

# Lehman Brothers International (Europe) – In Administration

Joint Administrators' twenty-eighth progress  
report, for the period from 15 March 2022 to  
14 September 2022

13 October 2022

[www.pwc.co.uk/lehman](http://www.pwc.co.uk/lehman)



Strictly private and confidential

# Table of Contents

<b>Section 1: Introduction</b>	<b>1</b>
<b>Section 2: Progress during the Reporting period</b>	<b>2</b>
<b>Appendices</b>	<b>4</b>
<b>Appendix A: Receipts and payments account</b>	<b>5</b>
<b>Appendix B: Analysis of Administrators' remuneration</b>	<b>7</b>
<b>Appendix C: Statutory and other information</b>	<b>12</b>
<b>Appendix D: Dividends</b>	<b>13</b>
<b>Appendix E: Glossary of terms</b>	<b>14</b>

## Important notice

### Reliance on data

LBIE, the Administrators, their firm, its members, partners, staff and advisers accept no liability to any party for any reliance placed upon this report.

### Rights against third parties

LBIE also expressly reserves all of its rights against third parties on all matters and no conclusion should be drawn by third parties as to LBIE's position or legal arguments on any such matters from references made in this report.

*AC Grant, DJ Kelly, EJ Macnamara and GE Bruce were appointed as Joint Administrators of Lehman Brothers International (Europe) to manage its affairs, business and property as agents without personal liability. AC Grant, DJ Kelly, EJ Macnamara and GE Bruce 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 the 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.*

*Lehman Brothers International (Europe) is registered in England and Wales with registered no. 02538254.*

*VAT registration no. 446 9315 28*

# Section 1:

## Introduction

### Introduction

This twenty-eighth progress report has been prepared by the Administrators of Lehman Brothers International (Europe) in accordance with Rule 18.3 of the Insolvency Rules.

The statutory receipts and payments accounts for the same period are attached at Appendix A.

Copies of previous progress reports, the Surplus Scheme documents and other important announcements can be found at [www.pwc.co.uk/lehman](http://www.pwc.co.uk/lehman).

### Objective of the Administration

The Objective of the Administration is to rescue 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.

### Interests of remaining creditors

The relevant provisions of the Surplus Scheme 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 higher value creditor continues to have an unagreed proof of debt pending resolution of connected litigation.

A summary of the Surplus Scheme progress can be found in Section 2 of this progress report.

### Aims and priorities

- To end the Administration in an orderly fashion and transition the conduct of the Company's remaining business and activities to its directors;
- To cooperate with further requests from the directors to make distributions to the Shareholder if it is appropriate to do so;
- To resolve the pending proof of debt in an expeditious manner and de-authorise LBIE as a regulated company with the FCA; and
- To manage the Company's ongoing litigation whilst it remains appropriate to do so and work out the Company's residual assets.

### Operating Committee and governance arrangements

We continue to regularly speak with the Operating Committee to discuss issues and outline key decisions. There has been no change to the constitution of the Operating Committee.

### This report and future updates

The next formal progress report to creditors will be in approximately 6 months' time and will be posted to the LBIE website on or before 14 April 2023. As advised in the last Reporting period, the Administrators intend to make an application to the UK High Court to extend the administration for a further 3 years to 30 November 2025, during the next Reporting period. The application is being made in parallel with applications by the Administrators of other UK Lehman Companies also applying for extensions. The applications will be supported by witness statements given by the appropriate Administrators in each estate.

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. In the interim, 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.

Signed:



**Alison Grant**

Joint Administrator  
Lehman Brothers International (Europe) - In Administration

# Section 2:

## Progress during the Reporting period

### Update on progress of the Surplus Scheme

The LBIE estate remains solvent with all admitted creditor claims having been paid in full and a sufficient reserve being maintained for the small number of unresolved claims. There continue to be a small number of creditors who have not been paid their Statutory Interest mostly due to a failure to provide valid Standard Settlement Instructions (“SSIs”).

### Preferred equity dividend 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 appropriate consideration in the Administrators’ day-to-day outlook.

The directors have not made any requests for further distributions to be made to the Shareholder during the Reporting period because all available funds are currently held as reserves for claims or expenses.

