



Thayer Properties Limited
– in Creditors' Voluntary Liquidation

**Joint Liquidators' first progress report to
members and creditors for the period
1 November 2012 to 22 March 2013**

20 May 2013

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1. Joint Liquidators' first progress report to members and creditors for the period 1 November 2012 to 22 March 2013

Introduction

On 1 November 2012 Thayer Properties Limited (the "Company") moved into Creditors' Voluntary Liquidation following the conclusion of the Administration on the same day. DA Howell, MJA Jervis and AV Lomas were appointed as Joint Liquidators (the "Liquidators").

In accordance with Rule 4.49C of the Insolvency Rules 1986 ("IR86"), this is the Liquidators' first progress report to members and all known creditors. Attached at Appendix A is a summary of the financial information relating to the Liquidation.

Change of Liquidator

Upon an application to the High Court of Justice ("the Court"), an order was made on 22 March 2013 that GE Bruce and JG Parr be appointed Joint Liquidators and that DA Howell and MJA Jervis cease to be Joint Liquidators of the Company.

The Court also ordered that former Joint Liquidators shall be released from all liability pursuant to the relevant sections in the Insolvency Act 1986 in respect of their acts and omissions and otherwise in respect of their conduct as administrators of the Company and that such release will take effect 56 days after the date of this progress report. The Court gave permission for each creditor and member of the Company to apply to vary or discharge its Order by an application issued within 28 days of receipt of this progress report.

Asset realisations

During the Liquidation, the Company's assets have been realised as follows:-

- Cash balances:

On completion of the Administration, surplus funds of approximately £3.2m were released to the Joint Liquidators.

- Sale of tax losses:

Total realisations from the sale of tax losses to group companies during the period are £398,219.

- Asset still to be realised:

On 31 January 2013 the Company entered into a claims determination deed with Lehman Brothers International (Europe) (in Administration) ("LBIE"), whereby LBIE has admitted the Company's claim for c.£18K. At the same time, the Company entered into a small claim settlement agreement with LBIE to receive a one-off dividend from LBIE's estate.

The Company's remaining assets include inter-company debts, principally from Eldon Street Holdings Limited, and an investment in a subsidiary company.

Receipts and payments account

An account of the Joint Liquidators' receipts and payments for the period from 1 November 2012 to 22 March 2013 are shown in Section 2. All funds are held on interest-bearing accounts.

The receipts and payments account details expenses met from funds in the Liquidation to 22 March 2013.

The IT costs incurred during the period are Thayer's contribution to the production and running of the Entity Prioritisation Model ("EPM") whose cost was incurred by Lehman Brothers International (Europe). The EPM has been used for considering options in respect of the pensions issue.

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Outcome for Creditors

- Unsecured creditors:

The statement of affairs prepared by the directors estimated that the claims of unsecured creditors would be \$400,920,907. The Liquidators will not be taking steps to collate and agree claims until it has been established that there are likely to be sufficient funds in the Liquidation to enable a dividend to be paid to this class of creditor.

The Pensions Regulator ("the Regulator") listed Thayer 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. Thayer was among 38 companies that the Panel decided should not be issued with an FSD.

The Scheme Trustees have requested that the Upper Tribunal overturns the Panel's decision and rule that the 38 companies (including Thayer) should also be subject to an FSD. Thayer is still, therefore, at risk from this potential liability, but (together with 36 other affected entities) maintains that the 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. Following a judgment on 14 June 2012, the Upper Tribunal declined the strike out, meaning that Thayer is still at risk of a FSD. An appeal has been made to the Court of Appeal and the hearing began on 29 April 2013. Judgement has been reserved and will be handed down in due course.

The Liquidators continue to monitor the pensions issues closely and are seeking an interim resolution.

Investigations

The Liquidators have reviewed the affairs of the Company prior to Liquidation and have also considered the points raised by creditors, if any, in discharging their duties under the Company Directors' Disqualification Act 1986.

Creditors are reminded that the Liquidators have a statutory obligation to consider the directors' conduct and to submit a return/report to the Insolvency Service. The Liquidators can confirm that they have complied with this requirement.

