
Lehman Brothers Holdings plc – In Administration

Joint Administrators' progress
report for the period 15 March 2016
to 14 September 2016

12 October 2016

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 16th progress report by the Joint Administrators (the "Administrators") of Lehman Brothers Holdings plc ("LBH" or the "Company").

This report provides an update on the work that the Administrators have undertaken and the progress made since their appointment, with particular focus on the progress made in the six months to 14 September 2016 ("the reporting period").

Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for LBH's creditors as a whole than would be likely if LBH were wound up (without first being in Administration).

The specific aims of this Administration were to:

- Realise all assets, including all cash and derivative positions on a managed basis;
- Mitigate so far as is possible and agree in principle the claims of all creditors; and
- Continue to manage its subsidiaries with a view to maximising returns to LBH's creditors.

Creditors' Committee

The Administrators have met with the Creditors' Committee ("Committee") on six occasions since its constitution on 12 December 2008 to discuss significant issues and outline key decisions. Creditors will recall the Committee comprised the following members:

- Lehman Brothers Holdings Inc;
- Lehman Brothers International (Europe);
- Lehman Brothers Limited;
- Lehman Brothers UK Holdings Limited ("LBUKH"); and
- Lehman Brothers Asia Holdings Limited ("LBAHL").

During the period of this report, the Administrators of LBUKH and the Liquidators of LBAHL assigned their claims against LBH to third parties. In accordance with Rule 2.57 of the Insolvency Rules 1986 ("IR86"), LBUKH and LBAHL are no longer eligible to remain on the Committee.

The potential for appointing new members will be discussed at the next committee meeting.

Outcome for creditors

Creditors will recall that on 2 May 2014, the Court granted the Administrators permission to make distributions to its unsecured non-preferential creditors. A first interim dividend of 4.08p in the £ on admitted unsecured, non-preferential (unsubordinated – see below) claims was declared on 3 September 2014.

On 2 February 2016, the Administrators declared and paid a second interim dividend of 2 pence in the £ to the Company's unsecured, non-preferential (unsubordinated) creditors. To date, LBH has declared and paid dividends totalling c.£65.4m.

The Administrators anticipate that further distributions will be made to unsecured, non-preferential (unsubordinated) creditors, however the quantum and timing are uncertain.

Subordinated unsecured creditors

As creditors are aware, LBH guaranteed the following Lehman Brothers Capital funds:

- Lehman Brothers UK Capital Funding LP (ISIN: XS0215349357);
- Lehman Brothers UK Capital Funding II LP (ISIN: XS0229269856); and
- Lehman Brothers UK Capital Funding III LP (ISIN: XS0243852562).

Investors in the above funds are entitled to submit a claim against LBH for the amount they have invested in each fund. However, the guarantee provided by LBH is subordinated to LBH's ordinary unsecured creditors and, accordingly, any claim an investor has will be a subordinated claim.

LBH's unsubordinated unsecured creditors will have to be paid in full before any distribution can be made to subordinated unsecured creditors. Based on current estimates, the Administrators remain of the view that there is unlikely to be any surplus available to pay a dividend to creditors with subordinated claims.

Administrators' term of office

As previously reported, on 5 November 2015, the High Court granted the Administrators' application to extend their term of office by a further five years to 30 November 2020.

Future reports

The Administrators' next progress report to creditors will be sent in approximately six months.

Signed:



GE Bruce
Joint Administrator
Lehman Brothers Holdings plc

DA Howell, AV Lomas, SA Pearson, GE Bruce and JG Parr were appointed as Joint Administrators of Lehman Brothers Holdings plc to manage its affairs, business and property as agents without personal liability. DA Howell, AV Lomas, SA Pearson, GE Bruce and JG Parr 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>.*

The Joint Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administrations.

Section 2 Joint Administrators' actions to date

Asset review

Following their appointment, the Administrators undertook a detailed review of the asset position, which identified the following categories of assets:

- Investments in subsidiary undertakings;
- Financial assets; and
- Inter-company debts.

As previously reported, the Administrators continue to monitor the Company's remaining investments, ensuring that the strategy put in place remains the most effective way to realise value for the benefit of LBH's creditors.

