

This notice contains important information that is of interest to the registered and beneficial owners of the subject securities. If applicable, all depositories, custodians and other intermediaries receiving this notice are requested to expedite the re-transmittal to beneficial owners of the securities in a timely manner.

Notice to Holders

Lehman Brothers UK Capital Funding LP

€225,000,000

Fixed Rate to CMS-Linked Guaranteed Non-Voting, Non-Cumulative Perpetual Preferred Securities

XS0215349357

Lehman Brothers UK Capital Funding II LP

€250,000,000

Euro Fixed Rate Guaranteed Non-Voting, Non-Cumulative Perpetual Preferred Securities

XS0229269856

Lehman Brothers UK Capital Funding III LP

€500,000,000

Fixed/Floating Rate Enhanced Capital Advantaged Preferred Securities

XS0243852562

26 October 2023

Notice of Proposed Interim Payment

Reference is made to:

(i) the €225,000,000 Fixed Rate to CMS-Linked Guaranteed Non-Voting, Non-Cumulative Perpetual Preferred Securities issued by Lehman Brothers UK Capital Funding LP (the "**Issuer**" or "**LP I**") with ISIN number XS0215349357;

(ii) the €250,000,000 Euro Fixed Rate Guaranteed Non-Voting, Non-Cumulative Perpetual Preferred Securities issued by Lehman Brothers UK Capital Funding II LP (the "**Issuer**" or "**LP II**") with ISIN number XS0229269856; and

(iii) the €500,000,000 Fixed/Floating Rate Enhanced Capital Advantaged Preferred Securities issued by Lehman Brothers UK Capital Funding III LP (the "**Issuer**") or "**LP III**").

hereinafter referred to as the "**Securities**".

Proposed Interim Payment: the Joint Liquidators of LB GP No.1 Ltd propose to make an initial interim payment relating to the Liquidation Preference (as defined in the relevant prospectus for the Securities) in respect of the Securities. Formal details of the values of the distributions for LP I, LP II and LP III will be provided in due course via a formal payment notice. All depositories, custodians, other intermediaries and the beneficial owners of the Securities are urgently encouraged to ensure that their contact and payment details are correctly recorded with the relevant clearing system.

Background: each of the Issuers were registered as a special purpose limited partnership for the purposes of issuing the Securities. LB GP No.1 Ltd (the "**Company**") acts as the General Partner of the Issuers. Bruce Alexander Mackay and Matthew Robert Haw of RSM UK Restructuring Advisory LLP were appointed as joint liquidators (the "**Joint Liquidators**") of the Company on 28 February 2017 pursuant to a special resolution of the Company's sole member, Lehman Brothers Holdings Inc. ("**LBHI**"). The appointment of the Joint Liquidators was ratified by the Company's creditors at a meeting of creditors held on 12 April 2017.

The appointment of the Joint Liquidators followed a Court process in which the Company was restored to the Register of Companies with effect from 3 February 2017. The restoration process and a number of related Court Orders that flowed from it were set out in the Joint Liquidators' Notice to Holders dated 23 June 2017 (the "**June 2017 Notice**"). The Company is part of the Lehman Investment Banking Group (the "**Group**"). Prior to the collapse of the Group in September 2008, a funding structure was developed by the

Group to fund, on a subordinated basis, capital to be made available to Lehman Brothers Holdings Plc (in administration) ("**LBH**") and LBHI in respect of regulatory capital. The funding structure was established through five limited partnerships as follows:

- (i) Lehman Brothers UK Capital Funding LP ("**LP I**");
- (ii) Lehman Brothers UK Capital Funding II LP ("**LP II**");
- (iii) Lehman Brothers UK Capital Funding III LP ("**LP III**");
- (iv) Lehman Brothers UK Capital Funding IV LP ("**LP IV**"); and
- (v) Lehman Brothers UK Capital Funding V LP ("**LP V**").

(together the "**Partnerships**" or individually a "**Partnership**" as the context requires.

The Company acted as a general partner of each of the Partnerships. The Partnerships formed the structure of the capital funding arrangement. The purpose of the Partnerships was to raise regulatory capital for LBH and LBHI by issuing securities to investors.

