

Lehman Brothers International (Europe) – In Administration

Joint Administrators' thirtieth progress
report, for the period from 15 March 2023 to
14 September 2023

12 October 2023

www.pwc.co.uk/lehman

Table of Contents

Section 1: Introduction	1
Section 2: Progress during the Reporting period	2
Appendices	4
Appendix A: Receipts and payments account	5
Appendix B: Analysis of Administrators' remuneration	7
Appendix C: Statutory and other information	13
Appendix D: Dividends	14
Appendix E: Glossary of terms	15

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 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 thirtieth 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 account for this Reporting period is 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.

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.

The Administrators continue to review the objective of the Administration on a regular basis.

Interests of remaining creditors

As set out in previous reports, the relevant provisions of the Surplus Scheme continue to 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 creditor continues to have an unagreed proof of debt pending resolution of connected litigation.

Aims and priorities

- To end the Administration in an orderly fashion and where appropriate, 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 remaining pending proof of debt; 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 2024.

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. 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 a surplus of assets over liabilities, all admitted creditor claims having been paid in full and a sufficient reserve being maintained for the small number of unresolved claims. There continues to be a small number of creditors who have not been paid their Statutory Interest mostly due to a failure to provide valid SSIs. These creditors have previously been contacted numerous times to try to enable payment and are no longer being actively chased.

Preferred equity dividend distribution

Even having reserved for all remaining unagreed claims and interest in full, the Company has a surplus of assets over liabilities, and the interests of its Shareholder continue to be given appropriate consideration in the Administrators' day-to-day outlook.

There have been no distributions to the Shareholder during the Reporting period. However, the reserving position is currently being reviewed with a view to making a further distribution if appropriate in the near future.

Other progress and remaining issues

Recovery of 2(a)(iii) amounts

As you are aware from the 29th Progress Report, Firth Rixson's appeal hearing was listed over 3 days, due to commence on 20 June 2023. In the event, a consensual settlement was reached between the parties on 15 June 2023 resulting in the payment of a substantial sum in favour of LBIE, payable in two instalments (with the first instalment having been paid on 12 July 2023, and the second instalment falling due on 14 July 2024).

The Administrators and Firth Rixson made a joint request to the Court of Appeal for Firth Rixson's appeal against the order of Mr Justice Hildyard dated 23 December 2022 to be dismissed by consent and for the hearing to be vacated. On 14 June 2023, a sealed order from the Court of Appeal was received dismissing the appeal and vacating the hearing. One effect of the dismissal of the appeal is that the judgment of Hildyard J dated 11 October 2022 [2022] EWHC 2532 (Ch), which found in favour of LBIE and the Joint Administrators, stands.

Details of the events leading up to the settlement can be found in previous reports.

MCF

As set out in our earlier reports, LBIE entered into a compromise arrangement with MCF's creditors in April 2021, and 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 £3m in dividends under this trust in the Reporting period.

During the period, LBIE has entered into several Non-Disclosure Agreements ("NDA") with parties who have expressed an interest in MCF's solvent subsidiaries, SPML and PML.

AGFP litigation

As set out in our previous report, on 8 March 2023, Justice Crane issued her decision finding in favour of AGFP and on 10 April 2023 directed AGFP to file a motion seeking entry of judgment, which the parties addressed in written submissions. A hearing was held on 9 May 2023 to decide issues relating to the judgment such as the appropriate rate of interest to be applied to the principal award of damages, leading to a ruling in LBIE's favour holding that the applicable interest rate should be 8% simple in line with English Insolvency Rules and the Scheme. On 30 June 2023, the Clerk's office entered judgment in respect of Justice Crane's 8 March 2023 decision in favour of AGFP.

AGFP has also filed an application in respect of fees. Discussions are ongoing with AGFP in this regard.

The decision was taken during the Reporting period to appeal against the judgment of Justice Crane. On 22 September 2023, shortly after the Reporting period ended, LBIE filed its initial appeal brief.

