
*LB UK RE Holdings
Limited –
In Administration*

**Joint Administrators' progress
report for the period 15 September
2020 to 14 March 2021**

1 April 2021

Contents

| | |
|--|---|
| Section 1 Joint Administrators' progress report | 3 |
| <i>Section 2 Statutory and other information</i> | 6 |
| Section 3 Joint Administrators' remuneration | 7 |
| <i>Section 4 Receipts and payments</i> | 9 |

Section 1 Joint Administrators' progress report

Introduction

This is the twenty-fifth progress report by the joint **administrators** (“Joint Administrators” or “**Administrators**”) of LB UK RE Holdings Limited (In Administration) (“**LB UK RE**” or the “**Company**”).

If any creditor requires copies of the previous reports **these are available on the Administrators' website** <https://www.pwc.co.uk/services/business-restructuring/administrations/non-lbie-companies/lb-uk-re-holdings-limited-in-administration.html>. Alternatively, please contact Stephen Ingle at PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

This report provides details of the progress of the administration in the six months to 14 March 2021 (the “**Period**”).

Residual asset distributions

As previously reported, the terms pursuant to which ownership of LB UK RE's remaining assets should be transferred to Lehman Brothers Holdings Inc. (“**LBHI**”) or creditors controlled by LBHI (being the only remaining creditors of the Company), were agreed by way of a residual assets **transfer agreement (“RATA”)**. In the period covered by the twenty-second progress report, the remaining claims held by creditors controlled by LBHI were assigned to LBHI, leaving LBHI as the sole creditor of LB UK RE.

During the Period the Administrators and LBHI have continued to work closely to determine the most appropriate transfer/ closure/realisation strategy for each of the remaining assets. In the meantime, LB UK RE remains in administration.

Extending the administration

As at the commencement of the Period, the **Administrators' term of office was due to expire on 30 November 2020**. During the Period, the Administrators applied to the High Court for an extension of their terms of office, in order to afford them time to finalise the position in respect of the **Company's remaining assets, and deal with the legal and other operational matters** required to bring closure of the administration and dissolution of the Company. By an Order dated 2 November

2020, the High Court acceded to the **Administrators' application and extended their terms of office by one year to 30 November 2021**.

Assets

Introduction

LB UK RE was principally involved in the management of investments in portfolios of sub-performing, non-performing and performing loans (“**SNPLs**”) and in real estate. It also held other investments and shareholdings in companies and hedge funds (“**Principal investments**”), as well as various intercompany claims against other insolvent Lehman affiliates.

Please see previous progress reports for more detail in respect of the assets themselves, and the various asset collection strategies adopted by the Administrators.

Key progress in the Period

Loan portfolios

The Administrators have secured collections from the SNPL portfolios during the administration of £348.3m.

In respect of the German portfolio the Administrators have, in conjunction with key stakeholders, continued to progress the closure of elements of the securitisation structure for which LB UK RE has contractual or ownership responsibilities.

This has included working with stakeholders and parties to the securitisation structure to progress the remaining steps required to effect **LB UK RE's** release from the indemnity granted to one of the parties to the securitisation structure.

Real estate investments

The Administrators have realised £90.7m to date from real estate assets. As previously reported, this is as a result of:

- Selling investments or loans and enforcing the repayment of loans held by subsidiaries, which has resulted in realisations of £24.9m to date; and
- Selling individual properties within portfolios

to the value of £268m to date to prepay senior lenders and release cash to assist in servicing the remaining assets in the portfolios.

In addition, the Administrators have:

- Liaised with LBHI to enable, in due course, the efficient transfer or other alternative resolution of:
 - Dyra S.a.r.l. shares and shareholder loan. The Administrators now consider this workstream to be closed as it is not expected to generate any realisations; and
 - tax receivable from Spanish authorities (ongoing).

Where appropriate, work included negotiating and drafting the transfer or assignment documents, providing any required powers of attorney, and attending to all notary meetings.

Principal investments

As previously reported, all work in respect of the Principal investments has now been completed. Total realisations were £403.1m.