Developments since the Joint Liquidators' 21 September 2023 update Notice ("the Notice"): Paragraphs 4.29 to 4.37 of the Notice set out the proposed terms of an agreement which, if finalised, would settle various litigation matters and enable a distribution to the ECAPS Account Holders (as defined in the Notice) of LP I, LP II and LP III. A copy of the Term Sheet (the "**Proposed Terms**") was included at Appendix 2 of the Notice. The Proposed Terms, if agreed, envisaged the cessation of certain aspects of the litigation referred to in the Notice as follows:

1. Priority Legal Issues 2, 3, 4 and 5 in the ECAPS 2 Application (as defined in the Notice) would be withdrawn.
2. Priority Legal Issue 1 (as defined in the Notice) would remain to be resolved by the Court.
3. The Distribution Application (as defined in the Notice) would be withdrawn.
4. Priority Issues 4 and 5 would be withdrawn from the Strike Out Application (as defined in the Notice).
5. The Third Parties Application (as defined in the Notice) would be withdrawn in full.

The Proposed Terms also set out how the LBH Administrators will distribute any funds available to its unsecured subordinated creditors. The proposed payment structure is summarised below:

Tier X – available funds of £187.2m:

The first £187.2m of funds available for the subordinated creditors will be paid:

- first, 92% (being £172.2m) to the Company
- second, 8% (being £15.0m) to LBHI

Tier Y – next available funds of up to £225.0m:

Any Tier Y distribution to subordinated creditors can only be made once:

- Tier X funds have been distributed in full; and
- there has been a final adjudication or settlement of Priority Legal Issue 1; and
- the unsubordinated creditors' remaining entitlement to post-administration statutory interest has been satisfied in full, if necessary adjusted for the resolution of the Partial Discharge Issue.

If Priority Legal Issue 1 is resolved such that statutory interest payable on the Company's Sub-Notes claim falls to be paid in priority to the principal amount of LBHI's Sub-Debt claim, the Tier Y funds will be distributed to the Company and LBHI in the ratios 94% and 6% respectively.

If Priority Legal Issue 1 is resolved such that the principal amount of LBHI's Sub-Debt claim falls to be paid in priority to statutory interest payable on the Company's Sub-Notes claim, the entirety of any Tier Y funds will be distributed to LBHI.

Tier Z - remaining funds available:

Subject first to the distributions of Tiers X and Y, further distributions to LBH's subordinated creditors will be paid from any available funds in the following proportions:

- If Priority Legal Issue 1 is resolved such that statutory interest payable on the Company's Sub-Notes claim falls to be paid in priority to the principal amount of LBHI's Sub-Debt claim, the Tier Z funds will be distributed to the Company and LBHI in the ratios 42% and 58% respectively.
- If Priority Legal Issue 1 is resolved such that principal amount of LBHI's Sub-Debt claim falls to be paid in priority to statutory interest payable on the Company's Sub-Notes claim, the Tier Z funds will be distributed to the Company and LBHI in the ratios 12% and 88% respectively.

The Proposed Terms required implementation ahead of the EACPS 2 hearing due to start on 9 October 2023.

ECAPS Account Holders' support for the Proposed Terms:

In order to ascertain the levels of support for the Proposed Terms the Joint Liquidators asked the ECAPS Account Holders for any letters of support (in a prescribed form), comments or objection to the Proposed Terms by 12 midday UK time on 5 October 2023, a period of fourteen days after the issuing of the Notice. An example of the letter of support was included at schedule 2 of the Proposed Terms.

By the expiry of the 5 October deadline, the Joint Liquidators of the Company had received letters of support from approximately 80% (by value) of the ECAPS Account Holders on an aggregate basis, and no objections to the Proposed Terms were received. For each of LP I, LP II and LP III, in excess of 75% by value of each Partnership's ECAPS Account Holders provided letters of support.

On 8 October 2023, amongst others, the Company, LBH, LBHI and DB entered into the Framework Agreement and other related agreements to enable the implementation of the Proposed Terms. Following the execution of the Framework Agreement it is anticipated that the Administrators of LBH will make a significant distribution to LP I, LP II and LP III in relation to the Tier X distribution as set out in the Proposed Terms. The Tier X distribution totals £187.2m and from that sum £172.2m is due to LP I, LP II and LP III under the Sub-Notes. The Administrators of LBH issued a Notice of Intended Dividend in relation to the Tier X distribution on 25 October 2023.

