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

Joint Administrators' progress  
report for the period 6 May to  
5 November 2012

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30 November 2012

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# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the eighth 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 2012.

## 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 are 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

The Administrators expect that a distribution will be made to unsecured creditors in due course, however the quantum and timing of this distribution remains uncertain, principally due to uncertainty around a potential pension liability.

As noted in previous reports, the Pensions Regulator ("the Regulator") listed LB PTG as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme.

In September 2010 the Pensions Regulator's Determinations Panel (the "Panel") decided that an FSD should be issued against six Lehman group entities. LB PTG was among 38 companies that the Panel decided should not be issued with an FSD.

The Panel's decision has been referred to the Upper Tribunal, with the Scheme Trustees asking the Upper Tribunal to overturn the Panel's decision and rule that the 38 companies (including LB PTG)

should also be subject to an FSD. This means that LB PTG is still at risk from this potential liability.

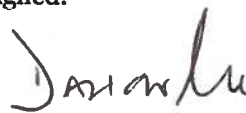
LB PTG (together with 36 other affected entities) applied to the Upper Tribunal, seeking an order that the Trustees' referral to the Upper Tribunal relating to a FSD should be struck out on the grounds that it is now no longer possible for the Regulator to impose a FSD against the Company. The Trustees and the Regulator opposed the strike-out application, and the hearing took place from 12 to 15 March 2012. Judgment was handed down on 14 June 2012 with the Upper Tribunal declining to strike out the Trustees' referral, meaning that LB PTG is still at risk of a FSD. The Upper Tribunal's decision has been appealed to the Court of Appeal, and the hearing in the Court of Appeal has now been listed to begin on 29 April 2013.

The Administrators continue to keep the pensions issues under close review and are working to find an interim resolution that may allow dividends to be paid soon. If an interim resolution can be agreed, the Administrators propose to apply to Court to request an Order to convert the administration of LB PTG into a distributing administration in order to allow them to pay a dividend to unsecured creditors.

## Future reports

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

Signed:



DA Howell  
Joint Administrator  
Lehman Brothers (PTG) Limited

*AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell 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, DY Schwarzmann, MJA Jervis and DA Howell 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***

The three subsidiaries in which LB PTG holds shares are in formal insolvency procedures and, accordingly, no realisations are expected from these shareholdings.

The level of recoveries from intercompany debts remains uncertain. Claims have been submitted in debtor estates, however, no claims have yet been formally admitted. The Administrators continue to work with debtors to ensure that claims are fully evidenced.

On 24 October 2011, the Administrators entered into a settlement 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 this agreement LB PTG has agreed in principle claims from LBHI and Lehman Commercial Paper Inc ("LCPI") at \$269,512,581 and \$9,547 respectively.

## 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, MJA Jervis, DY Schwarzmann and DA Howell, of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
<i>Appointer's name and address:</i>	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>	The current joint administrators of LB PTG are DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmann of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. 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 persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	A third extension has been granted by the High Court of Justice until 30 November 2013.
<i>Proposed end of the Administration:</i>	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
<i>Estimated dividend for unsecured creditors:</i>	It is too early to estimate the likely dividend for unsecured creditors.
<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***

At the meeting of creditors which was held by correspondence on 13 January 2009, creditors resolved that the Administrators' remuneration 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.

In Section 6 we include an analysis of our time costs incurred for the period from 1 May to 30 September 2012 presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for the period of 1 May to 30 September 2012 are £33,649, which represents 127.21 hours at an average hourly rate of £264.52.

Time cost information for the period 6 November 2008 to 30 April 2012 has been provided previously.

To date, remuneration of £1,146,165 plus VAT has been drawn in respect of time costs incurred from 6 November 2008 to 30 September 2012.

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

An account of the receipts and payments in the Administration showing movements for the six months to 5 November 2012 is set out overleaf.

Payment was made in respect of group tax relief used to shelter taxable income in PTG for £326,425. Had group relief not been utilised, PTG would have incurred tax at a much higher rate.

