-bearing accounts	3,262,027	119,759	201,636	3,659,254
Total cash held	35,981,598	119,759	201,636	36,378,825

The Administrators continue to manage the estate's funds with a cautious outlook and with regard to appropriate policies (designed by treasury specialists), as amended from time to time whilst attending to other relevant considerations.

- Funds have been held in different currencies due to certain debtor recoveries, as well as to assist in creditor payments. The GBP equivalent as at 14 March 2024 is set out in the table above.
- A detailed breakdown of the distributions to creditors paid to date is included in the below tables.

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	27.1
6th dividend of a share of statutory interest, declared 16 February 2021	267.3
7th dividend of a share of statutory interest, declared 15 September 2021	59.7
8th dividend of a share of statutory interest, declared 23 November 2023	24.4
9th dividend of a share of statutory interest, declared 11 March 2024	33.0
Total distributions to unsecured, unsubordinated creditors	1,486.3

Subordinated creditors - under the Framework Agreement	Currency	m	GBP Equiv £m
Tier X: 1st payment 24 November 2023 (to LBGP)	EUR	172.9	151.5
Tier X: 1st payment 24 November 2023 (to LBGP)	GBP	20.7	20.7
Tier X: 2nd payment 29 December 2023 (to LBHI)	GBP	15.0	15.0
Total payments under the Framework Agreement			187.2

- The receipts and payments account does not show "estimated to realise" values from the directors' statement of affairs as this would not provide a meaningful comparison with actual asset recoveries.

Appendix B: Expenses

Expenses are amounts properly payable by the Administrators from the estate. They include the Administrators' fees but exclude distributions to creditors.

Expenses also include disbursements which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment. Expenses fall into two categories:

Expense	SIP9 definition
Category 1	Payments to persons providing the service to which the expense relates who are not an associate of the office holder.
Category 2	Payments to the Administrators' firm or their associates, or which have an element of shared costs (for example, photocopying and mileage disbursements, or costs shared between different insolvent estates).

Approval from creditors is not required to draw Category 1 expenses as these have all been provided by third parties, but approval is required to draw Category 2 expenses. The body of creditors who approve the Administrators' fees (in this case the general body of creditors) also have the responsibility for agreeing the policies for payment of Category 2 expenses.

The rate for services provided by the Administrators' own firm (Category 2 expenses) may periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. All other disbursements to be charged at cost.

The following table provides a breakdown of the Category 2 expenses incurred in the Reporting Period, together with details of the Category 1 expenses that have been incurred as disbursements by PwC and will be recharged to the case.

Category	Provided by	Basis of cost	Costs incurred £
1	PwC	Travel, hotels and food for business purposes	12,502
1	PwC	Treasury services	100
1	PwC	Courier	38
2	PwC	IT software licencing and hosting	6,955
2	PwC	Updates to website	648
Total			20,243

The expense policy set out above has been approved by the Committee.

Payments to associates and 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.

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.

During the Reporting Period £35,350 was paid to these two companies. Authorisation to pay such costs was given by the Committee.

Analysis of Administrators' expenses

The table below provides details of all the expenses incurred in the administration (stated in GBP). It should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the Reporting Period and the total paid to date.

The table excludes any potential tax liabilities that may need to be paid as an administration expense because amounts becoming due will depend on the position at the end of the tax accounting period.

R&P Category (£'m)	Incurred in the reporting period (incl invoices not paid)	Estimated future
Legal fees and disbursements	1.1	3.0
Administrators' remuneration	1.4	5.0
Administrators' expenses	0.0	0.0
Other costs	0.0	1.0
Irrecoverable VAT	0.2	0.7
Total	2.7	9.7

Notes to the expenses table

1. Amounts have been rounded to the nearest £0.1m, which may slightly affect castings.
2. Estimated future costs are dependent on the outcomes of various outstanding issues noted earlier in this report and therefore are provided as a guide only.

It remains difficult to provide a meaningful estimate of future expenses. Whilst the table includes an estimate, the Administrators caution that actual future expenses will be considerably impacted by, among other matters, the final resolution of the LBIE estate, the conclusion of Priority Application II, and the resolution of the Partial Discharge Issue. The estimate we have provided assumes that this will result in the Administration lasting for at least a further 20 months, however that timeframe could be shortened or extended, depending upon how the above matters are ultimately resolved, such that the eventual future expenses may be materially different from those provided in the estimate.

