

# Joint Administrators' Thirty-first progress report from 15 September 2023 to 14 March 2024

Lehman Brothers International (Europe)  
- In Administration

12 April 2024



Strictly private and confidential

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## Important notice

This report has been prepared by Alison Campbell Grant, David James Kelly, Edward John Macnamara and Gillian Eleanor Bruce as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Any persons choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Joint Administrators' previous reports issued to the Company's creditors, which can be found at: <https://www.pwc.co.uk/lehman>.

Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

*Alison Campbell Grant, David James Kelly, Edward John Macnamara and Gillian Eleanor Bruce have been appointed as Joint Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>*

*The Joint Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the 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*

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

# Section 1: Introduction

## Introduction

This is the Thirty-first progress report prepared by the Administrators of the Company.

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

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

## Objective of the Administration

The Administrators are pursuing the objective of rescuing 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 creditor continues to have an unagreed proof of debt pending resolution of connected litigation.

## Operating Committee and governance arrangements

The Administrators continue to regularly meet with the Operating Committee to explain how key aspects of the Administration are being dealt with and to consult with the Operating Committee on relevant issues. There has been no change to the constitution of the Operating Committee.

## Why we remain in office

The Administrators remain in office to deal with the following tasks:

- 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;
- To manage the Company’s ongoing litigation whilst it remains appropriate to do so and work out the Company’s residual assets;
- Compliance with tax and VAT matters; and
- Compliance with statutory tasks; and
- 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;

Further details are contained within the body of this report.

## This report and future updates

The Administrators’ next formal progress report to creditors will be in approximately six months’ time, and will be posted to the website on or before 14 October 2024.

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.

If you have any questions, please contact the Administrators at [generalqueries@lbia-eu.com](mailto:generalqueries@lbia-eu.com).

Signed:



**Alison Grant**

Joint Administrator

Lehman Brothers International (Europe) - in administration

# Section 2: Administrators' actions in the Reporting Period

## Progress made in the Reporting Period

### Preferred Equity 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 prominence in the Administrators' day-to-day outlook.

Following progress made during the Reporting Period, the Directors proposed, in consultation with the Administrators, that the Company make a further distribution by way of dividend to LBHI2, as sole holder of LBIE's preferred equity, in the amount of £65m on 30 October 2023. The Administrators considered that it was appropriate to consent as they are confident that the funds can properly be paid to the Shareholder and are not required for any other purpose. This brings the total distributed to date to LBHI2, in respect of its preferred equity, to £402m.

### Asset realisations

During the Reporting Period, the Administrators sold shares to a Brazilian broker at full market value of c.\$0.2m (which has not yet been paid over to the administration account and as such is not shown in Appendix A), and achieved various other smaller recoveries. The Administrators have continued to progress resolution of the remaining portfolio of residual assets comprising liquid and illiquid securities and amounts due from other parties. The Administrators have also received c.£0.1m in asset servicing income.

These residual assets are now expected to lead to only minimal realisations.

### MCF

As set out in our previous reports, LBIE entered into a compromise agreement with MCF's creditors in April 2021, whereby all other creditors of MCF were subordinated to LBIE. As part of this agreement, LBIE became the beneficiary of a trust over MCF's shares in its solvent subsidiaries, SPML and PML. The Administrators have continued to review progress and strategy in respect of collections from MCF and explore opportunities to enhance the value or expedite the timing of this ongoing realisation process. A dividend of c.£0.7m was paid to LBIE on 29 February 2024 from SPML. Total dividends received from SPML and PML since the restructure of MCF total £14.5m.

During the period, LBIE continued to enter into discussions with parties interested in acquiring MCF's solvent trading subsidiaries, SPML and PML. An offer has been accepted subject to contract, with completion anticipated to occur in the third quarter of 2024.

### AGFP litigation

As set out in our previous report, AGFP filed an application in respect of fees following Justice Crane's 8 March 2023 decision in favour of AGFP. Following further discussion with AGFP, a consensual arrangement was reached and the motion was withdrawn.