Tax

LBH incurred significant tax losses in pre-appointment tax accounting periods.

Earlier in the administration, LBH entered into a tax loss agreement with, amongst others, the PwC Lehman administration companies. To date, LBH has realised c.£11m from the sale of tax losses, including £8k during the reporting period.

In line with the tax loss agreement, tax function costs (which are an allocation of centrally incurred tax costs) have been deducted from the refunds received.

All corporation tax returns up to and including the year ended 14 September 2014 have been agreed by HM Revenue & Customs ("HMRC"). The corporation tax return for the year ended 14 September 2015 has been submitted to HMRC and showed a small profit sheltered by brought-forward losses.

Budget 2016

As previously reported, the UK government announced in its March 2016 budget two reforms to the use of corporation tax loss relief that will apply from April 2017, subject to consultation:

- (i) Companies will only be able to use losses carried forward against up to 50% of their profits above £5m; and

- (ii) The current streaming rules in relation to the use of losses will be amended to allow losses arising on or after 1 April 2017 to be usable, when carried forward, against profits from other income streams (i.e. carried forward trading losses may be used against non-trading profits) and, profits of other group companies (i.e. carried-forward losses may be claimed/surrendered as group relief).

As a result of these reforms, companies with significant brought forward tax losses may potentially become tax paying entities and sooner than previously forecast.

The Administrators will provide further commentary on the implications of this in future reports as and when the outcome of the consultation is known.

Investments in subsidiary undertakings

LBH holds an equity interest in a number of Lehman group companies, which may ultimately have value. However, until significant matters in those companies are resolved, the level of realisations for LBH remains materially uncertain.

Campo Iris ("CI")

Creditors will recall that CI, one of LBH's subsidiaries, has been placed into solvent liquidation. The Administrators understand that LBH can expect to receive c.€0.5m (before costs) from its investment in CI in due course.

Inter-company debts

Before it went into Administration, the Company had two key functions:

- As a holding company for a number of entities in the UK group; and
- As a "pass-through" vehicle for the transfer of subordinated debt and cash funding to Lehman Brothers International (Europe).

According to the directors' statement of affairs, the book value of LBH's claims against associated company debtors, which are also in formal insolvency, is c.£338m.

Claims submitted

Following a review of the debtor positions, claims totalling c.£360m have been submitted on behalf of LBH, of which c.£154m has been admitted for dividend. To date, recoveries on admitted claims total c.£23.3m and c.\$22.3m.

Standstill agreements

In September 2014, LBH entered into standstill agreements with six solvent debtors where the debt was either in dispute or settlement negotiations were ongoing. The book value of these debts is c.\$62m (c.£41m). As previously reported, a sum of £2.3m has been received in settlement of two claims. One further claim was not pursued as there was insufficient evidence in LBH's records to support the claim.

The standstill agreements expired on 30 September 2016 and the position regarding the three remaining debtors subject to them is as follows:

- Settlement agreements have been entered into with two debtors and proceeds totalling c.£1.3m and c.\$18k received outside the reporting period; and
- Negotiations are continuing with the remaining debtor in respect of LBH's claim of c. \$53m (c. £40m) and consequently, the standstill agreement has been extended by a further 18 months.

Claims still to be adjudicated

Of LBH's debtor claims yet to be adjudicated, the largest is against LB Holdings Intermediate 2 Limited ("LBHI2") with a book value of c.£206.4m. The administrators of LBHI2 have not yet sought permission from the Court to make a distribution to unsecured, non-preferential creditors and the timing of any such application is unknown. In the meantime, the Administrators continue to monitor the situation in respect of this and all other debts, which have not yet been agreed or settled.

Claims set-off or written off

As outlined in earlier reports, a debtor balance of c.\$51m (c.£28m) was set off against a larger creditor claim against LBH as part of the claims' adjudication process. Debtor balances with a book value of c.\$34m (c.£21m) have been written off on the basis that they are not commercially viable to pursue.

