

# Lehman Brothers (PTG) Limited – In Administration

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

2 December 2009

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

## Introduction

This is the second progress report by the Joint Administrators (the "Administrators") of Lehman Brothers (PTG) Limited ("LB PTG" or the "Company"), pursuant to Rule 2.47(3)(a) of the Insolvency Rules 1986.

This report provides an update on the work 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 2009.

## 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 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 investments in subsidiaries with the aim of maximising returns to LB PTG.

## Creditors' Committee

There were insufficient nominations to form a Creditors' Committee.

## 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.

## Extension of the Administration

On the application of the Administrators, the High Court has made an Order extending the period of the Administration to 30 November 2010.

## Future reports

The Administrators will next report to creditors in approximately six months time or when the Administration comes to an end, whichever is sooner.

Signed:



DA Howell

Joint Administrator

Lehman Brothers (PTG) Limited

# Section 2: Joint Administrators' action to date

## Overview

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 Holdings Limited and Thayer Properties Limited, which owns the Burford group of companies.

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

## Administrators' actions to date

The Administrators have continued with the strategy set out in the Joint Administrators' proposals and first progress report to creditors.

The three key assets are investments in subsidiary companies ("the PTG Group"), interests in real estate and intercompany receivables (from the PTG Group and the wider Lehman Brothers group).

Realisations in the last six months have included c.€600,000 from a real estate interest in Italy. A further c.€300,000 is expected shortly from a second real estate investment in Italy.

The Administrators have been assisting directors of the PTG Group companies to prepare tax and financial accounts for submission to the relevant authorities. The Administrators are providing this support so that potential realisations from the PTG Group, in the form of repayment of intercompany receivables and shareholder realisations through tax refunds and other asset realisations, will be maximised.

A significant proportion of the time costs incurred by the Administrators and their staff were incurred in providing such support.

## Outstanding matters

At this time it is not known when realisations from the PTG Group will be received, however the Administrators will continue monitoring each member of the Group to ensure the support given is in the interest of creditors of LB PTG.

The Administrators will continue to pursue

recoveries from the Italian real estate investments.

## Extension of the Administration

On 28 July 2009 the Administrators made an application to Court to extend the period of the Administration. The Court made an Order extending the Administration until 30 November 2010.

The application was made for the following reasons:

- Entering into an insolvency process other than Administration has the effect of breaking the Group of Companies for tax purposes. The Administrators are aware that there are potential tax losses within the PTG Group and the wider Lehman Brothers group which may have value to this estate, and which would be lost if the Company entered into another insolvency process; and
- The Administrators have not yet determined the most appropriate exit route from Administration.

## Dividend prospects

Dividend prospects for the creditors of LB PTG are dependent on the realisations which are derived from its assets. It is not yet possible to provide an estimate of the potential dividend for LB PTG's creditors.

## Section 3: Statutory and other information

<b>Court details for the Administration:</b>	High Court of Justice, Chancery Division, Companies Court – Court case 9851 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 and 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>Details of any extensions of the initial period of appointment:</b>	The Court has granted an extension of the Administration to 30 November 2010.
<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>	Not applicable as there is no prescribed part.
<b>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</b>	Not applicable as there is no prescribed part.
<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 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.

Attached as an Appendix, is a summary of the Administrators' time costs for the period 1 May 2009 to 31 October 2009, presented in accordance with Statement of Insolvency Practice 9 ("SIP 9"), together with a narrative of the work performed.

The SIP 9 summary shows that the total time costs for the period is £483,087, which represents 1,629.3 hours at an average hourly rate of £296.49.

We previously provided an analysis in respect of time costs of £419,140 incurred in the period 6 November 2008 to 30 April 2009.

To date, remuneration of £419,140 plus VAT, has been drawn.

## **Receipts and payments account**

An account of the receipts and payments in the Administration to 5 November 2009 is set out in section 5 of this report.

Certain costs have been incurred on behalf of subsidiaries that are in the process of recovering cash. PTG intends to recover these costs incurred from the relevant subsidiaries once funds become available.

