

# Joint Administrators' Thirty-second progress report from 15 March 2024 to 14 September 2024

Lehman Brothers International (Europe)  
- In Administration

High Court of Justice, Chancery Division, Companies Court  
Case no. 7942 of 2008

14 October 2024



Strictly private and confidential

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This report has been prepared by Alison Campbell Grant, David James Kelly, Edward John Macnamara and Gillian Eleanor Bruce 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 person 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/lehman/lehman-brothers-international-europe.html>

Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

*Alison Campbell Grant, David James Kelly, Edward John Macnamara and Gillian Eleanor Bruce have been appointed as Joint Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. All 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>*

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

*VAT registration no. 446 9315 28*

*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.*

# Section 1: Introduction

## Introduction

This is the thirty-second progress report prepared by the Administrators of the Company.

This report provides an update on the work the Administrators have undertaken, with a particular focus on progress made in the Reporting Period.

Earlier reports can be viewed on the LBIE website at

<https://www.pwc.co.uk/services/business-restructuring/administrations/lehman/lehman-brothers-international-europe.html>

## Objective of the administration

The Administrators are pursuing the objective of rescuing 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. LBIE will no longer owe any amounts to these outstanding creditors, assuming that they have still not engaged and provided SSI details, when the one creditor who continues to have an unagreed proof of debt pending resolution of connected litigation has either been paid or it has been determined that this party is not in fact a creditor of LBIE.

## Operating Committee and governance arrangements

The Administrators continue to regularly meet with the Operating Committee to explain how key aspects of the administration are being dealt with and to consult with the Operating Committee on relevant issues. There has been no change to the constitution of the Operating Committee.

## Why we remain in office

The Administrators remain in office to deal with the following tasks:

- 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;
- To manage the Company’s ongoing litigation whilst it remains appropriate to do so and work out the Company’s residual assets;
- Compliance with tax and VAT matters;
- Compliance with statutory tasks; and
- 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.

Further details are contained within the body of this report.

## What you need to do

This report is for your information and you don’t need to do anything.

## This report and future updates

On 25 November 2022 the UK High Court granted the Administrators’ term in office to be extended to 30 November 2025. We are currently considering the best strategy for extending / ending the administration pending the outcome of the ongoing litigation to resolve the remaining proof of debt. The court is likely to hand down its decision during the next reporting period. We’ll provide an update on this in our next report.

The Administrators’ next formal progress report to creditors will be in approximately six months’ time, and will be posted to the website on or before 14 April 2025.

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.

If you have any questions, please contact the Administrators at [generalqueries@lbia-eu.com](mailto:generalqueries@lbia-eu.com).

Signed

A handwritten signature in blue ink, appearing to read 'A Grant', is positioned above the printed name.

**Alison Grant**  
Joint Administrator  
Lehman Brothers International (Europe) - in administration

# Section 2: Administrators' actions to date

## Progress made in the Reporting Period

### Preferred Equity 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 prominence in the Administrators' day-to-day outlook.

Following progress made during the Reporting Period, the Directors proposed, in consultation with the Administrators, that the Company make a further distribution by way of dividend to LBHI2, as sole holder of LBIE's preferred equity, in the amount of £26m on 3 September 2024. The Administrators considered that it was appropriate to consent as they are confident that the funds can properly be paid to the Shareholder and are not required for any other purpose. This brings the total distributed to date to LBHI2, in respect of its preferred equity, to £428m.

### Asset realisations

The Administrators have continued to progress resolution of the remaining portfolio of residual assets comprising liquid and illiquid securities and amounts due from other parties. During the Reporting Period, the Administrators have received c.£0.1m in asset servicing income.

In the previous period, the Administrators sold shares to a Brazilian broker at full market value of c.\$0.2m. The sale proceeds are currently held by our custodian and will be transferred to LBIE shortly (as such these are not reflected in the receipts and payments account in Appendix A).

The remaining residual assets are expected to lead to only minimal realisations.

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

As you are aware from the 30th Progress Report, a consensual settlement was reached between Howmet Aerospace Inc., the Firth Rixson Entities, and LBIE on 15 June 2023 resulting in the payment of a substantial sum in favour of LBIE, payable in two instalments (with the first instalment of \$15m having been paid on 12 July 2023, and the second instalment of \$25m having been paid on 10 July 2024). This now brings this matter to an end.

### MCF

As set out in our previous reports, LBIE entered into a compromise agreement 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.

