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***Lehman Brothers  
(PTG) Limited –  
In Administration***

Joint Administrators' progress  
report for the period 6 May 2013 to 5  
November 2013

2 December 2013

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# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the tenth progress report prepared by the Joint Administrators (the "Administrators") of Lehman Brothers (PTG) Limited ("LB PTG" or the "Company").

This report provides an update on the work that the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 5 November 2013.

## Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for LB PTG's creditors as a whole than would be likely if LB PTG were wound up (without first being in Administration).

The specific aims of this Administration were to:

- Realise all assets, including cash and interest in real estate on a managed basis;
- Mitigate as far as possible and agree in principle the claims of all creditors; and
- Continue to manage the investments in subsidiaries to maximise returns to creditors.

## Outcome for creditors

On 24 June 2013, the Court gave the Administrators of LB PTG permission to agree and pay a dividend in respect of the claims of its unsecured non-preferential creditors.

The Administrators declared and paid a first interim dividend of 7.5 pence in the £ to the Company's unsecured non-preferential creditors on 29 October 2013.

The quantum and timing of any further dividend remains uncertain at this stage.

## Pension liability

We explained in our most recent report that the Upper Tribunal's decision not to grant the strike-out application that was brought by LB PTG and 36 other entities was being appealed. The Court of Appeal issued its judgment on 21 June 2013, dismissing the appeal. Accordingly, the risk that we have explained previously of a Financial

Support Direction ("FSD") being imposed on LB PTG remains.

The Supreme Court issued its judgment on 24 July 2013 in a case brought by certain other Lehman entities, whereby it held that liability derived from a FSD would constitute a provable debt in an administration. This has enabled the Administrators to change the basis of reserving for any possible FSD liability, to allow for a potential additional unsecured debt rather than an administration expense.

During the period covered by this report, LB PTG joined with the other 36 entities to establish a collective reserve for possible FSD liability. However, it was not possible to reach agreement with the pension scheme trustees on the operation of this reserve, and it was therefore not brought into full effect. Following this, LB PTG is participating in a court process which may assist in determining whether the entities could make a collective reserve or whether they will need to reserve separately.

The Administrators continue to monitor the pension issues closely.

## Extension of the Administration

The Administrators made an application to the High Court to extend the Administration to 30 November 2015. The application was granted at a hearing on 24 June 2013.

The Administrators will next report to creditors in approximately six months.

Signed:



GE Bruce  
Joint Administrator  
Lehman Brothers (PTG) Limited

*AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Lehman Brothers (PTG) Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr 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 Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration.*

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## ***Section 2 Joint Administrators' actions to date***

### ***Overview***

LB PTG was initially funded by Lehman Brothers Holdings Inc ("LBHI") with the objective of investing in real estate companies within the Lehman Brothers group, principally Eldon Street Holdings Limited and Thayer Properties Limited, which owns the Burford group of companies.

On appointment, the three key categories of assets owned by the Company were: directly owned interests in commercial real estate; intercompany receivables (from the LB PTG group as well as the wider Lehman Brothers group), and investments in subsidiary companies.

### ***Administrators' actions to date***

LB PTG's key assets are its investments in subsidiary companies ("the PTG Group"), interests in real estate and intercompany debtors (from the PTG Group and the wider Lehman Brothers group).

The Administrators have submitted claims on behalf of LB PTG in respect of its debtor balances. LB PTG's largest debtor by far is Eldon Street Holdings Limited ("ESH"), which is also in Administration. LB PTG's claim in the ESH estate was recently admitted in the sum of £202.69m. ESH paid a first interim dividend of 12 pence in the £ to its unsecured non-preferential creditors on 28 October 2013, resulting in a dividend being paid to LB PTG of £24.32m.

A further €0.51m has been received in respect of the Company's real estate interest in Italy during the reporting period.

As previously reported, on 24 October 2011 the Administrators entered into a settlement agreement ("the Agreement") with Lehman Brothers Holdings Inc ("LBHI") and certain other affiliates previously subject to Chapter 11 proceedings in the USA in conjunction with other UK affiliates. The Plans of Reorganisation became effective on 6 March 2012.

Pursuant to the Agreement, LB PTG agreed LBHI and Lehman Commercial Paper Inc ("LCPI")'s claims in principle at \$269.51m and \$0.09m, respectively. These claims were subsequently admitted after the Administrators sought and obtained permission from the Court to agree claims

and pay a dividend to the Company's unsecured non-preferential creditors in June this year.

