

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.

LEHMAN BROTHERS UK CAPITAL FUNDING III LP ("LP III")

EUR 500,000,000 FIXED/FLOATING RATE ENHANCED CAPITAL ADVANTAGED PREFERRED SECURITIES ("LP III PREFERRED SECURITIES")

ISIN XS0243852562

30 August 2022

Liquidation of LB GP No.1 Ltd ("the Company") and implications for parties interested in the LP III Preferred Securities

1 PRELIMINARY INFORMATION

- 1.1 THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
- 1.2 If you are in any doubt as to the action you should take, you are recommended to seek your own financial, legal or other advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriately authorised independent financial adviser.
- 1.3 If you have sold or otherwise transferred your entire (or any part of your) interest in the LP III Preferred Securities you should immediately forward this notice to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.
- 1.4 This notice may contain certain information potentially relating to the future outlook for LP III and certain information is sourced from third parties. Any statements about the future outlook for LP III may be influenced by factors that could cause actual outcomes and results to be materially different and be out of the Joint Liquidators' control. As a result, you should not rely on any forward-looking statements. Any forward-looking statements included in this notice are made or relayed only as of the date of this notice, and except as otherwise required by law, we undertake no obligation to test, audit, confirm, publicly update or revise any such forward-looking statements to reflect subsequent events, circumstances or otherwise.

2 QUALIFICATION STATEMENT

- 2.1 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 (defined in paragraph 3.5 below), including LP III, pursuant to an order of the High Court made in accordance with section 6(3) of the Limited Partnerships Act 1907. Reference hereinafter 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.

- 2.2 This notice provides an update regarding the progress of the liquidation of the Company and winding-up of the Partnerships. This notice should not be used for any other purpose, or to inform any investment decision in relation to any debt or financial interest in LP III and the Partnerships. We caution those parties interested in the LP III Preferred Securities and any other stakeholders who may have an interest in the winding-up of the Partnerships against using data in this notice as a basis for estimating the likelihood and/or value of any potential payment from LP III and/or any of the Partnerships.
- 2.3 The information set out in this notice is being distributed to all of those that are recorded as account holders in the relevant clearing system in relation to the LP III Preferred Securities ("**the Account Holders**") at the same time and is also being published via stock exchange announcements and Bloomberg such that the information set out in this notice does not constitute material non-public information.
- 2.4 Neither the Joint Liquidators nor their firm, RSM UK 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.
- 2.5 This notice should be read in conjunction with the previous notices to the Account Holders issued by the Joint Liquidators, copies of which are available on request.
- 2.6 The Joint Liquidators reserve the right to maintain confidentiality on any issue they consider could be commercially sensitive and to refrain from providing detailed commentary on any issues that may fit into this category.
- 2.7 The Joint Liquidators, on behalf of the Company and the Partnerships, reserve all rights against third parties on all matters and no conclusion should be drawn by third parties as to the Joint Liquidators' and/or the Partnerships' position or legal arguments on any such matters from information contained or not contained within this notice.

3 **BACKGROUND**

- 3.1 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.
- 3.2 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**").