Legal and other professional firms

The Administrators have instructed the following professionals on this case:

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services	Hogan Lovells International LLP	Industry knowledge	Time costs
Legal services	Ogier (Jersey) LLP	Industry knowledge	Time costs
Legal services	Ogier (Cayman) LLP	Industry knowledge	Time costs
Legal services	Linklaters LLP	Industry knowledge	Time costs

The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether conflicts exist.

All professional firms instructed by the Administrators are required to provide a narrative explanation in support of invoices. All invoices are reviewed before being approved for payment. The Administrators are satisfied that the level of legal costs is appropriate.

Appendix C: Remuneration update

The Administrators' fees were approved by the Committee by reference to time properly given by the Administrators and their staff in attending to matters arising in the administration. To 14 March 2024, the Administrators have drawn fees of c.£19.7m in line with the approval given, as shown on the receipts and payments account. During the Reporting Period, the Administrators drew fees of c.£1.2m on account of their time costs.

The time cost charges incurred in the Reporting Period total c.£1.4m. In addition, time cost charges of c.£1.1m were incurred in the period 1 March 2022 to 31 October 2023 in respect of the "creditor complaint" which was outlined in the 28th Progress Report ("7(f) claim"). Until the matter had been resolved, the Administrators did not report nor seek to recover the relevant time costs. Following the claim being withdrawn in October 2023, these costs were presented to the Committee and have since been approved for payment.

An analysis of the total hours and cost incurred by grade of staff can be found later in this appendix. In addition, set out later in this appendix are details of the work undertaken to date and anticipated future work.

Time charging policy and hourly rates

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

All PwC staff who work on the administration (including the Firm's 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 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). The Administrators do not charge general or overhead costs.

Set out below are the maximum charge-out rates per hour for the grades of PwC staff who worked on the administration during the Reporting Period.

Grade	Restructuring, Insolvency & Forensics (£)	Tax, Legal, Data & Technologists (£)
Partner	1,060	1,385
Director	975	1,310
Senior Manager	775	1,060
Manager	625	775
Senior associate	510	570
Associate and support staff*	320	315

*inc. Offshore Professionals

Relationships

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

Analysis of Administrators' time costs

Joint Administrators' time costs for:

- the Reporting Period of 15 September 2023 to 14 March 2024
- dealing with the 7(f) claim in the 20-month period 1 March 2022 to 31 October 2023

Note, given the nature of the creditor complaint and whilst the matter was being dealt with, the Administrators did not feel it was appropriate to look to the creditors to meet the associated time costs. Once the claim and the associated allegations were fully withdrawn, the Administrators felt it was appropriate to recover the costs from the estate. The Committee has now reviewed and approved the associated time costs.

(including the cumulative total time costs from the date of the Administrators' appointment to 14 March 2024)

Reporting Category	Reporting Period										7(f) claim		Cumulative
	Partner/ Director		Senior Manager/ Manager		Senior Associate		Associate/ Support Staff		Total		Total (see pages 22-23)		Total
	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Cost (£)
Accounting and Treasury	3.3	3,4560	85.6	56,830	186.0	94,835	27.4	8,752	302.2	163,872	-	-	2,245,283
Creditors and Distributions	82.1	86,952	32.1	24,248	39.3	20,043	-	-	153.5	131,242	-	-	848,072
Statutory and Compliance	11.9	12,249	112.7	84,382	99.0	50,465	7.0	2,240	230.5	149,336	-	-	2,840,584
Strategy and Planning	504.0	517,608	236.1	176,391	101.7	51,842	13.6	4,352	855.3	750,193	1,493.3	1,100,000	12,645,389
Tax and VAT	89.3	118,847	112.9	88,521	-	-	4.5	1,418	206.7	208,785	-	-	3,862,412
Total	690.5	739,111	579.3	430,371	425.9	217,184	52.5	16,762	1,748.1	1,403,428	1,493.3	1,100,000	22,441,741
Average hourly rate for the period										803		737	

Note: Hours and costs have been rounded up or down, to the nearest 0.1 hour or whole pound which may result in rounding differences in the casting of the table above.