### Other progress and remaining issues

#### Recovery of 2(a)(iii) amounts

On 26 June 2020, the Administrators brought an application for directions under paragraph 63 of Schedule B1 in respect of two counterparties (FR Acquisitions Corporation (Europe) Ltd and JFB Firth Rixson Inc., referred to collectively as “Firth Rixson”) in relation to GBP and USD interest rate swaps governed by ISDA Master Agreements, where LBIE is owed £8m and US\$53m respectively.

For more than a decade, Firth Rixson have relied on section 2(a)(iii) of the ISDA Master Agreement to suspend their payment obligations to LBIE due to continuing events of default, including LBIE’s entry into administration and its inability to pay debts as they fell due. The Administrators sought directions from the Court as to the circumstances in which these events would be “cured”, given LBIE’s solvency and the Administration’s objective to rescue the company as a going concern.

Following a hearing in January 2021, the High Court (Mr Justice Hildyard) handed down its judgment on 11 October 2022, finding in favour of the Administrators on all points. As a result, the Court has confirmed that, as and when LBIE exits administration and publishes a statement confirming that it has a surplus of assets over liabilities and is now able to pay its debts as they fall due, there will be no continuing events of default.

The Administrators are in the process of seeking to agree the form of the order detailing the Judge’s findings, together with a number of consequential matters, including costs and permission to appeal. If these cannot be agreed, then they will be dealt with at a short consequential hearing, likely to be heard in late November 2022.

#### German tax investigation

The Administrators have continued to communicate with the German Public Prosecutor who in turn has continued working with the German Court to progress the necessary formal steps to sanction the court order ratifying the consensual arrangement. The Section 30 Order was received on 24 May 2022 and payment of the amount due of £40m was promptly made, bringing matters to a conclusion.

#### MCF

As you are aware LBIE entered into a compromise arrangement 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. LBIE has received £1.5m in dividends under this trust in the Reporting period and total dividends for SPML and PML of £9m since the restructure of MCF. During the period, we have conducted a detailed review of SPML and PML to help shape and model potential exit opportunities at the appropriate time.

#### AGFP litigation

Following the trial before Justice Crane at the end of 2021, the parties were required to submit two rounds of post-trial briefs during this Reporting period. Extensive work went into LBIE’s submission, with the first post-trial brief being submitted and exchanged with AGFP on 22 April 2022 and a robust reply to AGFP’s post-trial brief being submitted on 21 June 2022.

We were anticipating a Closing Hearing later this year however Justice Crane, having seen the briefs, has advised that she does not require closing arguments. Justice Crane has previously indicated her intention to issue her decision within one year of trial, which concluded in November 2021.

Despite a ruling being expected in the next Reporting period, if either LBIE or AGFP appeals the decision, there could be a substantial delay in getting an appeal heard in the US Courts. It is currently anticipated that the appeal process could take up to 3 years to be concluded.

#### Other potential recoveries

The Administrators have continued to progress resolution of the remaining portfolio of residual assets comprising illiquid securities, structured notes and amounts due from Affiliates and other parties, where in certain cases, LBIE’s claims have not been agreed. Matters of note are set out below.

The Administrators have continued to pursue recovery of a claim into an overseas liquidation, where LBIE is also a member of the Liquidation Committee. The liquidators of that entity are now in a position to make a significant interim distribution which will be received in the next Reporting period.

## Other potential recoveries (Cont.)

The Administrators also continue to pursue a potential recovery relating to a claim in an overseas bankruptcy and have challenged a recent decision made by the overseas court to only partially accept the claim. It is expected that a large volume of creditors are likely to challenge the court's decision and any potential recoveries will take a significant amount of time to be realised.

The Internal Revenue Service ("IRS") confirmed approval of LBIE's request for treaty benefits through the competent authority process in August 2021 allowing recovery of taxes and associated interest. We continue to await payment.

During the Reporting period, the Administrators have achieved various small asset-related recoveries (c.£64k). Details of receipts can be found at Appendix A.