- 3.3 The Company is part of the Lehman Investment Banking Group (“**the Group**”). It operated from premises at 25 Bank Street, London, E14 5LE prior to the collapse of the Group in September 2008.
- 3.4 Prior to the collapse of the Group, 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.
- 3.5 The funding structure was established through five limited partnerships as follows:
- 3.5.1 Lehman Brothers UK Capital Funding LP (“**LP I**”)
 - 3.5.2 Lehman Brothers UK Capital Funding II LP (“**LP II**”)
 - 3.5.3 Lehman Brothers UK Capital Funding III LP (“**LP III**”)
 - 3.5.4 Lehman Brothers UK Capital Funding IV LP (“**LP IV**”)
 - 3.5.5 Lehman Brothers UK Capital Funding V LP (“**LP V**”),
- (together “**the Partnerships**” or individually a “**Partnership**” as the context requires).
- 3.6 The Company acted as a general partner of each of the Partnerships.
- 3.7 The Partnerships formed the structure of the capital funding arrangement.
- 3.8 The purpose of the Partnerships was to raise regulatory capital for LBH and LBHI by issuing securities to investors. The securities issued by the Partnerships were as follows (definitions taken from the Prospectus for each of the Partnerships):
- 3.8.1 **LP I** – EUR 225,000,000 Fixed Rate to CMS-Linked Guaranteed Non-voting, Non-Cumulative Perpetual Preferred Securities;
 - 3.8.2 **LP II** – EUR 250,000,000 Euro Fixed Rate Guaranteed Non-voting, Non-cumulative Perpetual Preferred Securities;
 - 3.8.3 **LP III** – EUR 500,000,000 Fixed / Floating Rate Enhanced Capital Advantaged Preferred Securities;
 - 3.8.4 **LP IV** – EUR 200,000,000 Euro Fixed Rate Enhanced Capital Advantaged Preferred Securities; and
 - 3.8.5 **LP V** – USD 500,000,000 Fixed Rate Enhanced Capital Advantaged Preferred Securities.
- 3.9 Funds raised by LPs I – III were invested in LBH; and funds raised by LPs IV and V were invested in LBHI. The investments in LBH and LBHI were made through subordinated loan notes.
- 3.10 Reference hereafter to “**Securities**” relates to any one or more (as the context requires) of the investments issued by the Partnerships as referred to in paragraphs 3.8.1 to 3.8.5 above.

- 3.11 Although this specific notice is addressed and has been distributed (to the extent possible) to the Account Holders of the LP III Preferred Securities with ISIN XS0243852562 issued by LP III, this notice contains information relevant to each of the Partnerships and is therefore to be read as a composite update to enable the Account Holders of Securities issued by each of the Partnerships to understand the position applicable to all of the Partnerships. Separate notices (in materially the same form) have been distributed to the account holders of Securities issued by each of the Partnerships.

4 THE PARTNERSHIPS' ASSETS

Cash held in LP III, LP IV and LP V

- 4.1 As previously reported, LBHI paid the following sums ("**Funds**") to the Joint Liquidators for the benefit of LP III, LP IV and LP V:

4.1.1	LP III	€12.8m	5 September 2017
4.1.2	LP IV	€10.8m	13 October 2017
4.1.3	LP V	US\$26.7m	12 October 2017

- 4.2 LBHI only agreed to transfer the Funds if the Joint Liquidators:

- 4.2.1 acknowledged that the payment was without prejudice to any potential claims LBHI or LB Investment Holdings Ltd (which was the Preferential Limited Partner ("**the PLP**") for each of the Partnerships may have in respect of the Funds; and
- 4.2.2 agreed not to make distributions of the Funds without receiving (i) confirmation from LBHI and the PLP that they do not have any claims against the Funds; or (ii) an order from the Court that LBHI and the PLP do not have any claims against the Funds following an application to the Court on notice to LBHI and the PLP.

- 4.3 The Joint Liquidators agreed to the above conditions in order to receive the Funds as the alternative was to issue court proceedings seeking payment of the Funds. LBHI and the PLP have since confirmed that neither of them has a claim to the LP IV and LP V Funds, although for the time being the undertaking still applies to the LP III Funds.

- 4.4 At the date of this notice, no claims had been received from the joint liquidators of the PLP and none are expected.

Claims by LP I, LP II and LP III against LBH

- 4.5 As noted above, LBH issued subordinated loan notes to LP I, LP II and LP III in return for the payment of the regulatory capital that had been raised by the issuance of the Securities by LP I, LP II and LP III. These three Partnerships have a claim for payment of a dividend by LBH in relation to the subordinated notes that were issued.