The earliest anticipated date for the appeal to be heard is February 2024. It is currently anticipated that the appeal process could take up to 2 years to be concluded.

Other litigation

Legal proceedings commenced by the Administrators during the last Reporting period continue with the party submitting its statement of defence in August 2023. LBIE now has until 31 October 2023 to submit its reply.

Other potential recoveries

The Administrators have continued to progress resolution of the remaining portfolio of residual assets comprising liquid and illiquid securities, structured notes and amounts due from Affiliates and other parties. During the Reporting period, the Administrators have received c.£0.2m from LBHI in relation to its 26th dividend distribution. Details of receipts can be found at Appendix A. Other matters of note are set out below.

As advised in the last Reporting period, an interim dividend of c.\$31.7m (c.£27m) was received in relation to a claim in an overseas liquidation. LBIE continues to be a member of the Liquidation Committee; however, no further recoveries are expected in the near future.

The Administrators have also continued to pursue a potential recovery relating to a 50% holding of a claim in an overseas bankruptcy. The overseas court had previously only partially accepted the claim and this decision had been challenged by the Administrators. During this Reporting period the court found in LBIE's favour, increasing the admitted value of the claim. Due to the nature of the bankruptcy, any potential recovery could be minimal and is likely to take a significant amount of time.

As set out in our previous report, the Internal Revenue Service ("IRS") approved LBIE's request for treaty benefits through the competent authority process in August 2021 allowing recovery of taxes. Tax returns were filed with the IRS in Q4 2021 and payment is expected in 2024.

Outstanding claims

One creditor continues to have an unagreed proof of debt pending resolution of connected litigation. In March 2023, a decision was handed down in favour of the creditor. That decision is being appealed. For further information see above re AGFP litigation.

Discussions also continue with two German counterparties to resolve their claims (which are modest in value and would fall to be paid as an expense rather than provable debts). The Administrators hope to reach a consensual resolution during the next Reporting period with the two German counterparties.

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, which have required the extension of the Administration to 30 November 2025 in order to allow time to resolve.

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.

Managing the affairs of the Company continues to sit with the Administrators until such time as LBIE exits 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 2023 and expenses incurred in the period

House Estate receipts and payments: cumulative and 6 months to 14 September 2023	Notes	Cumulative - 15 September 2008 to 14 March 2023 (GBP equivalent) £m	Period - 6 months to 14 September 2023 (GBP equivalent) £m	Cumulative - 15 September 2008 to 14 September 2023 (GBP equivalent) £m
Receipts				
Counterparties	1	12,828	15	12,843
Depot Securities		10,230	0	10,230
Other receipts	2	4,572	5	4,577
Total receipts for the period		27,630	20	27,650
Payments				
Dividends and Post-Administration Interest paid		(19,939)	-	(19,939)
Preferred equity dividend		(337)	-	(337)
Administrators' remuneration and disbursements	3	(1,076)	(2)	(1,078)
Payroll and employee costs	4	(663)	(1)	(664)
Legal and professional costs	5	(483)	(2)	(485)
Other payments	6	(4,794)	(1)	(4,795)
Total payments for the period		(27,292)	(5)	(27,297)
Net movement in the period		338	15	353
Foreign exchange translation differences		(132)	(0)	(132)
Total House Estate	7	~206	15	#221

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

~ Balances held in foreign currencies at 14 March 2023 were c.\$48m

Balances held in foreign currencies at 14 September 2023 were c.\$64m

Statement of expenses incurred in the 6 months to 14 September 2023

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

Expenses	Incurred in 6 months to 14 September 2023 £m
Administrators' remuneration and disbursements	(2)
Payroll and employee costs	(1)
Legal and professional costs	(2)
Other payments	(0)
Total	(5)

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:

- c.£12m counterparty settlement;
- c.£3m SPML dividends received; and
- c.£0.2m LBHI 26th dividend distribution.

2. Other receipts

Receipts in the period principally comprise:

- c.£5m 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 11 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.