# Section 5: Receipts and payments account for the period ended 5 November 2009

	GBP (£)	As at 5 November 2009 EUR (€)	SEK	As at 5 Nov 09 Total (USD Equivalent) \$	As at 5 May 09 Total (USD Equivalent) \$	Movements (USD Equivalent) \$
<b>RECEIPT</b>						
Assets held on trust				272,094		
Sale of assets		600,000	1,900,100	893,340	238,907	33,187
Loan from group company	30			50		50
<b>Receipts Grand Totals</b>	<b>30</b>	<b>600,000</b>	<b>1,900,100</b>	<b>1,165,484</b>	<b>238,907</b>	<b>926,577</b>
<b>PAYMENT</b>						
Legal fees	23,802		-	39,516	-	39,516
Legal disbursements			-	-	-	-
Joint Administrators' remuneration	419,140		-	695,856	-	695,856
Joint Administrators' category 1 disbursements			-	-	-	-
Bank charges		16	585	108	28	80
Statutory advertising	1,413		-	2,346	-	2,346
Tax paid on interest			-	-	-	-
VAT paid	66,593		-	110,558	-	110,558
<b>Payments Grand Totals</b>	<b>510,948</b>	<b>16</b>	<b>585</b>	<b>848,384</b>	<b>28</b>	<b>848,356</b>
<b>INTERCOMPANY TRANSFER (EUR to GBP)</b>						
Payment		(599,900)		(893,191)		
Receipt	516,532			857,547		
<b>NET POSITION</b>	<b>5,614</b>	<b>84</b>	<b>1,899,515</b>	<b>281,456</b>	<b>238,879</b>	
<b>CASH BALANCES</b>						
HSBC	5,614	84	1,899,515	281,456		
<b>Total Cash</b>	<b>5,614</b>	<b>84</b>	<b>1,899,515</b>	<b>281,456</b>		

	05/11/2009
FX	
GBP	1,6602
EUR	1,4889
CHF	0,9851
SEK	0,1432

# Appendix: Summary of the Joint Administrators' time costs for the period 1 May 2009 to 31 October 2009

Classification of work	PARTNER / DIRECTOR		SENIOR MANAGER / MANAGER		SENIOR ASSOCIATE		ASSOCIATE / SUPPORT STAFF		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Asset Realisations	49.0	29,824	16.8	7,165	34	6,994	14	2,280	113.8	46,263
Strategy and Planning	7.7	5,971	56.8	23,287	38.2	11,398	10.8	1,313	113.5	41,969
Accounting and treasury	0.1	71	12.8	5,067	28.3	8,536	11.3	2,255	52.5	15,929
Tax & VAT	1.1	915	244.9	92,993	992.5	247,988	1.1	220	1239.6	342,116
Statutory, compliance and other workstreams	13.1	7,727	49.0	17,773	28.5	7,972	19.3	3,340	109.9	36,812
<b>Grand Total</b>	<b>71.0</b>	<b>44,508</b>	<b>380.3</b>	<b>146,285</b>	<b>1,121.5</b>	<b>282,888</b>	<b>56.5</b>	<b>9,408</b>	<b>1,629.3</b>	<b>483,089</b>

**The Joint Administrators' policy for charging for disbursements is:**

Photocopying is charged at 3p per sheet for creditors and bulk copying  
Mileage is charged at a maximum of 62p per mile (up to 2000cc) or 81p per mile (over 2000cc)  
All other disbursements are charged at cost  
**Total**

Costs to date (£)	-
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Current charge out rates Grade	Business Recovery Services		Specialist*	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	785	1,070	1,070	
Director	590	890	890	
Senior manager	450	810	810	
Manager	390	590	590	
Senior Associate	320	395	395	
Associate / Support Staff	200	200	200	

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 remuneration is to be paid as and when funds become available



# Appendix: Narrative of time costs

The following narrative summarises the work undertaken by the Joint Administrators' and their staff during the period.

## **Asset Realisations - £46,263**

- Reviewed all PTG assets held in subsidiaries and joint ventures;
- Logged, redirected and dealt with queries by interested parties for LB PTG assets and investments;
- Commenced sale process
- Review and reconciliation of three LB PTG assets held in Italy;
- Worked with Lehman UK and Italian staff to gather information on Italian assets and develop options
- Liaison with Italian liquidator on wind down and sale of assets; and
- Collection of proceeds from liquidations.

## **Strategy and planning - £41,969**

- Reviewed financial information;
- Prepared detailed fee summary;
- Performed fee analysis for Administrators' update;
- Analysed timesheets for completeness and accuracy;
- Weekly review of activity on the estate by PwC staff and retained Lehman staff; and
- Worked on options surrounding loan portfolio.

## **Accounting and treasury - £15,929**

- Reconciliation of bank accounts;
- Preparing receipts and payment vouchers; and
- Monitoring flow of funds into bank accounts.

## **Tax and VAT - £342,116**

- Liaison with asset management team and accounting team to review the exit strategy papers and cash flow projections prepared; consider tax implications and prepare tax analysis on various deals;
- Preparing March - May 2009 VAT return;
- Preparation of accounts for the PTG group by the tax team with the aim to recover tax already paid on account;
- Preparation of accounts required by tax team in order for them to prepare tax returns for companies in the PTG group;
- Preparation of accounts required by liquidation work stream in order for them to discuss exit strategies for companies in the PTG group; and
- Preparation of cash flow projections to support exit strategies prepared by asset management / loan servicing work stream for companies in the PTG group.

## **Statutory, compliance and other workstreams - £36,812**

- Managed statutory database;
- Dealing with statutory issues;
- Lehman Brothers Limited – in Administration recharges; and
- Prepared Administrators' progress reports.