
Lehman Brothers Holdings plc – In Administration

Joint Administrators' progress
report for the period 15 September
2016 to 14 March 2017

12 April 2017

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 17th 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 March 2017 ("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 seven occasions since its constitution on 12 December 2008 to discuss significant issues and outline key decisions. The most recent meeting with the Committee was held on 29 November 2016.

Creditors will recall from the Administrators' last report that the membership of the Committee had reduced to three. Lehman Brothers Securities Asia Limited ("LBSAL") has since joined the Committee with the approval of the Administrators and the remaining members. Consequently, current membership is as follows:

- Lehman Brothers Holdings Inc ("LBHI");
- Lehman Brothers International (Europe) ("LBIE");
- Lehman Brothers Limited ("LBL"); and
- LBSAL.

Outcome for creditors

Creditors will recall that on 2 May 2014, the Court granted the Administrators permission to make

distributions to its unsecured creditors. A first interim dividend of 4.08p in the £ on admitted unsecured (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 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 unsubordinated creditors, however the quantum and timing are uncertain, particularly as LBH has been joined to ongoing legal proceedings, described in more detail later in this report.

Guarantee creditors

As creditors are aware, LBH guaranteed the following Lehman Brothers Capital funds ("the 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 Funds are entitled to submit a claim against LBH for the amount they invested in each fund. However, the guarantee provided by LBH is subordinated to LBH's ordinary unsecured and other subordinated creditors.

The Administrators estimate that there is unlikely to be any surplus available to pay a dividend to creditors with guarantee claims.

The Administrators understand that certain investors in the Funds have taken steps to re-instate the general partner of the Funds, LB GP No 1 Limited ("LBGP"), with a view to providing a conduit to a potential subordinated claim into LBH.

The Administrators also understand that LBGP has been placed into creditors' voluntary liquidation. The liquidators are Bruce Mackay and Matthew Haw ("the Liquidators") of RSM Restructuring Advisory LLP, based at 25 Farringdon Street, London EC4A 4AB. Investors should contact the Liquidators with regard to potential claims.

Extension to the term of office

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. The Joint Administrators 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 conducted a detailed review of the asset position, which identified the following categories of assets:

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

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

Investments in subsidiary undertakings

LBH held an equity interest in 22 Lehman group companies which according to the directors statement of affairs, were estimated to realise c. \$87m (£49m). Of these, the most significant shareholdings were in Lehman Brothers Asset Management (Europe) Limited ("LBAMEL"), Lehman Brothers Europe Limited ("LBEL") and MBAM Investor Limited ("MBAM").

LBH received the sum of \$74m (£47m) from the sale of LBAMEL in May 2009. The availability and quantum of a shareholder surplus in LBEL are subject to the outcome of Waterfall III and consequently, the outcome for LBH is materially uncertain. The outcome from MBAM remains highly contingent upon receipts from LBHI and LBH and these continue to be reviewed by the Administrators. Of the remaining estates, a number of them have either been sold/ dissolved realising additional proceeds of less than £1m or remain in an ongoing process which continues to be monitored by the Administrators.

Campo Iris ("CI")

Creditors will recall that CI, one of LBH's subsidiaries was placed into solvent liquidation. The liquidation has now concluded and LBH received c.€415k (c.£352k) (after costs) from its investment in CI.

LB Cayman Limited ("LBC")

On 15 February 2017, LBH's subsidiary, LBC, agreed a claim against LBIE for c. £472k and immediately assigned its claim to LBH by way of

dividend. A catch up distribution was paid to LBH by LBIE after the reporting period end.

Tax

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. The tax computation for the year ended 14 September 2016 is currently being drafted.

Budget 2017

The 2017 Finance Bill published by the UK government on 20 March 2017, includes legislation in respect of changes to the use of corporation tax loss relief that will apply from April 2017. The Finance Bill has yet to receive Royal Assent and is therefore still subject to change. In summary the main changes as they currently stand are:

(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 following Royal Assent.

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 LBIE.

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.£38m.

Standstill agreements

In September 2014, the Administrators entered into standstill agreements with six solvent debtors to preserve LBH's right to pursue claims totalling c.\$62m. Settlements have now been reached with these and a total of c.\$50m was received in this respect, equating to c.£40m.

Debtor realisations

Other realisations in the reporting period include:

- A sixth interim distribution from Mable Commercial Funding Limited of c.£0.4m; and
- A receipt of c. £0.1m in respect of monies held on a solicitor's client account.
- Eleventh dividends from Lehman Brothers Special Financing Inc ("LBSFI") and Lehman Commercial Paper Inc ("LCPI") of c.\$95k and c.\$25k respectively;

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

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

Shortly after the reporting period, LBH received a sixth interim dividend in the sum of c.£0.4m from Lehman Brothers (PTG) Limited.

