

# Lehman Brothers (PTG) Limited – In Administration

Joint Administrators' progress report for the period 6  
November 2008 to 5 May 2009

4 June 2009

# Contents

Section		Page
1	Purpose of the Joint Administrators' progress report	2
2	Background information	3
3	Joint Administrators' actions to date	4-5
4	Statutory and other information	6
5	Financial information	7
6	Receipts and payments account	8

# Section 1: Purpose of the Joint Administrators' progress report

## Introduction

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

Creditors were sent the Joint Administrators' proposals on 19 December 2008 which were approved through a meeting by correspondence with all creditors of the Company on 13 January 2009.

This report provides details of the work we have undertaken and the progress we have made during the first six months of our appointment.

## Objectives of the Administration

The Joint Administrators (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 all cash and interest in real estate on a managed basis;
- Mitigate as far as is possible and agree in principle the claims of all creditors; and
- To continue to manage the assets of its subsidiaries to ensure maximum returns to LB PTG.

## Creditors' Committee

No Creditors' Committee was formed as only one nomination was received.

## Administrators' remuneration and disbursements

The Administrators made a request in their proposals for the approval of their remuneration to be drawn on a time cost basis and that remuneration could be drawn on account from time to time. The Administrators have not drawn any remuneration costs to date. The Administrators have incurred time costs totalling £419,139 for the period 6 November 2008 to 30 April 2009. In accordance with Statement of Insolvency Practice 9, a detailed analysis of these time costs is set out in Appendix A.

## Outcome for creditors

At this time the Administrators are unable to provide a reliable estimate of the likely dividend to ordinary unsecured creditors as there are uncertainties regarding future net realisations. The timing and level of any dividend therefore remains uncertain.

There are no preferential creditors.

## What steps should be taken now

The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors.

Until there is more certainty regarding dividend prospects, claims agreement work will be restricted to gathering information. If you have not already submitted your claim to the Administrators, please do so by completing the enclosed statement of claim form.

## Future reports

The Joint Administrators' next progress report to creditors will be sent in approximately six months time.

Signed:



DA Howell  
Joint Administrator  
Lehman Brothers (PTG) Limited

# Section 2: Background information

## Background information

LB PTG is a subsidiary of Lehman Brothers UK Holdings Limited and is part of the Lehman Brothers group of companies.

LB PTG was initially formed in order to hold investments in other real estate companies within the Lehman Brothers group, principally Eldon Street Holdings Limited (“ESH”) and Thayer Properties Limited, which owns the Burford group of companies. The Company also holds a small portfolio of equity and debt interests in real estate assets in its own right.

Apart from its real estate interests, the Company’s main assets and liabilities are balances due to or from other Lehman Group companies.

## Events immediately preceding the Administrators’ appointment

Following the insolvency of Lehman Brothers Holdings Inc (“LBHI”) and the appointment of Administrators to Lehman Brothers International (Europe) (“LBIE”), the Administrators of LBIE undertook a detailed review of the Lehman Brothers group of companies within the UK.

As part of this review it was established that LB PTG could not repay a liability of £120m to LBHI and was therefore insolvent on a cash flow basis.

Additionally, LB PTG was owed approximately £152m from ESH. ESH went into Administration on 9 December 2008, and was unlikely to be able to repay the full £152m, making the Company insolvent on a balance sheet basis too.

## Business Activities

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

LB PTG also has approximately £6m (book value) of investments in real estate assets.

# Section 3: Joint Administrators' actions to date

## Asset review

A detailed review of the asset position has been undertaken to ascertain which of the LB PTG Group assets were owned by the Company. This required the retention of key Lehman staff to help monitor and manage financial positions and to identify and protect these assets for the benefit of LB PTG's creditors.

The key assets held by LB PTG are:

- Investments in subsidiary undertakings
- Interests in real estate
- Joint ventures ("JV") and intercompany receivables

The action taken in respect of these assets is detailed below.

## Investments in subsidiary undertakings

LB PTG holds investments in eight wholly owned subsidiary companies. We do not consider these investments to have any value.

## Interests in real estate

LB PTG has six direct minority equity stakes in real estate JVs. Three investments are in Italian entities trading in commercial and residential buildings. The PwC team in Italy have been assisting the Administrators and engaging with Lehman's Italian branch staff to protect and preserve value for LB PTG. This has involved:

- liaising with equity partners;
- negotiating JV and lease agreements; and
- dealing with compliance matters for the JVs.