## Lehman Brothers Nominees Limited – in Members' Voluntary Liquidation ("LBNL")

During the Reporting period, the final tax return was submitted and formal tax clearances were obtained to close the liquidation. The Liquidators' Final Account, confirming closure of the liquidation on 26 September 2022 has been filed at Companies House. We expect LBNL to be dissolved in early January 2023.

## Outstanding claims

One higher value creditor continues to have an unagreed proof of debt pending resolution of connected litigation.

Discussions also continue with two German counterparties to resolve their claims (which are modest in value and would fall to be paid as expenses rather than provable debts).

## Investigations

Nothing has come to our attention during the period under review to suggest that we need to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

## Outstanding matters and exit from Administration

Progress continues to be made towards reaching the point at which the Administration can be concluded. However, there remain a handful of important ongoing interactions with counterparties and the courts.

As advised in the previous Reporting period, the Administrators concluded that LBIE's FCA permissions are no longer required and on 26 January 2022 the FCA confirmed receipt of LBIE's application to cancel its regulatory permissions. The FCA has 6 months by statute to act on the application which could be extended to one year, if the application is deemed incomplete. The status of LBIE's FCA registration remains, "Applied to Cancel". No request for additional documents has been made by the FCA. They have advised that they have not yet evaluated the application, notwithstanding the 6-month statute.

At the appropriate time, the Administrators anticipate that the Administration will be brought to an end following an application under paragraph 79 of Schedule B1 to the 1986 Act and that the Company will be returned to the full control of its directors. With this in mind, it is anticipated that the directors will assume responsibility for long-tail asset recovery for the benefit of the Shareholder as the Administration draws to a close.

Managing the affairs of the Company continues to sit with the Administrators until such time as LBIE exits in Administration; and is returned fully as a solvent entity to the control of directors to be managed as a going concern for the benefit of the Shareholder.

# Appendices

# Appendix A:

## Receipts and payments: cumulative and 6 months to 14 September 2022 and expenses incurred in the period

### House Estate receipts and payments: cumulative and 6 months to 14 September 2022

House Estate	Notes	Cumulative - 15 September 2008 to 14 March 2022 (GBP equivalent) £m	Period - 6 months to 14 September 2022 (GBP equivalent) £m	Cumulative - 15 September 2008 to 14 September 2022 (GBP equivalent) £m
<b>Receipts</b>				
Counterparties	1	12,797	2	12,799
Depot Securities		10,229	0	10,229
Other receipts	2	4,568	2	4,570
<b>Total receipts for the period</b>		<b>27,594</b>	<b>4</b>	<b>27,598</b>
<b>Payments</b>				
Dividends and Post-Administration Interest paid		(19,939)	-	(19,939)
Preferred equity dividend		(337)	-	(337)
Administrators' remuneration and disbursements	3	(1,072)	(3)	(1,075)
Payroll and employee costs	4	(662)	(1)	(663)
Legal and professional costs	5	(484)	2	(483)
Other payments	6	(4,758)	(34)	(4,792)
<b>Total payments for the period</b>		<b>(27,252)</b>	<b>(36)</b>	<b>(27,288)</b>
<b>Net movement in the period</b>		<b>342</b>	<b>(32)</b>	<b>310</b>
Foreign exchange translation differences		(132)	2	(131)
<b>Total House Estate</b>	7	<b>~210</b>	<b>30</b>	<b>#179</b>

Note: There is rounding in this table that makes it appear to not perfectly cast

~ Balances held in foreign currencies at 14 March 2022 were c.\$17m

# Balances held in foreign currencies at 14 September 2022 were c.\$13m

### Statement of expenses incurred in the 6 months to 14 September 2022

The following table provides details of expenses incurred in the Reporting period.

Expenses	Incurred in 6 months to 14 September 2022 £m
Administrators' remuneration and disbursements	(2)
Payroll and employee costs	(1)
Legal and professional costs	(2)
Other payments	(1)
<b>Total</b>	<b>(6)</b>

Note: There is rounding in this table that makes it appear to not perfectly cast



## Notes

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

Payments are shown net of VAT.