When the Partnerships' share of the Tier X distribution is received by the Company, certain costs reserves, which were referred to in Proposed Terms appended to the Notice and agreed in the Framework Agreement and related agreements, will be withheld, with the balance of funds to be paid to the respective ECAPS Account Holders. A further formal Notice will be issued seven days in advance of the payments, which will confirm the value date of payment and the total amounts to be paid to the ECAPS Account Holders of each of LP I, LP II and LP III. For the avoidance of doubt, there will not be any further distributions to be paid to the ECAPS Account Holders of LP IV or LP V on this occasion.

Directions Hearing on 9 October 2023

Following the execution of the Framework Agreement four of the five priority legal issues were accordingly withdrawn from the Directions Hearing, with only Priority Legal Issue 1 remaining to be heard. A link to the copy of the sealed Order made by Mr Justice Hildyard dated 12 October 2023 giving effect to the narrowing of the issues to be determined at the Court hearing is included below:

[lehdman-sealed-order-12-october-2023.pdf \(pwc.co.uk\)](https://www.pwc.co.uk/lehdman-sealed-order-12-october-2023.pdf)

Priority Legal Issue 1 and any remaining aspects of the Strike Out Application which related to the Priority Legal Issue 1 were heard on 9 and 10 October 2023, and copies of the daily Court transcripts can be found below:

[lbh-daily-transcript-9-october-2023.pdf \(pwc.co.uk\)](#)

[lbh-daily-transcript-10-october-2023.pdf \(pwc.co.uk\)](#)

At the conclusion of the two-day hearing Mr Justice Hildyard reserved judgment.

Qualification Statement: this notice has been prepared using information obtained by Bruce Alexander Mackay and Matthew Robert Haw (i) acting as the Joint Liquidators of the Company; and (ii) acting as licensed insolvency practitioners specifically in relation to winding-up the Partnerships pursuant to an order of the High Court made in accordance with section 6(3) of the Limited Partnerships Act 1907. Reference in this notice to the Joint Liquidators also includes (where the context requires) Bruce Mackay and Matthew Haw acting as insolvency practitioners for the purpose of winding-up the Partnerships. Given the wider international failure and insolvency of associated Lehman entities and the passage of time since the Partnerships were active, it has been difficult to obtain all information relevant to the Partnerships and readers of this notice should understand that the Joint Liquidators' investigations have been hampered (in some cases) by the paucity of financial information and documentation.

Neither the Joint Liquidators nor RSM Restructuring Advisory LLP accept any liability whatsoever arising as a result of any decision or action taken or refrained from as a result of information contained in this notice.

This notice should be read in conjunction with the previous notices to the Holders issued by the Joint Liquidators on 23 June 2017, 13 November 2017, 11 May 2018, 19 November 2018, 25 September 2019, 17 March 2021, 30 August 2022 and 21 September 2023 copies of which are available on request.

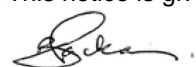
Contacts: holders of the Securities who have queries concerning anything mentioned in this notice may contact the Joint Liquidators at:

RSM Restructuring Advisory LLP, 25 Farringdon Street, London, EC4A 4AB
E-mail: Samantha.Hawkins@rsmuk.com

Please note that in any correspondence with the Joint Liquidators, holders of the Securities will be required to verify their holdings of the relevant Securities to the Joint Liquidators by:

- such holder(s) sending an e-mail to the Joint Liquidators c/o Samantha Hawkins using the email address shown above and referencing "LB GP No. 1 Ltd (In Liquidation)" and the ISIN of the Securities in the subject line and disclosing the identity of the holder, the identity of the Partnership or Partnerships which issued the Securities, the nominal amount of each ISIN held by the holder and the details of the person(s) who shall represent the holder; and
- such holder(s) providing (by e-mail to the Joint Liquidators c/o Samantha Hawkins) a letter, screen shot or other proof of holding (in each case from Euroclear/Clearstream and their custodian (if applicable)) verifying each of its holdings in the Securities and disclosing the following information:
 - ISIN
 - Account number
 - Participant name
 - Nominal amount
 - Beneficial Holder details (including e-mail address)

This notice is given by



Bruce Alexander Mackay
Acting as Joint Liquidator of LB GP No.1 Ltd without personal liability
Of RSM UK Restructuring Advisory LLP

ISIN/CUSIP numbers used in this notice have been included solely for the convenience of the holders of Notes. The Joint Liquidators assume no responsibility for the selection or use of such number and make no representation as to the correctness of the numbers listed above.