We do not consider there will be significant realisations, but we are hopeful that, in the wind-down of some of these investments, equity will be returned to LB PTG.

We do not believe the other three JV interests will yield significant realisations.

## Book debts

An investigation has been carried out into the book debt position of LB PTG, and in particular into intercompany debts. This exercise included submitting claims in the estates of insolvent

intercompany debtors.

LB PTG has a single material intercompany receivable from Eldon Street Holdings Limited (in Administration) ("ESH"), with a book value of £152m.

In light of the collapse of the Lehman Group and the formal insolvency of ESH, the likely quantum of any recovery from this asset is very uncertain.

## Receipts and payments

No recoveries have been made for LB PTG owned assets since appointment. The Administrators have been successful, however, in recovering and banking SEK 1.9m on behalf of a subsidiary company that did not have a bank account.

## Section 4: Statutory and other information

<b>Court details for the Administration:</b>	High Court of Justice, Chancery Division, Companies Court - case 7943 of 2008
<b>Full name:</b>	Lehman Brothers (PTG) Limited
<b>Trading name:</b>	Lehman Brothers (PTG) Limited
<b>Registered number:</b>	04108157
<b>Registered address:</b>	25 Bank Street, London E14 5LE
<b>Company directors:</b>	Mr IM Jameson, Mr AJ Rush, Mr D Gibb, Mr JC Blakemore, Mr B Potter
<b>Company secretary:</b>	Ms M Smith, Ms P Dave, Ms ESE Upton
<b>Shareholdings held by the directors and secretary:</b>	None of the directors own shares in the Company
<b>Date of the Administration appointment:</b>	6 November 2008
<b>Administrators' names and addresses:</b>	AV Lomas, DY Schwarzmann & DA Howell, of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
<b>Appointer's name and address:</b>	High Court of Justice, Chancery Division, Companies Court
<b>Objective being pursued by the Administrators:</b>	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)
<b>Division of the Administrators' responsibilities:</b>	In relation to statement of powers for the purpose of paragraph 100(2) of schedule B1 to the IA1986, the Directors of Lehman Brothers (PTG) Limited ("the Company") have appointed Anthony Victor Lomas, Derek Howell and Dan Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT as Joint Administrators of the Company. The Joint Administrators of the Company will act jointly and severally so that all functions may be exercised by any or all of them.
<b>Proposed end of the Administration:</b>	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.
<b>Estimated dividend for unsecured creditors:</b>	It is too early to estimate the likely dividend for unsecured creditors.
<b>Estimated values of the prescribed part and LB PTG's net property:</b>	It is too early to estimate the likely dividend for unsecured creditors.
<b>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</b>	It is too early to decide whether such an application might be necessary
<b>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</b>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

# Section 5: Financial Information

## Statement of Affairs

The Directors have provided their Statement of Affairs (the "Statement"). This Statement is not attached to the progress report as disclosure of the information therein may impact adversely upon future realisations.

## 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 the administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that the administrators be authorised to draw such fees on account from time to time; and
- the Administrators be authorised to draw Category 2 disbursements provided by their own firm as follows: Photocopying - charged for circulars to creditors and other bulk copying only at 3p per sheet; mileage - at a maximum of 62p per mile (up to 2,000 cc) or 81p per mile (over 2,000cc).

To date, the Administrators have not drawn any fees. The Administrators intend to draw fees when funds become available.

# Section 6: Receipts and payments account

An account of the receipts and payments for the six months to 5 May 2009 is set out below

<b>Receipts in respect of LB PTG</b>	<b>SEK</b>	<b>Total GBP Equivalent</b>
Assets held on trust	1,900,100.00	159,180.50
	<b>1,900,100.00</b>	<b>159,180.50</b>
<b>Payments in respect of LB PTG</b>		
No payments	-	-
	-	-
<b>Net position in respect of LB PTG</b>	<b>1,900,100.00</b>	<b>159,180.50</b>

## Funds held as follows:

Bank of England	<b>1,900,100.00</b>	<b>159,180.50</b>
-----------------	---------------------	-------------------

FX rates as at 6 May 2009	
1 SEK	0.0837748 GBP

## Receipts

The receipt for the period does not belong to LB PTG but represents monies held on behalf of other subsidiaries not in any insolvency procedure. The full amount will be returned to the subsidiaries in due course.

## Payments

There are no payments for the period.