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:

- £1.5m SPML dividends received

### 2. Other receipts

Receipts in the period principally comprise:

- c.£1m sale of 2019 tax losses within the tax group; and
- c.£1m of Bank interest & interest received from Money Market deposits

### 3. Administrators' remuneration and disbursements

Payment deferral terms (as agreed with the Operating Committee and referred to on page 13 of this report) account for any differences between costs incurred and payments made in the period.

### 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.

The figure shown in the House Estate receipts and payments accounts during the period is positive after legal fees paid due to:

- Costs paid by a counterparty in respect of a litigation cost award; and
- Payments received from Affiliates in respect of legal costs relating to a contractual obligation

### 6. Other payments

Other payments principally comprise:

- c.£40m GPP settlement in respect of German tax matter
- c.£1m of VAT paid on invoices; offset by
- (c.£7m) payment received from Affiliates under a contractual obligation in relation to a settlement

### 7. Investment profile & strategy

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

### Total balances

House Estate	GBP equivalent £m
Short-term deposits †	154
Interest-bearing accounts	25
<b>Total</b>	<b>179</b>

† Average rate of return for 6 months ending 14 September 2022 of 1.06% for sterling deposits and 1.2% 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.



# Appendix B:

## Analysis of Administrators' remuneration by grade and work activity

Previous to this Reporting period, the Operating Committee resolved to continue to fix the basis of the Administrators' remuneration by reference to the time properly given by the Administrators or their staff in attending to matters arising in the Administration. 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 March 2022 as reported and the current period (to 14 September 2022).

	Prior reported actual		Current actual	
	15 September 2021 to 14 March 2022		15 March 2022 to 14 September 2022	
	Hours	£'000	Hours	£'000
<b>By grade</b>				
Partner	387	426	145	172
Director	474	419	588	542
Senior Manager	1,133	755	367	262
Manager	1,355	742	895	519
Senior Associate	1,579	689	1,032	485
Associate	171	46	305	85
<b>Total</b>	<b>5,099</b>	<b>3,077</b>	<b>3,332</b>	<b>2,065</b>
<b>Average hourly rate</b>		<b>£603</b>		<b>£620</b>
<b>By work activity</b>				
Core Team	2,418	1,630	1,497	1,071
Data	1,393	674	756	361
Insolvency Management Team	287	121	286	130
Cashiers & Treasury	588	259	488	222
Tax	383	382	261	249
Specialist advice	30	11	44	32
<b>Total</b>	<b>*5,099</b>	<b>3,077</b>	<b>3,332</b>	<b>2,065</b>

\* Final invoiced values for the prior period were 5,126 hours and c.£3,092k following post period end adjustments. The difference in billable time is due to information received after the prior report was published including from overseas PwC offices utilised in the administration as well as reductions to UK time charged when reconciled ahead of billing.

Information regarding the Administrators remuneration policy and definitions of each work activity and the main tasks carried out in the Reporting period are noted on the following pages.

## Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the Administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff.

All of our staff who work on the Administration (including our cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We don't charge general or overhead costs.

We set out below the maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the Administration as agreed by the Operating Committee.

Grade	From 1 July 2020	From 1 July 2022
	to 30 June 2022	to 30 June 2024
	£	£
<b>Partner</b>	985	1,060
<b>Director</b>	870	975
<b>Senior Manager - insolvency specialist</b>		775
<b>Senior Manager</b>	625	715
<b>Manager</b>	545	625
<b>Senior Associate</b>	450	510
<b>Associate</b>	280	320

We call on colleagues in our Tax, VAT and other specialist departments both in the UK and overseas where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

Grade	From 1 July 2020	From 1 July 2022
	to 30 June 2022	to 30 June 2024
	£	£
<b>Partner</b>	1,385	1,385
<b>Director</b>	1,275	1,310
<b>Senior Manager</b>	975	1,060
<b>Manager</b>	710	775
<b>Senior Associate</b>	520	570
<b>Associate</b>	285	315

## Definitions of each work activity and the main tasks carried out in the Reporting period:

**Core Team** - Key staff responsible for the ongoing litigation, stakeholder engagement, financial management and resolution of residual matters in the Administration.

