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

Joint Administrators' progress
report for the period 6 November
2010 to 5 May 2011

3 June 2011

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the fifth 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 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 2011

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

Outcome for creditors

LB PTG's most significant realisation is likely to be the sums due to it in respect of loans to subsidiaries. The subsidiaries invested in commercial property and due to uncertainties in that market, the potential realisations remain uncertain. Therefore, the eventual outcome for creditors of LB PTG cannot be determined at this stage, although the Administrators anticipate that a dividend will be paid in the future.

As previously advised, the Pensions 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.

The Determinations Panel of the Pensions Regulator issued a Determination Notice on 13

September 2010 which stated that a Financial Support Direction should not be issued against LB PTG. However, as the FSD legal process has not yet been completed, the Administrators are not certain at this stage that LB PTG will not have liability under an FSD. Accordingly, the Administrators have written to the trustees of the pension scheme in order to obtain clarification on whether a liability under an FSD will fall to LB PTG.

Extension of the administration

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2011. In light of the outstanding pension issue and ongoing asset realisations, the Administrators are expecting to apply to Court for a further extension to the Administration in due course.

Future reports

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

Signed:



DA Howell
Joint Administrator
Lehman Brothers (PTG) Limited

Section 2 Joint Administrators' actions to date

Overview

LB PTG was initially funded by Lehman Brothers Holdings Inc 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 and the wider Lehman Brothers group), and, investments in subsidiary companies

Administrators' actions to date

As anticipated, in this period no further receipts have been made in respect of the Company's direct interest in real estate

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

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

The Administrators have prepared tax and financial accounts for submission to the relevant authorities on the Lehman Group of companies. LB PTG has realised £250k in respect of a recharge of tax function costs. The tax function costs are a reallocation of costs incurred by a centralised tax team

On 13th May 2011, after the date of this report, LB PTG recovered €918,000 in respect of a distribution from an Italian property venture.

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 IAS6, 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>	The Court has granted an extension of the Administration to 30 November 2011.
<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) IAS6</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.

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.

Below is an analysis in respect of time costs incurred since the start of the administration, 6 November 2008, to 28 February 2011.

To date, remuneration of £729,486 plus VAT has been drawn.

Receipts and payments account

An account of the receipts and payments in the Administration to 5 May 2011 is set out overleaf.

Section 5 Receipts and Payments Account

	As at 5 May 2011			As at 5 November 2010			Movements		
	GBP (£)	EUR (€)	SEK	GBP (£)	EUR (€)	SEK	GBP (£)	EUR (€)	SEK
Receipts									
Assets held on trust	399	-	1,900,100	-	-	1,900,100	399	-	-
Sale of assets	-	1,667,748	-	-	1,667,748	-	-	-	-
Loan from group company	30	-	-	30	-	-	-	-	-
Net tax function costs recharged	250,086	-	-	-	-	-	250,086	-	-
VAT receipts	42,014	-	-	42,014	-	-	-	-	-
Total Receipts	292,529	1,667,748	1,900,100	42,044	1,667,748	1,900,100	250,485	-	-
Payments									
Legal fees	48,280	-	-	47,893	-	-	387	-	-
Professional fees	21,846	-	-	21,846	-	-	474	-	-
Employee wages & associated costs	312,154	-	-	311,680	-	-	310,346	-	-
Joint Administrators' Remuneration	729,486	-	-	419,140	-	-	-	-	-
Bank charges	-	55	1,223	-	59	1,278	-	(4)	(55)
Statutory advertising	1,413	-	-	1,413	-	-	-	-	-
Insurance	87,150	-	-	87,150	-	-	-	-	-
VAT paid	120,611	-	-	73,991	-	-	46,620	-	-
Total Payments	1,320,940	55	1,223	963,113	59	1,278	357,827	(4)	(55)
Intracompany Transfers									
Receipt									
Payment	1,148,804	(1,364,900)	-	1,148,804	-	-	-	-	-
Net Position	120,393	302,793	1,898,877	227,735	302,789	1,898,822	(107,342)	4	55
Cash Balances									
HSBC (non interest bearing)	120,393	302,793	1,898,877	227,735	302,789	1,898,822	(107,342)	4	55
Total Cash	120,393	302,793	1,898,877	227,735	302,789	1,898,822	(107,342)	4	55

