

# LB Holdings Intermediate 2 Limited – In Administration

Joint Administrators' progress report for the period  
14 January 2009 to 13 July 2009

10 August 2009

## Contents

Section		Page
1	Purpose of the Joint Administrators' progress report	2
2	Background information	3
3	Joint Administrators' actions to date	4
4	Statutory and other information	5
5	Financial information	6
6	Receipts and payments account	7
	Appendix - Directors' Statement of affairs	

# Section 1: Purpose of the Joint Administrators' progress report

## Introduction

This is the first progress report by the Joint Administrators of LB Holdings Intermediate 2 Limited ("LBHI2" or the "Company").

Creditors were sent the Joint Administrators' proposals on 03 March 2009 which were approved at a meeting of creditors held by correspondence on 24 March 2009.

This report provides details of the work we have undertaken and the progress we have made during the first six months of our appointment.

## Objectives of the Administration

The Joint Administrators (the "Administrators") are pursuing the objective of achieving a better result for LBHI2's creditors as a whole than would be likely if LBHI2 were wound up (without first being in Administration).

The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors.

## Creditors' Committee

No Creditors' Committee was formed as only one nomination was received.

## Extension of the Administration

The Administration was due to end automatically on 13 January 2010. The Administrators formed the view that it would not be possible to achieve the purpose of administration by that date. Accordingly they applied to Court for an order to extend the administration, and the Court has granted an extension until 30 November 2010.

## Administrators' remuneration and disbursements

It was resolved at the first meeting of the Creditors' that the Administrators' remuneration should be fixed by reference to the time properly given by them and the various grades of their staff and that remuneration could be drawn from time to time. However no remuneration has yet been drawn, as there have been no realisations

to date.

## Outcome for creditors

At this time the Administrators are unable to provide an estimate of the likely dividend to ordinary unsecured creditors.

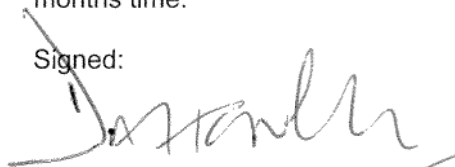
There are no preferential creditors.

Until there is more certainty regarding dividend prospects, claims agreement work will be restricted to gathering information. If you have not already submitted your claim to the Administrators, please do so by completing the enclosed statement of claim form.

## Future reports

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

Signed:



DA Howell  
Joint Administrator  
LB Holdings Intermediate 2 Limited

# Section 2: Background information

## **Background information**

LBHI2 is part of the Lehman Brothers group and, more specifically, a subsidiary in the "sub-group" of Lehman Brothers Holdings PLC - in administration ("LBH") and the parent company of Lehman Brothers International (Europe) - in administration ("LBIE").

The Company's main assets are intercompany debtors and tax losses, whilst its main liabilities are to intercompany creditors and in particular, any shortfall to LBIE's creditors as a result of its shareholding in LBIE which is an unlimited company.

## **Events immediately preceding the Administrators' appointment**

Following the insolvency of Lehman Brothers Holdings Inc ("LBHI") and the appointment of administrators to LBIE, the administrators of LBIE undertook a detailed review of the Lehman Group of companies within the UK.

As part of this review it was established that LBHI2 would not have sufficient assets to meet its liabilities and it was placed into Administration by its Directors on 14 January 2009.

# Section 3: Joint Administrators' actions to date

## Overview of the Company's business

LBHI2 holds the investment in LBIE. In light of the insolvency of LBIE, it is unlikely that LBHI2 will realise any value from its investment in LBIE.

LBHI2's investment in LBIE was principally financed by the issue of:

- \$6.1bn Floating Rate Subordinated Notes (the "Floating Rate Notes") due in 2017 which are listed on the Channel Islands Stock Exchange. This entire issue was acquired by another group company, Lehman Brothers Holdings Scottish LP3;
- \$730m of Fixed Rate Notes (the "Fixed Rate Notes") due in 2012 which were listed on the Cayman Islands Stock Exchange; and
- A combination of long and short term loan facilities from LBH (the "LBH Loans") of which some \$2.2bn remains due.

Given that LBIE is an unlimited company, LBHI2 will ultimately be liable for any shortfall to LBIE's creditors.

## Administrators' actions to date

The Administrators have continued to review the tax position of LBHI2, in order to assess the potential value that may be realised through a sale of the tax losses to other Lehman Brothers group companies.

The Administrators are also working to produce a detailed claim in respect of an intercompany balance due from Lehman Brothers Holdings Inc ("LBHI") and another claim against LBIE which is covered by the LBHI guarantee. The Administrators will be submitting both these claims against these two companies by 22 September, being the bar date for claims against LBHI.

## Dividend prospects

The Administrators are not yet able to determine the likely quantum and timing of any dividend to ordinary unsecured creditors.

