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

Joint Administrators' progress  
report for the period 6 November  
2013 to 5 May 2014

27 May 2014

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# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the eleventh 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 May 2014.

## 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 and is contingent upon further dividends from its debtors and resolution of the pension matters discussed below.

## Pension liability

Following the Supreme Court judgment in July 2013, to which we referred in our last report, the stay which had been in force for the Upper Tribunal proceedings came to an end.

The Upper Tribunal has the role of deciding whether a FSD should be made, and against which entities. LB PTG is one of the potential targets of a FSD. The Upper Tribunal has set a date in February 2015 for a substantive hearing.

Also, since their previous progress report, the Administrators have participated in a High Court application relating to the maximum quantum of any Contribution Notice ("CN"). The High Court held that the aggregate liability under potential CNs issued to more than one target company could exceed the amount of £119m. This judgment is being appealed.

In light of the activity set out above, the risk of LB PTG having a liability to the pension scheme under a FSD remains, and the Administrators continue to monitor the position and take steps as appropriate.

## 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:



DA Howell  
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).

### ***Debtors***

As previously reported, LB PTG's claim in the ESH estate was admitted in the sum of £202.7m. 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.

In the reporting period, LB PTG received £326,625 in respect of one of its subsidiary investments. The subsidiary companies are in the process of being liquidated. It is therefore unlikely that any further realisations will be received.

Additionally a small dividend of £603 has been received from Mable Commercial Funding Limited, representing a dividend of 16.1 pence in the £ on LB PTG's admitted claim of £3,744.

### ***Tax***

In the reporting period, the Company sold tax losses realising £51,284.

### ***Distributions***

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.

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 in October 2013. A reserve of £8.925m has been made for the contingent pension liability.

## 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 November 2013 to 31 March 2014, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for this period total £56,959 plus VAT, which represents 145 hours at an average hourly rate of £392.

To date, remuneration of £1,276,518 plus VAT has been drawn in respect of time costs incurred to 31 January 2014.

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

An account of the receipts and payments in the Administration showing movements for the six months to 5 May 2014 is set out overleaf.

## Section 5 Receipts and Payments Account

|  | As at<br>5 May 2014 |                  | Movements      |          | As at<br>6 November 2013 |                  |
|--|---------------------|------------------|----------------|----------|--------------------------|------------------|
|  | GBP (£)             | EUR (€)          | GBP (£)        | EUR (€)  | GBP (£)                  | EUR (€)          |
| <b>Receipts</b>  |                     |                  |                |          |                          |                  |
| Assets held on trust   | 399                 | -                | -              | -        | 399                      | -                |
| Distributions received   | 24,649,535          | -                | 327,229        | -        | 24,322,306               | -                |
| Asset realisations   | -                   | 3,605,748        | -              | -        | -                        | 3,605,748        |
| Loan from group company  | 30                  | -                | -              | -        | 30                       | -                |
| Sale of tax losses   | 51,284              | -                | 51,284         | -        | -                        | -                |
| VAT refund   | 4,442               | -                | 4,442          | -        | -                        | -                |
| Net tax function costs recharged   | 250,086             | -                | -              | -        | 250,086                  | -                |
| Interest received gross  | 16,891              | -                | 16,891         | -        | -                        | -                |
| <b>Total Receipts</b>  | <b>24,972,667</b>   | <b>3,605,748</b> | <b>399,846</b> | <b>-</b> | <b>24,572,821</b>        | <b>3,605,748</b> |
| <b>Payments</b>  |                     |                  |                |          |                          |                  |
| Legal fees   | 104,870             | -                | 6,953          | -        | 97,917                   | -                |
| Professional fees  | 21,846              | -                | -              | -        | 21,846                   | -                |
| Employee wages & associated costs  | 310,438             | -                | -              | -        | 310,438                  | -                |
| Joint Administrators' Remuneration   | 1,276,518           | -                | 62,011         | -        | 1,214,507                | -                |
| Joint Administrators Category 1 disbursements                                  | 3,406               | -                | -              | -        | 3,406                    | -                |
| Payment for group relief   | 326,425             | -                | -              | -        | 326,425                  | -                |
| Statutory advertising  | 10,748              | -                | -              | -        | 10,748                   | -                |
| Insurance  | 87,150              | -                | -              | -        | 87,150                   | -                |
| IT costs   | 5,741               | -                | -              | -        | 5,741                    | -                |
| Net VAT paid   | 181,553             | -                | 12,402         | -        | 169,151                  | -                |
| <b>Total Payments</b>  | <b>2,328,695</b>    | <b>-</b>         | <b>81,366</b>  | <b>-</b> | <b>2,247,329</b>         | <b>-</b>         |
| Intracompany Transfers   |                     |                  |                |          |                          |                  |
| Receipt  | 3,041,205           | -                | -              | -        | 3,041,205                | -                |
| Payment  | -                   | (3,595,692)      | -              | -        | -                        | (3,595,692)      |
| <b>Total receipts less total payments</b>                                      | <b>25,685,177</b>   | <b>10,056</b>    | <b>318,480</b> | <b>-</b> | <b>25,366,697</b>        | <b>10,056</b>    |
| <b>Distributions</b>   |                     |                  |                |          |                          |                  |
| 1st dividend to unsecured creditors of 7.5p in the £, declared in October 2013 | (13,579,915)        | -                | -              | -        | (13,579,915)             | -                |
| Cash in hand / (movement in year)  | 12,105,262          | -                | -              | -        | (13,579,915)             | -                |
| <b>Cash Balances</b>   |                     |                  |                |          |                          |                  |
| HSBC (non interest bearing)  | 457,271             | -                | 357,189        | -        | 100,082                  | -                |
| Money market   | 11,647,991          | 10,056           | (38,709)       | -        | 11,686,700               | 10,056           |
| <b>Total Cash</b>  | <b>12,105,262</b>   | <b>10,056</b>    | <b>318,480</b> | <b>-</b> | <b>11,786,782</b>        | <b>10,056</b>    |

