

Lehman Brothers International (Europe) – In Administration

**Joint Administrators' twenty-ninth progress
report, for the period from 15 September 2022 to
14 March 2023**

13 April 2023

www.pwc.co.uk/lehman

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Important notice

Reliance on data

LBIE, the Administrators, their firm, its members, partners, staff and advisers accept no liability to any party for any reliance placed upon this report.

Rights against third parties

LBIE also expressly reserves all of its rights against third parties on all matters and no conclusion should be drawn by third parties as to LBIE's position or legal arguments on any such matters from references made in this report.

AC Grant, DJ Kelly, EJ Macnamara and GE Bruce were appointed as Joint Administrators of Lehman Brothers International (Europe) to manage its affairs, business and property as agents without personal liability. AC Grant, DJ Kelly, EJ Macnamara and GE Bruce 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 may act as controllers of personal data, as defined by the UK data protection law, depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

Lehman Brothers International (Europe) is registered in England and Wales with registered no. 02538254.

VAT registration no. 446 9315 28

Section 1:

Introduction

Introduction

This twenty-ninth progress report has been prepared by the Administrators of Lehman Brothers International (Europe) in accordance with Rule 18.3 of the Insolvency Rules.

The statutory receipts and payments accounts for this Reporting period are attached at Appendix A.

Copies of previous progress reports, the Surplus Scheme documents and other important announcements can be found at www.pwc.co.uk/lehman.

Objective of the Administration

The Objective of the Administration is to rescue the Company as a going concern as approved by the Chancellor of the UK High Court on 15 July 2020 in the context of a directions application in relation to preferred equity distributions.

The Administrators continue to review the objective of the Administration on a regular basis.

Interests of remaining creditors

As set out in previous reports, the relevant provisions of the Surplus Scheme continue to remain in effect to deal with the small handful of creditors who, mostly due to a failure to provide valid Standard Settlement Instructions ("SSI's"), have not received their interest. One higher value creditor continues to have an unagreed proof of debt pending resolution of connected litigation.

Aims and priorities

- To end the Administration in an orderly fashion and where appropriate, transition the conduct of the Company's remaining business and activities to its directors;
- To cooperate with further requests from the directors to make distributions to the Shareholder if it is appropriate to do so;
- To resolve the remaining pending proof of debt; and
- To manage the Company's ongoing litigation whilst it remains appropriate to do so and work out the Company's residual assets.

Operating Committee and governance arrangements

We continue to regularly speak with the Operating Committee to discuss issues and outline key decisions. There has been no change to the constitution of the Operating Committee.

Extension of the Administration

On 1 November 2022, the Administrators made an application to the UK High Court to extend the Administration for a further 3 years to 30 November 2025, to allow time to resolve outstanding matters as set out in this report. Following this application, an Order was granted extending the Administrators' term of office to 30 November 2025.

FCA authorisation

On 28 November 2022, LBIE's FCA cancellation of permissions application was approved; the FCA register now lists LBIE as no longer authorised.

This report and future updates

The next formal progress report to creditors will be in approximately 6 months' time and will be posted to the LBIE website on or before 14 October 2023.

As noted previously, we issued a general website notice in April 2018 so that statutory reports and notices to creditors (except where required by the Insolvency Rules or under the Surplus Scheme) can be published on the LBIE website. We will continue to provide ad hoc updates in the event of any material developments, through the LBIE website or by other means, as appropriate.

Signed:



Alison Grant

Joint Administrator
Lehman Brothers International (Europe) - In Administration

Section 2:

Progress during the Reporting period

Update on progress of the Surplus Scheme

The LBIE estate remains solvent with all admitted creditor claims having been paid in full and a sufficient reserve being maintained for the small number of unresolved claims. There continues to be a small number of creditors who have not been paid their Statutory Interest mostly due to a failure to provide valid Standard Settlement Instructions (“SSIs”).

Preferred equity dividend distribution

Having reserved for all remaining unagreed claims and interest in full, the Company remains solvent and the interests of its Shareholder continue to be given appropriate consideration in the Administrators’ day-to-day outlook.

No further distributions have been made during the Reporting period.

Other progress and remaining issues

Recovery of 2(a)(iii) amounts

As set out in previous reports, on 26 June 2020, the Administrators brought an application for directions under paragraph 63 of Schedule B1 in respect of two counterparties (FR Acquisitions Corporation (Europe) Ltd) and JFB Firth Rixson Inc., referred to collectively as “Firth Rixson”) in relation to GBP and USD interest rate swaps governed by ISDA Master Agreements, where LBIE is owed £8m and US\$53m respectively.