On 31 July 2013, the Administrators issued a Notice of Intended Dividend to the unsecured non-preferential creditors of PTG. The final date for creditors to prove their claims was 30 August 2013.

The Administrators have adjudicated upon all claims received and on 29 October 2013 the Administrators declared and paid a first interim dividend of 7.5 pence in the £ to unsecured non-preferential creditors whose claims had been admitted. The distribution totalled £13.58m and was funded by the dividend received from ESH.



## Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 9851 of 2008
<i>Full name:</i>	Lehman Brothers (PTG) Limited
<i>Trading name:</i>	Lehman Brothers (PTG) Limited
<i>Registered number:</i>	04108157
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	Mr IM Jameson (resigned 17/07/09) , Mr AJ Rush (resigned 17/07/09), Mr D Gibb (resigned 17/07/09), Mr JC Blakemore (05/11/08)
<i>Company secretary:</i>	Ms M Smith (resigned 25/01/10), Ms P Dave (resigned 25/01/10), Ms ESE Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in the Company
<i>Date of the Administration appointment:</i>	6 November 2008
<i>Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.
<i>Appointer's name and address:</i>	The original appointment of Administrators was made by the directors of the Company, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LB PTG's creditors as a whole than would be likely if LB PTG were wound up (without first being in Administration)
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Joint Administrators, may be done by any or one or more of the Joint Administrators.
<i>Details of any extensions of the initial period of appointment:</i>	A fourth extension has been granted by the High Court of Justice until 30 November 2015.
<i>Proposed end of the Administration:</i>	The Administrators wish to retain various exit options available to them. However it is most likely that the Administrators will continue to distribute from the Administration (the Administrators having obtained permission from the Court to do so in June 2013) and, once the final distribution has been made apply for the dissolution of the Company.
<i>Estimated dividend for unsecured creditors:</i>	The Administrators declared a first interim dividend of 7.5p in the £ to unsecured non-preferential creditors on 29 October 2013. The quantum and timing of any further dividends remains uncertain at present.
<i>Estimated values of the prescribed part and LB PTG's net property:</i>	There is no prescribed part as there is no qualifying floating charge.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings applies to this Administration and these are the main proceedings.

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## ***Section 4 Financial Information***

### ***Administrators' remuneration***

In January 2009, the Administrators requested and received consent from LB PTG's creditors for the Administrators' remuneration to be fixed by reference to the time properly given by them and the various grades of their staff. The Administrators were also authorised to draw their remuneration from time to time.

Attached at Section 6, is a summary of the Administrators' time costs for the period 1 May 2013 to 31 October 2013, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for this period total £70,921 plus VAT, which represents 175.90 hours at an average hourly rate of £403.

To date, remuneration of £1,214,507 plus VAT has been drawn in respect of time costs incurred to 31 August 2013.

### ***Receipts and payments account***

An account of the receipts and payments in the Administration showing movements for the six months to 5 November 2013 is set out overleaf.

## Section 5 Receipts and Payments Account

	As at		Movements	
	5 November 2013	5 May 2013	5 May 2013	
	GBP (£)	EUR (€)	GBP (£)	EUR (€)
<b>Receipts</b>				
Assets held on trust	399	-	-	-
Distributions received	24,322,306	-	24,322,306	-
Asset realisations	-	3,095,748	-	510,000
Loan from group company	30	-	-	-
Net tax function costs recharged	250,086	-	-	-
<b>Total Receipts</b>	<b>24,572,821</b>	<b>3,095,748</b>	<b>24,322,306</b>	<b>510,000</b>
<b>Payments</b>				
Legal fees	97,917	-	87,724	10,193
Professional fees	21,846	-	21,846	-
Employee wages & associated costs	310,438	-	311,959	(1,521)
Joint Administrators' Remuneration	1,214,507	-	1,166,447	48,060
Joint Administrators Category 1 disbursements	3,406	-	3,406	-
Payment for group relief	326,425	-	326,425	-
Statutory advertising	10,748	-	1,413	9,335
Insurance	87,150	-	87,150	-
IT costs	5,741	-	5,741	-
Net VAT paid	169,151	-	155,684	13,517
<b>Total Payments</b>	<b>2,247,329</b>	<b>-</b>	<b>2,167,745</b>	<b>79,584</b>
<b>Intracompany Transfers</b>				
Receipt	3,041,205	-	2,601,687	439,518
Payment	-	(3,595,692)	-	(510,000)
<b>Total receipts less total payments</b>	<b>25,366,697</b>	<b>10,056</b>	<b>684,457</b>	<b>24,682,240</b>
<b>Distributions</b>				
1st dividend to unsecured creditors of 7.5p in the £, declared in October 2013	(13,579,915)	-	-	(13,579,915)
<b>Total</b>	<b>11,786,782</b>	<b>10,056</b>	<b>684,457</b>	<b>11,102,325</b>
<b>Cash Balances</b>				
HSBC (non interest bearing)	100,082	-	-	100,082
Money market	11,686,700	10,056	684,457	11,002,243
<b>Total Cash</b>	<b>11,786,782</b>	<b>10,056</b>	<b>684,457</b>	<b>11,102,325</b>