The decision was taken during the Reporting Period to appeal against the judgment of Justice Crane. On 22 September 2023, LBIE filed its initial appeal brief. On 15 December 2023, AGFP filed its reply brief, and LBIE filed its final brief on 12 January 2024. On 21 February 2024, LBIE and AGFP presented their arguments to the First Department Appellate Division hearing before a panel of five judges. The Appellate Division decision was handed down on 14 March 2024 affirming Justice Crane's decision in full.

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

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

### Other litigation

As set out in our previous report, the Administrators continue to progress legal proceedings against a counterparty, with the counterparty submitting its statement of defence ("SoD") in August 2023. On 31 October 2023, LBIE filed at court its response to the counterparty's SoD. An Oral Hearing (inter alia) to facilitate settlement discussions between the parties will be held in July 2024. The Administrators remain keen to continue exploring an out of court settlement.

## **Outstanding claims**

One creditor (AGFP) continues to have an unagreed proof of debt pending resolution of connected litigation. In March 2024, a decision was handed down by the Appellate Division in favour of AGFP as set out above.

During the Reporting Period, discussions continued with two German counterparties to resolve their claims (which are modest in value and would fall to be paid as an expense rather than provable debts). On 31 October 2023, a settlement was reached in exchange for the release of all claims against LBIE. This now concludes this matter.

## **Other potential recoveries**

As set out in our previous reports, 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 were filed with the IRS in Q4 2021.

Our tax team continues to liaise with the IRS regarding payment of the refund. The necessary documentation to enable repayment has been signed by LBIE. LBIE is unable to influence the timing of the refund payment.

As advised in the last report, LBIE has a claim in an overseas liquidation. LBIE continues to be a member of the Liquidation Committee, however no further recoveries are expected in the near future.

The Administrators have also continued to pursue a potential recovery relating to a 50% holding of a claim in an overseas bankruptcy. Due to the nature of the bankruptcy, any potential recovery could be minimal and is likely to take a significant amount of time. The Administrators have very limited access to information following a decision by the Trustee in bankruptcy that all information and documents relating to the bankruptcy process be treated as confidential and not be shared with creditors. LBIE and a number of other creditors challenged that decision and on 27 September 2023, the court ruled in favour of the creditors. The Trustee immediately challenged that decision. Dialogue continues to try and obtain further information and clarity in relation to the confidentiality order, the estate and potential realisations.

## **Tax**

Our tax team has continued to carefully manage LBIE’s tax position, filing and submitting the tax return for the year ended 14 September 2022 and working on the preparation of the tax return for the year ended 14 September 2023.

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

Tax reserves have also been reviewed and adjusted as appropriate.

## **VAT**

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

Historic VAT repayments of c.£0.5m due to LBIE, relating to VAT return periods from November 2021 to August 2022 are expected to be paid by Lehman Brothers Limited (the representative member of the VAT group), in the near future.

Since the last report to creditors, LBIE has received c.£0.5m of VAT repayments in connection with the VAT return periods August 2022 to August 2023. The VAT returns for the quarter ended November 2023 and February 2024 show VAT repayments due to LBIE of c.£0.1m and c.£0.2m, respectively.

## **Investigations and actions**

Nothing has come to the Administrators’ attention during the Reporting Period to suggest that they need to do any more work in line with their duties under the Company Directors’ Disqualification Act 1986 and Statement of Insolvency Practice No.2.

## **Administrators’ receipts and payments account**

The Administrators set out in Appendix A an account of their receipts and payments in the administration for the six months to 14 March 2024, together with a cumulative total since the beginning of the administration.

## **Administrators’ expenses**

A statement of the expenses incurred during the Reporting Period is set out at Appendix B.

## **Administrators' fees**

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

## **Creditors' rights**

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

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

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

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

Creditors can also get copies of these guides free of charge by telephoning Kate McNerlin on 020 7583 5000 or by emailing [generalqueries@lbia-eu.com](mailto:generalqueries@lbia-eu.com).