- Reviewed and managed the Administration accounts and reserves;
- Continued to explore settlement options with one 2(a)(iii) counterparty;
- Continued discussions with the GPP and finalised the consensual resolution;
- Conducted Statutory reporting requirements for MCF and LBIE;
- Held monthly meetings with the employees of SPML and PML;
- Received and reviewed forecasts and wider supporting information for the SPML and PML businesses to assist us to begin forming views on the longer term exit plans for the entities; and continued discussions with management on the underlying assumptions of the forecasts to ensure they are a fair reflection of future trading;
- Meetings and discussions held with counterparties, lawyers, counsel in respect of potential WHT and consequential loss expense claim; and continued to explore settlement options with a third party, including reviewing and inputting into a proposed settlement agreement and without prejudice letter in order to engage and drive expense claims to a conclusion;
- Carried out post-trial activities in respect of the AGFP litigation including review and comments on draft post-trial briefs filed in April and June 2022;
- Reviewed documentation relating to the approval of fees in an overseas liquidation, into which LBIE has a claim and is a member of the Liquidation Committee, and associated review of documentation relating to other claims in that estate;
- Challenged decision of the Court in respect of LBIE's claim into a separate overseas estate and continued liaison with office holder regarding assets and liabilities in the same estate;
- Continued to wind-down the portfolio of residual assets comprising illiquid securities, structured notes and amounts due from Affiliates and other parties;
- Liaised with current and past custodians to prepare appropriate withholding tax certification relating to SAP dividends;
- Prepared monthly management information, forecasts and presentations to the Operating Committee

**Data** - Utilised to support litigation through investigations of historical data and preparation of court data submissions

- Supported ongoing litigation and resolution of residual matters through data capture, investigation and compilation and presentation of key data; and
- Reviewed and consolidated data, reducing long term storage and vendor costs. Ensured all information relating to the administration is stored securely and in line with the Insolvency Rules

**Insolvency Management Team** - Specialist team utilising knowledge and experience to ensure compliance with the Insolvency Rules 2016 requirements

- Assisted with maintaining regulatory controls;
- Processed receipts and payments and coding of movements; and
- Created statutory reports for external parties and assisted the Core Team with management information, forecasts and presentations to the Operating Committee

**Cashiers & Treasury** - Treasury and cash management using PwC systems for investments, payments and receipts:

- Managed the funds held by the Administrators, to ensure optimal level of funds held on deposit within risk policy;
- Monitored and controlled the movement of funds, mitigated risk and maximised the interest made on investments;
- Performed regular bank reconciliations for all bank accounts; and
- Carried out daily monitoring and processing of cash receipts and payments and notification of movements to the Core team

**Tax** - Responsible for the completion of statutory tax and VAT requirements and providing tax advice and analysis in respect of ongoing matters

- Reviewed various documents prepared by legal team and accountants;
- Provided tax advice and analysis for proposed options (including distributions);
- Assistance with regard to overseas legislation;
- Liaised with Internal Revenue Service in the US; and
- Requested non-statutory tax clearances

**Specialist advice** - Provided the Administrators with advice and assistance as necessary for the completion of the Administration

- Support for the Core Team in settling an expense claim; and
- Support for the Core Team from members of the previous MCF team regarding ongoing issues

## Information about remuneration

Details of the statutory framework for the approval of the Administrators' remuneration and the level and detail of disclosure provided by the Administrators are set out in our earlier reports. Total time costs incurred in the Reporting period are c.£2.1m.

Cumulative time costs accrued to 14 September 2022 are c.£1,037m. Total Administrators' remuneration and disbursements paid to 14 September 2022 is c.£1,075m, as shown in Appendix A.

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. Remuneration is only taken following Operating Committee approval. Updated hourly rates were agreed with the Operating Committee with effect from 1 July 2022 until 30 June 2024.

## Payments to associates

We have paid c.£4k to overseas PwC offices in the period covered by this report. This payment was in relation to overseas litigation and tax matters. These costs are included as part of our remuneration detailed in Appendix B and are reviewed and paid in accordance with the remuneration policy approved by the Operating Committee.