Work undertaken in the Reporting Period

Included earlier in this section is an analysis of the time spent by the various grades of staff. Whilst this is not an exhaustive list, in the following table more detail is provided on the key areas of work.

Category	Description of tasks
<p>Accounting and treasury</p> <p>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.</p>	<ul style="list-style-type: none"> • Due consideration of best strategy for dealing with funds available; • Investment, monitoring and control of LBH's free cash resources; • Monitoring investment strategy and reviewing in response to changing market conditions; • Reviewing liquidity and investment maturities to ensure sufficient cash to meet administration expenses; • Periodic audit of treasury processes and procedures; • Reconciling bank accounts, and processing of receipts and payments; • Monthly reporting of outstanding deposits and month end bank balances; and • Monitoring of funds required for immediate cash needs, to ensure that a suitable level of funds is held on deposit and attracting interest income.
<p>Creditors and distributions</p> <p>This relates to tasks undertaken in relation to creditors, including the calculation and payment of distributions and responding to inbound creditor queries received.</p>	<ul style="list-style-type: none"> • Responding to creditor enquiries received via the Lehman Affiliate mailbox and updating creditor information; • Preparation and payment of the 8th and 9th interim distributions in November 2023 and March 2024 respectively; • Preparation and payment of Tier X dividends to subordinated creditors in November 2023 and December 2023; • Preparation and meeting with the Committee; and • Correspondence with creditors regarding the appointment of an Observer.
<p>Statutory and other compliance</p> <p>This relates to work the Administrators undertake in order to ensure compliance with statutory and regulatory requirements.</p>	<ul style="list-style-type: none"> • Preparing and circulating to creditors the Administrators' 30th progress report to creditors; • Regular monitoring and preparation of cost information in relation to Administrators remuneration and forecasts; and • Maintaining regulatory controls.
<p>Strategy and planning</p> <p>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, for the ultimate benefit of creditors as a whole.</p>	<ul style="list-style-type: none"> • Ongoing progress regarding the Priority Application II and development of strategy; • Settlement negotiations with various stakeholders including entering into the Framework Agreement; • Approach regarding the re-listing of LBH's Sub-Notes; • Review and updating of estimated outcomes and potential future distributions; and • Development of case strategy including viable options to accelerate conclusion of the administration including consideration of subsidiary undertakings and their exit strategies.
<p>Tax and VAT</p> <p>Work reported in this category includes compliance with tax legislation under the Administrators' obligations as proper officers for tax, and planning to ensure the efficient realisation of assets for the benefit of the Company's creditors as a whole.</p>	<ul style="list-style-type: none"> • Preparation of annual corporation tax accounts; • Preparation and submission of quarterly VAT returns; • Consideration of tax treatment in respect of subordinated creditor payments; • Sale of tax losses to the group (£1.0m receipt in the period); • Complying with the Administrators' responsibilities under SAO legislation; and • Meetings with internal tax specialists in relation to ongoing tax strategies.

Work undertaken in respect of the 7(f) claim

Following receipt of the 7(f) claim, the Administrators took appropriate steps to assess and deal with it. Over the following c.20 months, a significant amount of work was undertaken by the Administrators (and the various legal teams involved) in response to the claim. This work was designed, amongst other things, to: (i) investigate the claim, its merits and understand the implications of the claim being made; (ii) undertake a detailed review of the books and records; (iii) prepare a detailed model setting out the flow of funds and payments made across the various Lehman estates that were impacted by the allegations set out in the 7(f) claim; (iv) develop a detailed counterfactual model (based on the allegations) to understand the potential cash flows in that scenario; and (v) attend to the various procedural aspects of the contemplated litigation initiated by the parties.