- 4.6 The current indications are that the dividend prospects in respect of the claims made on behalf of LP I, LP II and LP III against LBH relating to the subordinated notes are dependent upon several variables. LBH has described these variables as being:
- 4.6.1 the quantum of further payments into the LBH estate from other UK Lehman estates;
 - 4.6.2 the quantum of expense liabilities in the LBH and various other UK Lehman estates, including and not limited to, in relation to tax; and
 - 4.6.3 the final outcome of the litigation concerning the priority ranking of subordinated claims against LBH (but see 4.26 below).
- 4.7 Items 4.6.1 and 4.6.2 above will have an effect on the funds flowing into the LBH administration estate and/or being retained in that estate, and hence the quantum of funds that will be available to meet the claims of LBH's senior and subordinated creditors. The Joint Administrators of LBH have issued an updating statement in this respect dated April 2022, which is available for view on PwC's website as follows:
- [Lehman Brothers Holdings PLC Update - April 2022 \(pwc.co.uk\)](https://www.pwc.co.uk/lehman-brothers-holdings-plc-update-april-2022)
- 4.8 The above link provides a narrative update relating to matters impacting the financial outcome for creditors of the LBH estate together with an updated estimated financial outcome statement.
- 4.9 Further information in relation to item 4.6.3 above, concerning the outcome of the litigation in relation to the priority ranking of subordinated claims, is set out below.

Priority of subordinated claims against LBHI2 and LBH:

- 4.10 As previously explained, on 16 March 2018 the Joint Administrators of LBHI2 made an application to court (the "**LBHI2 Application**") to determine issues of priority between LBH and SLP3 in respect of potential distributions on subordinated claims. The Joint Liquidators were not a party to the LBHI2 Application.
- 4.11 Also on 16 March 2018, the Joint Administrators of LBH made an application to court (the "**LBH Application**") to determine issues of priority between (i) LP I, LP II, LP III; and (ii) LBHI, in respect of potential distributions on subordinated claims. The Joint Liquidators are respondents to the LBH Application.
- 4.12 The relative seniority of the subordinated claims against LBHI2 and LBH was determined, at first instance, in Mr Justice Smith's judgment handed down on 3 July 2020.
- 4.13 The LBH Administrators (as respondents in the LBHI2 Application and applicants in the LBH Application) have issued various litigation updates since the first instance judgment was handed down. These are available using the link to PwC's website below and provide a summary of the judgment and current position:

<https://www.pwc.co.uk/services/business-restructuring/administrations/non-lbie-companies/lbh-plc-in-administration/ongoing-litigation.html>

- 4.14 In summary only, the first instance decision addressed various issues but in relation to priority ranking, the position can be summarised as follows:
- (a) against LBHI2, LBH's claim was found to be senior; and
 - (b) against LBH, the claims of (i) LPI, LP II, LP III; and (ii) LBHI, were found to rank *pari passu*.
- 4.15 Although the Joint Liquidators had argued that, against LBH, the claims of LP I, LP II and LP III were senior to LBHI, the Joint Liquidators were not ordered to pay any adverse costs as part of the first instance proceedings.
- 4.16 Various aspects of the first instance judgment were subject to appeal (including the findings in relation to priority ranking of claims against both LBHI2 and LBH).
- 4.17 The Joint Liquidators were granted permission to appeal the decision of Mr Justice Smith and filed an appeal on 26 October 2020 in relation to the first instance decision that the claims of LP I, LP II and LP III rank *pari passu* with the claims of LBHI. The appeal filed by the Joint Liquidators sought to alter the first instance judgment so that, if successful, the claims of LP I, LP II and LP III against LBH would rank in priority to those of LBHI.
- 4.18 Also within the LBH Application, the Court of Appeal granted Deutsche Bank permission to appeal the Judge's conclusion that LBHI's claim on the PLC Sub-Debt had not been reduced, discharged or diminished by virtue of the interaction of LBHI's subordinated claims against LBH with certain other instruments. However, the Court of Appeal refused Deutsche Bank permission to appeal the Judge's conclusions that (a) LBHI's subordinated claim against LBH was not released by an earlier settlement agreement and (b) LP I – III's claims in relation to the subordinated notes fall to be discounted under Rule 14.44 of the Insolvency (England and Wales) Rules 2016.
- 4.19 In relation to the LBHI2 Application, the Court of Appeal granted SLP3 permission to appeal the Judge's conclusion that there was no basis for rectification of the terms of the LBHI2 Sub-Notes, which SLP3 argue would result in the subordinated claims of SLP3 and LBH against LBHI2 ranking *pari passu*.