During the Reporting Period, LBIE finalised discussions with the party interested in acquiring MCF's solvent trading subsidiaries, SPML and PML, and on 21 June 2024 the Administrators of MCF and LBIE entered into a Share Sale Agreement ("SPA") with the existing management team of SPML and PML to acquire MCF's solvent trading subsidiaries, subject to certain conditions being met (including seeking FCA consent for change in ownership). The FCA granted approval on 7 August 2024, and the sale of the shares was completed on 9 August 2024. Initial consideration of £0.5m has been received, with further amounts due on future dates.

Dividends of £1.5m were also received from SPML and PML in the period bringing total recoveries from dividends and the share sale since the compromise agreement with MCF to £16.5m.

Before proceeding with this connected party transaction with the management team, alternative options were considered, including potential sale to other interested parties. Firm offers were received from interested parties and the Administrators accepted the most competitive offer. LBIE's Operating Committee was kept informed throughout the disposal process.

### AGFP litigation

On 8 March 2023, Justice Crane issued her decision in favour of AGFP with the Clerk's office entering judgment on 30 June 2023. LBIE lodged its appeal of that decision on 10 July 2023.

During the last reporting period, LBIE and AGFP presented their arguments to the New York State Court's First Department Appellate Division hearing before a panel of five judges on 21 February 2024. Following the oral hearing, the New York Supreme Court, Appellate Division, First Judicial Department entered its decision and order on 14 March 2024, affirming Justice Crane's decision in full.

During the Reporting Period, LBIE continued to progress its appeal and on 15 April 2024 filed a motion seeking leave to appeal or reargue with the Appellate Division, or in the alternative, leave to appeal to the New York State Court of Appeals. On 29 April 2024, AGFP filed its opposing brief. On 3 May 2024, LBIE filed its response to this brief.

The Appellate Division denied LBIE's motion in full on 18 July 2024. On the same day, AGFP filed its Notice of Entry, of the Appellate Division's 18 July 2024 Order.

On 19 August 2024, LBIE filed a motion and memorandum in support of this, for permission to appeal directly to the New York State Court of Appeals. On 3 September 2024, AGFP filed with the New York State Court of Appeals its opposing brief.

We are expecting the New York State Court of Appeals to rule on LBIE's motion for permission to appeal during the next reporting period.

For further information please refer to the AGFP Litigation section of the LBIE website:

<https://www.pwc.co.uk/services/business-restructuring/administrations/lehman/agfp-litigation.html>

## Other litigation

As set out in our previous report, the Administrators continue to progress legal proceedings against a counterparty. A hearing (inter alia) to facilitate settlement discussions between the parties was held in July 2024. The Administrators remain keen to continue exploring an out of court settlement.

## Outstanding claims

One creditor (AGFP) continues to have an unagreed proof of debt pending resolution of connected litigation. For further information please refer to the AGFP Litigation section.

## Other potential recoveries

As set out in our previous reports, 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.

Our tax team continues to liaise with the IRS regarding payment of the refund. The Joint Committee on Taxation has completed their review of LBIE's refund claim without adjustment and the IRS will be moving forward to process the refund which is likely to be received during the next reporting period, at the earliest. LBIE is unable to influence the timing of such refund.

As advised in the last report, LBIE has a claim in an overseas liquidation, of which LBIE continues to be a member of the Liquidation Committee, however no further recoveries have been received during this Reporting Period and no 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 Administrators have very limited access to information as the trustee in bankruptcy continues to keep information and documents relating to the bankruptcy process confidential, we understand, to protect recoveries. However the trustee is open to dialogue at a high level with creditors as he continues to progress realisations and ongoing litigation. Recoveries are not expected in the near future and the Administrators are exploring, with other interested parties, whether there is potential to sell the claim.

## Tax

Our tax team has continued to carefully manage LBIE's tax position, filing and submitting the tax return for the year ended 14 September 2023.

The Administrators have met their obligations under the Senior Accounting Officer ("SAO") legislation and submitted their 2023 certification and notification. They have complied with their obligations regarding the Lehman group Tax Strategy published for the period ended 30 November 2023 and adhered to the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards.

Specific progress in the Reporting Period includes:

- Reviewing and adjusting, as appropriate, the tax reserves;
- Consideration of impact on the Company of changes to UK tax legislation, including loss restriction and interest deductibility rules, and the potential impact as part of the corporation tax returns;
- Advising the Administrators on the share sale of SPML and PML; and
- Complying with various reporting obligations including tax strategy and corporate criminal offence legislation.