## Our future work

The below list is a brief summary of the ongoing and future work expected on the Administration:

- Statutory reporting and compliance with the Insolvency Rules;
- Prepare Administrators' witness statement in support of the application for extension of the Administration supported by our legal team; ;
- Ongoing tax and VAT returns;
- Ongoing realisation of remaining assets;
- There are a number of continuing legal matters which we will be seeking to progress and it would be inappropriate to discuss future steps in relation to these in this report;
- Continuing to wind down the portfolio of securities; 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.

## Disbursements

Expenses are amounts properly payable by us as administrators from the estate, but excludes our fees and distributions to creditors. These 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	SIP 9 definition
Category 1	Payments to persons providing the service to which the expense relates who are not an associate of the office holder
Category 2	Payments to our firm or our associates or which have an element of shared costs (for example, photocopying and mileage disbursements, or costs shared between different insolvent estates)

We don't need approval from creditors to draw Category 1 expenses as these have all been provided by third parties but we do need approval to draw Category 2 expenses. The body of creditors who approve our fees (in this case the Operating Committee) also has 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.

In the 6-month Reporting period £4,938.81 of Category 1 expenses to third parties were incurred for accommodation and subsistence for staff required to work away from home as well as postage and specific access to required external systems for fund investments.

A further £30,319.80 of Category 2 expenses were incurred in relation to IT charges necessary for the ongoing litigation. The cost is largely calculated by reference to data volumes with a small licence charge.

A further £5.44 of Category 2 expenses were incurred in relation to printing services charge (£0.04 per sheet of black and white and £0.10 per sheet of colour printing) for copies of statutory tax returns.

## Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the Administration where the relationship could give rise to a conflict of interest.

## Details of subcontracted work

The Administrators have subcontracted specific legal, valuations 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.

## Legal and other professional firms

The Administrators have instructed the following professionals on this case:

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services	Linklaters LLP	Insolvency and other expertise	Time costs
Legal services	Quinn Emanuel Urquhart and Sullivan	US & French legal expertise	Time costs
Legal services	Al Tamimi and Company Advocates and Legal Consultants	Saudi legal expertise	Time costs
Legal services	Baker McKenzie	German legal expertise	Time costs
Legal services	Paraskevas Law Firm	Greek legal expertise	Time costs
Legal services	Saville Notaries LLP	Notaries specialist	Per document complexity and requests

Please note that this list excludes specific legal and professional firms who are supporting ongoing litigation where it would be inappropriate to disclose this information for commercial and confidentiality reasons.

All third party professionals are required to submit a detailed time-cost analysis and narrative in support of all invoices rendered. All invoices are reviewed before payment and the Administrators have satisfied themselves that the level of legal and professional costs is appropriate.

## Creditors' rights

Creditors have the right to ask for more information about remuneration or expenses within 21 days of receiving this report as set out in Rule 18.9 of the Insolvency Rules. Any request must be in writing. Creditors can also challenge remuneration and expenses within 8 weeks of receiving this report as set out in Rule 18.34 of the Insolvency Rules.

An explanatory note on the rights of creditors in relation to an administrator's remuneration and expenses and how to request further information can be found online at:

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

This guide is for appointments on or after 1 October 2015, or where information is provided by the administrator about fees, expenses or other payments after 6 April 2017 and whilst not all of the provisions apply to the LBIE Administration (which commenced on 15 September 2008) it is the most appropriate guide currently available following the changes made by the Insolvency (England and Wales) Rules 2016.

You can also get a copy free of charge by contacting Kate McNerlin on +44 (0) 7764 235365 or emailing [Generalqueries@lbia-eu.com](mailto:Generalqueries@lbia-eu.com).

## Approvals by the Operating Committee

In the Reporting period £5,379.06 of Category 1 and £185,584.28 of Category 2 disbursements as well as c.£1.2m of Administrators remuneration relating to the period to 31 December 2021 were approved by the Operating Committee and paid.