Debtor realisations

Realisations in the reporting period include:

- A fifth interim distribution from Mable Commercial Funding Limited of c.£1.0m;
- A first interim distribution from Platform Commercial Funding Limited of c. £0.2m;
- Ninth dividends from Lehman Brothers Special Financing, Inc. ("LBSF") and Lehman Commercial Paper Inc. ("LCPI") of \$16k and \$10k respectively;
- Tenth dividends from LBSF and LCPI of \$0.3m and \$9k respectively; and
- Other sums received totalling c. £9.7k.

All receipts in USD were converted to GBP to minimise the foreign exchange risk.

As stated above, c.£1.3m and c.\$18k were received after the reporting period.

Shortly after the reporting period, LBH received an eleventh dividend from LBSF and LCPI of \$95k and \$25k respectively.

Further dividends from LBSF and LCPI are expected on a six monthly basis. The timing and quantum of receipts from other debtors remain uncertain.

Investigations and actions

Nothing has come to the Administrators' attention during the reporting period to suggest that any further work is required in accordance with our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

Section 3 Statutory and other Information

| | |
|--|---|
| <i>Court details for the Administration:</i> | High Court of Justice, Chancery Division, Companies Court – case 7943 of 2008 |
| <i>Full name:</i> | Lehman Brothers Holdings plc |
| <i>Trading name:</i> | Lehman Brothers Holdings plc |
| <i>Registered number:</i> | 01854685 |
| <i>Registered address:</i> | 7 More London Riverside, London SE1 2RT |
| <i>Date of the Administration appointment:</i> | 15 September 2008 |
| <i>Current Administrators' names and addresses:</i> | AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT |
| <i>Appointer's / applicant's name and address:</i> | High Court of Justice, Chancery Division, Companies Court on the application of the Company's directors, 7 More London Riverside, London SE1 2RT |
| <i>Objective being pursued by the Administrators:</i> | Achieving a better result for LBH's creditors as a whole than would be likely if LBH were wound up (without first being in Administration) |
| <i>Division of the Administrators' responsibilities:</i> | In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Joint Administrators may be done by any one or more of the persons for the time being holding that office. |
| <i>Details of any extensions of the initial period of appointment:</i> | The High Court of Justice has granted five successive extensions to the Administration period to: 30 November 2010, 30 November 2011, 30 November 2013, 30 November 2015 and to 30 November 2020. |

Section 4 Financial Information

Receipts and payments account

An account of the receipts and payments for the six months to 14 September 2016, and a cumulative total since the commencement of the Administration, is set out overleaf.

Sums have been rounded to the nearest £0.1m.

Key movements in the reporting period

- Debtor receipts of c.£1.5m; and
- Joint Administrators' fees of £0.4m plus VAT.

Net receipts since the date of the administration to 14 September 2016 are equivalent to c.£35 m.

Administrators' expenses

As outlined in the Administrators' previous report, Statement of Insolvency Practice number 9 ("SIP9") was revised with effect from 1 December 2015.

Accordingly, set out in Section 6 of this report is a statement of the expenses that the Administrators have incurred from the date of their appointment to 14 September 2016, together with a comment on future expenses.

Administrators' remuneration

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 Section 7:

(i) an analysis of the Administrators' time costs for the period 1 March 2016 to 31 August 2016, including the cumulative total time costs from the date of the Administrators' appointment to 31 August 2016; and

(ii) a summary of the Administrators' time costs for the period, including the key categories of work, details of the work undertaken, a description of why

the work was necessary and whether or not the work was of financial benefit to the creditors or if it was required by statute.

In line with the Committee's approval, as at 14 September 2016, the Administrators have drawn remuneration of £4.6m plus VAT in respect of time costs incurred to 30 June 2016. Of this, £1.3m plus VAT represents 75% of time costs incurred between 1 February 2014 and 30 June 2016.

Disbursements

The Administrators are not required to seek approval to draw expenses or disbursements unless they are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying, communication facilities. These types of expenses are called "Category 2" disbursements and they must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves our fees.

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs, statutory advertising and insolvency office holders' insurance.