## VAT

All VAT returns have been submitted up to, and including, the quarter ended August 2024.

Historic VAT repayments of c.£0.5m due to LBIE, relating to VAT return periods from November 2021 to August 2022 are expected to be paid by Lehman Brothers Limited (the representative member of the VAT group during this Reporting Period), in the near future.

Since the last report to creditors, LBIE has received c.£0.3m of VAT repayments in connection with the VAT return periods November 2023 and February 2024, c.£0.1m and c.£0.2m, respectively. The VAT returns for the quarter ended May 2024 and August 2024 shows a VAT payment due to HMRC of c.£17K and a VAT repayment of c.£13K for August 2024.

During the Reporting Period, MCF's former trading subsidiaries, SPML and PML were removed from the Lehman VAT group with effect from 8 August 2024.

## Investigations and actions

Nothing has come to the Administrators' attention during the Reporting Period to suggest that they need to do any more work in line with their duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

## Administrators' receipts and payments account

The Administrators set out in Appendix A an account of their receipts and payments in the administration for the six months to 14 September 2024, together with a cumulative total since the beginning of the administration.

## Administrators' expenses

A statement of the expenses incurred to the date covered by this report and an estimate of future expenses is set out at Appendix B.

## Administrators' fees

An update on the Administrators' remuneration - which covers the Administrators' fees, disbursements and other related matters in this case - is set out at Appendix C.

## Creditors' rights

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

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

Creditors may also wish to refer to the previous creditors' guidance to understand the applicable regulations for appointments prior to 5 April 2010:

<https://www.icaew.com/-/media/corporate/files/regulations/insolvency/creditors-guides/2007/a-creditors-guide-to-administrators-fees-1-apr-2007.ashx>

Creditors can also get copies of these guides free of charge by telephoning Kate McNerlin on 0113 289 4000 or by emailing [generalqueries@lbia-eu.com](mailto:generalqueries@lbia-eu.com).

# Appendix A: Receipts and payments

## Cumulative and 6 months to 14 September 2024

House Estate receipts and payments summary: Cumulative and 6 months to 14 September 2024	Notes	Cumulative 15 Sep 2008 to 14 Mar 2024 GBP Equiv) £m	Period 6 months to 14 Sept 2024 (GBP Equiv) £m	Cumulative 15 Sep 2008 to 14 Sept 2024 GBP Equiv) £m
<b>Receipts</b>				
Counterparties	1	12,859	22	12,881
Depot securities	2	10,230	0	10,230
Other income	3	4,584	5	4,589
<b>Total receipts for the period/to date</b>		<b>27,673</b>	<b>27</b>	<b>27,700</b>
<b>Payments</b>				
Dividends paid	9	(19,939)	(0)	(19,939)
Preferred equity dividend	9	(402)	(26)	(428)
Administrators' remuneration and disbursements	4	(1,080)	(0)	(1,080)
Payroll and employee costs	5	(665)	(1)	(665)
Legal costs	6	(488)	(1)	(489)
Other payments	7	(4,796)	(0)	(4,796)
<b>Total receipts for the period/to date</b>		<b>(27,369)</b>	<b>(28)</b>	<b>(27,397)</b>
<b>Net movement in the period/to date</b>		<b>304</b>	<b>(0)</b>	<b>304</b>
Foreign exchange translation differences		(134)	(2)	(136)
<b>Total Balances</b>	<b>8</b>	<b>~170</b>	<b>(2)</b>	<b>#168</b>

Note: There is rounding within the table which may cause it to appear to not perfectly cast.

~ Balances held in foreign currencies at 14 March 2024 were c.\$65m

# Balances held in foreign currencies at 14 September 2024 were c.\$92m



## Notes to the receipts and payments account

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

Amounts shown exclude VAT. Funds currently held may include monies due to HMRC or other members of a VAT group, or exclude monies which will be received in due course from these parties.

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 Reporting Period comprise:

- c.£19.5m counterparty settlement;
- £1.5m SPML/PML dividends;
- £0.5m sale proceeds received; and;
- c.£0.7m LBHI 28th dividend distribution.

#### 2. Depot securities

Receipts in the Reporting Period comprise:

- c.£0.1m of asset servicing income.

#### 3. Other receipts

Receipts in the Reporting Period principally comprise:

- c.£5.0m of bank interest and interest received from money market deposits; and
- c.£0.3m VAT refund received from LBL as the representative of the VAT group (November 2023 & February 2024).