6. Other payments

Other payments principally comprise:

- c.£1m VAT paid in the period.

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 [≠]	180
Interest-bearing accounts	41
Total	221

[≠] Average rate of return for 6 months ending 14 September 2023 of 4.58% for sterling deposits and 5.11% 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 the 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 2023 as reported and the current period (to 14 September 2023).

	Prior reported actual		Current actual	
	15 September 2022 to 14 March 2023		15 March 2023 to 14 September 2023	
	Hours	£'000	Hours	£'000
By grade				
Partner	84	99	76	94
Director	693	678	488	482
Senior Manager - insolvency specialist	107	83	30	23
Senior Manager	216	154	113	87
Manager	673	427	865	556
Senior Associate	642	298	486	249
Associate	372	70	150	47
Total	2,787	1,809	2,208	1,538
Average hourly rate		£649		£697
By work activity				
Core Team	1,379	1,115	1,185	909
Data	476	146	82	51
Insolvency Management Team	245	116	277	131
Cashiers & Treasury	398	206	386	200
Tax	149	135	193	187
Specialist advice	139	90	85	60
Total	*2,786	*1,808	2,208	1,538

* Final invoiced values for the prior period were 2,749 hours and c.£1,786k following post period end adjustments. The difference in billable time is due to time the Administrators decided, upon review, was not appropriate to charge to the administration.

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
	£	£
Partner	985	1,060
Director	870	975
Senior Manager - insolvency specialist	-	775
Senior Manager	625	715
Manager	545	625
Senior Associate	450	510
Associate	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
	£	£
Partner	1,385	1,385
Director	1,275	1,310
Senior Manager	975	1,060
Manager	710	775
Senior Associate	520	570
Associate	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.

- Prepared and circulated the Administrators' 29th Progress Report to creditors, including the receipts and payments account;
- Reviewed and managed the Administration accounts and reserves;
- Complied with statutory reporting requirements for MCF and LBIE;
- Held monthly meetings with the employees of SPML and PML;
- Continued to receive and review forecasts from SPML and PML on timing and quantum of dividend. Discussions continue with management and legal advisors in relation to exit plans for the entities;
- Discussed and held meetings with interested parties who were interested in buying the shares in SPML and PML;
- Meetings and discussions held with counterparties, lawyers, counsel in respect of potential WHT and consequential loss expense claim to continue to explore settlement options with a third party in order to engage and drive expense claims to a conclusion;
- Engaged with Firth Rixson's general counsel to negotiate a consensual settlement agreement;
- Undertook initial preparation for and subsequently requested that the court hearing in respect of the Firth Rixson appeal be dismissed and vacated following settlement;
- Meetings and discussions held with counterparties, lawyers, counsel in respect of overseas litigation including review and comments on the counterparty's statement of defence, and preparation of a reply;
- Continued post-trial activities in respect of the AGFP litigation including review and comments on submissions filed in May 2023, July 2023 and September 2023. Meetings and discussions with US and UK lawyers in respect of the decision, judgment and AGFP's attorneys costs claim, taking into consideration the impact of UK insolvency law;
- Continued liaison with the Joint Official Liquidators in respect of creditor claims' adjudication processes in an overseas liquidation, into which LBIE has a claim. Updated illustrative outcome statement based on additional information obtained;
- Reviewed documentation relating to 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 security dividends;
- Communicated with creditors via updates to the LBIE/PwC Website;
- Regular calls, meetings and communication with the Operating Committee;
- Prepared management information, forecasts and presentations to the Operating Committee;
- Reviewed LBIE's contracts and indemnities and renegotiated terms or terminated as appropriate; and
- Reviewed and approved all invoices, payments and receipts.

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

- Continued the diligence exercise on all Post-Administration records to determine destruction dates in accordance with UK Insolvency regulations and GDPR compliance;
- Regular meetings held with Data Storage representatives to ensure full data storage compliance in line with the Custodian Agreement between Affiliates; and
- Reviewed sharing agreement documentation relating to LBIE's preservation of Backup Tapes with a third party to consider the need to retain or destroy.