Following a hearing in January 2021, the High Court (Mr Justice Hildyard) handed down judgment on 11 October 2022, finding in favour of the Administrators on all points. As a result, the Court has confirmed that, as and when LBIE exits administration and publishes a statement confirming that it has a surplus of assets over liabilities and is now able to pay its debts as they fall due, there will be no continuing events of default.

A further hearing to deal with various consequential matters, including permission to appeal and costs, took place on 8 December 2022. The Judge handed down judgment on these consequential matters on 23 December 2022, awarding costs in favour of the Administrators (on an indemnity basis together with interest in respect of a substantial proportion of those costs), plus an additional lump sum payment of £75k, to take account of a Part 36 settlement offer made by the Administrators. The Judge also granted Firth Rixson permission to appeal his October 2022 judgment on the substantive issues.

On 13 January 2023, Firth Rixson filed and served its Appellant’s Notice, the Grounds of Appeal and its Skeleton Argument. On 10 February 2023, LBIE filed and served a Respondent’s Notice and on 24 February 2023 filed its Skeleton Argument.

The appeal hearing has been listed for 2 days, commencing on 20 June 2023.

MCF

As set out in our previous report, LBIE entered into a compromise arrangement with MCF’s creditors in April 2021, and as part of this agreement, LBIE became the beneficiary of a trust over MCF’s shares in its solvent subsidiaries, SPML and PML. LBIE has received £1.5m in dividends under this trust in the Reporting period.

AGFP litigation

On 28 November 2022, Justice Crane requested an on the record discussion and raised five questions about a Canadian case cited during the trial, see Barclays Bank PLC v. Metcalfe & Mansfield Alt. Invsts. VII Corp., 2011 ONSC 5008 (On. Sup. Ct. J.) (“Trial Ct.”). The parties were required to submit two rounds of submissions during December 2022 in respect of this case and the questions raised.

On 17 January 2023, Justice Crane raised additional questions regarding certain calculations in LBIE’s post-trial briefing. The parties each made a brief written submission addressing the questions raised.

On 8 March 2023, Justice Crane issued her decision finding in favour of AGFP and its claim in the Administration. On 10 April 2023, shortly after the end of the Reporting period, Justice Crane directed AGFP to file a motion seeking entry of judgment, which the parties will address in written submissions. AGFP has also indicated its intention to file an application for attorney fees.

LBIE’s US legal advisors are currently reviewing the judge’s decision and the Administrators expect to appeal. The earliest anticipated date for an appeal to be heard is September 2023. It is currently anticipated that the appeal process could take up to 3 years to be concluded.

Other potential recoveries

The Administrators have continued to progress resolution of the remaining portfolio of residual assets comprising liquid and illiquid securities, structured notes and amounts due from Affiliates and other parties. During the Reporting period, the Administrators have achieved various small asset-related recoveries of c.£0.3m and final distributions totalling c.£1m were received from Affiliates (Storm c.£0.7m and LBA c.£0.3m). Details of receipts can be found at Appendix A. Other matters of note are set out below.

During the Reporting period, the Administrators continued to pursue recovery of a claim in an overseas liquidation, where LBIE is a member of the Liquidation Committee. The liquidators of that entity made a significant interim distribution of c.£27m on 30 November 2022.

During the second half of the Reporting period the Administrators began legal proceedings against a party in the German courts. The party involved has until August 2023 to file a statement of defence.

As set out in our previous report, the Administrators have continued to pursue a potential recovery relating to a claim in an overseas bankruptcy where they have challenged a decision made by the overseas court to only partially accept the claim. A large volume of other creditors also challenged the court's decisions. The court will now do a comprehensive review of the appeals made before scheduling a hearing date to hand down its decisions. Any potential recovery is likely to take a significant amount of time to be realised.

The Internal Revenue Service ("IRS") approved LBIE's request for treaty benefits through the competent authority process in August 2021 allowing recovery of taxes. Tax returns to make the tax reclaims were filed with the IRS in Q4 2021. We continue to await payment.

Lehman Brothers Nominees Limited – in Members' Voluntary Liquidation ("LBNL")

The liquidators' final account was filed at Companies House confirming closure on 26 September 2022. LBNL was dissolved on 5th January 2023 and this now concludes the liquidation.

Outstanding claims

One higher value creditor continues to have an unagreed proof of debt pending resolution of connected litigation. A recent decision was handed down in favour of the opposing side (see above re AGFP litigation).