#### 4. 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 Reporting Period.

- As explained further in Appendix C, the Administrators’ fees are on a time costs basis. The receipts and payments account shows the amount paid in the Reporting Period and total to date.
- Included within Administrators’ remuneration are costs in relation to ‘Category 2’ disbursements in accordance with the policy explained in Appendix B. There were no payments in the Reporting Period.

#### 5. 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.

#### 6. 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.

#### 7. Other payments

Other payments principally comprise:

- c.£0.1m VAT paid in the Period.

LBIE is VAT registered and entitled to reclaim 63.09% of input VAT, therefore 36.91% of VAT is irrecoverable.

## 8. Investment profile & strategy

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

Funds are held in interest-bearing accounts or invested in short-term money market deposits. The below table shows the cash held in all bank accounts as at 14 September 2024.

Account type	GBP £m	EUR €m	USD \$m	GBP Equiv £m
Short-term deposits †	91	-	90	160
Interest-bearing accounts	6	0	2	8
Total cash held	97	0	92	168

† Average rate of return for 6 months ending 14 September 2024 of 5.24% for sterling deposits and 5.38% for US deposits.

The Administrators continue to manage the estate's funds with a prudent outlook and with regard to appropriate policies (designed by treasury specialists), as amended from time to time whilst attending to other relevant considerations.

## 9 . Dividends

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

Dividend	Date	Pence in Pound	£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 within the table which may cause it to appear to not perfectly cast.

### Distribution to Shareholder

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

Preferred Equity Dividend	Date	£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
Fifth interim dividend	30 October 2023	65
Sixth interim dividend	03 September 2024	26
<b>Total distributions to date</b>		<b>428</b>

# Appendix B: Expenses

Expenses are amounts properly payable by the Administrators from the estate. They include the Administrators' fees but exclude distributions to creditors.

Expenses also 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	SIP9 definition
<b>Category 1</b>	Payments to persons providing the service to which the expense relates who are not an associate of the office holder.
<b>Category 2</b>	Payments to the Administrators' firm or their associates, or which have an element of shared costs (for example, photocopying and mileage disbursements, or costs shared between different insolvent estates).

Approval from creditors is not required to draw Category 1 expenses as these have all been provided by third parties, but approval is required to draw Category 2 expenses. The body of creditors who approve the Administrators' fees (in this case the general body of creditors) also have 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 are charged at cost.

The following table provides a breakdown of the Category 2 expenses incurred in the Reporting Period, together with details of the Category 1 expenses that have been incurred as disbursements by PwC and will be recharged to the case.

Category	Provided by	Basis of cost	Costs incurred £
1	External providers	Travel, hotels and food for business purposes	3,981
1	External providers	Treasury investment systems	48
1	External providers	Courier and postage	70
2	PwC	Travel compliance assessment - time cost basis	470
2	PwC	Updates to website by internal IT specialists - time cost basis	192
2	PwC	IT software licencing and hosting - calculated by reference to data volumes with a small licence charge	4,931
<b>Total</b>			<b>9,692</b>

The expense policy set out above has been approved by the Operating Committee.

## Payments to associates

No payments have been made to associates or any party who could reasonably be perceived as an associate during the Reporting Period.

## Details of subcontracted work

The Administrators have subcontracted specific legal 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.

Included in the receipts and payments account in Appendix A, is c.£19k paid to these subcontractors during the Reporting Period. These costs are included within payroll and employee costs, and legal costs.

## Statement of expenses and Administrators' remuneration incurred in the 6 months to 14 September 2024

The table below provides details of all the expenses incurred in the administration (stated in GBP) in the Reporting Period. It should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the Reporting Period and the total paid to date.

The table excludes any potential tax liabilities that may need to be paid as an administration expense because amounts becoming due will depend on the position at the end of the tax accounting period.

R&P Category - Expenses	Incurred in Reporting Period c.£m
Administrators' remuneration and disbursements	(1)
Payroll and employee costs	(1)
Legal and professional costs	(1)
Other payments	(0)
<b>Total</b>	<b>(3)</b>

Note: There is rounding within the table which may cause it to appear to not perfectly cast.

### 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 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	Martello Financial Services Ltd	German legal expertise	Time costs
Legal services	Dorf Nelson and Zauderer LLP	US legal expertise	Time costs

The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether conflicts exist.

All professional firms instructed by the Administrators are required to provide a narrative explanation in support of invoices. All invoices are reviewed before being approved for payment. The Administrators are satisfied that the level of legal costs is appropriate.