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

Category 1 disbursements incurred during the reporting period total £1.7k. No Category 2 disbursements were incurred during the reporting period.

Creditors' rights

Creditors have the right to ask for information and challenge an administrator's fees if they believe that they are too high. You can find an explanatory note online 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 Lehman.affiliates@uk.pwc.com.

Section 5 Receipts and Payments Account

| | GBP | | | USD | | | EUR | | |
|--|-------------|------------------------|-------------|--------------|------------------------|--------------|------------|------------------------|------------|
| | 14-Sep-16 | Movements in Period | 15-Mar-16 | 14-Sep-16 | Movements in Period | 15-Mar-16 | 14-Sep-16 | Movements in Period | 15-Mar-16 |
| Receipts | | | | | | | | | |
| Investments in subsidiaries | 1.0 | - | 1.0 | 0.5 | - | 0.5 | - | - | - |
| Intercompany debtors (Note 1) | 23.3 | 1.5 | 21.8 | 11.6 | - | 11.6 | - | - | - |
| Book debts | 0.1 | - | 0.1 | 14.1 | 0.3 | 13.8 | - | - | - |
| Sale of tax losses | 9.1 | - | 9.1 | - | - | - | - | - | - |
| Proceeds from sale of ESO (Note 2) | 1.0 | - | 1.0 | - | - | - | 0.3 | - | 0.3 |
| Bank Interest (Note 3) | 1.0 | 0.1 | 0.9 | 0.2 | - | 0.2 | - | - | - |
| LBAM tax loss receipts | 2.5 | - | 2.5 | - | - | - | - | - | - |
| Net proceeds from sale of LBAM | (0.8) | - | (0.8) | 74.1 | - | 74.1 | - | - | - |
| Total Receipts | 37.2 | 1.6 | 35.6 | 100.5 | 0.3 | 100.2 | 0.3 | - | 0.3 |
| Payments | | | | | | | | | |
| Legal fees | 1.3 | - | 1.3 | - | - | - | - | - | - |
| Legal fees relating to Pension costs | 0.4 | - | 0.4 | - | - | - | - | - | - |
| Payments on behalf of subsidiaries | 0.1 | - | 0.1 | - | - | - | - | - | - |
| Wages & salaries | 0.3 | - | 0.3 | - | - | - | - | - | - |
| IT costs | 0.2 | - | 0.2 | - | - | - | - | - | - |
| Joint Administrators' remuneration (Note 3) | 4.6 | 0.4 | 4.2 | - | - | - | - | - | - |
| Professional fees | 0.1 | - | 0.1 | - | - | - | - | - | - |
| Insurance | 0.2 | - | 0.2 | - | - | - | - | - | - |
| Contribution to tax costs | 0.2 | - | 0.2 | - | - | - | - | - | - |
| Net VAT irrecoverable | 0.2 | - | 0.2 | - | - | - | - | - | - |
| Net VAT recoverable | 0.5 | 0.1 | 0.4 | - | - | - | - | - | - |
| Total Payments | 8.1 | 0.5 | 7.6 | - | - | - | - | - | - |
| Intracompany Transfers | | | | | | | | | |
| Payment | - | - | - | (100.2) | - | (100.2) | (0.3) | - | (0.3) |
| Receipt | 62.6 | - | 62.6 | - | - | - | - | - | - |
| Total receipts less total payments | 91.7 | 1.1 | 90.6 | 0.3 | 0.3 | - | - | - | - |
| Distributions to non-preferential unsecured unsecured creditors | | | | | | | | | |
| 1st dividend of 4.08p in the £, declared in September 2014 (Note 4) | 43.8 | - | 43.8 | - | - | - | - | - | - |
| 2nd dividend of 2p in the £, declared in February 2016 | 21.6 | 0.1 | 21.5 | - | - | - | - | - | - |
| Balance held net of distributions | 26.3 | 1.0 | 25.3 | 0.3 | 0.3 | - | - | - | - |
| Cash Balances | | | | | | | | | |
| HSBC | 1.3 | (9.4) | 10.7 | 0.3 | 0.3 | - | - | - | - |
| Money market deposits (Note 4) | 25.0 | 10.4 | 14.6 | - | - | - | - | - | - |
| Total Cash/Movements (Note 3) | 26.3 | 1.0 | 25.3 | 0.3 | 0.3 | - | - | - | - |