Discussions also continue with two German counterparties to resolve their claims (which are modest in value and would fall to be paid as expenses rather than provable debts).

Investigations

Nothing has come to our attention during the period under review to suggest that we need to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

FCA authorisation

As advised previously, the Administrators have concluded that LBIE's FCA permissions are no longer required and on 28 November 2022 the FCA approved LBIE's request to cancel its regulatory permissions and now lists LBIE as no longer authorised.

Outstanding matters and exit from Administration

Progress continues to be made towards reaching the point at which the Administration can be concluded. However, there remain a handful of important ongoing interactions with counterparties and the courts, which have required the extension of the Administration in order to allow time to resolve.

At the appropriate time, the Administrators anticipate that the Administration will be brought to an end following an application under paragraph 79 of Schedule B1 to the 1986 Act and that the Company will be returned to the full control of its directors.

Managing the affairs of the Company continues to sit with the Administrators until such time as LBIE exits Administration; and is returned fully as a solvent entity to the control of directors to be managed as a going concern for the benefit of the Shareholder.

Appendices

Appendix A:

Receipts and payments: cumulative and 6 months to 14 March 2023 and expenses incurred in the period

House Estate receipts and payments: cumulative and 6 months to 14 March 2023	Notes	Cumulative - 15 September 2008 to 14 September 2022 (GBP equivalent) £m	Period - 6 months to 14 March 2023 (GBP equivalent) £m	Cumulative - 15 September 2008 to 14 March 2023 (GBP equivalent) £m
Receipts				
Counterparties	1	12,799	29	12,828
Depot Securities		10,229	0	10,230
Other receipts	2	4,570	3	4,572
Total receipts for the period		27,598	32	27,630
Payments				
Dividends and Post-Administration Interest paid		(19,939)	-	(19,939)
Preferred equity dividend		(337)	-	(337)
Administrators' remuneration and disbursements	3	(1,075)	(1)	(1,076)
Payroll and employee costs	4	(663)	(1)	(663)
Legal and professional costs	5	(483)	(0)	(483)
Other payments	6	(4,792)	(2)	(4,794)
Total payments for the period		(27,288)	(4)	(27,292)
Net movement in the period		310	28	338
Foreign exchange translation differences		(131)	(1)	(132)
Total House Estate	7	~179	27	#206

Note: There is rounding in this table that makes it appear to not perfectly cast

~ Balances held in foreign currencies at 14 September 2022 were c.\$13m

Balances held in foreign currencies at 14 March 2023 were c.\$48m

Statement of expenses incurred in the 6 months to 14 March 2023

The following table provides details of expenses incurred in the Reporting period.

Expenses	Incurred in 6 months to 14 March 2023 £m
Administrators' remuneration and disbursements	(2)
Payroll and employee costs	(1)
Legal and professional costs	(2)
Other payments	(0)
Total	(5)

Note: There is rounding in this table that makes it appear to not perfectly cast

Notes

Foreign currency transactions are reported in sterling at the rate prevailing on the relevant transaction date.

Payments are shown net of VAT.

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.

The transactions within the LBIE estate in the period:

- are reported on a cash receipts and payments basis and in accordance with the Insolvency Rules and best practice; and
- were completed in accounts established and controlled by the Administrators

1. Counterparties

Receipts in the period comprise:

- c.£27m 1st interim distribution in respect of a claim in an overseas liquidation;
- £1.5m SPML dividends received; and
- c.£1m Storm & LBA final distributions

2. Other receipts

Receipts in the period principally comprise:

- c.£3m of Bank interest & interest received from Money Market deposits

3. Administrators' remuneration and disbursements

Payment deferral terms (as agreed with the Operating Committee and referred to on page 11 of this report) account for any differences between costs incurred and payments made in the period.

4. Payroll and employee costs

Payments relate to salary for UK-based employees and third-party contractors. This includes employee related costs incurred on behalf of Affiliates, which are recovered by LBIE and included as other realisations.

5. Legal and professional costs

Legal and other advisers' costs relate to advice given, and to court proceedings and litigation conducted, in a number of jurisdictions by several professional firms in connection with a range of issues across the Administration.

6. Other payments

Other payments principally comprise:

- c.£2m HMRC - tax payment on account for y/e September 2022

7. Investment profile & strategy

For immediate liquidity requirements, LBIE invests in short-term money market deposits.

Total balances

House Estate	GBP equivalent £m
Short-term deposits †	181
Interest-bearing accounts	25
Total	206

† Average rate of return for 6 months ending 14 March 2023 of 3.09% for sterling deposits and 4.08% for US deposits.