# Appendix C: Remuneration update

As creditors may recall, the Operating Committee has resolved that the Administrators may draw 60% of their time costs on account as approved. The remaining 40% of the Administrators time costs has to be approved by the Operating Committee before these amounts are drawn. All 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.

The Administrators have incurred total fees of c.£1,042m during the administration up to 14 September 2024. Total Administrators' remuneration and disbursements of c.£1,080m has been paid to 14 September 2024 (as shown on the receipts and payments account in Appendix A), in line with the approvals given.

During the Reporting Period, the Administrators drew fees of c.£0.1m on account of their time costs. This amount represented 60% of time costs incurred in December 2023. Shortly after the Reporting Period c.£0.8m of fees were drawn, representing 60% of time costs for January to June 2024 inclusive. Approval was also granted by the Operating Committee for the Administrators to take the remaining 40% of time costs for the period May to December 2023, being c.£0.5m.

Time costs incurred in the Reporting Period were c.£1.2m. An analysis of the total hours and cost incurred by grade of staff can be found later in this appendix.

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. Set out later in this appendix are details of the work undertaken to date and anticipated future work.

## Time charging policy and hourly rates

The Administrators and their team charge time for the work they need to do in the administration. Tasks are delegated to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed, and the Administrators supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by senior staff or the Administrators.

All PwC staff who work on the administration (including the Firm's cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Work carried out by cashiers, support and secretarial staff is charged separately and isn't included in the hourly rates charged by partners or other staff members.

Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). The Administrators do not charge general or overhead costs.

Set out below are the maximum charge-out rates per hour for the grades of PwC staff who worked on the administration during the Reporting Period. Updated hourly rates were agreed with the Operating Committee with effect from 1 July 2024.

Grade	To 30 June 2024		From 1 July 2024	
	Restructuring, Insolvency & Forensics (£)	Tax, Legal, Data & Technologists (£)	Restructuring, Insolvency & Forensics (£)	Tax, Legal, Data & Technologists (£)
Partner	1,060	1,385	1,090	1,425
Consultant	N/A	N/A	N/A	1,425
Director	975	1,310	1,000	1,345
Senior Manager	775	1,060	800	1,090
Manager	625	775	640	795
Senior associate	510	570	525	585
Associate and support staff *	320	315	330	325

\*inc. Offshore Professionals

Our offshore professional colleagues may be utilised to provide assistance in the insolvency, albeit that the majority of the work will be undertaken by the UK based team. Off-shore professionals may include those with appropriate insolvency experience, an accounting or finance-related qualification and appropriate skills to complete basic insolvency related tasks and provide administrative support to the team including efficient document preparation and data entry, records management, and general data analytics. All work under the supervision of more senior staff.

## Relationships

The Administrators have no business or personal relationships with the parties who approve their fees or who provide services to the administration where the relationship could give rise to a conflict of interest.

## Analysis of Administrators' time costs for the Reporting Period

The table below provides an analysis of the Administrators' total hours incurred and the associated cost by staff grade and work activity for the six month period to 14 September 2024.

Classification of work	Partner <sup>1</sup> / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff <sup>2</sup>		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	6.3	6,339	133.7	86,594	287.9	148,538	103.4	33,526	531.2	274,996
Asset Realisations	173.1	171,917	375.3	250,375	30.2	15,139	92.4	30,158	670.8	467,588
Case Progression and Strategy	46.9	46,240	150.0	97,210	31.8	16,422	3.7	1,192	232.2	161,064
Creditors	1.8	1,801	9.0	5,648	4.9	2,539	3.9	1,257	19.6	11,244
Reporting to the Committee	18.0	17,720	36.6	24,638	2.4	1,248	-	-	57.0	43,606
Shareholders	5.1	5,100	12.0	6,983	0.2	104	-	-	17.3	12,187
Statutory and Compliance	9.0	8,945	61.4	39,798	85.1	43,796	84.4	27,769	239.9	120,308
Tax and VAT	30.1	42,184	56.6	48,519	0.7	366	0.5	165	87.9	91,234
<b>Total for 6 months ended 14 September 2024</b>	<b>290.2</b>	<b>300,245</b>	<b>834.4</b>	<b>559,763</b>	<b>443.0</b>	<b>228,151</b>	<b>288.2</b>	<b>94,066</b>	<b>1,855.8</b>	<b>1,182,225</b>
<b>Average hourly rate for the 6 month period to 14 September 2024</b>									<b>637</b>	
<b>Brought forward total to 14 March 2024 <sup>3</sup></b>									<b>1,040,684,051</b>	
<b>Cumulative total to 14 September 2024</b>									<b>1,041,866,276</b>	