# Appendix A: Receipts and Payments

Cumulative and 6 months to 14 March 2024

House Estate receipts and payments summary: Cumulative and 6 months to 14 March 2024	Notes	Cumulative 15 Sep 2008 to 14 Sep 2023 (GBP Equiv) £m	Period 6 months to 14 Mar 2024 (GBP Equiv) £m	Cumulative 15 Sep 2008 to 14 Mar 2024 (GBP Equiv) £m
<b>Receipts</b>				
Counterparties	1	12,843	16	12,859
Depot securities		10,230	0	10,230
Other income	2	4,577	7	4,584
<b>Total receipts for the period/to date</b>		<b>27,650</b>	<b>23</b>	<b>27,673</b>
<b>Payments</b>				
Dividends paid	8	(19,939)	-	(19,939)
Preferred equity dividend	8	(337)	(65)	(402)
Administrators' remuneration and disbursements	3	(1,078)	(2)	(1,080)
Payroll and employee costs	4	(664)	(1)	(665)
Legal costs	5	(485)	(3)	(488)
Other payments	6	(4,795)	(1)	(4,796)
<b>Total receipts for the period/to date</b>		<b>(27,297)</b>	<b>(72)</b>	<b>(27,369)</b>
<b>Net movement in the period/to date</b>		<b>353</b>	<b>(49)</b>	<b>304</b>
Foreign exchange translation differences		(132)	(2)	(134)
<b>Total Balances</b>	<b>7</b>	<b>~221</b>	<b>(51)</b>	<b>#170</b>

There is rounding within the table which may cause it to appear to not perfectly cast

~ Balances held in foreign currencies at 14 September 2023 were c.\$64m

# Balances held in foreign currencies at 14 March 2024 were c.\$65m

## Notes regarding movements in the period and accounting policy

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

Amounts shown exclude VAT. Funds currently held may include monies due to HMRC or other members of a VAT group, or exclude monies which will be received in due course from these parties.

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.£14.7m LBH distribution
- c.£0.7m SPML dividends received; and
- c.£0.3m principally comprising LBHI 27th & Eldon Street 12th dividend distributions.

### 2. Other receipts

Receipts in the period principally comprise:

- c.£4.5m of bank interest & interest received from money market deposits;
- c.£1.7m sale of group tax losses years 2020 & 2021, and
- c.£0.5m LBL VAT tax refund (August 2022 to August 2023).

### 3. Administrators’ remuneration and disbursements

Payment deferral terms (as agreed with the Operating Committee and referred to on page 12 of this report) account for any differences between costs incurred and payments made in the period.

- As explained further in Appendix C, the Administrators’ fees are based on time costs basis. The receipts and payments account shows the amount paid in the period and total to date.
- Included within Administrators’ remuneration is c.£48k paid in the period in relation to ‘Category 2’ disbursements in accordance with the policy explained in Appendix B.

### 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.£0.6m VAT paid in the period.

LBIE is VAT registered and entitled to reclaim 63.09% of input VAT, therefore 36.91% of VAT is irrecoverable.



## 7. Investment profile & strategy

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

Funds are held in interest-bearing accounts or invested in short-term money market deposits. The below table shows the cash held in all bank accounts as at 14 March 2024.

Account type	GBP £m	EUR €m	USD \$m	GBP Equiv £m
Short-term deposits †	116	-	62	164
Interest-bearing accounts	3	0	3	6
<b>Total cash held</b>	<b>119</b>	<b>0</b>	<b>65</b>	<b>170</b>

† Average rate of return for 6 months ending 14 March 2024 of 5.28% for sterling deposits and 5.47% 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.

## 8 . Dividends

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

Dividend	Date	Pence in Pound	£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
<b>Total distributions to date</b>		<b>100.0</b>	<b>19,939</b>

Notes: There is rounding within the table which may cause it to appear to not perfectly cast

### Distribution to Shareholder

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

Preferred Equity Dividend	Date	£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
Fifth interim dividend	30 October 2023	65
<b>Total distributions to date</b>		<b>402</b>

# Appendix B: Expenses

Expenses are amounts properly payable by us as Administrators from the estate, but excludes our fees and distributions to creditors.