Section 6 Joint Administrators' time costs for the period 6 November 2008 to 28 February 2011

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support staff		Total		Average Hourly Rate
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£	
Asset disposals	144.0	82,942	173.0	57,118	290.6	62,533	80.3	7,840	667.9	210,431	305.90
Strategy and planning	52.2	40,212	101.1	40,876	63.0	19,859	-	-	216.3	100,947	466.70
Accounting and Treasury	11.3	9,689	127.7	56,110	343.2	90,810	23.9	4,383	506.1	160,992	318.10
Tax and VAT	12.3	10,184	72.4	32,198	575.2	151,814	2.0	333	661.9	194,509	293.86
Statutory and compliance	2.2	1,841	28.5	9,690	292.3	60,512	-	-	323.0	72,043	223.04
Reporting	4.7	3,590	45.1	18,154	38.5	12,281	60.7	11,585	149.0	45,010	306.11
Creditors and counterparties	8.5	5,397	31.3	15,295	33.9	9,350	-	-	73.7	30,042	407.63
LBL Recharges	25.0	14,294	209.1	72,644	179.1	44,741	120.9	16,323	534.1	148,002	277.11
Total	260.2	188,129	788.2	302,083	1,815.8	451,900	287.8	40,464	3,152.0	982,576	305.39

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

Costs to date (£)
-
-
-

Current charge out rates Grade	Business		Specialist*	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	800	800	800	800
Director	610	610	830	830
Senior manager	470	395	605	605
Manager	330	330	330	330
Senior Associate	210	210	195	195
Associate / Support Staff				

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 at the charge-out rates shown for the various grades of staff who may be involved in this administration.

*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 inflationary 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.

Summary of the Joint Administrators' time costs for the period 6 November 2008 to 28 February 2011

Asset disposals - £210,431

- 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;
- Investigated sales process,
- Reviewed and reconciled three LB PTG assets held in Italy, and pursued recoveries, in excess of €1.5m,
- 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 - £100,947

- Reviewed financial information;
- Regular review of activity on the estate by PwC staff and retained Lehman staff,
- Worked on options surrounding loan portfolio,
- Regular meetings regarding the status of assets, and
- Review of strategy, to ensure strategy is continually in line with proposals

Accounting and treasury - £160,992

- Preparation of receipts and payments account for statutory reporting,
- Preparation of receipts and payments vouchers;
- Preparation of statutory accounts for subsidiaries for tax purposes (part of this cost has been reimbursed through the tax function recharges),
- Reconciliation of bank accounts; and
- Monitoring flow of funds into the bank accounts

Tax and VAT- £194,509

- Tax planning for group companies; and
- Work on tax compliance process for 2006, 2007 and 2008 and monitoring the progress of accounts and tax computation preparation processes;
- Reviewing historic tax computations to locate losses that could be utilised by group companies; and
- Tax and VAT issues

Much of this cost has been recovered via the tax function cost recharges

Statutory and compliance - £72,043

- Dealing with statutory issues;
- Review time cost data for accuracy and completeness;
- Prepared detailed fee summaries,
- Performed fee analysis for Administrators' update,
- Undertaking six monthly case reviews, and
- Maintaining case records and database

Reporting - £45,610

- Preparing four six monthly Administrators' progress reports, and
- Preparation of time cost analysis for report, and
- Management of case database and file

Creditors and counterparties - £30,042

- Reviewing creditor claims and documentation; and
- Dealt with creditor queries

LBL recharges - £148,002

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