
***LB SF No. 1 –
In Administration***

Joint Administrators' progress
report for the period 2 October 2010
to 1 April 2011

21 April 2011

Contents

<i>Section 1</i>	<i>Purpose of the Joint Administrators' progress report</i>	<i>3</i>
<i>Section 2</i>	<i>Joint Administrators' actions to date</i>	<i>4</i>
<i>Section 3</i>	<i>Statutory and other Information</i>	<i>5</i>
<i>Section 4</i>	<i>Financial Information</i>	<i>6</i>
<i>Section 5</i>	<i>Receipts and Payments Account</i>	<i>7</i>

Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the fifth progress report by the Joint Administrators (the "Administrators") of LB SF No.1 ("LBSF" or the "Company").

This report provides an update on the work that the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 1 April 2011.

Objectives of the Administration

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

The specific aims of this Administration are to:

- Protect and control the Company's portfolios of assets; and
- Realise these assets on a managed basis.

Outcome for creditors

Based on current information and the quantum of claims recorded in the Company's records, the Administrators anticipate that there should be sufficient realisations to allow for a distribution to unsecured creditors however the timing and quantum is currently uncertain.

The timing of any distribution remains uncertain as the Financial Support Direction ("FSD") position is not yet finalised. Once this has been finalised, the Administrators will seek permission from the Court to make a distribution to unsecured creditors.

The Determinations Panel of the Pensions Regulator issued a Determination Notice on 13 September 2010 which stated that a Financial Support Direction should not be issued against LBSF. However, as the FSD legal process has not yet been completed, the Administrators are not certain at this stage that LBSF will not have liability under an FSD. Accordingly, the Administrators

have written to the trustees of the pension scheme in order to obtain clarification on whether a liability under an FSD will fall to LBSF.

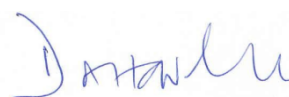
Extension of the administration

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2011. In light of the outstanding pension issue, the Administrators are expecting to apply to Court for a further extension to the Administration in due course.

Future reports

The Administrators will next report to creditors in approximately six months.

Signed:



DA Howell
Joint Administrator
LB SF No. 1

Section 2 Joint Administrators' actions to date

Overview

LBSF holds a number of investments in subsidiary companies. These companies own a variety of performing, sub-performing and non-performing mortgage and other loan portfolios.

Court to request an Order to convert the administration of LBSF into a distributing administration in order to allow them to pay a dividend to unsecured creditors.

Administrators' actions to date

LBSF has three primary asset groups, which are:-

- Receivables due from other Lehman Group companies

The timing and quantum of any recoveries from intercompany receivables into LBSF remains uncertain. The Administrators have filed claims against certain US group companies in insolvency proceedings in line with the bar date set by those entities. Guarantee claims, where Lehman Brothers Holdings Inc had guaranteed the liabilities of certain Lehman Group companies, have also been filed.

- Equity investments in subsidiaries

The equity investments are unlikely to realise any value.

- A loan portfolio

The loan portfolio was realised during the first six months of the Administration.

Outstanding matters

The most significant assets still to be realised are intercompany receivables due from Lehman Brothers Holdings Inc and from LBSF's subsidiary companies, the majority of which are also in Administration. LBSF will make its principal recoveries from these assets as and when dividends are paid in those proceedings.

The Administrators are making preparations to pay a dividend to unsecured creditors and, where possible, seeking to agree claims in principle. Once there is certainty that LBSF is not subject to an FSD, the Administrators propose to apply to

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8603 of 2008
<i>Full name:</i>	LB SF No. 1
<i>Trading name:</i>	LB SF No. 1
<i>Registered number:</i>	06001928
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	D Gibb (resigned 17/07/09), IM Jameson (resigned 17/07/09) and AJ Rush (resigned 17/07/09)
<i>Company secretary:</i>	ESE Upton (resigned 25/01/10), P Dave (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in the Company
<i>Date of the Administration appointment:</i>	2 October 2008
<i>Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell, of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
<i>Appointer's name and address:</i>	The directors of the Company, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for creditors as a whole than would be likely if the Company was wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Joint Administrators may be done by any one or more of the persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	The Court has granted a second extension of the Administration to 30 November 2011.
<i>Proposed end of the Administration:</i>	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.
<i>Estimated dividend for unsecured creditors:</i>	Based on current information the Administrators anticipate that there should be sufficient realisations to allow for a distribution to unsecured creditors however the timing and quantum is currently uncertain.
<i>Estimated values of the prescribed part and LBSF's net property:</i>	There is no prescribed part as there is no qualifying floating charge.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