Professional advisers

For ongoing matters the Joint Liquidators have retained the professional advisers that were engaged in the Administration as shown below.

| Name of firm / organisation | Service provided | Reason selected | Basis of fees |
|-----------------------------|------------------|--|---------------|
| Linklaters LLP | Legal advice | Specialist insolvency and industry knowledge | Time costs |

The Joint Liquidators' choice was based upon their perception of the advisers' experience and ability to perform this type of work, their knowledge of the complexity and nature of the assignment and the basis of the fee arrangement with them. The Joint Liquidators continue to review the fees charged and remain satisfied that they are reasonable in the circumstances of this case.

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Liquidators' remuneration

You may recall that during the Administration, in accordance with resolutions passed at the initial creditors meeting held on 18 October 2010, the former Administrators' fees were fixed under Rule 2.106 IR86 by reference to time properly given by the Administrators' and their staff in attending to matters arising. In accordance with Rule 4.127 IR86, the remuneration basis agreed in the Administration will continue in the Liquidation.

To 31 March 2013, the Liquidators have incurred time costs of £24,159. This represents 78.66 hours at an average hourly rate of £305.85. The balance will be drawn in due course.

Liquidators' disbursements

Category 1 disbursements

The Liquidators' have not incurred any category 1 disbursements during the period from the date of appointment to 22 March 2013.

Category 2 disbursements

The Liquidators' current disbursements policy, as approved by the creditors, is as follows:

1. Photocopying for circulars or any other bulk copying is charged at 5p per sheet;
2. Mileage – this is reimbursed at a maximum of 67p per mile (up to 2,000cc) and 80p per mile (over 2,000cc).

All other disbursements are reimbursed at cost. The Liquidators have not incurred any category 2 disbursements during the period from the date of appointment to 22 March 2013.

Additional information

If any creditor requires further explanations on any aspect of the Liquidators' progress report, then please telephone or write to Jennifer Hills who will be pleased to deal with such enquiries, however, any request for further information regarding the Liquidators' remuneration or disbursements should be made in writing (Rule 4.49E).

In addition, should any creditor consider the Liquidators' remuneration and disbursements to be excessive or inappropriate, they have the right to challenge the amounts in accordance with Rule 4.131 IR86.

In accordance with the requirements of Statement of Insolvency Practice No.9 (payments to insolvency office holders and their associates) ("SIP9"), which was revised on 1 November 2011, an analysis of the Joint Liquidators' time costs for the period 1 November 2012 to 31 March 2013 is provided at Section 3.

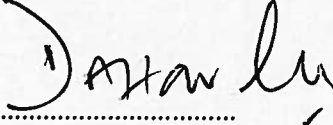
Creditors' rights

A statement of creditors' rights in relation to the Joint Liquidators' remuneration and expenses pursuant to IR86 is set out at Section 4.

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Next report and enquiries

This report has been prepared as a result of the change in Liquidators. The current Joint Liquidators will circulate their next report in approximately 12 months from the end date of the period covered by this report. If any creditor has any queries in the meantime, please contact Jennifer Hills on 020 7212 6092.

Signed.....

DA Howell
Former Joint Liquidator

AV Lomas, GE Bruce and JG Parr were appointed as Joint Liquidators of Thayer Properties Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, 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 Liquidators 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 Liquidation.

2. Receipts and payments account

| | As at 22 March 2013 | |
|--|---------------------|--------------|
| | GBP (£) | USD (\$) |
| Receipts | | |
| Release of funds from the Administrators | 3,236,792 | 2,703 |
| Sale of tax losses | 398,219 | - |
| Total Receipts | 3,635,011 | 2,703 |
| Payments | | |
| Legal fees | 5,708 | - |
| Employee costs | 4,061 | - |
| IT costs | 5,741 | - |
| Statutory Advertising | 74 | - |
| Joint administrators' remuneration | 34,388 | - |
| Input VAT | 7,582 | - |
| Total Payments | 57,554 | - |
| Net Position | 3,577,457 | 2,703 |
| Cash Balances | | |
| HSBC - Non-interest bearing account | 3,577,457 | 2,703 |
| Total Cash | 3,577,457 | 2,703 |

3. Information in support of the Joint Administrators' time costs from 1 November 2012 to 31 March 2013

Charging and disbursements policy

The time charged to the Liquidation is by reference to the time properly given by the Joint Liquidators and their staff in attending to matters arising.