Waterfall III

Creditors may be aware that three of LBH's subsidiaries, LBIE, LB Holdings Intermediate 2 Limited ("LBHI2") and LBL are applicants and/or respondents in a series of applications made by their Administrators, collectively referred to as the Waterfall applications. There are three applications before the courts at the moment aimed at clarifying how the administrators should treat and calculate the value of various claims between the parties.

The latest position on each application is available for creditors to review on the PwC website using the following link:

<http://www.pwc.co.uk/services/business-recovery/administrations/lehman/lbie-waterfall-application.html>

One of the principal claims at issue in the Waterfall applications is the claim LBIE, as an unlimited liability company, has against its members, LBHI2 and LBL, for any deficiency in its assets.

On 30 September 2016, LBL issued a position paper to join LBH to the Waterfall III litigation, asserting that LBH was the beneficial owner of the one LBIE share registered to LBL. Thus, LBH should in fact be the principal against which LBIE should claim for a contribution in Section 74 IA86.

The initial Court hearing for Waterfall III was held on 4 November 2016 at which it was agreed that LBH would be joined to the proceedings.

As a practical matter the court split the Waterfall III application into two parts. The first, Part A, was heard in January 2017 and judgement is awaited. The second, Part B, is due to be heard in September.

Further details regarding Waterfall III and the position paper filed by LBL can be found at the following link:

<http://www.pwc.co.uk/services/business-recovery/administrations/lehman/waterfall-iii-application.html>

Proposed Settlement of Waterfall III

The Administrators are pleased to advise that LBH together with certain other Lehman UK affiliates have been exploring commercial terms upon which the Waterfall III litigation proceedings might be settled.

Those discussions remain ongoing however, the parties have developed the outline of a proposal which would compromise both the Waterfall III proceedings and any underlying claims against the contributories of LBIE. If this proposal can be successfully implemented, it is likely to accelerate distributions to unsecured creditors.

LBIE has published notice of the proposed outline settlement on its website at:

<http://www.pwc.co.uk/services/business-recovery/administrations/lehman/waterfall-iii-application/announcement-on-proposed-settlement-of-waterfall-iii-proceedings.html>

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 their 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>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, The Rolls Building, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL (former address The Strand, London, WC2A 2LL) on the application of the directors of the Company, 25 Bank Street, London, E14 5LE
<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 March 2017, together with a cumulative total since the beginning of the Administration, is attached in Section 5.

Figures have been rounded to the nearest £0.1m.

Key movements in the reporting period

- Debtor receipts of c.£2.2m and c.\$£45.1m;
- Legal fees of c.£0.9m plus VAT, of which c.£0.7m plus VAT relates to Waterfall III; and
- Administrators' fees of £0.9m plus VAT.

Administrators' expenses

Creditors may recall from earlier reports that Statement of Insolvency Practice number 9 ("SIP9"), issued by the Institute of Chartered Accountants in England and Wales, was revised with effect from 1 December 2015 and applies to all open insolvency cases. SIP9 details the disclosure standards required by insolvency office holders in respect of fees, expenses and payments to associates.

In accordance with SIP9, there is a statement of the expenses that the Administrators have incurred from the date of their appointment to 14 March 2017, together with a comment on future expenses in Section 6.

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 September 2016 to 28 February 2017, including the cumulative total time costs from the date of the Administrators' appointment to 28 February 2017; and

(ii) a summary of the Administrators' time costs for the period, including the key categories of work, further information of the work undertaken, a description of why the work was necessary, how the work benefits creditors and whether it was required by statute.

In line with the Committee's approval, as at 14 March 2017, the Administrators have drawn remuneration of £5.5m plus VAT in respect of time costs incurred to 30 November 2016. Of this, £0.3m plus VAT represents 75% of time costs incurred from 1 October 2016 to 30 November 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 the Administrators' 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 c. £113 plus VAT. No Category 2 disbursements were incurred.