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

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

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

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

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

Category	Provided by	Basis of cost	Costs incurred £
1	External providers	Travel, hotels and food for business purposes	6,454
1	External providers	Treasury investment systems	59
1	External providers	Courier and postage	16
2	PwC	Travel compliance assessment - time cost basis	239
2	PwC	IT software licencing and hosting - calculated by reference to data volumes with a small licence charge	15,672
<b>Total</b>			<b>22,441</b>

Notes: There is rounding within the table which may cause it to appear to not perfectly cast

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

## Payments to associates

No payments have been made to associates or any party who could reasonably be perceived as an associate during the period of this report.

## Details of subcontracted work

The Administrators have subcontracted specific legal 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.

Included in the Receipts and Payments in Appendix A, c.£32k has been paid to these subcontractors during the Reporting Period.

## Statement of expenses incurred in the 6 months to 14 March 2024

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

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

<b>R&amp;P Category - Expenses</b>	<b>Incurred in Reporting Period c.£m</b>
Administrators' remuneration and disbursements	(1.5)
Payroll and employee costs	(0.6)
Legal and professional costs	(1.7)
Other payments	(0.4)
<b>Total</b>	<b>(4.2)</b>

### Legal and other professional firms

The Administrators have instructed the following professionals on this case:

<b>Service provided</b>	<b>Name of firm / organisation</b>	<b>Reason selected</b>	<b>Basis of fees</b>
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	Saville Notaries LLP	Notaries specialist	Document complexity and requests
Legal services	Capital Market Risk Advisors Inc	US legal expertise	Time costs
Legal services	Intex Solutions Inc	US legal expertise	Fixed fee
Legal services	Martello Financial Services Ltd	German legal expertise	Time costs
Legal services	Dorf Nelson and Zauderer LLP	US legal expertise	Time costs
Legal services	Ganfer Shore Leeds & Zauderer LLP	US legal expertise	Time costs

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

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

# Appendix C: Remuneration update

As creditors may recall, the Operating Committee has resolved that the Administrators may draw 60% of their time costs on account as approved. The remaining 40% of the Administrators time costs has to be approved by the Operating Committee before these amounts are drawn.

The Administrators have incurred total fees of c.£1,041m during the administration up to 14 March 2024. Total Administrators' remuneration and disbursements of c.£1,080m has been paid to 14 March 2024 (as shown on the receipts and payments account in Appendix A), in line with the approvals given.

During the Reporting Period, the Administrators drew fees of c.£2.4m on account of their time costs. This amount comprises:

- c.£1.2m in respect of the catch up balance of 40% of time incurred between July 2022 and April 2023, as approved by the Operating Committee in September 2023; and
- The remaining balance of c.£1.2m which represents 60% of time costs incurred between May 2023 and November 2023.

All 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.

The time cost charges incurred in the Reporting Period are c.£1.5m. An analysis of the total hours and cost incurred by grade of staff can be found later in this appendix.

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. Set out later in this appendix are details of the work undertaken to date and anticipated future work.

## Time charging policy and hourly rates

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

All PwC staff who work on the administration (including the Firm's cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Work carried out by cashiers, support and secretarial staff is charged separately and isn't included in the hourly rates charged by partners or other staff members.

Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). The Administrators do not charge general or overhead costs.

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

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

\*inc. Offshore Professionals

## Relationships

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

## Analysis of Administrators' time costs for the Reporting Period

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 2023 as reported and the current period (to 14 March 2024).

	Prior reported actual		Current actual	
	15 March 2023 to 14 September 2023		15 September 2023 to 14 March 2024	
	Hours	£'000	Hours	£'000
<b>By grade</b>				
Partner	76	94	61	73
Director	488	482	477	467
Senior Manager - insolvency specialist	30	23	71	55
Senior Manager	113	87	263	199
Manager	865	556	662	420
Senior Associate	486	249	531	271
Associate	150	47	116	37
<b>Total</b>	<b>2,208</b>	<b>1,538</b>	<b>2,181</b>	<b>1,522</b>
<b>Average hourly rate</b>		<b>£697</b>		<b>£698</b>
<b>By work activity</b>				
Core Team	1,185	909	1,121	892
Data	82	51	62	40
Insolvency Management Team	277	131	276	132
Cashiers & Treasury	386	200	462	239
Tax	193	187	99	102
Other PwC Staff	85	60	161	116
<b>Total</b>	<b>*2,208</b>	<b>*1,538</b>	<b>2,181</b>	<b>1,522</b>

Notes: There is rounding within the table which may cause it to appear to not perfectly cast

\* Final invoiced values for the prior period were 2,194 hours and c.£1,534k following post period end adjustments. The difference in billable time is due to time the Administrators decided, upon review, was not appropriate to charge to the administration.