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

- Assisted with maintaining regulatory controls;
- Processed receipts and payments and coding of movements;
- Assisted the Core Team regarding analysis of transactions required for a legal matter; 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.

- Dealt with Tax and VAT queries and liaised with HMRC;
- Amended LBIE's tax return for y/e 14 September 2021;
- Prepared and submitted LBIE's tax return for y/e 14 September 2022;
- Prepared quarterly VAT returns;
- Reviewed various documents prepared by legal team and accountants;
- Calculated tax provisions;
- Provided tax advice and analysis for proposed options (including distributions);
- Assisted with regard to overseas legislation;
- Liaised with Internal Revenue Service in the US; and
- Ongoing consideration of group relief/losses position to determine amounts available for surrender.

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

- Support for the Core Team in forecasting interest rates regarding costs on an ongoing litigation;
- Support for the Core Team from members of the previous MCF team regarding ongoing issues; and
- Support for the Core Team from members of the Disputes and Investigation team regarding ongoing litigation matters.

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 were c.£1.5m.

Cumulative time costs accrued to 14 September 2023 are c.£1,039m. Total Administrators' remuneration and disbursements paid to 14 September 2023 are c.£1,078m, 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. The Operating Committee resolved that the Administrators may draw 60% of their time costs on account as approved. All such costs are subject to detailed reporting to the Operating Committee and the extent to which the Administrators can draw remuneration is subject to its 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.£30.7k overseas PwC offices in the period covered by this report. This payment was in relation to time incurred in prior periods regarding the US\$ tax refund and liaising with the Internal Revenue Service in the US. 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;
- Ongoing tax and VAT returns;
- Review and maintenance of financial information including reserves;
- Ongoing realisation of remaining assets;
- There are a number of continuing legal matters which we will be seeking to progress as set out earlier in this report;
- Seek consensual resolution on outstanding matters, where it is appropriate to do so;
- Continuing to wind down the portfolio of securities;
- Continuing to explore potential exit opportunities for MCF's trading subsidiaries (SPML & PML); 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 £1,614.61 of Category 1 expenses to third parties were incurred for travel, accommodation and subsistence for staff required to work away from home as well as specific access to required external systems for fund investments.

A further £15,541.05 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.

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 following professionals are currently under instruction by the Administrators 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 legal expertise	Time costs
Legal services	Al Tamimi and Company	Saudi legal expertise	Time costs
Legal services	Baker McKenzie	German legal expertise	Time costs
Legal services	Saville Notaries LLP	Notaries specialist	Document complexity and requests
Legal services	Capital Market Risk Advisors Inc	US legal expertise	Time costs
Legal services	Intex Solutions Inc	US legal expertise	Fixed fee
Legal services	Dorf Nelson & Zauderer LLP	US legal expertise	Time costs
Legal services	Ganter Shore Leeds & Zauderer LLP	US legal expertise	Time costs

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.aspx?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.

Approvals by the Operating Committee

In the Reporting period, the remaining 40% Administrators remuneration of £1,197,467 (plus VAT) for the period 1 July 2022 to 30 April 2023 and disbursements of £53,524 (plus VAT), of which £47,524 represents Category 2 expenses and £5,493 of Category 1 disbursements relating to the period from 1 July 2022 to 31 March 2023 were approved by the Operating Committee. These were paid shortly after the reporting period.

Furthermore during the period, £17,234 of held back fees approved by the Operating Committee previously was paid in the period to the US PwC firm.