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

	Notes	14-Mar-17	GBP Movements in Period	14-Sep-16	14-Mar-17	USD Movements in Period	14-Sep-16	14-Mar-17	EUR Movements in Period	14-Sep-16
	1									
Receipts										
Investments in subsidiaries		1.0		1.0	0.5	-	0.5	-	-	-
Intercompany debtors	2	25.5	2.2	23.3	56.7	45.1	11.6	-	-	-
Book debts		0.1	-	0.1	14.1	-	14.1	-	-	-
Sale of tax losses		9.1	-	9.1	-	-	-	-	-	-
Proceeds from sale of ESO	3	1.0	-	1.0	-	-	-	0.3	-	0.3
Bank Interest		1.1	0.1	1.0	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	4	39.5	2.3	37.2	145.6	45.1	100.5	0.3	-	0.3
Payments										
Legal fees		2.2	0.9	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		5.5	0.9	4.6	-	-	-	-	-	-
Professional fees		0.1	-	0.1	-	-	-	-	-	-
Insurance		0.2	-	0.2	-	-	-	-	-	-
Contribution to tax costs		0.2	-	0.2	-	-	-	-	-	-
Net VAT irrecoverable	5	0.3	0.1	0.2	-	-	-	-	-	-
Net VAT recoverable	5	0.7	0.2	0.5	-	-	-	-	-	-
Total Payments		10.2	2.1	8.1	-	-	-	-	-	-
Intracompany Transfers										
Payment		-	-	-	145.6	45.4	100.2	0.3	-	0.3
Receipt		99.3	36.7	62.6	-	-	-	-	-	-
Total receipts less total payments		128.6	36.9	91.7	-	(0.3)	0.3	-	-	-
Distributions to unsecured creditors										
1st dividend of 4.08p in the £, declared 3 September	6	43.8	-	43.8	-	-	-	-	-	-
2nd dividend of 2p in the £, declared 10 February 2016		21.6	-	21.6	-	-	-	-	-	-
Balance held net of distributions		63.2	36.9	26.3	-	(0.3)	0.3	-	-	-
Cash Balances										
HSBC		1.6	0.3	1.3	-	(0.3)	0.3	-	-	-
Money market deposits	7	61.6	36.6	25.0	-	-	-	-	-	-
Total Cash/Movements		63.2	36.9	26.3	-	(0.3)	0.3	-	-	-

Notes:

- (1) All of the Company's assets are uncharged, there being no secured creditors.
- (2) Intercompany debtor balance includes settlements from all classes of debtors.
- (3) Net proceeds from sale of shares in ESE Special Opportunities Plc.
- (4) 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.
- (5) LBH is entitled to reclaim 63.09% of input VAT. Therefore 36.91% of VAT is irrecoverable.
- (6) A catch up dividend totalling c.£0.1m was paid in a previous period relating to a previously unadjudicated claim which has now been admitted.
- (7) Funds are invested on the money markets in order to accrue interest and to manage risk.
- (8) Sums have been rounded to the nearest £0.1m
- (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 2.

Section 6 Expenses

The information in the table below 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 information in the below table should be read together with the receipts and payments account in Section 5, which shows the actual expenses paid in the period.

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 and unpaid £	Estimated future £	Anticipated total £
Legal fees	1.3	0.9	2.2	0.6	6.9	9.7
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	4.6	0.9	5.5	0.5	7.0	13.0
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
General reserve					4.8	4.8
Net VAT (of which 63.09% is recoverable)	0.7	0.3	1.0	0.2	3.8	5.0
Total	8.1	2.1	10.2	1.3	22.7	34.2

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. Due to the joining of LBH to the Waterfall litigation amongst other matters, the Administrators have increased their estimates of their remuneration and legal costs and created a general reserve for contingencies.

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	-	-	15.15	6,843	47.25	14,285	47.95	11,316	110.35	32,444
Strategy and Planning	104.80	82,915	198.05	101,639	22.30	7,943	19.65	4,637	344.80	197,134
Statutory and Compliance	33.65	27,660	63.45	29,251	166.80	60,673	178.70	42,173	442.60	159,757
Tax and VAT	72.10	69,732	96.90	60,279	77.37	28,318	31.85	5,858	278.22	164,187
Creditors	-	-	2.25	999	13.15	4,769	7.95	1,876	23.35	7,644
Waterfall III Litigation	54.75	45,590	556.75	214,489	468.31	89,032	759.90	61,506	1,839.71	410,617
Total for six months ended 28 February 2017	265.30	225,897	932.55	413,500	795.18	205,020	1,046.00	127,366	3,039.03	971,783
Average hourly rate for the six month period to 28 February 2017	320									
Cumulative total to 28 February 2017	6,150,436									

Current charge out rates	Business Recovery Services	Specialist
	Max £/hr	Max £/hr
Grade	From 1 July 2015	From 1 July 2015
Partner	899	1,262
Director	788	1,108
Senior Manager	527	932
Manager	444	680
Senior Associate	371	505
Associate/Support Staff	236	235

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

Specialist departments within PwC, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should the Administrators 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 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 PwC's office holders, this approach is also used for LBH.

Notes:

- (1) The cumulative total refers to the time costs incurred to 28 February 2017, of which c.£5.5m has been paid to date.

Summary of the Joint Administrators' time costs for the six months ended 28 February 2017

Accounting and Treasury - £32,444

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 c.£53k has been generated, compared to the c.£32k plus VAT incurred in costs.