Joint Administrators' time costs for the 20-month period from 1 March 2022 to 31 October 2023

Reporting Category	Partner/ Director		Senior Manager/ Manager		Senior Associate		Total	
	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)
Data capture	43.4	40,192	244.6	190,143	119.5	58,505	407.6	288,839
Document review	51.7	48,307	564.7	374,696	12.4	6,067	628.9	429,070
Timeline of event	22.6	20,775	43.8	34,085	0.0	0	66.4	54,860
Funds flow analysis	21.7	21,154	111.1	86,354	14.0	6,828	146.7	114,336
Counterfactual analysis	38.8	38,318	105.8	82,256	0.0	0	144.6	120,574
Legal interaction	43.2	42,918	25.7	19,991	0.0	0	69.0	62,909
Stakeholder management	30.2	29,412	0.0	0	0.0	0	30.2	29,412
Total	251.6	241,075	1,095.8	787,525	145.9	71,400	1,493.3	1,100,000
Average hourly rate for the period								737

Note: Hours and costs have been rounded up or down, to the nearest 0.1 hour or whole pound which may result in rounding differences in the casting of the table above

Whilst this is not an exhaustive list, and without in any way waiving privilege whether in any underlying documents or advice which may have been received or otherwise, in the following table more detail is provided on the key areas of work in respect of the 7(f) claim.

Category	Description of tasks
Initial workstream set-up and prioritisation	<ul style="list-style-type: none"> • Developed an initial work plan, encompassing a number of specific workstreams and which were designed to identify, investigate and understand the implications of the claim. This required us to develop workstreams to analyse the historic situation and actions the administrators undertook at the time. • Created a detailed flow of funds through the Lehman structure to ensure the team helping to investigate the claim understood the historic cash flows. • Document review and assessment of counterfactual modelling assisted understanding key cash flows and decision making.
Legal steps	<ul style="list-style-type: none"> • Responded to the initial letter of claim. • Work and meetings with Hogan Lovells in relation to the negotiation of two stays of proceedings with the creditor. • Work and meetings with the Hogan Lovells legal team to understand the legal arguments being presented and the legal options to address those arguments. • Responding to inbound correspondence.
Document retrieval / fact finding	<ul style="list-style-type: none"> • Gathered evidence through targeted investigation of historic documentation. Established strategy to carry out comprehensive review of evidence. • Undertook legacy timesheet analysis to identify areas of focus, including time periods and potential custodians. • Identified and located historical records, corporate organisation charts, and Companies House filings. • Data restoration and capture of case documentation (databases, network drives), emails (Lotus Notes, Gmail), laptop backups and loose user files. • Devised and tested electronic search terms, including quality checking the logic and set up of the document review. • Uploading relevant Lehman books and records, and correspondence onto the Relativity e-discovery platform. • Detailed searches undertaken to locate files and correspondence that related to the 7(f) issue and the subordinated debt agreements that contained this clause. • Searched hard copy filing records, and recalled hard copy boxes for review and scanning. • Undertook a detailed triage process to filter all the documents to identify potentially relevant materials, and then undertook a physical review of these materials. • Participated in meetings with the current and former Administrators and key members of their team.
Counterfactual modelling	<ul style="list-style-type: none"> • Reviewed the subordinated debt agreements and the claim to understand the flow of funds that the creditor was asserting should have been followed if its interpretation of clause 7(f) was upheld by court. • Prepared a detailed financial model to calculate the relevant alternative and the counterfactual outcome for affected creditors and stakeholders in a scenario where the claim was upheld by court. • Briefed team members on the nature and circularity of cash flows between UK affiliates to ensure they were comfortable with the counterfactual modelling. • Developed a detailed analysis covering the above cash flows and modelling that would assist in the preparation of any witness statements and court evidence.
Litigation management	<ul style="list-style-type: none"> • Considered the methodology and approach adopted in respect of the evidence gathering and the counterfactual modelling. • Provided progress updates and undertook detailed briefings in respect of the counterfactual modelling process and the output of the modelling exercise. • Considered the findings from the document review process and counterfactual modelling.

Future work

Examples of work remaining to be done to achieve the purpose of the administration are shown below. This is not an exhaustive list.