Section 4 Financial Information

Administrators' remuneration

Unsecured creditors previously resolved that the Administrators' remuneration be fixed by reference to the time properly given by them and the various grades of their staff. The Administrators were also authorised to draw their remuneration on account from time to time. The details of remuneration drawn to date have previously been provided and no remuneration has been drawn in the period.

Receipts and payments account

A receipts and payments account for LBSF, for the period from 2 October 2010 to 1 April 2011 is provided overleaf. The only material realisations in the period include interest and recharge of tax function costs of £141k. The tax function costs are a reallocation of costs incurred by a centralised tax team.

Payments of £932k and £854k have been made in respect of gross salaries and office costs respectively. These comprise an allocation of costs which have been incurred since the commencement of the UK Lehman administrations.

Section 5 Receipts and Payments Account

	As at 1 April 2011				As at 1 October 2010				Movements			
	GBP (£)	EUR (€)	USD (\$)	SEK (kr)	GBP (£)	EUR (€)	USD (\$)	SEK (kr)	GBP (£)	EUR (€)	USD (\$)	SEK (kr)
Receipts												
Interest received gross	286,150	9,934	111,692	-	234,269	9,934	78,480	-	51,881	-	33,212	-
Receipts and interest on loan facilities	27,855,340	4,952,567	-	183,587	27,855,340	4,952,567	-	183,587	-	-	-	-
Tax Function costs	141,028	-	-	-	-	-	-	-	141,028	-	-	-
Total Receipts	28,282,518	4,962,501	111,692	183,587	28,089,609	4,962,501	78,480	183,587	192,909	-	33,212	-
Payments												
Bank charges	979	142	350	-	859	142	350	-	120	-	-	-
Professional Fees	-	3,210	-	-	-	3,210	-	-	-	-	-	-
Legal fees	304,727	33,460	-	-	212,641	33,460	-	-	92,086	-	-	-
Gross wages & salaries	932,189	-	-	-	-	-	-	-	932,189	-	-	-
Office costs	854,028	-	-	-	-	-	-	-	854,028	-	-	-
Statutory advertising	1,747	-	-	-	1,747	-	-	-	-	-	-	-
Other disbursements	88	-	-	-	88	-	-	-	-	-	-	-
Tax deducted on interest	-	1	-	-	-	1	-	-	-	-	-	-
Office holders fees	617,327	-	-	-	617,327	-	-	-	-	-	-	-
Office holders category 1 disbursements	7,948	-	-	-	7,948	-	-	-	-	-	-	-
VAT	145,689	-	-	-	129,554	-	-	-	16,135	-	-	-
Total Payments	2,864,722	36,813	350	-	970,164	36,813	350	-	1,894,558	-	-	-
Net Position	25,417,796	4,925,688	111,342	183,587	27,119,445	4,925,688	78,130	183,587	(1,701,649)	-	33,212	-
Intracompany Transfer												
Payment		(4,805,389)		(183,000)		(4,805,389)		(183,000)				
Receipt	4,007,129		38,040,207		4,007,129		38,040,207					
Net Position	29,424,925	120,299	38,151,549	587	31,126,574	120,299	38,118,337	587				
Cash Balances												
Bank of England	131,746	-	-	-	131,746	-	-	-				
HSBC	272,089	120,299	147,018	-	195,430	120,299	147,018	-				
HSBC International Branch	-	-	-	587	-	-	-	587				
Money Markets	29,021,090	-	38,004,531	-	30,799,398	-	37,971,319	-				
Total Cash	29,424,925	120,299	38,151,549	587	31,126,574	120,299	38,118,337	587				

Based on exchange rates on 1 April 2011, total cash in hand as at 1 April 2011 was £53,306,674