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.

Appendix B:

Analysis of Administrators' remuneration by grade and work activity

Previous to the Reporting period, the Operating Committee resolved to continue to fix the basis of the Administrators' remuneration by reference to the time properly given by the Administrators or their staff in attending to matters arising in the Administration. The table below provides an analysis of the Administrators' total hours incurred and the associated cost by staff grade and work activity for the previous time period to 14 September 2022 as reported and the current period (to 14 March 2023).

	Prior reported actual		Current actual	
	15 March 2022 to 14 September 2022		15 September 2022 to 14 March 2023	
	Hours	£'000	Hours	£'000
By grade				
Partner	145	172	84	99
Director	588	542	693	678
Senior Manager	367	262	323	237
Manager	895	519	673	427
Senior Associate	1,032	485	642	298
Associate	305	85	372	70
Total	3,332	2,065	2,787	1,809
Average hourly rate		£620		£649
By work activity				
Core Team	1,497	1,071	1,379	1,115
Data	756	361	476	146
Insolvency Management Team	286	130	245	116
Cashiers & Treasury	488	222	398	206
Tax	261	249	149	135
Specialist advice	44	32	139	90
Total	*3,332	2,065	2,786	1,808

* Final invoiced values for the prior period were 3,337 hours and c.£2,072k following post period end adjustments. The difference in billable time is due to information received after the prior report was published including from overseas PwC offices utilised in the Administration as well as reductions to time charged when reconciled ahead of billing.

Information regarding the Administrators remuneration policy and definitions of each work activity and the main tasks carried out in the Reporting period are noted on the following pages.

Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the Administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff.

All of our staff who work on the Administration (including our cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We don't charge general or overhead costs.

We set out below the maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the Administration as agreed by the Operating Committee.

Grade	From 1 July 2020	From 1 July 2022
	to 30 June 2022	to 30 June 2024
	£	£
Partner	985	1,060
Director	870	975
Senior Manager - insolvency specialist		775
Senior Manager	625	715
Manager	545	625
Senior Associate	450	510
Associate	280	320

We call on colleagues in our Tax, VAT and other specialist departments both in the UK and overseas where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

Grade	From 1 July 2020	From 1 July 2022
	to 30 June 2022	to 30 June 2024
	£	£
Partner	1,385	1,385
Director	1,275	1,310
Senior Manager	975	1,060
Manager	710	775
Senior Associate	520	570
Associate	285	315

Definitions of each work activity and the main tasks carried out in the Reporting period:

Core Team - Key staff responsible for the ongoing litigation, stakeholder engagement, financial management and resolution of residual matters in the Administration.

- Prepared and circulated the Administrators' 28th Progress Report to creditors, including the receipts and payments account;
- Reviewed and managed the Administration accounts and reserves;
- Responded to requests from the German Public Prosecutor;
- Complied with Statutory reporting requirements for MCF and LBIE;
- Held monthly meetings with the employees of SPML and PML;
- Continued to receive and review forecasts from SPML and PML on timing and quantum of dividend. Discussions continue with management and legal advisors in relation to exit plans for the entities;
- Meetings and discussions held with counterparties, lawyers, counsel in respect of potential WHT and consequential loss expense claim; and continued to explore settlement options with a third party in order to engage and drive expense claims to a conclusion;
- Prepared for and attended court hearing in respect of the Firth Rixson directions hearing; input into and review of appeal papers in respect of the appeal by Firth Rixson;
- Administrator's witness statement in relation to the application to extend the Administration;
- Carried out post-trial activities in respect of the AGFP litigation including review and comments on submissions filed in December 2022. Meetings and discussions with US and UK lawyers in respect of the decision, draft Judgment and AGFP's attorneys costs claim, taking into consideration the impact of UK insolvency law;
- Continued liaison with the Joint Official Liquidators to progress timely recovery of a first interim distribution in an overseas liquidation, into which LBIE has a claim. Reviewed 14th report to creditors, updated illustrative outcome statement and attended annual progress meeting;
- Reviewed documentation relating to LBIE's claim into a separate overseas estate and continued liaison with office holder regarding assets and liabilities in the same estate;
- Continued to wind-down the portfolio of residual assets comprising illiquid securities, structured notes and amounts due from Affiliates and other parties;
- Liaised with current and past custodians to prepare appropriate withholding tax certification relating to security dividends;
- Communicated with creditors via updates to the LBIE/PwC Website;
- Prepared monthly management information, forecasts and presentations to the Operating Committee; and
- Reviewed and approved all invoices, payments and receipts

Data - Utilised to support litigation through investigations of historical data and preparation of court data submissions.