The Court of Appeal hearings in respect of the LBHI2 Application and the LBH Application commenced on 4 October 2021 and concluded on 8 October 2021. Copies of the daily transcripts can be found on PwC's website, and the links are copied below:

[Daily transcript - 4 October 2021 \(pwc.co.uk\)](#)

[Daily transcript - 5 October 2021 \(pwc.co.uk\)](#)

[Daily transcript - 6 October 2021 \(pwc.co.uk\)](#)

[Daily transcript - 7 October 2021 \(pwc.co.uk\)](#)

[Daily transcript - 8 October 2021 \(PWC.CO.UK\)](#)

- 4.20 On 20 October 2021, the Court of Appeal handed down its judgment in relation to the appeal hearing. A copy of the Sealed Order arising from the judgment is also available on PwC's website, and the link is copied below:

[Sealed Court of Appeal Order 21.10.21 \(pwc.co.uk\)](#)

- 4.21 In summary the Court of Appeal's judgment found the following:

4.21.1 In relation to the LBHI2 Application, the Court of Appeal upheld Mr Justice Smith's ruling at first instance that the sub-debt claims held by LBH have priority over the sub-notes claims held by SLP3, and that the SLP3 sub-notes should not be rectified.

4.21.2 In respect of the LBH Application, the Court of Appeal overturned the *pari passu* ranking as between the LBHI sub-debt and the LP I, LP II and LP III sub-notes set out in the first instance judgment. The Court of Appeal instead held that the LP I, LP II and LP III sub-notes have priority over the LBHI sub-debt claim. In addition the Court of Appeal held that the quantum of LBHI's sub-debt claim against LBH falls to be reduced by virtue of certain previous guarantee payments made in respect of that claim, again overturning the decision at first instance.

- 4.22 As noted in the Sealed Order, the Court of Appeal declined to give leave to SLP3 and/or LBHI to appeal the Court of Appeal ruling to the UK Supreme Court and made directions in relation to the liability for costs, including a costs award against LBHI in favour of LP I, LP II and LP III. The Company has since received a total of £655,000 from LBHI on behalf of LP I, LP II and LP III in relation to the costs incurred at appeal.

- 4.23 Although the Court of Appeal refused leave to appeal the judgment, SLP3 and LBHI subsequently filed an application directly with the UK Supreme Court seeking permission to appeal certain aspects of the Court of Appeal's judgment ("**the PTA Application**").

- 4.24 The PTA Application was filed by SLP3 and LBHI on 17 November 2021. The UK Supreme Court allows respondents to file Notices of Objections setting out reasons as to why the applicant seeking leave to appeal should be refused. LBH has filed a Notice of Objections in relation to matters relating to LBHI2.. The Company on behalf of LP I, LP II and LP III and separately, Deutsche Bank, filed Notices of Objections in relation to matters relating to LBH. Copies of the PTA Application filed by SLP3 and LBHI, together with the Notices of Objections filed by LBH, the Company and Deutsche Bank, can be found on PwC's website within the links copied below:

[SLP3 and LBHI's Application for Permission to Appeal \(pwc.co.uk\)](#)

[LBH's Notice of Objections \(pwc.co.uk\)](#)

[LB GP No1's Notice of Objections \(pwc.co.uk\)](#)

[Deutsche Bank A.G. Notice of Objections \(pwc.co.uk\)](https://www.pwc.co.uk/deutsche-bank-a-g-notice-of-objections)

- 4.25 By way of an order dated 8 August 2022, Lord Briggs, Lord Sales and Lord Burrows ordered that Permission to Appeal was refused because the application did not raise a point of law of general public importance on the ranking issues. Accordingly, the position that the LP I, LP II and LP III Sub-Notes rank in priority to the LBHI Sub-Debt is in no doubt. A copy of the order can be found on PwC's website using the following link:

[Supreme Court Order \(pwc.co.uk\)](https://www.pwc.co.uk/supreme-court-order)