It is the Joint Liquidators' policy to delegate tasks in the Liquidation to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or the Joint Liquidators themselves.

Set out below are the relevant charge-out rates per hour worked for the Joint Liquidators' staff actually or likely to be involved on the assignments from 1 November 2012. Time is charged by reference to actual work carried out. There has been no allocation of any general costs or overhead costs.

| Grade | £ |
|------------------|-----|
| Partner | 838 |
| Director | 639 |
| Senior manager | 492 |
| Manager | 414 |
| Senior associate | 346 |
| Associate | 220 |

Specialist departments within the Joint Liquidators' firm such as Tax and VAT are also used where their expert advice is required. The figures below provide an indication of the maximum rate per hour from 1 November 2012.

| | |
|---------------------------|-------|
| Partner | 1,027 |
| Director | 932 |
| Senior manager | 869 |
| Manager | 634 |
| Senior Associate | 389 |
| Associate / support staff | 204 |

In common with many professional firms, the scale rates used by the Joint Liquidators may increase to cover annual inflationary cost increases.

There is no statutory requirement for the Joint Liquidators to seek approval to draw expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the Joint Liquidators propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the Joint Liquidators' own firm), they must be disclosed and be authorised by those responsible for approving their remuneration. Such expenses are known as "Category 2" disbursements and they must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

The Joint Liquidators' expenses policy allows for all properly incurred expenses to be recharged to the case. Category 2 disbursements are approved by the Creditors. There were no Category 2 disbursements during the period.

3. Information in support of the Joint Administrators' time costs from 1 November 2012 to 31 March 2013

Analysis of the liquidators' time costs for the period from 1 November 2012 to 31 March 2013

| Classification of work | Partner/Director | | Senior Manager/Manager | | Senior Associate | | Associate/Support Staff | | Total hours | | Average hourly rate |
|--------------------------------|------------------|--------------|------------------------|--------------|------------------|---------------|-------------------------|--------------|--------------|---------------|---------------------|
| | Hours | £ | Hours | £ | Hours | £ | Hours | £ | Hours | £ | £ |
| Accounting and treasury | 1.60 | 1,341 | 2.00 | 838 | 8.80 | 2,226 | 13.25 | 2,915 | 25.65 | 7,310 | 285 |
| Administration and planning | 0.50 | 419 | 4.80 | 1,987 | 9.30 | 2,353 | - | - | 14.60 | 4,759 | 326 |
| Realisation of assets | - | - | 3.10 | 1,283 | - | - | - | - | 3.10 | 1,283 | 414 |
| Statutory and other compliance | 1.00 | 838 | 4.80 | 2,011 | 25.20 | 6,376 | 1.70 | 363 | 32.70 | 9,588 | 293 |
| Tax and VAT | 0.30 | 308 | 1.00 | 530 | - | - | - | - | 1.30 | 838 | 645 |
| L&L Recharges | 0.02 | 10 | 0.35 | 155 | 0.32 | 87 | 0.62 | 129 | 1.31 | 381 | 291 |
| Grand Total | 3.42 | 2,916 | 16.05 | 6,794 | 43.62 | 11,042 | 15.57 | 3,407 | 78.66 | 24,159 | 307 |

| Current charge out rates Grade | Business Recovery Services | | Specialist | |
|--------------------------------|----------------------------|----------|------------|----------|
| | Max £/hr | Max £/hr | Max £/hr | 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 0.05 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.

3. Information in support of the Joint Administrators' time costs from 1 November 2012 to 31 March 2013

Tasks performed by the Joint Liquidators and their team for the period 1 November 2012 to 31 March 2013:-

Accounting and treasury - £7,310

- Closing Administration bank accounts and opening Liquidation bank accounts;
- Preparing bank mandate for the Liquidation;
- Undertaking receipts and payments;
- Processing payroll; and
- Preparing bank reconciliations.

Administration and planning - £4,759

- Discussing and implementing Liquidation strategy;
- Review of intercompany relationships; and
- Liaising with subsidiary company regarding realisation strategy.