## Work undertaken in the Reporting Period

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

Category	Description of tasks
<p><b>Core Team</b></p> <p>Key staff responsible for the ongoing litigation, stakeholder engagement, financial management and resolution of residual matters in the Administration</p>	<ul style="list-style-type: none"> <li>● Prepared and circulated the Administrators' 30th Progress Report to creditors, including the receipts and payments account;</li> <li>● Reviewed and managed the Administration accounts and reserves;</li> <li>● Continued post-trial activities, meetings and discussions with US and UK lawyers in respect of the AGFP litigation, including review and comments on submissions filed in September 2023 and January 2024;</li> <li>● Attended the AGFP trial held at the First Department Appellate Division on 21 February 2024;</li> <li>● Complied with statutory reporting requirements;</li> <li>● Held monthly meetings with the employees of SPML and PML;</li> <li>● Continued to receive and review forecasts from SPML and PML on timing and quantum of dividend. Discussions continued with management and legal advisors in relation to exit plans for the entities;</li> <li>● Discussed and held meetings with parties who were interested in buying the shares in SPML and PML;</li> <li>● Continued to wind-down the portfolio of residual assets comprising illiquid securities, structured notes and amounts due from Affiliates and other parties;</li> <li>● Continued liaison with the Joint Official Liquidators in respect of creditor claims' adjudication processes in an overseas liquidation into which LBIE has a claim. Updated illustrative outcome statement based on additional information obtained;</li> <li>● 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;</li> <li>● Meetings and discussions held with counterparties, lawyers, and counsel in respect of overseas litigation;</li> <li>● Communicated with creditors via updates to the LBIE/PwC Website;</li> <li>● Regular calls, meetings and communications with the Operating Committee;</li> <li>● Reviewed and completed documentation in respect to the recovery of a US tax refund;</li> <li>● Held regular updates with the Directors to keep them apprised of all pertinent matters;</li> <li>● Prepared management information, forecasts and presentations to the Operating Committee;</li> <li>● Reviewed LBIE's contracts and indemnities and renegotiated terms or terminated as appropriate; and</li> <li>● Reviewed and approved all invoices, payments and receipts.</li> </ul>
<p><b>Data</b></p> <p>Utilised to support litigation through investigations of historical data and preparation of court data submissions</p>	<ul style="list-style-type: none"> <li>● Assisted with reviewing and negotiating improved storage terms for LBIE's record retention;</li> <li>● Extraction of key email data and related searches to support ongoing litigation and residual matters; and</li> <li>● Assisted with data searches and archive restoration in support of the Core Team and ongoing litigation.</li> </ul>
<p><b>Insolvency Management team</b></p> <p>Specialist team utilising knowledge and experience to ensure compliance with the Insolvency Rules requirements.</p>	<ul style="list-style-type: none"> <li>● Assisted with maintaining regulatory controls;</li> <li>● Processed receipts and payments and coding of movements;</li> <li>● Assisted the Core Team regarding analysis of transactions required for a legal matter; and</li> <li>● Created statutory reports for external parties and assisted the Core Team with management information, forecasts and presentations to the Operating Committee.</li> </ul>