Funds flowing from the LBH estate to LPs I - III

- 4.26 The Joint Liquidators have submitted initial protective claims into the estate of LBH in relation to LP I, LP II and LP III. These claims are not final and are subject to review and potential amendment to the extent required. As mentioned above the claims relate to subordinated notes issued by LBH, and these notes do not mature until 2035/2036. As the subordinated notes have not yet fallen due for payment, Rule 14.44 of the Insolvency (England and Wales) Rules 2016 requires that these claims are subject to discounting to take into account the time value of money. The relevance of Insolvency Rule 14.44 was challenged during the first instance court hearing in November 2019, and Justice Smith ruled in his judgment that the claims submitted by LP I, LP II and LP III should be subject to discounting. This decision is not subject to appeal.
- 4.27 Looking at the estimated value of LP I, LP II and LP III's discounted claims in tandem with the LBH Administrators' most recently published estimated financial outcomes for the LBH stakeholders, we have prepared a table to show the potential flow of funds to the LP I, LP II and LP III.

Please note that the figures in the table below are indicative only at this stage and subject to a number of significant assumptions. The figures are as disclosed by the LBH Administrators in the latest public filing (April 2022) and have not been tested or audited by the Joint Liquidators. The Joint Liquidators refer readers to sections 1 and 2 of this update.

Estimated outcome for LP I, LP II and LP III as subordinated creditors of LBH	Notes	Base Case Recovery £'m	High Case Recovery £'m
Total estimated funds available	1	609	759
Estimated deductions	1	(390)	(356)
Total potential recoveries for LP I, LP II and LP III	1	219	403
Represented by			
LP I, LP II and LP III subordinated claims - Principal claims (£168m discounted)	2	168	168
Estimated surplus to LP I, LP II and LP III	3	51	235

Notes

1. The above estimated outcomes have been taken from LBH's April 2022 update (linked at paragraph 4.7 of this report) and all the assumption in their update should be applied to the above estimated outcomes.

2. As noted at paragraph 4.30 above the initial and protective claims submitted by LP I, LP II and LP III are subject to discounting in accordance with Rule 14.44 of the Insolvency (England and Wales) Rules 2016. The figure of £168m represents the combined estimated discounted principal claims of LP I, LP II and LP III. It is currently estimated that there will be sufficient funds in both the 'Base case' and 'High case' for LP I, LP II and LP III's collective total principal claim of £168m to be paid in full.

3. After the payment of LP I, LP II and LP III's principal discounted subordinated claims totalling £168m an estimated surplus of between £51m and £235m will remain in the LBH estate, based on the LBH April 2022 creditor update. Based on legal advice received, it is the Joint Liquidators' position that all and any part of the estimated surplus should first be applied to settle the statutory interest on LP I, LP II and LP III's principal claims in priority to any claim made by LBHI in respect of the LBHI Sub-Notes. The basis of calculating LP I, LP II and LP III's statutory interest claim is yet to be determined.

4.28 With regard to Note 3 to the table in the paragraph above, the LBH Administrators have indicated that the statutory interest claims of LP I, LP II and LP III should be based on the discounted principal claims and thus, in the High Case Recovery scenario, they indicate a maximum statutory interest recovery of £229m. The Joint Liquidators' position is that statutory interest should be based on the un-discounted principal claims and have asked the LBH Administrators to substantiate their position. This issue will become more relevant to the extent that the funds available to LP I, LP II and LP III in the LBH estate exceed the High Case Recovery figure of £403m shown in the LBH Administrators April 2022 update.

4.29 At this stage the Joint Liquidators do not know when surplus funds are likely to start to flow from the LBH estate to enable interim distributions to be made to the Account Holders of the Securities in LP I, LP II and LP III. The Joint Liquidators will press for distributions to be made by the LBH Administrators as soon as possible.

Claims by LP IV and LP V against LBHI

4.30 It was LBHI and not LBH that issued subordinated notes to LP IV and LP V in return for the payment of the regulatory capital that was raised by the issuance of the Securities by LP IV and LP V. The LP IV and LP V Partnerships may have a claim for payment of a dividend by LBHI in relation to the subordinated notes that were issued. This is a matter that the Joint Liquidators are continuing to keep under review. However, it is the Joint Liquidators' understanding that LBHI's subordinated debt holders are currently not expected to receive any distribution. The Joint Liquidators therefore understand that the prospects of any recovery from LBHI in relation to these claims are very low.