Appendix C:

Statutory and other information

Court details for the Administration:	High Court of Justice, Business and Property Courts of England and Wales Insolvency & Companies List (ChD) - Court case number 7942 of 2008
Full name:	Lehman Brothers International (Europe)
Trading name:	Lehman Brothers International (Europe)
Registered number:	02538254
Registered address:	Regus Level 5, Tower 42, 25 Old Broad Street, London EC2N 1HN
Contact address:	Lehman Brothers International (Europe) – in Administration, Regus Level 5, Tower 42, 25 Old Broad Street, London EC2N 1HN
Contact telephone / email:	+44 (0)7764 235365 / Generalqueries@lbia-eu.com
Date of the Administration appointment:	15 September 2008
Administrators' names and addresses:	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
Appointor's name and address:	High Court of Justice, Chancery Division, Companies Court on the application of LBIE's directors
Objective being pursued by the Administrators:	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. The Administrators continue to review the objective of the Administration on a regular basis
Aims of the Administration:	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; and To manage the Company's ongoing litigation whilst it remains appropriate to do so and work out the Company's residual assets
Division of the Administrators' responsibilities:	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
Details of any extensions for the initial period of appointment:	The Court has granted four successive extensions to the Administration periods being 30 November 2011, 30 November 2016, 30 November 2022 and 30 November 2025
Proposed end of the Administration:	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
Estimated dividend for unsecured creditors:	Interim dividends paid to date at a cumulative rate of 100p/£1 plus statutory interest
Estimated values of the prescribed part and LBIE's net property:	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
Whether and why the Administrators intend to apply to court under Section 176A(5) of the Insolvency Act:	Not applicable
The European Regulation on Insolvency Proceedings (Council Regulation (EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings does not apply to this Administration as LBIE is an investment undertaking
Operating Committee members:	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
Total distributions to date		100.0	19,939

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
Total distributions to date		337

Appendix E:

Glossary of terms

Abbreviation	Term	Definition
Administration	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
Administrators	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
Affiliate	Affiliate entities	Various subsidiaries and affiliates of Lehman Brothers Holdings Inc
AGFP	AG Financial Products Inc.	A US-based affiliate of Assured Guaranty Corp. which provided credit protection to counterparties under credit default swaps
Category 1 disbursements	Administrators' Category 1 disbursements	Costs that are directly referable to the Administration supplied by and paid to external third parties
Category 2 disbursements	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
Company	the Company	Lehman Brothers International (Europe) - in Administration
GDPR	GDPR	The General Data Protection Regulation is a Regulation in EU law on data protection and privacy in the EU and the European Economic Area
HMRC	HM Revenue & Customs	Organisation of the UK government primarily responsible for the collection of taxes
House Estate/House	House Estate	Dealings that relate to LBIE's general unsecured estate
Insolvency Act	Insolvency Act 1986	Statutory legislation that provides the legal platform for matters relating to personal and corporate insolvency in the UK
Insolvency Rules	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
LBHI	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
LBHI2	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
LBIE	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
MCF	Mable Commercial Funding Limited - in Administration	Affiliate entity subject to insolvency proceedings in the UK
Operating Committee	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
PML	Preferred Mortgages Limited	A solvent subsidiary of MCF, an Affiliate entity subject to insolvency proceedings in the UK
Post-Administration Interest	Post-Administration Interest	Statutory interest payable pursuant to Rule 14.23(7) of the Insolvency Rules
Reporting period	Reporting period	15 March 2023 to 14 September 2023, the period covered by this report
Scheme	Scheme of Arrangement	Statutory procedure under Part 26 of the Companies Act 2006 for a court-approved agreement between a company and its creditors
Senior	Senior unsecured creditor	Unsecured, non-preferential, non-Shareholder, not subordinated creditor
Shareholder	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

SIP 9	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)
SPML	Southern Pacific Mortgage Limited	A solvent subsidiary of MCF, an Affiliate entity subject to insolvency proceedings in the UK
Statutory Interest	Statutory Interest	Interest calculated on the amount of admitted claims in respect of the periods during which such claims were outstanding since the date of commencement of the administration to the date of full repayment, calculated as the greater of the rate payable in accordance with s.17 of the Judgments Act 1838 (currently 8% simple), and the rate applicable to the debt apart from the administration
Surplus	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
Surplus Scheme	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
UK High Court	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
VAT	Value Added Tax	A consumption tax levied on the sale of goods and services in the UK

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