## Receipts and payments

There have been no realisations in the reporting period. LBHI2 was provided with a small loan of £441.74 by LBIE in order to meet statutory advertising costs.

# Section 4: Statutory and other information

<b>Court details for the Administration:</b>	High Court of Justice, Chancery Division, Companies Court - Court Case 429 of 2009
<b>Full name:</b>	LB Holdings Intermediate 2 Limited
<b>Trading name:</b>	LB Holdings Intermediate 2 Limited
<b>Registered number:</b>	05957878
<b>Registered address:</b>	25 Bank Street, London E14 5LE
<b>Company directors:</b>	Dominic Ian Gibb, Ian Michael Jameson and Anthony John Rush
<b>Company secretary:</b>	Parul Dave and Emily Upton
<b>Shareholdings held by the directors and secretary:</b>	None of the directors own shares in the Company
<b>Date of the Administration appointment:</b>	14 January 2009
<b>Administrators' names and addresses:</b>	DA Howell, AV Lomas, SA Pearson and MJA Jervis of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
<b>Appointer's name and address:</b>	The directors, 25 Bank Street, London E14 5LE
<b>Objective being pursued by the Administrators:</b>	Achieving a better result for LBHI2's creditors as a whole than would be likely if LBHI2 were wound up (without first being in Administration)
<b>Division of the Administrators' responsibilities:</b>	Statement of powers for the purposes of paragraph 100(2) of schedule B1 to the Insolvency Act 1986. The Directors of LB Holdings Intermediate 2 Limited (the "Company") have appointed DA Howell, AV Lomas, SA Pearson and MJA Jervis of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT as joint administrators of the Company. The joint administrators will act jointly and severally so that all functions may be exercised by any or all of them.
<b>Proposed end of the Administration:</b>	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
<b>Estimated dividend for unsecured creditors:</b>	It is too early to estimate the likely dividend for unsecured creditors.
<b>Extension to the Administration</b>	The period of Administration has been extended to 30 Nov 2010, by Order of the Court.
<b>Estimated values of the prescribed part and LBHI2's net property:</b>	Nil
<b>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</b>	Not applicable as there is no prescribed part.
<b>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</b>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

# Section 5: Financial Information

## Statement of Affairs

The directors' Statement of Affairs (the "Statement") was received on 06 March 2009. This Statement has been filed at Companies House and a copy is attached as an Appendix to this report.

In preparing the Statement, the directors have made various assumptions regarding potential recoveries from other insolvent Lehman Group entities. The Administrators consider that the resultant values provide a potentially misleading view of recovery prospects and therefore no reliance should be placed upon them by creditors in forming a view of the likely dividend prospects.

## Administrators' remuneration

At the meeting of creditors which was held by correspondence on 24 March 2009, creditors resolved that:

- The administrators' remuneration be fixed by reference to the time properly given by the administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that the administrators be authorised to draw such fees on account from time to time.
- That the administrators be authorised to draw Category 2 disbursements provided by their own firm as follows: Photocopying - charged for circulars to creditors and other bulk copying only at 3p per sheet; mileage - at a maximum of 62p per mile (up to 2,000 cc) or 81p per mile (over 2,000cc)

The Administrators have incurred time costs totalling £27,441 for the period 14 January 2009 to 13 July 2009. The Administrators intend to draw their remuneration when sufficient funds become available. Work undertaken by the Joint Administrators and their staff include:

## Strategy and Planning

- Circulating initial notifications to creditors and other stakeholders;
- Review of financial information;
- Obtaining Tax advice in relation to treatment and future sale of LBHI 2 tax losses; and

- Reviewing and updating financial information and liaising with the finance team in providing the statement of affairs.

## Statutory and compliance

- Statutory procedure for accepting appointment documents;
- Preparing all first day letters, including statutory notices to the Court, the Registrar of Companies, the Company, directors and creditors;
- Establishing internal controls, databases and case files;
- Managing LBHI2 Administration database;
- Preparing and distributing of the Joint Administrators report on proposals for completing the administration to all known creditors, the Court and the Registrar of Companies.

# Section 6: Receipts and payments account

	GBP
RECEIPT	
Loan from LBIE	441.74
<b>Receipts Grand Totals</b>	<b><u>441.74</u></b>
PAYMENT	
Statutory costs	384.12
VAT paid	57.62
<b>Payments Grand Totals</b>	<b><u>441.74</u></b>
<b>Cash in Hand</b>	<b><u>Nil</u></b>



## Statement of affairs

Name of Company <b>LB Holdings Intermediate 2 Limited</b>
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Company number <b>05957878</b>
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In the <b>High Court of Justice, Chancery Division, Companies Court</b>
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Court case number <b>429 of 2009</b>
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Statement as to the affairs of (a) LB Holdings Intermediate 2 Limited

on the (b) 14th of January 2009, the date that the company entered administration.