Subordinated guarantee claims

- 4.31 LBH provided a subordinated guarantee to the Account Holders of the Securities in relation to LP I, LP II and LP III. It was agreed by all parties to the LBH Application that subordinated guarantees provided by LBH to Account Holders ranked below the claims of LP I, LP II, LP III and LBHI for the purposes of any distribution from LBH. Account Holders of the relevant Securities should take their own independent legal advice in relation to the subordinated guarantee and any claims they may wish to make.
- 4.32 LBHI also provided a subordinated guarantee to the Account Holders of the Securities in relation to LP IV and LP V. The Joint Liquidators' initial assessment is the same for LP IV and LP V and accordingly Account Holders of the relevant Securities should take their own independent legal advice in relation to the subordinated guarantee and any claims they may wish to make.

Claims against Lehman Brothers Special Financing and LBHI

- 4.33 The Joint Liquidators have investigated claims in relation to interest rate swap contracts ("**the Swaps**") entered into by LP IV and LP V with Lehman Brothers Special Financing ("**LBSF**"). A settlement was agreed in relation to the Swaps and this has been explained in earlier updates.

5 PROFESSIONAL COSTS

- 5.1 The Court directed that the Joint Liquidators should explain to Account Holders of the Securities the costs incurred to date and the basis upon which costs will be incurred in the future with regard to the winding-up of the Partnerships.
- 5.2 The professional costs and expenses incurred to date on a time costs basis are as set out below. Please note that the Company and the Partnerships were not VAT-registered. Accordingly, input VAT, where incurred, is not recoverable.
- 5.3 Joint Liquidators (RSM)
- 5.3.1 Time costs: £1,729,617 plus VAT and disbursements have been incurred to 28 July 2022, of which £69,110 relates to time costs incurred in the period leading up to the Joint Liquidators appointment on 28 February 2017.
- 5.3.2 Fees of £1,725,924 plus VAT and disbursements of £53,368 have been paid to date.
- 5.4 Charles Russell Speechlys LLP ("**CRS**") (UK solicitors for the Joint Liquidators)
- 5.4.1 Time costs: £2,060,234 plus VAT and disbursements have been invoiced and paid for the period 16 November 2016 to 4 July 2022 in relation to time costs. Since the end of that period, a further £26,830 plus VAT and disbursements has been incurred but not paid up to and including 28 July 2022.

- 5.4.2 Disbursements: £893,244 plus VAT has been incurred by Counsel instructed by CRS on behalf of the Joint Liquidators. Of that sum, £700 plus VAT is outstanding.
- 5.5 Kirkland & Ellis LLP (US attorneys for the Joint Liquidators)
 - 5.5.1 Time costs: USD 578,379.75 has been invoiced to date which has been paid in full.
 - 5.5.2 Disbursements: USD 17,199 has been invoiced to date and this sum has been paid in full.
- 5.6 Various Bank of New York Mellon entities (“**BNYM**”) (paying agent, common depository and initial limited partner)
 - 5.6.1 Fees and costs totalling £145,110 have been paid to BNYM to date for the provision of transaction services, facilitating the distributions to the LP IV and LP V ECAPS accountholders and for general assistance in facilitating investor communications and providing transaction records and documents (including the costs of BNYM’s legal counsel).
- 5.7 Warwick Risk Management Ltd (valuer’s fees)
 - 5.7.1 Fees totalling £20,000 plus VAT have been paid to Warwick Risk Management Ltd for the provision of valuation services.
- 5.8 Dentons UKMEA LLP (Solicitors for Deutsche Bank AG) (subject to the Joint Liquidators’ assessment with regard to the reasonableness of those fees)
 - 5.8.1 Time costs: £105,880.84 plus VAT (up to 15 March 2017 as per proof of debt form).
 - 5.8.2 Disbursements: £6,960.45 plus VAT where appropriate (up to 15 March 2017 as per proof of debt form).
 - 5.8.3 As yet these costs have not been agreed and reimbursed, and the Joint Liquidators will follow up with Dentons UKMEA LLP to progress this matter to a conclusion.
- 5.9 Weil Gotshal & Manges (Solicitors for LBHI) (subject to the Joint Liquidators’ assessment with regards to the reasonableness of those fees)
 - 5.9.1 Time costs: USD 97,795.35 (up to 11 April 2017 as per proof of debt form). As yet these costs have not been agreed and reimbursed, and the Joint Liquidators will follow up with Weil Gotshal & Manges to progress this matter to a conclusion.
- 5.10 Agents costs: It should be noted that additional costs have been incurred and will be discharged in connection with the maintenance of agents and the provision of information to the Account Holders of the Securities.