# Appendix C:

## Statutory and other information

<b>Court details for the Administration:</b>	High Court of Justice, Business and Property Courts of England and Wales Insolvency & Companies List (ChD) - Court case number 7942 of 2008
<b>Full 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>Contact address:</b>	Lehman Brothers International (Europe) – in Administration, Regus Level 5, Tower 42, 25 Old Broad Street, London EC2N 1HN
<b>Contact telephone / email:</b>	+44 (0)7764 235365 / Generalqueries@lbia-eu.com
<b>Date of the Administration appointment:</b>	15 September 2008
<b>Administrators' names and addresses:</b>	AC Grant and DJ Kelly (both appointed 30 November 2021), EJ Macnamara and GE Bruce (both appointed 16 July 2018) of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT MJA Jervis and DY Schwarzmann ceased to act on 2 November 2011. DA Howell ceased to act on 22 March 2013. PD Copley ceased to act on 24 June 2016. AV Lomas and SA Pearson ceased to act on 16 July 2018. JG Parr ceased to act on 8 March 2019. R Downs ceased to act on 30 November 2021
<b>Appointor's name and address:</b>	High Court of Justice, Chancery Division, Companies Court on the application of LBIE's directors
<b>Objective being pursued by the Administrators:</b>	Rescuing the Company as a going concern. There are a number of important ongoing interactions with counterparties and the courts that need to be progressed making it difficult to predict precisely when the Administration will be brought to an end and passed to the LBIE directors to continue as a going concern
<b>Aims of the Administration:</b>	To end the Administration in an orderly fashion and transition the conduct of the Company's remaining business and activities to its directors; To cooperate with further requests from the directors to make distributions to the Shareholder if it is appropriate to do so; To resolve the pending proof of debt in an expeditious manner and de-authorise LBIE as a regulated company with the FCA; and To manage the Company's ongoing litigation whilst it remains appropriate to do so and work out the Company's residual assets.
<b>Division of the Administrators' responsibilities:</b>	In relation to paragraph 100(2) of Schedule B1 to the Insolvency Act, 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 Administrators may be done by any one or more of the persons for the time being holding that office
<b>Details of any extensions for the initial period of appointment:</b>	The Court has granted three successive extensions to the Administration periods being 30 November 2011, 30 November 2016 and 30 November 2022.  It is the Administrators intention to make an application to the UK High Court in the next Reporting period to extend the Administration until 30 November 2025
<b>Proposed end of the Administration:</b>	The Administrators anticipate that the Administration will in due course be brought to an end following an application under paragraph 79 of Schedule B1 to the 1986 Act and that the Company will be returned to the full control of its directors
<b>Estimated dividend for unsecured creditors:</b>	Interim dividends paid to date at a cumulative rate of 100p/£1 plus statutory interest
<b>Estimated values of the prescribed part and LBIE's net property:</b>	The prescribed part is not considered to be relevant as all Senior admitted creditors have been paid or reserved for at a rate of 100p/£1
<b>Whether and why the Administrators intend to apply to court under Section 176A(5) of the Insolvency Act:</b>	Not applicable
<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 not apply to this Administration as LBIE is an investment undertaking
<b>Operating Committee members:</b>	Lehman Brothers Holdings Inc., LB Holdings Intermediate 2 Limited, Elliott Management Corporation and King Street Capital Management L.P

# Appendix D:

## Dividends

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

Dividend	Date	Pence in Pound	Value Distributed £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>

Note: There is rounding in this table that makes it appear to not perfectly cast

## Distributions to Shareholder

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

Preferred Equity Dividend	Date	Value Distributed £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
<b>Total distributions to date</b>		<b>337</b>



# Appendix E:

## 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</b>	the Company	Lehman Brothers International (Europe) - in Administration
<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</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</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>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	Affiliate entity subject to insolvency proceedings in the UK and LBIE's Shareholder and sole holder of LBIE's preferred equity
<b>LBIE</b>	Lehman Brothers International (Europe) – In Administration	Private unlimited UK subsidiary of LBHI, acting as its main European broker dealer, subject to an administration order dated 15 September 2008
<b>LBNL</b>	Lehman Brothers Nominees Limited - in MVL	Private limited UK subsidiary of LBIE in members' voluntary liquidation
<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 2021 to 14 March 2022, 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 Mortgages Limited	A solvent subsidiary of MCF, an Affiliate entity subject to insolvency proceedings in the UK
<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

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