Category	Description of tasks
<p><b>Cashiers and treasury</b></p> <p>This is an essential function for the management of funds held by the Administrators on behalf of the Company. The Administrators' treasury and cash management teams monitor and control the movement of funds, mitigate risk and seek to maximise the interest made on investments for the benefit of the Company's creditors.</p>	<ul style="list-style-type: none"> <li>● Managed the funds held by the Administrators, to ensure optimal level of funds held on deposit within risk policy;</li> <li>● Monitored and controlled the movement of funds, mitigated risk and maximised the interest made on investments;</li> <li>● Performed regular bank reconciliations for all bank accounts; and</li> <li>● Carried out daily monitoring and processing of cash receipts and payments and notification of movements to the Core Team.</li> </ul>
<p><b>Tax and VAT</b></p> <p>Work reported in this category includes compliance with tax legislation under the Administrators' obligations as proper officers for tax, and planning to ensure the efficient realisation of assets for the benefit of the Company's creditors as a whole.</p>	<ul style="list-style-type: none"> <li>● Dealt with Tax and VAT queries and liaised with HMRC;</li> <li>● Submitted tax return for y/e 14 September 2022;</li> <li>● Drafted tax return for y/e 14 September 2023;</li> <li>● Provided advice on the sale of MCF's trading subsidiaries (SPML &amp; PML);</li> <li>● Finalised the 2021 group tax loss position &amp; drafted the 2022 group tax loss position;</li> <li>● Prepared and submitted quarterly VAT returns;</li> <li>● Reviewed various documents prepared by legal team and accountants;</li> <li>● Calculated tax provisions;</li> <li>● Provided tax advice and prepared accounts to support preferred equity distribution;</li> <li>● Liaised with Internal Revenue Service in the US; and</li> <li>● Ongoing consideration of group relief/losses position to determine amounts available for surrender.</li> </ul>
<p><b>Other PwC Staff</b></p> <p>Other PwC staff who provided the Administrators with advice and assistance as necessary for the completion of the Administration.</p>	<ul style="list-style-type: none"> <li>● Supported regarding SPML and PML, reviewed monthly management accounts and documentation;</li> <li>● Meetings and discussions held with various counterparties and lawyers prior to entering into NDA's with parties that were interested in acquiring the shares in SPML and PML, including review of offers received and drafted a sale and purchase agreement; and</li> <li>● Support received from members of the Disputes and Investigation team regarding ongoing litigation matters including preparation of the reply to the SoD.</li> </ul>

## Future work

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

- 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;
- Progress continuing legal matters 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;
- Consider further proposals from the Directors to make equity distributions to LBHI2 provided there are future funds to do so;
- Progress the sale of 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.

# Appendix D: Other information

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<b>Court details for the administration:</b>	High Court of Justice, Chancery Division, Companies Court - Court Case number 7942 of 2008
<b>Company's registered name:</b>	Lehman Brothers International (Europe)
<b>Trading name:</b>	Lehman Brothers International (Europe)
<b>Registered number:</b>	02538254
<b>Registered address:</b>	Regus Level 5, Tower 42, 25 Old Broad Street, London EC2N 1HN
<b>Date of the administration appointment:</b>	15 September 2008
<b>Joint Administrators' names, addresses and contact details:</b>	Alison Campbell Grant, David James Kelly, Edward John Macnamara and Gillian Eleanor Bruce of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT Email: <a href="mailto:generalqueries@lbia-eu.com">generalqueries@lbia-eu.com</a>
<b>Changes in Administrator:</b>	<p>On 15 September 2008 Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann and Michael John Andrew Jervis were appointed as Joint Administrators</p> <p>On 30 November 2009 Derek Anthony Howell was appointed as an additional Joint Administrator.</p> <p>On 02 November 2011 Paul David Copley and Russell Downs replaced Michael John Andrew Jervis and Dan Yoram Schwarzmann as Joint Administrators.</p> <p>On 07 June 2013 Julian Guy Parr replaced Derek Anthony Howell as one of the Joint Administrators.</p> <p>On 24 June 2016 Paul David Copley resigned as a Joint Administrator.</p> <p>On 16 July 2018 Gillian Eleanor Bruce and Edward John Macnamara replaced Steven Anthony Pearson and Anthony Victor Lomas as Joint Administrators.</p> <p>On 08 March 2019 Julian Guy Parr resigned as one of the Joint Administrators.</p> <p>On 30 November 2021 Russell Downs resigned with Alison Campbell Grant and David James Kelly appointed as Joint Administrators.</p>
<b>Current membership of the Operating Committee:</b>	Lehman Brothers Holdings Inc., LB Holdings Intermediate 2 Limited - in administration, Elliott Management Corporation and King Street Capital Management L.P.
<b>Extension(s) to the initial period of appointment:</b>	The High Court of Justice has granted four extensions to the Administration period, to: 30 November 2011; 30 November 2016; 30 November 2022 and 30 November 2025.