**Note:** The total GBP equivalent cash in hand at the exchange rate on 5 November 2013 is £11,795,228.

# Section 6 Joint Administrators' time costs for the period 1 May 2013 to 31 October 2013

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	0.90	388	3.05	797	18.45	4,188	22.40	5,373
Administration and Planning	21.75	16,577	9.60	4,054	2.00	524	2.25	510	35.60	21,665
Asset Realisation	2.75	1,757	1.80	745	3.80	961	-	-	8.35	3,463
Creditors	-	-	11.80	5,086	9.20	3,312	19.72	4,516	40.72	12,914
Statutory and Compliance	0.50	320	5.30	2,260	11.40	3,458	19.30	4,232	36.50	9,970
Tax and VAT	5.40	4,892	17.75	10,230	4.45	1,118	1.30	207	28.90	16,447
LBL Recharges	0.06	36	1.24	545	1.18	307	0.95	201	3.43	1,089
<b>Grand Total</b>	<b>30.46</b>	<b>23,582</b>	<b>48.39</b>	<b>23,308</b>	<b>35.08</b>	<b>10,177</b>	<b>61.97</b>	<b>13,854</b>	<b>175.90</b>	<b>70,921</b>
<b>Average Hourly Rate</b>		<b>774</b>		<b>482</b>		<b>290</b>		<b>224</b>		<b>403</b>

Current charge out rates Grade	Business Recovery Services		Specialist	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	838	1,069	1,069	
Director	665	970	970	
Senior manager	512	905	905	
Manager	431	571	571	
Senior Associate	360	278	278	
Associate/Support Staff	229	212	212	

The Administrators' remuneration has been fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration. The maximum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.

\* Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary however, the figures shown give an indication of the maximum rate per hour. In common with all professional firms, the scale rates used by the Joint Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover annual inflation cost increase) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.



## **Summary**

### **of the Joint Administrators' time costs for the period 1 May 2013 to 31 October 2013**

#### **Accounting and Treasury - £5,373**

- Reconciliation of bank accounts;
- Arranging receipts and payments of funds and coding of movements; and
- Monitoring flow of funds into bank accounts.
- Managing funds in various institutions in order to mitigate risk;
- Dealing funds on the money markets and inputting deals; and
- Dealing with dividend distribution to unsecured creditors.

#### **Administration and Planning - £21,665**

- Reviewing financial information;
- Preparations for and attending the Upper Tribunal pensions hearing;
- Participating in discussions to try and resolve the pension issue;
- Discussions regarding strategy for the Administration including quantum and timing of the distribution;
- Updating strategy documents; and
- Regular meetings regarding the status of assets.

#### **Asset Realisation - £3,463**

- Communications with debtors;
- Liaising with various parties to progress recoveries from real estate investments; and
- Providing evidence in support of inter-company debts.

#### **Creditors - £12,914**

- Adjudicating unsecured creditor claims; and
- Updating list of creditor claims and status of such claims.

#### **Statutory and Compliance - £9,970**

- Managing LB PTG Administration website;
- Preparation of Administrators' ninth progress report;
- Circulate progress report to creditors;
- Statutory filings at Companies House and Court;
- Prepare receipts and payments account;
- Prepare detailed remuneration summary;
- Undertaking six monthly review of Administration;
- Review of time costs in preparation for billing; and
- Maintaining case records and database.

#### **Tax and VAT - £16,447**

- Preparing and implementing tax protocol regarding the sale and purchase of tax losses;
- VAT reconciliation and preparation of VAT returns;
- Dealing with Corporation Tax and VAT queries;
- Preparation of Corporation Tax returns; and

#### **LBL Recharges – £1,089**

- This is an apportionment of the costs incurred by Lehman Brothers Limited associated with the administration companies.