- Provision of information for the purposes of statutory reporting;
- Analysis of interest rates available with counterparties;
- Active management of deposits on the money market, and mitigating risk on such deposits;
- Due consideration of best strategy for dealing with depositing cash;
- Execution of sale of USD receipts into GBP;
- 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 - £197,134

The inherent complexities of the LBH estate together with LBH's role in Waterfall III mean that the Administrators and their staff continue to invest a large proportion of their time in the planning and delivery of their strategy for the progression of the Administration. This is whilst ensuring that LBH's interests in relation to the wider Lehman Brothers group are appropriately 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.£42.1m.

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;
- Extensive participation in discussions with other Lehman affiliates to settle outstanding litigation and accelerate distributions to creditors;
- Regular review of debtor balances, liaising internally and with debtors in order to collect balances payable to LBH;
- Consideration 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;
- Regular case team meetings to manage case progression;
- Review of assets in subsidiary companies and determining strategies to best manage these 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 extension/ settlement;
- Regular review of debtor balances, liaising internally to deal with logistics of arranging balances payable to LBH; and
- Liaison with specialist teams.

Statutory and Compliance - £159,757

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

- Preparation of the Administrators' 16th progress report including implementation of the revised SIP9 requirements;
- Circulating progress report to creditors;
- Statutory filings at Companies House and the Court;
- Preparing and reviewing receipts and payments account for the 16th progress report to creditors;
- Preparing and reviewing detailed time cost information in support of billing and for the 7th Committee meeting held in November 2016;
- Preparation for the 7th Committee meeting including a detailed pack of information for Committee members containing information on assets, creditor claims, taxation, Waterfall III and all major developments concerning LBH;
- Undertaking six monthly case reviews;
- Liaising with Administrators on statutory issues;
- Managing information available on website; and
- Maintaining case files and the LBH database.

Tax and VAT- £164,187

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

- Analysis of the tax implications of the proposed Waterfall III settlement;
- Preparing and finalising the 2016 accounts for corporation tax purposes;
- High level tax analysis for future expected income streams including foreign exchange position;
- Preparation for and attendance at quarterly tax update meetings;
- Preparation for and attendance at the Committee meeting;
- VAT reconciliation, preparation and submission of VAT returns; and
- Complying with the Administrators' obligations in regard to Senior Accounting Officer work.

Creditors - £7,644

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

- Reviewing and analysing the level of claims submitted in order to assist with high level strategy; and
- Responding to creditor enquiries via the Lehman Affiliate mailbox and updating creditor information on LBH's database.

Waterfall III Litigation - £410,617

The following tasks were undertaken as part of the Waterfall III litigation.

- Conducting review of documents to assist with the strategy for the Waterfall III;
- Correspondence with other parties' legal teams to find common ground and ensure process remains as efficient as possible; and
- Development of strategy, arguments, position papers and skeletons for Waterfall III application and attendance at court.

Section 8 Joint Administrators' estimate of future time costs

LBH's principal outstanding positions are its shareholdings in LBEL and LBL, and its unsecured claim against LBHI2, all of which collectively with LBH are significantly impacted by the outcome of the litigation known as Waterfall I, Waterfall II and Waterfall III. Whilst the Waterfall litigation remains ongoing, 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 £7.5m for their future time costs, broadly analysed as follows:

	(£m)
Accounting and treasury	0.5
Strategy and planning	5.0
Statutory and compliance, Tax and VAT	1.5
Creditors/distributions	<u>0.5</u>
	7.5

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; and
- There will be one further distribution to creditors.

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 and LB SF Warehouse Limited; this includes the provision of certain tax and VAT services and key staff resource. The costs of such services are invoiced directly to LBH on a time costs basis and are disclosed separately as part of the Administrators' fee analysis. The indirect benefit to the Company's creditors is through cost savings as the Administrators consider it more efficient that this work is carried out by subcontractors.

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>Time costs</i>
	<i>Hogan Lovells International LLP</i>	<i>Industry knowledge (Waterfall III)</i>	<i>Time costs</i>
	<i>Saville & Co</i>	<i>Notarial certification</i>	<i>Fixed fee</i>

Administrators' progress report**2.24B**

Name of Company

Lehman Brothers Holdings plc

Company Number

01854685

In the

High Court of Justice, Chancery Division, Companies Court

(full name of court)

Court case number

7943 of 2008

(a) Insert full name(s) and
address(es) of
administrator(s)

We (a) Anthony Victor Lomas, Steven Anthony Pearson, Derek Anthony Howell, Gillian Eleanor Bruce
and Julian Guy Parr of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT

Joint Administrators of the above company attach a progress report for the period

b) Insert dates

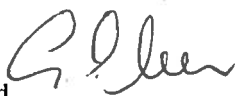
from

to

(b) 15 September 2016

(b) 14 March 2017

Signed



Joint Administrator

Dated 12 April 2017