Asset Realisations - £1,283

- Liaising with LBIE in respect of their claims agreement process; and
- Finalising the small claims agreement deed with LBIE.

Statutory and other compliance – £9,588

- Compliance in preparation for the Liquidation;
- Preparation of Administrators' final report
- Circulate progress report to creditors;
- Statutory filings at Companies House and Court;
- Prepare receipts and payments account;
- Prepare detailed remuneration summary;
- Manage the Thayer database; and
- Liaise with Liquidators on statutory issues.

Tax and VAT - £835

- Tax compliance on moving to Liquidation.

LBL recharges - £381

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

4. Statement of creditors' rights

Rule 4.49E - Creditors' and members' request for further information

4.49E(1) If (a) within the period mentioned in paragraph (2) (i) a secured creditor, or (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors including the creditor in question), or (iii) members of the company in a members' voluntary winding up with at least 5% of the total voting rights of all the members having the right to vote at general meetings of the company, or (b) with the permission of the court upon an application made within the period mentioned in paragraph (2) (i) any unsecured creditor, or (ii) any member of the company in a members' voluntary winding up, makes a request in writing to the liquidator for further information about remuneration or expenses set out in a progress report in accordance with Rule 4.49B(1)(e) or (f) (including by virtue of Rule 4.49C(5)) or in a draft report under Rule 4.49D, the liquidator must, within 14 days of receipt of the request, comply with paragraph (3) except to the extent that the request is in respect of matter in a draft report under Rule 4.49D or a progress report required by Rule 4.108 which (in either case) was previously included in a progress report not required by Rule 4.108.

4.49E(2) The period referred to in paragraph (1)(a) and (b) is (a) 7 business days of receipt (by the last of them in the case of an application by more than one member) of the progress report where it is required by Rule 4.108, and (b) 21 days of receipt (by the last of them in the case of an application by more than one member) of the report or draft report in any other case.

4.49E(3) The liquidator complies with this paragraph by either (a) providing all of the information asked for, or (b) so far as the liquidator considers that (i) the time or cost of preparation of the information would be excessive, or (ii) disclosure of the information would be prejudicial to the conduct of the liquidation or might reasonably be expected to lead to violence against any person, or (iii) the liquidator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information.

4.49E(4) Any creditor, and any member of the company in a members' voluntary winding up, who need not be the same as the creditors or members who asked for the information, may apply to the court within 21 days of (a) the giving by the liquidator of reasons for not providing all of the information asked for, or (b) the expiry of the 14 days provided for in paragraph (1), and the court may make such order as it thinks just.

4.49E(5) Without prejudice to the generality of paragraph (4), the order of the court under that paragraph may extend the period of 8 weeks or, as the case may be, 4 weeks provided for in Rule 4.131(1B) or 4.148C(2) by such further period as the court thinks just.

4.49E(6) This Rule does not apply where the liquidator is the official receiver.

Rule 4.131 - Creditors' claim that remuneration is or other expenses are excessive

4.131(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4).

4.131(1A) Application may be made on the grounds that (a) the remuneration charged by the liquidator, (b) the basis fixed for the liquidator's remuneration under Rule 4.127, or (c) expenses incurred by the liquidator, is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.

4.131(1B) The application must, subject to any order of the court under Rule 4.49E(5), be made no later than 8 weeks (or, in a case falling within Rule 4.108, 4 weeks) after receipt by the applicant of the progress report, or the draft report under Rule 4.49D, which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").

4.131(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss the application; but it shall not do so unless the applicant has had an opportunity to attend the court for a hearing, of which he has been given at least 5 business days' notice but which is without notice to any other party. If the application is not dismissed under this paragraph, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly.

4.131(3) The applicant shall, at least 14 days before the hearing, send to the liquidator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.

4.131(4) If the court considers the application to be well-founded, it must make one or more of the following orders (a) an order reducing the amount of remuneration which the liquidator was entitled to charge; (b) an order fixing the basis of remuneration at a reduced rate or amount; (c) an order changing the basis of remuneration; (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the liquidation; (e) an order that the liquidator or the liquidator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify; and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.

4.131(5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the liquidation.