Inter-company claims

As previously reported, all intercompany debts have either been realised or transferred to LBHI or the LBHI-controlled creditors. Total realisations were £47.3m.

Future strategy

As set out above, **LB UK RE's remaining** assets are in the course of being disposed of or transferred to LBHI. In the meantime, the Administrators will continue to:

Loan portfolios

- Develop and implement final closure strategies and plans, where appropriate.

Real estate investments

- Extract any further remaining value from the remaining real estate investments, where possible.

Taxation issues

Corporation tax clearance for LB UK RE was granted by HMRC on 5 October 2016 and all tax computations have been agreed up to 30 June 2016. There are no further tax returns to be submitted. Amounts of £6.1m and £5.9m have been recovered in respect of corporation tax repayments and group relief, respectively. The main work undertaken by the Administrators in the Period has been in respect of:

- Continued review of assets being transferred under the RATA to ensure that transfers are in line with expectations as at the date the tax clearance application was submitted; and
- **Compliance with the Administrators' various** regulatory obligations.

To date, Value Added Tax ("VAT") totalling £7.5m has been repaid to LB UK RE.

As previously reported, LB UK RE was de-registered for VAT with effect from 1 September 2016. All VAT due to LB UK RE for the period during which it was a member of the Lehman UK VAT group has been recovered by the representative member and paid to LB UK RE.

A portion of the input VAT on costs incurred by LB UK RE after it ceased to be a member of the VAT group can be recovered post de-registration. Claims submitted by LB UK RE, once agreed, are paid directly by HMRC.

To date, six post de-registration claims for VAT have been submitted, relating to input tax incurred up to 30 September 2020. The refund relating to the sixth de-registration claim (for input VAT incurred from 1 December 2019 to 30 September 2020) totalling £46k, was received shortly after the date of this report.

Future reports

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



D Y Schwarzmann

Joint Administrator

LB UK RE Holdings Limited

*DY Schwarzmann, EJ Macnamara, GE Bruce and R Downs have been appointed as Joint Administrators of LB UK RE Holdings Limited. The Joint Administrators were appointed to manage the **Company's affairs, business and property** as agents without personal liability.*

DY Schwarzmann, EJ Macnamara, GE Bruce and R Downs are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

*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](https://www.pwc.co.uk) website or by contacting the Joint Administrators.*

*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>.*

Section 2 Statutory and other information

| | |
|---|--|
| <i>Court details for the administration:</i> | High Court of Justice, Chancery Division, Companies Court - case 7944 of 2008. |
| <i>Full name:</i> | LB UK RE Holdings Limited. |
| <i>Trading name:</i> | LB UK RE Holdings Limited. |
| <i>Registered number:</i> | 05347966. |
| <i>Registered address:</i> | 7 More London Riverside, London SE1 2RT, United Kingdom. |
| <i>Date of the administration appointment:</i> | 15 September 2008. |
| <i>Administrators' names and addresses:</i> | DY Schwarzmann, EJ Macnamara, GE Bruce and R Downs of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT. |
| <i>Appointer's name and address:</i> | High Court of Justice, Chancery Division, Companies Court on the application of LB UK RE's directors . |
| <i>Objective being pursued by the Administrators:</i> | Achieving a better result for LB UK RE's creditors as a whole than would be likely if LB UK RE were wound up (without first being in administration). |
| <i>Division of the Administrators' responsibilities:</i> | In relation to Paragraph 100(2) Schedule B1 of the Insolvency Act 1986, during the period for which the administration is in force, any act required or authorised under any enactment to be done by any 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 2021. |
| <i>Proposed end of the administration:</i> | The Administrators currently envisage that, following the disposal or transfer of the residual assets to LBHI, a notice will be submitted to the Registrar of Companies pursuant to Paragraph 84 of Schedule B1 to the Insolvency Act 1986 to move LB UK RE from administration to dissolution. However, the Administrators reserve their rights in relation to other options available to them. |
| <i>Dividend for unsecured creditors:</i> | Non LBHI-controlled creditors have received 63 pence in the pound in total from LB UK RE. LBHI-controlled creditors should ultimately receive dividends of approximately 60.6%, consisting of both cash and the remaining assets of LB UK RE by way of a distribution in specie. |
| <i>Estimated values of LB UK RE's net property and the prescribed part:</i> | In the absence of qualifying floating charges, The Insolvency Act 1986 (Prescribed Part) Order 2003 does not apply to these proceedings. |
| <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 applies to this administration and the proceedings are the main proceedings. |