**Note:** The total GBP equivalent cash in hand at the exchange rate on 5 May 2014 is £24,228,843.

# Section 6 Joint Administrators' time costs for the period 1 November 2013 to 31 March 2014

| Classification of work     | Partner/Director |               | Senior Manager/Manager |               | Senior Associate |               | Associate/Support Staff |              | Total hours   |               |
|----------------------------|------------------|---------------|------------------------|---------------|------------------|---------------|-------------------------|--------------|---------------|---------------|
|                            | Hours            | £             | Hours                  | £             | Hours            | £             | Hours                   | £            | Hours         | £             |
| Accounting and treasury    | -                | -             | 9.70                   | 4,181         | 16.35            | 4,877         | 19.25                   | 4,408        | 45.30         | 13,466        |
| Strategy and planning      | 5.45             | 4,456         | 6.80                   | 2,939         | 7.70             | 2,772         | 7.75                    | 1,775        | 27.70         | 11,942        |
| Realisation of assets      | -                | -             | 0.20                   | 86            | -                | -             | -                       | -            | 0.20          | 86            |
| Creditors                  | -                | -             | 0.20                   | 86            | 0.50             | 180           | -                       | -            | 0.70          | 266           |
| Statutory and compliance   | 1.40             | 1,014         | 5.55                   | 2,424         | 16.75            | 6,030         | 6.90                    | 1,580        | 30.60         | 11,048        |
| Tax and VAT                | 1.60             | 1,552         | 6.60                   | 3,752         | 0.25             | 90            | 3.20                    | 460          | 11.65         | 5,854         |
| Pensions                   | 11.60            | 8,204         | 9.00                   | 3,879         | 1.70             | 612           | 5.55                    | 1,271        | 27.85         | 13,966        |
| LBL / LBIE Recharges       | 0.02             | 13            | 0.16                   | 70            | 0.29             | 68            | 0.82                    | 180          | 1.29          | 331           |
| <b>Grand Total</b>         | <b>20.07</b>     | <b>15,239</b> | <b>38.21</b>           | <b>17,417</b> | <b>43.54</b>     | <b>14,629</b> | <b>43.47</b>            | <b>9,674</b> | <b>145.29</b> | <b>56,959</b> |
| <b>Average Hourly Rate</b> |                  | <b>759</b>    |                        | <b>456</b>    |                  | <b>336</b>    |                         | <b>223</b>   |               | <b>392</b>    |

| Current charge out rates<br>Grade | Business Recovery Services |          | Specialist |          |
|-----------------------------------|----------------------------|----------|------------|----------|
|                                   | Max £/hr                   | Max £/hr | Max £/hr   | Max £/hr |
| Partner                           | 873                        | 1,167    |            |          |
| Director                          | 665                        | 1,076    |            |          |
| Senior manager                    | 512                        | 905      |            |          |
| Manager                           | 431                        | 660      |            |          |
| Senior Associate                  | 360                        | 490      |            |          |
| Associate/Support Staff           | 229                        | 228      |            |          |

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 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 increase) 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 November 2013 to 31 March 2014***

### ***Accounting and Treasury - £13,466***

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

### ***Strategy and Planning - £11,942***

- Reviewing financial information;
- Preparations for and attending the Upper Tribunal pensions hearing;\*
- Participating in discussions regarding pension issue;\*
- Discussions regarding strategy for the Administration;
- Updating strategy documents; and
- Regular meetings regarding the status of assets.

### ***Realisation of Assets- £86***

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

### ***Creditors - £266***

- Updating list of creditor claims and status of such claims.

### ***Statutory and Compliance - £11,408***

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

### ***Tax and VAT - £5,854***

- VAT reconciliation and preparation of VAT returns;
- Dealing with Corporation Tax and VAT queries;
- Preparation of Corporation Tax returns; and
- Tax compliance.

### ***Pensions - £13,966***

- Preparations for and attending the Upper Tribunal pensions hearing; and
- Liaising with internal and external advisors in relation to the ongoing pensions matter.

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***LBL / LBIE Recharges - £331***

- This is an apportionment of the costs incurred by Lehman Brothers Limited and Lehman Brothers International (Europe) associated with the administration companies.

\*The strategy and planning time up to 30 November 2013 includes time associated with pensions work. However, with effect from 1 December 2013, a separate work type has been set up to show the pension time separately going forward.