
Lehman Brothers UK Holdings Limited – In Administration

Joint Administrators' progress
report for the period 29 March 2010
to 28 September 2010

25 October 2010

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the fourth progress report by the Joint Administrators of Lehman Brothers UK Holdings Limited ("LBUKH" or the "Company").

This report provides an update on the work the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 28 September 2010.

Objectives of the Administration

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

The specific aim of this Administration is to protect and control any return on the Company's investments in subsidiaries and intercompany book debts, for the benefit of the unsecured creditors of LBUKH.

Outcome for creditors

Owing to the complexity of the intercompany relationships and the impact of insolvencies on intercompany debtor and creditor balances, the Administrators are unable to provide a reliable estimate of any dividend to unsecured creditors.

The Pensions Regulator listed LBUKH as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme. The FSD requires financial support to be provided to the pension scheme, in relation to the scheme's deficit.

On 13 September 2010 the Pensions Regulator's determinations panel decided to issue a FSD against LBUKH and five other entities. LBUKH is appealing against this decision.

A FSD does not create a debt due from the targeted company (LBUKH) to the pension scheme, but such a debt can be imposed by the Pensions Regulator at a later stage of the process. At present it is not clear how the liability will be divided among the targeted entities.

Any debt would come into existence after the date of Administration, and this creates uncertainty as to its legal status.

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.

Future reports

The Administrators will next report to creditors in approximately six months or when the Administration comes to an end, whichever is sooner.

Signed:



DA Howell
Joint Administrator
Lehman Brothers UK Holdings Limited

Section 2 Joint Administrators' actions to date

Overview

LBUKH acted as the holding company and funding vehicle for Lehman Brothers Holdings Plc and Lehman Brothers (PTG) Limited relying on the provision of monies from its parent Lehman Brothers Luxembourg Investments S.A.R.L.

Administrators' actions to date

As previously reported, it is not anticipated that there will be any realisations from the Company's equity and subordinated loan note investments.

The book value of debtors at the date of administration was c.\$45m. Whilst claims have been filed with the intercompany debtors, the timing and quantum of any realisations remains uncertain.

The corporation tax refund had a book value of \$10k at the date of administration. The Administrators' tax team have prepared the Company's pre-appointment tax returns which indicate that there is a refund due of c.£3k. It is anticipated that these funds will be realised within the next six months.

Outstanding matters

The Administrators will continue their work to realise the intercompany investments and debtors of LBUKH. This will include providing evidence in support of claims against related companies.

An application has been made to the UK High Court by LBUKH to resolve the uncertainty regarding the FSD. The case is expected to be heard in late November 2010.

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8445 of 2008
<i>Full name:</i>	Lehman Brothers UK Holdings Limited
<i>Trading name:</i>	Lehman Brothers UK Holdings Limited
<i>Registered number:</i>	207437
<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 28/10/08).
<i>Company secretary:</i>	M Smith (resigned 25/01/10), P Dave (resigned 25/01/10), ESE Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in LBUKH
<i>Date of the Administration appointment:</i>	29 September 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 LBUKH's creditors as a whole than would be likely if LBUKH were wound up (without first being in Administration)
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Joint Administrators may be done by any one or more of the persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	The Court has granted an 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>	It is too early to estimate the likely dividend for unsecured creditors.
<i>Estimated values of the prescribed part and LBUKH's net property:</i>	There is no prescribed part
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable
<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

No remuneration has been drawn to date as this may only be drawn when appropriate approval has been received. The Administrators do not propose to request such approval or draw remuneration until there are funds available to do so.

Receipts and payments account

There have been no receipts or payments on behalf of LBUKH since the appointment of administrators.