Category	Description of tasks
Accounting and treasury	<ul style="list-style-type: none"> • Continuous maintenance and monitoring of cash reserves and investments ensuring appropriate handling of funds to maximise returns to creditors while remaining in line with the Firm's risk policies; and • Processing of payments and receipts.
Creditors and distributions	<ul style="list-style-type: none"> • Responding to queries and maintaining an accurate record of all creditors and claims; • Preparation and payment of distributions when appropriate and the Company has sufficient funds; • Continued recovery of intercompany balances and coordination of distributions between intercompany debtor balances; and • Payments under the Framework Agreement to the extent funds become available and with regard to the future resolutions of Priority Legal Issue 1 and the Partial Discharge Issue.
Statutory and other compliance	<ul style="list-style-type: none"> • Preparing and issuing of further progress reports to creditors; • Six monthly review of case progress; • Preparing for and holding regular meetings with the Committee and any Observer appointed to it, including providing updated financial information as well as information concerning the Administrators' fees for the purpose of fee approval; • In accordance with the Framework Agreement, providing a semi-annual update to ECAPS Holders in respect of the estimated outcome for subordinated creditors; • Other statutory filings at Companies House and Court; and • Planning and applying for either further extensions of the Administration as required or completion of necessary tasks to exit administration.
Strategy and planning	<ul style="list-style-type: none"> • Continuous review and reconsideration of overall strategy as the previously discussed ongoing issues are resolved and developments across the group which affect LBH occur; • Priority Application II - communications with lawyers and key stakeholders with regard to Court's decision in November 2023 and updates to the website; • Partial Discharge Issue: <ul style="list-style-type: none"> ◦ Liaison with key creditors and stakeholders in this regard, including seeking views; ◦ Considering and meetings in relation to possible strategies and next steps; ◦ Calculating any potential impact on the LBH estate; and ◦ Reviewing the ongoing strategy for the administration in light of the Partial Discharge Issue. • Oversight of reporting and accounting, including periodic meetings to monitor progress.
Tax and VAT	<ul style="list-style-type: none"> • Preparation and submission of corporation tax computations and returns; • Consideration of impact on the Company of changes to UK tax legislation, including loss restriction and interest deductibility rules, and the potential impact as part of the corporation tax returns; and • Compliance with various reporting obligations including tax strategy and corporate criminal offence legislation.

Whilst an estimate of future time costs is provided in Appendix B, the Administrators caution that actual future costs will be considerably impacted by a variety of factors. The estimate provided assumes that this will result in the administration lasting for at least a further 20 months; however, that timeframe may be shortened or lengthened depending on how the above matters are ultimately resolved. Accordingly, the eventual future costs may ultimately be materially different from those provided in the estimate.

Appendix D: Other information

Court details for the administration:	High Court of Justice, Chancery Division, Companies Court - Court Case 7943 of 2008 and CR-2008-000026
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, United Kingdom
Date of the administration appointment:	15 September 2008
Joint Administrators' names, addresses and contact details:	Edward John Macnamara, Gillian Eleanor Bruce and David James Kelly of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT Email: uk_lehmanaffiliates@pwc.com
Changes in Administrator:	<p>On 15 September 2008 Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzman and Michael John Andrew Jervis were appointed Joint Administrators</p> <p>On 30 November 2009 Derek Anthony Howell was appointed as an additional Joint Administrator</p> <p>On 22 March 2013 Gillian Eleanor Bruce and Julian Guy Parr replaced Dan Yoram Schwarzman and Michael John Andrew Jervis as Joint Administrators</p> <p>On 26 July 2018 Ian David Green, Edward John Macnamara and Russell Downs replaced Anthony Victor Lomas, Steven Anthony Pearson and Julian Guy Parr as Joint Administrators</p> <p>On 16 June 2021 David James Kelly replaced Ian David Green as Joint Administrator</p> <p>On 30 November 2021 Russell Downs and Derek Howell ceased to act as Joint Administrators</p>
Current membership of the Committee:	Lehman Brothers Limited - in administration MBAM Investor Limited PAMI Holdings LLC LB GP No.1 Limited - in liquidation Lehman Brothers Holdings Inc.
Extensions to the initial period of appointment:	The Court has granted seven successive extensions to the administration to: 30 November 2010; 30 November 2011; 30 November 2013; 30 November 2015; 30 November 2020; 30 November 2022 and 30 November 2025