- Reviewed and consolidated data, reducing long term storage and vendor costs. Confirmed all information relating to the Administration is stored securely and in line with the Insolvency Rules; and
- Performed a diligence exercise on all Post-Administration records to determine destruction dates in accordance with UK Insolvency regulations and GDPR compliance

Insolvency Management Team - Specialist team utilising knowledge and experience to ensure compliance with the Insolvency Rules 2016 requirements.

- Assisted with maintaining regulatory controls;
- Processed receipts and payments and coding of movements; and
- Created statutory reports for external parties and assisted the Core Team with management information, forecasts and presentations to the Operating Committee

Cashiers & Treasury - Treasury and cash management using PwC systems for investments, payments and receipts.

- Managed the funds held by the Administrators, to ensure optimal level of funds held on deposit within risk policy;
- Monitored and controlled the movement of funds, mitigated risk and maximised the interest made on investments;
- Performed regular bank reconciliations for all bank accounts; and
- Carried out daily monitoring and processing of cash receipts and payments and notification of movements to the Core team

Tax - Responsible for the completion of statutory tax and VAT requirements and providing tax advice and analysis in respect of ongoing matters.

- Dealing with Tax and VAT queries and liaison with HMRC;
- Prepared and submitted LBIE's tax return for y/e 14 September 2021;
- Prepared first draft of LBIE's tax return for y/e 14 September 2022;
- Prepared quarterly VAT returns;
- Submitted tax payment on account to HMRC;
- Reviewed various documents prepared by legal team and accountants;
- Calculated tax provisions;
- Provided tax advice and analysis for proposed options (including distributions);
- Assisted with regard to overseas legislation;
- Liaised with Internal Revenue Service in the US; and
- Ongoing consideration of group relief/losses position to determine amounts available for surrender

Specialist advice - Provided the Administrators with advice and assistance as necessary for the completion of the Administration.

- Support for the Core Team in forecasting interest rates regarding costs on an ongoing litigation; and
- Support for the Core Team from members of the previous MCF team regarding ongoing issues

Information about remuneration

Details of the statutory framework for the approval of the Administrators' remuneration and the level and detail of disclosure provided by the Administrators are set out in our earlier reports. Total time costs incurred in the Reporting period are c.£1.8m.

Cumulative time costs accrued to 14 March 2023 are c.£1,038m. Total Administrators' remuneration and disbursements paid to 14 March 2023 are c.£1,076m, as shown in Appendix A.

In the Reporting period we have continued to provide the Operating Committee with detailed information relating to work undertaken and our remuneration and Category 2 disbursements, in accordance with SIP 9. The Operating Committee resolved that the Administrators may draw 60% of their time costs on account as approved. All such costs are subject to detailed reporting to the Operating Committee and the extent to which the Administrators can draw remuneration is subject to its approval. Updated hourly rates were agreed with the Operating Committee with effect from 1 July 2022 until 30 June 2024.

Payments to associates

We haven't made any payments to overseas PwC offices in the period covered by this report. However, c.£18k was incurred in relation to recovering overseas assets; and this is expected to be paid in the next reporting period. These costs are included as part of our remuneration detailed in Appendix B and are reviewed and paid in accordance with the remuneration policy approved by the Operating Committee.

Our future work

The below list is a brief summary of the ongoing and future work expected on the Administration:

- Statutory reporting and compliance with the Insolvency Rules;
- Ongoing tax and VAT returns;
- Review and maintenance of financial information including reserves;
- Ongoing realisation of remaining assets;
- There are a number of continuing legal matters which we will be seeking to progress as set out earlier in this report;
- Seek consensual resolution on outstanding matters, where it is appropriate to do so;
- Continuing to wind down the portfolio of securities;
- Continuing to explore potential exit opportunities for MCF's trading subsidiaries (SPML & PML); and
- Regular reporting and discussions with the Operating Committee

On a regular basis the Administrators provide detailed reports to the Operating Committee in relation to the expected work required to complete the Administration. These reports include estimated costs and benefits to the creditors of LBIE.

Disbursements

Expenses are amounts properly payable by us as Administrators from the estate, but excludes our fees and distributions to creditors. These 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	SIP 9 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 our firm or our associates or which have an element of shared costs (for example, photocopying and mileage disbursements, or costs shared between different insolvent estates)

We don't need approval from creditors to draw Category 1 expenses as these have all been provided by third parties but we do need approval to draw Category 2 expenses. The body of creditors who approve our fees (in this case the Operating Committee) also has 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.