Section 3 Joint Administrators' remuneration

The approval of the **Administrators' remuneration** for the period 1 July 2020 to 31 December 2020, totalling £110k plus VAT, and £228 plus VAT for their category 2 expenses relating to the period from 1 January 2019 to 31 December 2020, were carried out by way of a written resolution of creditors as a whole pursuant to Section 15.16 of the Insolvency (England and Wales) Rules 2016 ("**IR16**"), dated 9 March 2021.

During the Period, the Administrators have drawn remuneration of £147k plus VAT, including remuneration of £16k plus VAT in respect of 75% of their time costs on account from 1 January 2021 to 31 January 2021.

Time cost analyses are submitted to the remaining creditor along with such further information that the remaining creditor requires the Administrators to provide, taking into account the requirements of Statement of Insolvency Practice No.9 governing the disclosure of insolvency office holders' time costs and expenses.

The Administrators have drawn remuneration of £52.9m plus VAT in total since the commencement of the administration.

Additional analysis of Administrators' remuneration

The table below provides an analysis of the total hours and cost by grade in respect of the period 1 July 2020 to 31 December 2020. **Administrators'** time costs incurred during the Period totalled £0.1m.

| Grade | Hours | Costs (£) |
|-----------------------|------------|----------------|
| Partner | 6.4 | 6,800 |
| Director | 5.5 | 4,620 |
| Senior manager | 1.2 | 1,170 |
| Manager | 147.9 | 81,440 |
| Senior associate | 28.3 | 12,413 |
| Overseas Professional | 7.8 | 1,911 |
| Associate | 6.9 | 1,691 |
| Total | 204 | 110,045 |

The following table provides a further analysis of the total hours and costs incurred by activity:

| Activity | Hours | Costs (£) |
|--|------------|----------------|
| Working assets/realisations | 0.4 | 218 |
| Strategy, administration, planning and compliance | 122.0 | 67,499 |
| Tax and VAT | 9.3 | 7,820 |
| Creditor reporting, asset transfer management, reserving and closure | 39.9 | 22,256 |
| Accounting & treasury | 32.4 | 12,252 |
| Total | 204 | 110,045 |

Creditor's rights

The creditor has 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. The creditor can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34 IR16. This information can also be found in the guide to fees at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

A copy may be obtained by the creditor free of charge by contacting Stephen Ingle at PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

Receipts and payments account

An account of the receipts and payments in the administration for the six months to 14 March 2021, and the cumulative total since commencement of the administration, is set out in Section 4 of this report.

Payments in the Period included £147k plus VAT in **respect of Administrators' remuneration.**

Cash held as at 14 March 2021 totals £1.7m (GBP equivalent).