Notes:

- (1) Intercompany debtor balance includes settlements from all classes of debtors.
- (2) Net proceeds from sale of shares in ESE Special Opportunities Plc.
- (3) An adjustment was made historically to correct rounding issues.
- (4) A catch up dividend totalling c.£0.1m was paid in the period relating to a previously unadjudicated claim which has now been admitted.
- (5) Funds are invested on the money markets in order to accrue interest and to manage risk.
- (6) LBH is VAT registered and entitled to reclaim 63.09% of input VAT. Therefore 36.91% of VAT is irrecoverable.
- (7) Sums have been rounded to the nearest £0.1m
- (8) All of the Company's assets are uncharged, there being no secured creditors.
- (9) The Administrators are not in a position to provide an estimated outcome for comparative purposes because of the uncertainty surrounding the litigation referred to in Section 8.
- (10) The estimated to realise values of assets shown in the directors' statement of affairs do not represent a meaningful comparison with the current position and are therefore excluded.

Section 6 Expenses

The following table provides details of the Administrators' expenses. Expenses are defined as amounts payable by the Administrators from the estate, they include the Administrators' fees but exclude distributions to creditors. The table also excludes any potential tax liabilities that may be payable as an Administration expense, as amounts becoming due will depend on the position at the end of the tax accounting period.

The table should be read in conjunction with the receipts and payments account in Section 5 of this report, which shows expenses actually paid during the period and the total paid to date.

In estimating future expenses, assumptions have been made relevant to the annual run rate and length of the current period of extension, where appropriate.

Sums have been rounded to the nearest £0.1m.

| | Brought forward from preceding period £ | Incurred in the period under review £ | Cumulative £ | Accrued £ | Estimated future £** | Anticipated total £ |
|--|---|---------------------------------------|--------------|------------|----------------------|---------------------|
| Legal fees | 1.3 | - | 1.3 | - | 2.1 | 3.4 |
| Pension related legal costs | 0.4 | - | 0.4 | - | - | 0.4 |
| Payments on behalf of subsidiaries* | 0.1 | - | 0.1 | - | - | 0.1 |
| Wages & salaries | 0.3 | - | 0.3 | - | 0.2 | 0.5 |
| IT costs | 0.2 | - | 0.2 | - | - | 0.2 |
| Joint Administrators' remuneration | 4.2 | 0.4 | 4.6 | 0.1 | 5.4 | 10.1 |
| Professional fees | 0.1 | - | 0.1 | - | - | 0.1 |
| Insurance | 0.2 | - | 0.2 | - | - | 0.2 |
| Contribution to tax costs | 0.2 | - | 0.2 | - | - | 0.2 |
| Net VAT (of which 63.09% is recoverable) | 0.6 | 0.1 | 0.7 | - | 1.5 | 2.2 |
| Total | 7.6 | 0.5 | 8.1 | 0.1 | 9.2 | 17.4 |

*Costs incurred on behalf of the Company's subsidiaries will be recharged to them in due course.

** Certain classes of future costs are subject to material uncertainties, which prevent the Administrators from providing a meaningful estimate of future costs at this time. However, the Administrators have made reserves in respect of their professional fees and legal costs, which are indicated above.

An explanation of the key issues impacting the estate are provided in Section 8.