In the 6-month Reporting period £3,517.18 of Category 1 expenses to third parties were incurred for travel, accommodation and subsistence for staff required to work away from home as well as specific access to required external systems for fund investments.

A further £32,315.10 of Category 2 expenses were incurred in relation to IT charges necessary for the ongoing litigation. The cost is largely calculated by reference to data volumes with a small licence charge.

Additionally £2.14 of Category 2 expenses were incurred in relation to printing services charge (£0.04 per sheet of black and white and £0.10 per sheet of colour printing) for copies of statutory tax returns.

Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the Administration where the relationship could give rise to a conflict of interest.

Details of subcontracted work

The Administrators have subcontracted specific legal, valuations and IT support tasks. This is done for the benefit of LBIE creditors through cost savings and utilising their knowledge of the Administration and specialist expertise. The cost for these services are charged to LBIE on a time cost basis and are invoiced directly to the estate.

Legal and other professional firms

The following professionals are currently under instruction by the Administrators on this case:

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services	Linklaters LLP	Insolvency and other expertise	Time costs
Legal services	Quinn Emanuel Urquhart and Sullivan	US legal expertise	Time costs
Legal services	Al Tamimi and Company	Saudi legal expertise	Time costs
Legal services	Baker McKenzie	German legal expertise	Time costs
Legal services	Paraskevas Law Firm	Greek legal expertise	Time costs
Legal services	Saville Notaries LLP	Notaries specialist	Document complexity and requests

Please note that this list excludes specific legal and professional firms who are supporting ongoing litigation where it would be inappropriate to disclose this information for commercial and confidentiality reasons.

All third party professionals are required to submit a detailed time-cost analysis and narrative in support of all invoices rendered. All invoices are reviewed before payment and the Administrators have satisfied themselves that the level of legal and professional costs is appropriate.

Creditors' rights

Creditors have the right to ask for more information about remuneration or expenses within 21 days of receiving this report as set out in Rule 18.9 of the Insolvency Rules. Any request must be in writing. Creditors can also challenge remuneration and expenses within 8 weeks of receiving this report as set out in Rule 18.34 of the Insolvency Rules.

An explanatory note on the rights of creditors in relation to an administrator's remuneration and expenses and how to request further information can be found online at:

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

This guide is for appointments on or after 1 October 2015, or where information is provided by the administrator about fees, expenses or other payments after 6 April 2017 and whilst not all of the provisions apply to the LBIE Administration (which commenced on 15 September 2008) it is the most appropriate guide currently available following the changes made by the Insolvency (England and Wales) Rules 2016.

You can also get a copy free of charge by contacting Kate McNerlin on +44 (0) 7764 235365 or emailing Generalqueries@lbia-eu.com.

Approvals by the Operating Committee

In the Reporting period, the Administrators remuneration of £929,738 (plus VAT) and disbursements of £43,313 (plus VAT), of which £37,063 represents Category 2 expenses and £6,250 of Category 1 disbursements relating to the period from 1 January 2022 to 30 June 2022 were approved by the Operating Committee and paid.

Appendix C:

Statutory and other information

Court details for the Administration:	High Court of Justice, Business and Property Courts of England and Wales Insolvency & Companies List (ChD) - Court case number 7942 of 2008
Full name:	Lehman Brothers International (Europe)
Trading name:	Lehman Brothers International (Europe)
Registered number:	02538254
Registered address:	Regus Level 5, Tower 42, 25 Old Broad Street, London EC2N 1HN
Contact address:	Lehman Brothers International (Europe) – in Administration, Regus Level 5, Tower 42, 25 Old Broad Street, London EC2N 1HN
Contact telephone / email:	+44 (0)7764 235365 / Generalqueries@lbia-eu.com
Date of the Administration appointment:	15 September 2008
Administrators' names and addresses:	AC Grant and DJ Kelly (both appointed 30 November 2021), EJ Macnamara and GE Bruce (both appointed 16 July 2018) of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT MJA Jervis and DY Schwarzmann ceased to act on 2 November 2011. DA Howell ceased to act on 22 March 2013. PD Copley ceased to act on 24 June 2016. AV Lomas and SA Pearson ceased to act on 16 July 2018. JG Parr ceased to act on 8 March 2019. R Downs ceased to act on 30 November 2021
Appointor's name and address:	High Court of Justice, Chancery Division, Companies Court on the application of LBIE's directors
Objective being pursued by the Administrators:	Rescuing the Company as a going concern. There are a number of important ongoing interactions with counterparties and the courts that need to be progressed making it difficult to predict precisely when the Administration will be brought to an end and passed to the LBIE directors to continue as a going concern. The Administrators continue to review the objective of the Administration on a regular basis
Aims of the Administration:	To end the Administration in an orderly fashion and transition the conduct of the Company's remaining business and activities to its directors; To cooperate with further requests from the directors to make distributions to the Shareholder if it is appropriate to do so; To resolve the pending proof of debt; and To manage the Company's ongoing litigation whilst it remains appropriate to do so and work out the Company's residual assets
Division of the Administrators' responsibilities:	In relation to paragraph 100(2) of Schedule B1 to the Insolvency Act, 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 Administrators may be done by any one or more of the persons for the time being holding that office
Details of any extensions for the initial period of appointment:	The Court has granted four successive extensions to the Administration periods being 30 November 2011, 30 November 2016, 30 November 2022 and 30 November 2025
Proposed end of the Administration:	The Administrators anticipate that the Administration will in due course be brought to an end following an application under paragraph 79 of Schedule B1 to the 1986 Act and that the Company will be returned to the full control of its directors
Estimated dividend for unsecured creditors:	Interim dividends paid to date at a cumulative rate of 100p/£1 plus statutory interest
Estimated values of the prescribed part and LBIE's net property:	The prescribed part is not considered to be relevant as all Senior admitted creditors have been paid or reserved for at a rate of 100p/£1
Whether and why the Administrators intend to apply to court under Section 176A(5) of the Insolvency Act:	Not applicable
The European Regulation on Insolvency Proceedings (Council Regulation (EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings does not apply to this Administration as LBIE is an investment undertaking
Operating Committee members:	Lehman Brothers Holdings Inc., LB Holdings Intermediate 2 Limited, Elliott Management Corporation and King Street Capital Management L.P

Appendix D:

Dividends

All interim dividends paid to unsecured creditors to date are detailed below:

Dividend	Date	Pence in Pound	Value Distributed £m
First interim dividend, catch up & SCSO	30 November 2012	25.2	2,002
Second	21 June 2013	43.3	4,396
Third	25 November 2013	23.7	2,965
Fourth	30 April 2014	7.8	3,232
Statutory Interest	25 July 2018	N/A	5,121
Holders of sub-debt	2 August 2018	N/A	1,242
Statutory Interest to holders of sub-debt	2 August 2018	N/A	32
Statutory Interest to holders of sub-debt	18 December 2018	N/A	408
Statutory Interest to holders of sub-debt	16 January 2019	N/A	130
Statutory Interest to holders of sub-debt	13 February 2019	N/A	80
Statutory Interest to holders of sub-debt	16 April 2019	N/A	41
Statutory Interest to holders of sub-debt	4 October 2019	N/A	45
Statutory Interest to holders of sub-debt	30 January 2020	N/A	244
Statutory Interest to holders of sub-debt	8 June 2020	N/A	2
Total distributions to date		100.0	19,939

Note: There is rounding in this table that makes it appear to not perfectly cast

Distributions to Shareholder

All interim distributions paid to LBHI2 as holder of 5% Redeemable Preference Shares (“RPS”) & LBHI2 as holder of Class B RPS to date are detailed below:

Preferred Equity Dividend	Date	Value Distributed £m
First interim dividend	11 August 2020	29
Second interim dividend	17 December 2020	100
Third interim dividend	21 January 2021	115
Fourth interim dividend	14 October 2021	93
Total distributions to date		337

Appendix E:

Glossary of terms

Abbreviation	Term	Definition
Administration	Administration	UK corporate insolvency process governed by the Insolvency Act 1986 applicable to LBIE following the granting of an administration order dated 15 September 2008
Administrators	Joint Administrators	AC Grant and DJ Kelly (both appointed 30 November 2021) and EJ Macnamara and GE Bruce (both appointed on 16 July 2018). All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales
Affiliate	Affiliate entities	Various subsidiaries and affiliates of Lehman Brothers Holdings Inc
AGFP	AG Financial Products Inc.	A US-based affiliate of Assured Guaranty Corp. which provided credit protection to counterparties under credit default swaps
Category 1 disbursements	Administrators' Category 1 disbursements	Costs that are directly referable to the Administration supplied by and paid to external third parties
Category 2 disbursements	Administrators' Category 2 disbursements	Costs that are directly referable to the Administration but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the Administration on a proper and reasonable basis
Company	the Company	Lehman Brothers International (Europe) - in Administration
FCA	Financial Conduct Authority	The conduct regulator for financial services firms and financial markets in the UK
GDPR	GDPR	The General Data Protection Regulation is a Regulation in EU law on data protection and privacy in the EU and the European Economic Area
HMRC	HM Revenue & Customs	Organisation of the UK government primarily responsible for the collection of taxes
House Estate/House	House Estate	Dealings that relate to LBIE's general unsecured estate
Insolvency Act	Insolvency Act 1986	Statutory legislation that provides the legal platform for matters relating to personal and corporate insolvency in the UK
Insolvency Rules	Insolvency (England and Wales) Rules 2016	Statutory rules that provide the legal platform for matters relating to personal and corporate insolvency in England and Wales
LBA	Lehman Brothers Australia Finance Pty Ltd	An Affiliate entity subject to insolvency proceedings in Australia
LBHI	Lehman Brothers Holdings Inc.	Ultimate parent of the Lehman group, incorporated in the USA and formerly subject to Chapter 11 bankruptcy protection from 15 September 2008. LBHI's plan of reorganisation became effective on 6 March 2012
LBHI2	LB Holdings Intermediate 2 Limited	Affiliate entity subject to insolvency proceedings in the UK and LBIE's Shareholder and sole holder of LBIE's preferred equity
LBIE	Lehman Brothers International (Europe) – In Administration	Private unlimited UK subsidiary of LBHI, acting as its main European broker dealer, subject to an administration order dated 15 September 2008
LBNL	Lehman Brothers Nominees Limited - in MVL	Private limited UK subsidiary of LBIE in members' voluntary liquidation
MCF	Mable Commercial Funding Limited - in Administration	Affiliate entity subject to insolvency proceedings in the UK
Operating Committee	Operating Committee	A committee constituted pursuant to the terms of the Surplus Scheme which has assumed the roles and responsibilities of the former Creditors' Committee
Part 36	Part 36 settlement offer	Part 36 is a provision in the Civil Procedure Rules (which govern the conduct of litigation in England and Wales) designed to encourage parties to settle disputes without going to trial. Under Part 36, both sets of litigants can inform the other side what they will accept or offer to resolve a dispute (Offer). If a party does not accept the Offer, it risks being made liable to pay more in interest and/or costs on a judgment than if no offer had been made. These costs consequences and the potential financial risk involved, often encourages parties to make an Offer and to seriously consider any such Offer that they receive

PML	Preferred Mortgages Limited	A solvent subsidiary of MCF, an Affiliate entity subject to insolvency proceedings in the UK
Post-Administration Interest	Post-Administration Interest	Statutory interest payable pursuant to Rule 14.23(7) of the Insolvency Rules
Reporting period	Reporting period	15 September 2022 to 14 March 2023, the period covered by this report
Scheme	Scheme of Arrangement	Statutory procedure under Part 26 of the Companies Act 2006 for a court-approved agreement between a company and its creditors
Senior	Senior unsecured creditor	Unsecured, non-preferential, non-Shareholder, not subordinated creditor
Shareholder	LB Holdings Intermediate 2 Limited	Affiliate entity subject to insolvency proceedings in the UK and LBIE's Shareholder and sole holder of LBIE's preferred equity
SIP 9	Statement of Insolvency Practice 9	Rules issued by the Joint Insolvency Committee which provide guidance to insolvency practitioners and creditors' committees in relation to the remuneration of Administrators. New Statements of Insolvency Practice come into effect from 1 April 2021 for SIP 7 (receipts and payments) and SIP 9 (Administrators' remuneration)
SPML	Southern Pacific Mortgages Limited	A solvent subsidiary of MCF, an Affiliate entity subject to insolvency proceedings in the UK
Storm	Storm Funding Limited	A subsidiary of MCF, an Affiliate entity subject to insolvency proceedings in the UK which was dissolved from the UK Register of Companies on 23 March 2023
Surplus	Surplus	Assets remaining after the payment in full of Senior creditor claims and Shareholder claims but before Post-Administration Interest, non-provable claims, and the Subordinated Debt
Surplus Scheme	Surplus Scheme of Arrangement	A Scheme of Arrangement, pursuant to the UK Companies Act 2006, sanctioned by the UK High Court and which became effective on 20 June 2018, relating to the distribution of the Surplus
UK High Court	High Court	Court of England and Wales which deals with all high value and high importance cases, and also has a supervisory jurisdiction over all subordinate courts
VAT	Value Added Tax	A consumption tax levied on the sale of goods and services in the UK

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