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# Appendix E: Abbreviations and definitions

## Glossary of terms

Abbreviation	Term	Definition
<b>Administration</b>	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
<b>Administrators</b>	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
<b>Affiliate</b>	Affiliate entities	Various subsidiaries and affiliates of Lehman Brothers Holdings Inc
<b>AGFP</b>	AG Financial Products Inc.	A US-based affiliate of Assured Guaranty Corp. which provided credit protection to counterparties under credit default swaps
<b>Category 1 disbursements</b>	Administrators' Category 1 disbursements	Costs that are directly referable to the Administration supplied by and paid to external third parties
<b>Category 2 disbursements</b>	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
<b>Company / LBIE</b>	the Company	Lehman Brothers International (Europe) - in Administration ("LBIE")
<b>Directors</b>	Non-Executive Directors	On 8 June 2020, two Non-Executive Directors were appointed to a newly reformed LBIE board of Directors to assist the Joint Administrators in the limited management of certain aspects of LBIE's affairs. The current Directors are David Hargrave and Jon Yorke.
<b>Firm / PwC</b>	Firm / PwC	PricewaterhouseCoopers LLP
<b>HMRC</b>	HM Revenue & Customs	Organisation of the UK government primarily responsible for the collection of taxes
<b>House Estate/House</b>	House Estate	Dealings that relate to LBIE's general unsecured estate
<b>Insolvency Act / IA86</b>	Insolvency Act 1986	Statutory legislation that provides the legal platform for matters relating to personal and corporate insolvency in the UK
<b>Insolvency Rules / IR16</b>	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
<b>IRS</b>	Internal Revenue Service	The revenue service for the United States federal government, which is responsible for collecting U.S. federal taxes and administering the Internal Revenue Code
<b>LBH</b>	Lehman Brothers Holdings plc - in Administration	Affiliate entity subject to insolvency proceedings in the UK
<b>LBHI</b>	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
<b>LBHI2</b>	LB Holdings Intermediate 2 Limited - in Administration	Affiliate entity subject to insolvency proceedings in the UK and LBIE's Shareholder and sole holder of LBIE's preferred equity
<b>LBL</b>	Lehman Brothers Limited - in Administration	Affiliate entity subject to insolvency proceedings in the UK
<b>MCF</b>	Mable Commercial Funding Limited - in Administration	Affiliate entity subject to insolvency proceedings in the UK

<b>Operating Committee</b>	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
<b>PML</b>	Preferred Mortgages Limited	A solvent subsidiary of MCF, an Affiliate entity subject to insolvency proceedings in the UK
<b>Post-Administration Interest</b>	Post-Administration Interest	Statutory interest payable pursuant to Rule 14.23(7) of the Insolvency Rules
<b>Reporting Period</b>	Reporting period	15 September 2023 to 14 March 2024, the period covered by this report
<b>Scheme</b>	Scheme of Arrangement	Statutory procedure under Part 26 of the Companies Act 2006 for a court-approved agreement between a company and its creditors
<b>Senior</b>	Senior unsecured creditor	Unsecured, non-preferential, non-Shareholder, not subordinated creditor
<b>Shareholder</b>	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
<b>SIP 9</b>	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)
<b>SPML</b>	Southern Pacific Mortgage Limited	A solvent subsidiary of MCF, an Affiliate entity subject to insolvency proceedings in the UK
<b>Statutory Interest</b>	Statutory Interest	Interest calculated on the amount of admitted claims in respect of the periods during which such claims were outstanding since the date of commencement of the administration to the date of full repayment, calculated as the greater of the rate payable in accordance with s.17 of the Judgments Act 1838 (currently 8% simple), and the rate applicable to the debt apart from the administration
<b>Surplus</b>	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
<b>Surplus Scheme</b>	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
<b>UK High Court</b>	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
<b>VAT</b>	Value Added Tax	A consumption tax levied on the sale of goods and services in the UK