Section 4 Receipts and payments

| | As at 14 March 2021 | | | As at 14 March 2021 | Movements from 15 September 2020 to 14 March 2021 (GBP equivalent) | As at 14 September 2020(GBP equivalent) RESTATED at 14 March 2021 exchange rate | As at 14 September 2020 (GBP equivalent) |
|---|---------------------|----------------|----------------|--|---|--|--|
| | GBP (£) mil | US (\$) mil | EUR (€) mil | TOTAL GBP equivalent GBP (£) mil | GBP (£) mil | GBP (£) mil | GBP (£) mil |
| RECEIPTS | | | | | | | |
| SNPL recoveries | 1.7 | 63.1 | 351.2 | 348.3 | - | 348.3 | 374.3 |
| Real estate recoveries | 17.9 | 2.2 | 83.1 | 90.7 | - | 90.7 | 96.1 |
| Principal investments | 69.3 | 236.9 | 190.7 | 403.1 | - | 403.1 | 428.9 |
| Other recoveries | 0.9 | - | - | 0.9 | - | 0.9 | 0.9 |
| Distributions received | 43.4 | 5.4 | - | 47.3 | - | 47.3 | 47.6 |
| Internal currency transfer | 646.5 | 2.8 | 1.9 | 650.2 | - | 650.2 | 650.4 |
| Corporation Tax repayments | 12.0 | - | - | 12.0 | - | 12.0 | 12.0 |
| VAT repayments | 7.5 | - | - | 7.5 | - | 7.5 | 7.5 |
| Interest | 1.0 | 0.9 | 2.8 | 4.1 | - | 4.1 | 4.3 |
| Receipts Grand Totals | 800.2 | 311.3 | 629.7 | 1,564.0 | - | 1,564.0 | 1,622.1 |
| PAYMENTS | | | | | | | |
| Building and occupancy costs | 5.3 | - | 0.1 | 5.4 | - | 5.4 | 5.4 |
| Payroll and employee costs | 18.2 | - | 4.5 | 22.1 | - | 22.1 | 22.3 |
| Legal fees | 19.7 | 0.1 | 1.1 | 20.7 | - | 20.7 | 20.8 |
| Insurance premiums | 2.2 | - | 0.2 | 2.4 | - | 2.4 | 2.4 |
| Principal investments | - | 0.3 | - | 0.2 | - | 0.2 | 0.2 |
| Acquisition of Portuguese loan portfolio | - | - | 7.3 | 6.3 | - | 6.3 | 6.7 |
| Office holders' remuneration | 63.2 | - | - | 63.2 | 0.2 | 63.0 | 63.0 |
| Office holders' disbursements | 0.3 | - | - | 0.3 | - | 0.3 | 0.3 |
| Other professional fees | 5.2 | - | 2.2 | 7.1 | - | 7.1 | 7.2 |
| Distribution to unsecured creditors | 649.6 | - | - | 649.6 | - | 649.6 | 649.6 |
| Legal Settlement | - | 0.1 | 0.2 | 0.3 | - | 0.3 | 0.3 |
| Real Estate valuation costs | 0.2 | - | - | 0.2 | - | 0.2 | 0.2 |
| Firstcity credit facility | - | - | 4.0 | 3.4 | - | 3.4 | 3.7 |
| Portuguese tax liability | - | - | 1.7 | 1.5 | - | 1.5 | 1.6 |
| Bonus payments in relation to Portuguese assets | - | - | 5.7 | 4.9 | - | 4.9 | 5.3 |
| Internal currency transfer | 3.3 | 305.3 | 566.1 | 708.3 | - | 708.3 | 762.0 |
| LBHI- pursuant to the RATA | 19.3 | 5.4 | 35.8 | 53.9 | - | 53.9 | 56.5 |
| Transfer to CVA | 12.5 | - | - | 12.5 | - | 12.5 | 12.5 |
| Payments Grand Totals | 799.1 | 311.2 | 628.9 | 1,562.3 | 0.2 | 1,562.0 | 1,620.1 |
| NET POSITION | 1.1 | 0.1 | 0.8 | 1.7 | (0.2) | 1.9 | 2.0 |
| CASH BALANCES | | | | | | | |
| HSBC/ Barclays | 1.1 | 0.0 | 0.8 | 1.7 | - | - | - |
| Citibank | - | - | - | - | - | - | - |
| Money markets | - | - | - | - | - | - | - |
| Total Cash | 1.1 | - | 0.8 | 1.7 | | | |

Exchange rate as at 14 September 2020

| | |
|---------------|--------|
| US\$ 1 : GBP | 0.7762 |
| EURO €1 : GBP | 0.9215 |

Exchange rate as at 14 March 2021

| | |
|---------------|--------|
| US\$ 1 : GBP | 0.7188 |
| EURO €1 : GBP | 0.8577 |

Amounts include VAT where applicable

This report has been prepared by DY Schwarzmann, EJ Macnamara, GE Bruce and R Downs 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/services/business-restructuring/administrations/non-liable-companies/lb-uk-re-holdings-limited-in-administration.html> Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

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.

© 2021 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