### Notes:

- Includes a retired tax partner who has been retained as a consultant for the purpose of utilising their expertise.
- Includes offshore professionals.
- Final invoiced values for the prior period were 2,198.7 hours and c.£1,528k following post period end adjustments, the brought forward value has been updated to reflect this change. The difference in billable time is due to time relating to the Reporting Period, which was recorded after it ended. This was partly due to time incurred by offshore professionals where their input into our UK systems is delayed. .
- The layout of the above tables has been amended since the last report to better reflect the current work being undertaken as well as greater consistency across closely related companies of the Lehman Brothers group.
- Hours and costs have been rounded up or down, to the nearest 0.1 hour or whole pound which may result in rounding differences in the casting of the tables above.

## Work undertaken in the Reporting Period

Included earlier in this section is an analysis of the time spent by the various grades of staff. Whilst this is not an exhaustive list, in the following table more detail is provided on the key areas of work.

Category	Description of tasks
<p><b>Accounting and Treasury</b></p> <p>This is an essential function for the management of funds held by the Administrators on behalf of the Company. The Administrators' treasury and cash management teams monitor and control the movement of funds, mitigate risk and seek to maximise the interest made on investments for the benefit of the Company's creditors.</p>	<ul style="list-style-type: none"> <li>• Investment, monitoring and control of LBIE's cash resources, including ensuring cash held at best rates only in approved banks and subject to frequently reviewed limits (this work has enabled the banking interest on case funds to be maximised which has resulted in significant realisations in the administration). In the 6 months to 14 September 2024, the investments made by the Treasury team resulted in interest of c.£3.1m being received (c.£1.9m above that which would have been earned using Barclays' standard products) and interest of c.\$2.1m being received (c.\$1.8m above that which would have been earned using Barclays' standard products), for both currencies, this is based on average balance and interest over the Reporting Period);</li> <li>• Reconciling bank accounts;</li> <li>• Provision of information for the purposes of statutory reporting;</li> <li>• Arranging receipts and payments of funds and coding of movements;</li> <li>• Monitoring flow of funds into the bank accounts;</li> <li>• Analysing counterparties' risk and deposit rates;</li> <li>• Actively managing investments held in various institutions in order to mitigate risk;</li> <li>• Liaising with the cash management team to check liquidity requirements;</li> <li>• Monitoring of funds required for immediate cash needs to ensure that the optimal level of funds is held on deposit;</li> <li>• Monthly reporting of outstanding deposits and month-end bank balances;</li> <li>• Quarterly reporting of performance and activity commentary;</li> <li>• Quarterly reporting and active management of the reserve accounts; and</li> <li>• Completing all the necessary requirements to open a USD bank account in the US.</li> </ul>
<p><b>Asset Realisations</b></p> <p>The work done by the Administrators in relation to asset realisations is important in order to maximise returns to creditors by managing potential recoveries and working with the relevant parties as necessary to further the best strategy.</p>	<ul style="list-style-type: none"> <li>• Meetings and discussions with US and UK lawyers in respect of the AGFP litigation, including review and comments on submissions filed in April, May and August 2024;</li> <li>• Meetings and discussions with lawyers in preparation for an oral hearing in July 2024 in relation to a counterparty litigation;</li> <li>• Attendance at the oral hearing in July 2024 and dealing with post-hearing actions;</li> <li>• Support received from members of the Disputes and Investigation team regarding ongoing litigation matters including preparation for the oral hearing in July 2024;</li> <li>• Extraction of key email data and related searches to support ongoing litigation and residual matters;</li> <li>• Meetings and discussions held with counterparties, lawyers, and counsel in respect of litigation;</li> <li>• Continued liaison with the Joint Official Liquidators in respect of creditor claims' adjudication processes in an overseas liquidation into which LBIE has a claim;</li> <li>• Updated illustrative outcome statements in respect of this claim based on additional information obtained;</li> <li>• Continued liaison with office holders regarding assets and liabilities in overseas estates;</li> <li>• Regular discussions with our US tax specialists in respect of the recovery of the US tax refund;</li> <li>• Continued wind-down of the portfolio of residual assets comprising liquid and illiquid securities, structured notes and amounts due from Affiliates and other parties;</li> <li>• Held monthly meetings with the employees of SPML and PML;</li> <li>• Continued to receive and review forecasts from the management</li> </ul>