Section 7 Joint Administrators' time costs

| Classification of work | Partner/Director | | Senior Manager/Manager | | Senior Associate | | Associate/Support Staff | | Total | |
|---|------------------|----------------|------------------------|----------------|------------------|---------------|-------------------------|---------------|---------------|------------------|
| | Hours | £ | Hours | £ | Hours | £ | Hours | £ | Hours | £ |
| Accounting and Treasury | - | - | 14.15 | 6,316 | 34.80 | 10,306 | 38.80 | 9,157 | 87.75 | 25,779 |
| Strategy and Planning | 160.25 | 123,383 | 391.25 | 178,385 | 36.20 | 10,985 | 11.80 | 2,785 | 599.50 | 315,538 |
| Statutory and Compliance | 3.80 | 2,968 | 34.90 | 15,784 | 40.30 | 11,601 | 101.20 | 23,660 | 180.20 | 54,013 |
| Tax and VAT | 41.80 | 43,894 | 30.65 | 17,937 | 16.48 | 6,612 | 11.36 | 2,100 | 100.29 | 70,543 |
| Creditors | - | - | 5.00 | 2,220 | 12.00 | 4,382 | 2.25 | 531 | 19.25 | 7,133 |
| Total for six months ended 31 August 2016 | 205.85 | 170,245 | 475.95 | 220,642 | 139.78 | 43,886 | 165.41 | 38,233 | 986.99 | 473,006 |
| Average hourly rate for the six month period | | 827.03 | | 463.58 | | 313.96 | | 231.14 | | 479.24 |
| Cumulative total to 31 August 2016 | | | | | | | | | | 5,178,653 |

| Current charge out rates | Business Recovery Services | Specialist |
|--------------------------|----------------------------|-------------|
| | Max £/hr | Max £/hr |
| Grade | 2015 | 2015 |
| Partner | 899 | 1,262 |
| Director | 788 | 1,108 |
| Senior manager | 527 | 932 |
| Manager | 444 | 680 |
| Senior Associate | 271 | 505 |
| Associate/Support Staff | 236 | 235 |

The Administrators' remuneration has been fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration. The minimum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.

Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary, however, the figures shown give an indication of the maximum rate per hour.

Per the agreement with LBIE's creditors' committee, the LBIE administrators' charge-out rates were held unchanged from 1 July 2012 to 30 June 2015. An increase of 3% in charge-out rates is effective from 1 July 2015 to 30 June 2017, and in line with other Group affiliates controlled by the Firm's office holders, this approach is also used for LBH.

Notes:

- (1) The cumulative total refers to the time costs incurred to 31 August 2016, of which c.£4.2m has been paid to date.

Summary of the Joint Administrators' time costs for the six months ended 31 August 2016

Accounting and Treasury - £25,779

An essential function for 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. In the reporting period, interest of £0.1m has been generated, compared to the c. £25k + VAT incurred in costs.

Activities include:

- Provision of information for the purposes of statutory reporting;
- Analysis of interest rates available with counterparties;
- Active management of investments on the money market, and mitigating risk on such investments;
- Due consideration of best strategy for dealing with investments;
- Arrangement of receipts and payments of funds and coding of movements;
- Monitoring flow of funds into the bank accounts; and
- Daily monitoring of the funds held, coordinating with case team to ensure that the optimal level of funds are held on deposit.

Strategy and Planning - £315,538

Due to the inherent complexities of the LBH estate, the Administrators and their staff have invested a large proportion of their time in the planning and delivery of their strategy for the progression of the Administration, whilst ensuring that LBH's interests in relation to the wider Lehman Brothers group are properly represented. The Administrators consider that their actions support their objective of achieving a better result for LBH's creditors as a whole than would be likely if LBH were wound up (without first being in Administration) and anticipate that the Company will be dissolved after conclusion of the Administration.

Recoveries from debtors in the review period total c. £1.5m in the period.

Activities include:

- Continued development of the financial model to estimate the various range of outcomes for the estate as and when there are further developments in the Waterfall proceedings;
- Considerations of strategy to maximise the outcome for LBH's creditors;
- Updating strategy documents;
- Discussions with stakeholders in regards to this strategy;
- Review and maintenance of financial information including updating the estimated outcome statement;
- Discussions regarding future distributions;
- Regular team meetings to discuss case progression;
- Review of assets in subsidiary companies and discussions regarding how these can be best managed in order to achieve closure of the subsidiary estates;
- Debtor strategy review including negotiations with debtors in relation to the various standstill agreements and subsequent settlements/ extensions; and
- Liaison with specialist teams.