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### Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named company as at (b) 14 January 2009, the date that the company entered administration.

Full name Samiric AUBS  
Signed [Signature]  
Dated 6 March 2009

## A - Summary of Assets

	Book Value	\$	Estimated to Realise	\$
Assets				
Assets subject to fixed charge:				
Assets subject to floating charge:				
Uncharged assets:				
Investments in Lehman Brothers International (Europe) - Ordinary share capital	5,736,000,000		0	
Investments in Lehman Brothers International (Europe) - Preference shares	7,100,000,000		0	
Lehman Brothers International (Europe) - Subordinated debt	2,225,000,000		0	
Subordinated intercompany debtor	24,596,834		0	
Intercompany debtors	538,151,921		114,884,291	
Corporation tax losses available for relief	181,564,023		Uncertain	
Estimated total assets available for preferential creditors	15,805,312,779		114,884,291	

Signature  Date 6 March 2009

A breakdown of the assets and assumptions made in the Estimated to Realise has been passed to the Administrators.

The company has generated tax losses which may be 'sold' to other group companies as part of a group relief arrangement.

## A1 - Summary of Liabilities

		Estimated to realise \$
Estimated total assets available for preferential creditors (carried from page A)		114,884,291
<b>Liabilities</b>		
Preferential creditors:-		
Estimated deficiency / surplus as regards preferential creditors		114,884,291
Estimated prescribed part of net property where applicable (to carry forward)		
Estimated total assets available for floating charge holders		114,884,291
Debts secured by floating charges		
Estimated deficiency / surplus of assets after floating charges		114,884,291
Estimated prescribed part of net property where applicable (brought down)		
Total assets available to unsecured creditors		114,884,291
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	(7,275,095,084)	(7,275,095,084)
Subtotal (Total realisable assets less unsecured creditors)		(7,160,210,792)
Subordinated Debt Holders	(2,249,596,834)	(2,249,596,834)
Estimated deficiency / surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)		(9,409,807,626)
Shortfall to floating charge holders (brought down)		-
Estimated deficiency / surplus as regards creditors		(9,409,807,626)
Issued and called up capital		
Ordinary shares	(5,736,000,000)	(5,736,000,000)
Preference shares	(961,000,000)	(961,000,000)
Estimated total deficiency / surplus as regards members		(16,106,807,626)

Signature  Date 6/10/2009

**Company Creditors**

Note: You must include all creditors and identify all creditors under hire-purchase, chattel leasing or conditional sale agreements *and* customers claiming amounts paid in advance of the supply of goods or services *and* creditors claiming retention of title

Unsecured Creditors						
Name of creditor or claimant	Address (with postcode)	Amount of debt	\$	Details of any security held by creditor	Date security	Value of security
Lehman Brothers Holdings PLC	25 Bank Street, London, E14 5LE	262,515,935				
Lehman Brothers Holdings Scottish LP 3	Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1UD	6,274,122,449				
Luxembourg Finance SARI	Avenue Pasteur 6, Luxembourg	738,456,700				
		7,275,095,084				

Subordinated Debt Holders						
Name of creditor or claimant	Address (with postcode)	Amount of debt	\$	Details of any security held by creditor	Date security	Value of security
Lehman Brothers Holdings PLC	25 Bank Street, London, E14 5LE	2,249,596,834				

Total Creditors

9,524,691,918

Signature 

Date 6th April 2009

## Company Shareholders

Name of Shareholder	Address (with postcode)	No. of shares held	Nominal Value \$	Details of Shares held
LB Holdings Intermediate 1 Ltd	25 Bank Street, London, E14 5LE	5,736,000,000	5,736,000,000	Ordinary
Lehman Brothers Holdings PLC	25 Bank Street, London, E14 5LE	961,000,000	961,000,000	Redeemable Preference
		6,697,000,000	6,697,000,000	

Signature 

Date 6 March 2009

# Administrators' progress report

# 2.24B

Name of Company LB Holdings Intermediate 2 Limited	Company Number 05957878
In the High Court of Justice, Chancery Division <small>(full name of court)</small>	Court case number 429 of 2009


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

We (a) Derek Anthony Howell, Anthony Victor Lomas, Stephen Anthony Pearson and Michael John Andrew Jervis of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT

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

b) Insert dates

from to  
(b) 14 January 2009 (b) 13 July 2009

Signed   
Joint Administrator  
Dated 10 August 2009

### Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

Daisy Bassila	
PricewaterhouseCoopers LLP Plumtree Court, London EC4A 4HT	
	Tel 0207 583 5000
DX Number	DX Exchange

Companies House receipt date barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

**Companies House, Crown Way, Cardiff, CF14 3UZ  
Cardiff**

**DX 33050**