Category	Description of tasks
	<p>team of SPML and PML on timing and quantum of dividends;</p> <ul style="list-style-type: none"> <li>• Discussions with management and legal advisors in relation to progressing the sale of shares in SPML and PML;</li> <li>• Review, comment and execution of Share Sale Agreement between MCF, LBIE and the SPML and PML management team;</li> <li>• Executed share transfer forms and Deed of Release in respect of charges in favour of MCF; and</li> <li>• Management of the MCF administration to enable asset realisations for LBIE, including meeting all statutory requirements such as six month reviews, progress reports and all tax and VAT returns for the purpose of realising the value for creditors.</li> </ul>
<p><b>Creditors</b></p> <p>This relates to tasks undertaken in relation to creditors, including responding to inbound creditor queries received and updating the LBIE website for the benefit of creditors' access to information.</p>	<ul style="list-style-type: none"> <li>• Create, collate and publish key information relating to the AGFP litigation, preferred equity dividends made and important notices for the LBIE website;</li> <li>• Discussions with internal specialists and lawyers prior to publication of key information on the LBIE website; and</li> <li>• Respond to ongoing queries from external parties / creditors regarding the administration.</li> </ul>
<p><b>Reporting to the Committee</b></p> <p>The Administrators regularly produce report updates for the Operating Committee together with frequent meetings for the purpose of keeping the Committee informed of ongoing work and obtaining their consent to proposed plans as appropriate.</p>	<ul style="list-style-type: none"> <li>• Preparation of management information reports and provision of ad hoc information/updates;</li> <li>• Creation of bi-annual achievements and fee reports;</li> <li>• Preparation, attendance and follow-up actions after fortnightly meetings with the Operating Committee; and</li> <li>• Engaging with and seeking approval from the Operating Committee in respect of ongoing matters, including the sale of shares of SPML and PML and continuing the AGFP litigation.</li> </ul>
<p><b>Shareholders</b></p> <p>To expedite and maximise distributions to the shareholder, the Administrators assess the availability of funds and consider proposals from the LBIE directors to make dividends to the shareholder.</p>	<ul style="list-style-type: none"> <li>• Ongoing assessment of reserves held to ensure these remain at an appropriate level;</li> <li>• Assessment of whether there are funds available for distribution;</li> <li>• Calculation of available funds and potential distribution amounts (including assessment of distributable reserves and input from specialist accounting and tax teams);</li> <li>• Consulted with the directors regarding additional preferred equity distributions to shareholders; and</li> <li>• Finalised and paid preferred equity distribution to LBH12.</li> </ul>
<p><b>Statutory and Compliance</b></p> <p>This relates to work the Administrators undertake in order to ensure compliance with statutory and regulatory requirements.</p>	<ul style="list-style-type: none"> <li>• Preparing and circulating the Administrators' 31st progress report;</li> <li>• Preparing time cost information in support of the Administrators' billing;</li> <li>• Dealing with statutory filings at Companies House;</li> <li>• Maintaining and managing case files, records and the Company's database; and</li> <li>• Dealing with other ad-hoc compliance and statutory tasks.</li> </ul>
<p><b>Case Progression and Strategy</b></p> <p>The inherent complexities of the Company's estate mean that the Administrators and their staff continue to invest a proportion of their time in the planning and delivery of their strategy for the progression of the administration, for the ultimate benefit of creditors as a whole.</p>	<ul style="list-style-type: none"> <li>• Regular meetings to assign work, agree deadlines, confirm progress and discuss resolution to any blockers;</li> <li>• Preparing the Administrators' internal six-monthly case review in accordance with professional requirements;</li> <li>• Discussions with experts regarding ongoing issues;</li> <li>• Review and update the closure schedule; and</li> <li>• Closure planning including meetings with legal counsel to further consider potential exit strategies and ongoing issues preventing closure.</li> </ul>



Category	Description of tasks
<p><b>Tax and VAT</b></p> <p>Work reported in this category includes compliance with tax legislation under the Administrators' obligations as proper officers for tax, and planning to ensure the efficient realisation of assets for the benefit of the Company's creditors as a whole.</p>	<ul style="list-style-type: none"> <li>● Ongoing reviews of group relief / losses position to determine amounts available for surrender;</li> <li>● Preparation and submission of tax returns for the year ended 14 September 2023;</li> <li>● Fulfilling all Senior Accounting Officer tax compliance;</li> <li>● Provided advice on the sale of MCF's trading subsidiaries (SPML &amp; PML);</li> <li>● Finalised the 2022 group tax loss position;</li> <li>● Prepared and submitted quarterly VAT returns;</li> <li>● Reviewed various documents prepared by legal team and accountants;</li> <li>● Provided tax advice and prepared accounts to support preferred equity distribution;</li> <li>● Liaised with Internal Revenue Service in the US; and</li> <li>● Dealt with tax and VAT queries.</li> </ul>

## Future work

Examples of work remaining to be done to achieve the purpose of the administration are shown below. This is not an exhaustive list.