5.11 The professional costs and disbursements outlined above relate to necessary steps that have been taken to place the Company into liquidation and to undertake the process of winding-up the affairs of the Partnerships, which is a complex matter with a number of significant ongoing issues.

5.12 The professional costs and disbursements have been (and will continue to be) paid from sums realised from the Partnerships' assets in accordance with the Order of the Court. To date the costs have been paid and apportioned as follows:

5.12.1 Costs relating to all Partnerships have been paid from the Funds (see para 4.1 above) and apportioned between LP III, LP IV and LP V. To the extent any funds are realised from claims against LBH in relation to LP I and LP II then the apportionment of costs will be adjusted accordingly so that no one Partnership (or more than one) disproportionately bears the costs of the winding-up of the Partnerships collectively.

5.12.2 Costs specifically relating to LP I, LP II and LP III in relation to the subordinated debt claims against LBH are currently being paid from LP III's Funds as LP I and LP II currently have no cash assets. LP IV and LP V have not contributed to these costs on the basis that work undertaken in relation to the subordinated debt claims against LBH does not relate to LP IV and V. To the extent any funds are realised in relation to the claims against LBH by LP I and LP II then the apportionment of costs will be adjusted accordingly so that LP III does not disproportionately bear the costs of issues relating jointly to LP I, LP II and LP III.

5.13 At the date of this update the Joint Liquidators hold the following cash balances in each of the Partnerships. These figures are net of costs that have been paid to date but they do not take into account accrued or future costs:

5.13.1 LP III: €9,611,553

5.13.2 LP IV: €627,227

5.13.3 LP V: \$1,702,606

The LP IV and LP V net balances are after interim distributions that were made to those Partnerships' Account Holders in October 2020, as referred to in Section 6 below.

5.14 The current hourly rates of those expected to be involved in this matter going forward are set out below (figures quoted exclude input VAT where applicable):

5.14.1 RSM

(a) Partner (Joint Liquidators) - £700 to £750 (increased from £650 on 1 April 2022)

- (b) Associate Director - £410 (increased from £345 to £380 on 1 April 2022 and from £380 to £410 on 4 May 2022)
- (c) Manager - £380 (increased from £345 on 4 May 2022)
- (d) Executive - £210 (increased from £200 on 1 October 2018)

5.14.2 CRS

- (a) Partner - £650 to £750 (increased from £625 on 1 May 2022)
- (b) Senior Associate - £535 (increased from £450 on 1 May 2022)
- (c) Associate - £295 (increased from £255 on 1 May 2022)
- (d) Trainee - £220

5.14.3 Counsel

- (a) Queen's Counsel - £700
- (b) Junior Counsel - £350

6 DISTRIBUTIONS IN RELATION TO LP IV AND LP V

- 6.1 On 28 September 2020 the Joint Liquidators issued a notice of proposed interim payment in relation to the Securities issued by LP IV and LP V. The notice advised that the Joint Liquidators intended 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. The notice advised that a formal payment notice would soon be issued and urged all depositories, custodians, other intermediaries and beneficial owners of the Securities to ensure that their contact and payment details were correctly recorded with the relevant clearing systems.
- 6.2 On 19 October 2020 the Joint Liquidators issued a notice of interim payment in relation to the Securities issued by LP IV and LP V. The notice confirmed that an initial interim payment would be paid for a value date of 28 October 2020 relating to the Liquidation Preference in respect of the Securities, payable to the beneficial holders of the Securities as of 21 October 2020. The values of the interim distributions are set out below:

Issuer	Value of interim distribution
LP IV	EUR 9,000,000
LP V	USD 25,000,000

- 6.3 The distributions set out above were successfully paid to the clearing systems on 28 October 2020. The balance of LP IV and LP V funds retained by the Joint Liquidators will be distributed when outstanding cost issues and the cost allocations between the separate Partnerships have been determined. In this respect, the Joint Liquidators will

investigate the extent to which a costs reapportionment exercise may be appropriate, to ensure that the costs met by the LP IV and LP V estates are reasonable.

7 FURTHER UPDATE NOTICES TO HOLDERS OF SECURITIES

7.1 The Joint Liquidators will continue to provide update notices to Account Holders of Securities as and when there are significant matters to report and otherwise routinely on approximately an annual basis by the following methods:

7.1.1 To the extent possible, by notice distributed via the clearing systems relevant to the Securities for each Partnership (i.e. either the Euroclear system or Clearstream system); and

7.1.2 To the extent possible, by notice distributed via the relevant exchanges upon which the Securities for each Partnership are listed.

8 INFORMAL INVESTORS' COMMITTEE

8.1 Since the commencement of the winding-up of the Partnerships, the Joint Liquidators have been approached by a number of Account Holders of the Securities and they have requested that an informal investors' committee ("**IIC**") is established.

8.2 The Joint Liquidators have established such an IIC. The IIC has two members, with the second member only having joined the ICC in February 2021. There have been no meetings of the ICC to date.

8.3 In order to join the IIC, an Account Holder of Securities will be required to sign a Memorandum of Understanding ("**MOU**") as well as a Non-Disclosure Agreement ("**NDA**").

8.4 If you are an Account Holder of Securities and you are interested in becoming a member of the IIC you will be required to enter into the MOU and NDA on the same terms as the current members and any other prospective members. To confirm your interest in joining the IIC, please contact Samantha Hawkins using the details provided at 9.1.2 below, and verifying your holding of the Securities in the manner set out at paragraph 9.2.2 below.

8.5 Please be reminded that the IIC has no statutory powers and will be non-binding upon the Joint Liquidators. Its purpose, if utilised, is to provide an additional means of liaising with Account Holders of Securities in relation to the Partnerships and providing a forum for discussing and providing feedback to the Joint Liquidators in relation to the various issues arising.

9 CONTACTS

9.1 Account Holders of the Securities who have queries concerning anything mentioned in this notice may contact the Joint Liquidators as follows:

9.1.1 Post: RSM UK Restructuring Advisory LLP, 25 Farringdon Street,
London, EC4A 4AB

9.1.2 E-mail: Samantha.Hawkins@rsmuk.com

9.2 Please note that in any correspondence with the Joint Liquidators, the Account Holders of the Securities will be required to verify their interest in the relevant Securities to the Joint Liquidators by:

9.2.1 The Account Holders sending an e-mail to the Joint Liquidators c/o Samantha Hawkins using the email address shown at paragraph 9.1.2 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 Account Holder, the identity of the Partnership or Partnerships which issued the Securities, the nominal amount of each ISIN held by the Account Holder and the details of the person(s) who shall represent the Account Holder; and

9.2.2 The Account Holders providing (by e-mail to the Joint Liquidators c/o Samantha Hawkins) a letter, screen shot or other proof of the interest (in each case from Euroclear/Clearstream and their custodian (if applicable)) verifying each of its account holdings in the Securities and disclosing the following information:

- (a) ISIN
- (b) Account number
- (c) Participant name
- (d) Nominal amount
- (e) Beneficial Account Holder details (including e-mail address)

Dated: 30 August 2021

Signed: 

**This notice is given by
Bruce Alexander Mackay
RSM UK Restructuring Advisory LLP
as Joint Liquidator of LB GP No.1 Ltd
Acting without personal liability**