## Section 5 Receipts and Payments Account

	5 November 2012		5 May 2012		Movements	
	GBP (£)	EUR (€)	GBP (£)	EUR (€)	GBP (£)	EUR (€)
<b>Receipts</b>						
Assets held on trust	399	-	399	-	-	-
Asset realisations	-	3,095,748	-	2,585,748	-	510,000
Loan from group company	30	-	30	-	-	-
Net tax function costs recharged	250,086	-	250,086	-	-	-
<b>Total Receipts</b>	<b>250,515</b>	<b>3,095,748</b>	<b>250,515</b>	<b>2,585,748</b>	<b>-</b>	<b>510,000</b>
<b>Payments</b>						
Legal fees	85,213	-	64,053	-	21,160	-
Professional fees	21,846	-	21,846	-	-	-
Employee wages & associated costs	311,959	-	311,959	-	-	-
Joint Administrators' Remuneration	1,146,165	-	1,099,066	-	47,099	-
Joint Administrators Category 1 disbursements	3,406	-	3,406	-	-	-
Payment for group relief	326,425	-	-	-	326,425	-
Statutory advertising	1,413	-	1,413	-	-	-
Insurance	87,150	-	87,150	-	-	-
Net VAT paid	151,578	-	142,158	-	9,420	-
<b>Total Payments</b>	<b>2,135,155</b>	<b>-</b>	<b>1,731,051</b>	<b>-</b>	<b>404,104</b>	<b>-</b>
<b>Intracompany Transfers</b>						
Receipt	2,198,587	-	2,198,587	-	-	-
Payment	-	(2,585,692)	-	(2,585,692)	-	-
<b>Net Position</b>	<b>313,947</b>	<b>510,056</b>	<b>718,051</b>	<b>56</b>	<b>(404,104)</b>	<b>510,000</b>
<b>Cash Balances</b>						
HSBC (non interest bearing)	313,947	510,056	718,051	56	(404,104)	510,000
<b>Total Cash</b>	<b>313,947</b>	<b>510,056</b>	<b>718,051</b>	<b>56</b>	<b>(404,104)</b>	<b>510,000</b>

**Note:** The total GBP equivalent cash in hand at the exchange rate on 5 November 2012 is £722,312.

# Section 6 Joint Administrators' time costs for the period 1 May to 30 September 2012

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total Hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	0.20	83	4.30	1,088	3.30	726	7.80	1,897
Creditors	-	-	-	-	-	-	0.30	66	0.30	66
Asset realisation	4.50	2,289	1.00	461	5.50	1,447	-	-	11.00	4,197
Statutory and Reporting	-	-	2.20	965	-	-	10.40	2,288	12.60	3,253
Strategy and Planning	9.30	7,793	9.00	3,827	2.90	920	6.40	1,408	27.60	13,948
Tax and VAT	1.50	1,446	2.00	1,216	61.25	6,738	1.60	352	66.35	9,752
LBI Recharges	0.02	11	0.75	327	0.60	157	0.19	41	1.56	536
<b>Grand Total</b>	<b>15.32</b>	<b>11,539</b>	<b>15.15</b>	<b>6,879</b>	<b>74.55</b>	<b>10,350</b>	<b>22.19</b>	<b>4,881</b>	<b>127.21</b>	<b>33,649</b>

Grade	Business Recovery Services		Specialist	
	Max £/hr	Services	Max £/hr	
Partner	838		1,027	
Director	639		932	
Senior manager	492		869	
Manager	414		634	
Senior Associate	346		389	
Associate/Support Staff	220		204	

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 0.1 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 given 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 increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.



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## **Summary of the Joint Administrators' time costs for the period 1 May to 30 September 2012**

### **Accounting and treasury - £1,897**

- Reconciliation of bank accounts;
- Arranging receipts and payments of funds and coding of movements; and
- Monitoring flow of funds into bank accounts.

### **Creditors - £66**

- Updating schedule of creditors' claims.

### **Asset Realisations - £4,197**

- Recovery of Italian Real Estate proceeds;
- Review of intercompany debts receivable; and
- Lodging claims and providing evidence for intercompany debts.

### **Statutory and reporting - £3,253**

- Managing LB PTG Administration website;
- Preparation of Administrators' seventh 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.

### **Strategy and planning - £13,948**

- Reviewed financial information;
- Preparations for and attending the Upper Tribunal pensions hearing;
- Participating in discussions to try and resolve the pension issue; and
- Regular meetings regarding the status of assets.

### **Tax and VAT- £9,752**

- Tax planning for group companies;
- Correspondence with HMRC;
- Preparing and implementing tax protocol regarding the sale and purchase of tax losses; and
- Preparation and submission of quarterly VAT returns.

### **LBL recharges – £536**

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