- 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;
- Progress continuing legal matters as set out earlier in this report;
- Seek consensual resolution on outstanding matters, where it is appropriate to do so;
- Continue to wind down the portfolio of securities;
- Consider further proposals from the Directors to make equity distributions to LBHI2 provided there are available funds to do so;
- Closure of the MCF administration;
- Regular reporting and discussions with the Operating Committee; and
- Closure of the LBIE administration.

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.

# Appendix D: Other information

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<b>Court details for the administration:</b>	High Court of Justice, Chancery Division, Companies Court - Court Case Court Case No 7942 of 2008
<b>Company's registered 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>Date of the administration appointment:</b>	15 September 2008
<b>Joint Administrators' names, addresses and contact details:</b>	Alison Campbell Grant, David James Kelly, Edward John Macnamara and Gillian Eleanor Bruce of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT Email: generalqueries@lbia-eu.com
<b>Changes in Administrator:</b>	<p>On 15 September 2008 Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann and Michael John Andrew Jervis were appointed as Joint Administrators</p> <p>On 30 November 2009 Derek Anthony Howell was appointed as an additional Joint Administrator</p> <p>On 02 November 2011 Paul David Copley and Russell Downs replaced Michael John Andrew Jervis and Dan Yoram Schwarzmann as Joint Administrators</p> <p>On 07 June 2013 Julian Guy Parr replaced Derek Anthony Howell as one of the Joint Administrators</p> <p>On 24 June 2016 Paul David Copley resigned as a Joint Administrator</p> <p>On 16 July 2018 Gillian Eleanor Bruce and Edward John Macnamara replaced Steven Anthony Pearson and Anthony Victor Lomas as Joint Administrators</p> <p>On 08 March 2019 Julian Guy Parr resigned as one of the Joint Administrators</p> <p>On 30 November 2021 Russell Downs resigned with Alison Campbell Grant and David James Kelly appointed as Joint Administrators</p>
<b>Current membership of the Operating Committee:</b>	Lehman Brothers Holdings Inc., LB Holdings Intermediate 2 Limited - in administration, Elliott Management Corporation and King Street Capital Management L.P
<b>Extension(s) to the initial period of appointment:</b>	The High Court of Justice has granted four extensions to the administration period, to: 30 November 2011; 30 November 2016; 30 November 2022 and 30 November 2025

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# Appendix E: Abbreviations and definitions

## 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 / LBIE</b>	the Company	Lehman Brothers International (Europe) - in administration ("LBIE")
<b>Directors</b>	Non-Executive Directors	On 8 June 2020, two Non-Executive Directors were appointed to a newly reformed LBIE board of Directors to assist the Joint Administrators in the limited management of certain aspects of LBIE's affairs. The current Directors are David Hargrave and Jon Yorke
<b>FCA</b>	FCA	The Financial Conduct Authority is a financial regulatory body in the United Kingdom
<b>Firm / PwC</b>	Firm / PwC	PricewaterhouseCoopers LLP
<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 / IA86</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 / IR16</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>IRS</b>	Internal Revenue Service	The revenue service for the United States federal government, which is responsible for collecting U.S. federal taxes and administering the Internal Revenue Code
<b>LBH</b>	Lehman Brothers Holdings plc - in administration	Affiliate entity subject to insolvency proceedings in the UK
<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 - in administration	Affiliate entity subject to insolvency proceedings in the UK and LBIE's Shareholder and sole holder of LBIE's preferred equity
<b>LBL</b>	Lehman Brothers Limited - in administration	Affiliate entity subject to insolvency proceedings in the UK

<b>Abbreviation</b>	<b>Term</b>	<b>Definition</b>
<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 / Period	15 March 2024 to 14 September 2024, 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 Mortgage Limited	A solvent subsidiary of MCF, an Affiliate entity subject to insolvency proceedings in the UK
<b>Statutory Interest</b>	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
<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