Statutory and Compliance - £54,013

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

- Preparation of the Administrators' 15th progress report including the consideration and

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- implementation, insofar as practicable, of the revised SIP 9 requirements;
- Circulating progress report to creditors;
 - Statutory filings at Companies House and the Court;
 - Preparing and reviewing of receipts and payments account for reports to creditors;
 - Preparing and reviewing of detailed time cost information in support of billing;
 - Undertaking six monthly case reviews;
 - Liaising with Administrators on statutory issues;
 - Managing information available on website;
 - Consideration of the Administrators' SIP2 obligations; and
 - Maintaining case files and the LBH database.

Tax and VAT- £70,543

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

- Preparing and reviewing corporation tax computations;
- Dealing with corporation tax and VAT queries;
- VAT reconciliation, preparation and submission of VAT returns;
- Reviewing and providing input for correspondence with HMRC; and
- Complying with the Administrators' obligations in regard to Senior Accounting Officer work.

Creditors - £7,133

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

- Review and adjudication of remaining creditor claims;
- Payment of catch up dividend; and
- Responding to creditor enquiries via the Lehman Affiliate mailbox and updating creditor information on LBH's database.

Section 8 Joint Administrators' estimate of future time costs

As creditors are aware, LBH's principal outstanding positions are its shareholdings in Lehman Brothers (Europe) Limited and Lehman Brothers Limited, and its unsecured claim against LB Holdings Intermediate 2 Limited, all of which are significantly impacted by the outcome of the litigation known as Waterfall I, Waterfall II and Waterfall III.

Waterfall I is due to be heard by the Supreme Court in October 2016, and Waterfall II (parts a and b) will be heard in the Court of Appeal during April 2017. The judgment of the High Court in respect of Waterfall II (part c) has been handed down subsequent to the period of this report. Waterfall III is due to be heard in the High Court in January 2017. In the meantime, the Administrators continue to actively progress all other matters pertaining to the estate.

LBH is central to the UK Lehman structure. As such, the ultimate resolution of the estate will not only be subject to a range of complex matters affecting LBH itself, but also to matters where LBH is implicated by its relationships with entities in the wider Lehman group. Accordingly, the Administrators have set aside a reserve of £5.5m for their future time costs, broadly analysed as follows:

| | (£m) |
|---------------------------------------|------------|
| Accounting and treasury | 0.5 |
| Strategy and planning | 3.0 |
| Statutory and compliance, Tax and VAT | 1.5 |
| Creditors/distributions | <u>0.5</u> |
| | 5.5 |

The above figures assume that:

- The Administration will be concluded prior to 30 November 2020, when a further extension would be required;
- Time costs relating to care and maintenance of the case will be incurred at a similar rate to the reporting period;
- There will be one further distribution to creditors; and
- There will be no significant litigation involving LBH.

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.

Details of subcontracted work

Certain centralised services are undertaken on behalf of LBH by employees retained by LBIE; this includes the provision of certain tax and VAT services and key staff resource. The costs of such services are recharged to LBH on a time costs basis and are disclosed separately as part of the Administrators' fee analysis. .

Legal and other professional firms

The Administrators have instructed the following professionals on this case to assist with various legal matters arising in the Administration. In addition, the directors of the subsidiaries have instructed Reed Smith 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 the Administrators are required to provide a narrative explanation in support of invoices. All invoices are reviewed before being approved for payment. The Administrators have satisfied themselves that the level of legal and professional costs are appropriate.

| Service provided | Name of firm / organisation | Reason selected | Basis of fees |
|-------------------------|------------------------------------|---|----------------------|
| Legal services: | <i>Linklaters LLP</i> | <i>Industry knowledge</i> | <i>Time costs</i> |
| | <i>Dentons UKMEA LLP</i> | <i>Industry knowledge</i> | <i>Time costs</i> |
| | <i>Maples and Calder</i> | <i>Territory knowledge</i> | <i>Time costs</i> |
| | <i>Reed Smith LLP</i> | <i>Territory knowledge (subsidiaries)</i> | <i>Timecosts</i> |
| | <i>Saville & Co</i> | <i>Notarial certification</i> | <i>Fixed fee</i> |