
Lehman Brothers (PTG) Limited – In Administration

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

3 December 2014

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 12th 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 November 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. A second interim dividend of 10.42 pence in the £ was declared and paid on 5 September 2014.

A further dividend is anticipated to be paid in the next six months, however the quantum is contingent upon receipt of further dividends from its debtors.

Pension liability

During the reporting period, the Administrators entered into an agreement to settle the Upper Tribunal proceedings against various Lehman

companies. The purpose of the Upper Tribunal proceedings was to decide whether a Financial Support Direction ("FSD") should be made, and against which entities, in respect of the Lehman Brothers Pension Scheme (the "Scheme") such that additional contributions would be paid into the Scheme.

Following the settlement agreement with the Pension Scheme Trustees, and all other potential FSD targets, which became effective on 18 August 2014, LB PTG no longer has a potential liability to the Scheme.

As part of the settlement, LB PTG has contributed to certain legal costs of the Pension Scheme Trustees and the Pensions Regulator. The Company has not contributed to the cost of funding pension liabilities under the settlement, which are being discharged by other Lehman companies.

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.

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).

Debtor Realisations

Eldon Street Holdings Limited

As previously reported, LB PTG's claim in the ESH estate was admitted in the sum of £202.7m. In October 2013, ESH paid a first interim dividend of 12 pence in the £ to its unsecured non-preferential creditors, resulting in a dividend being paid to LB PTG of £24.32m.

Following a review of the Company's books and records, LB PTG submitted a revised proof of debt against ESH, thereby increasing its claim to £210.6m. ESH has admitted LB PTG's revised claim in full and a catch up dividend of 12 pence in the pound has been paid on the additional element of LB PTG's claim of £7.9m, resulting in £956k being received in the period.

Further, in September 2014 ESH paid a second interim dividend of 5.98 pence in the pound to its unsecured creditors and LB PTG has received a second dividend (on its claim of £210.6m) of £12.6m.

Mable Commercial Funding Limited

Two further small dividends of £176 and £124 have been received from Mable Commercial Funding Limited, representing dividends of 4.7 and 3.3

pence in the £, respectively, on LB PTG's admitted claim of £3k.

Subsidiary Investments

In the reporting period, LB PTG also received €510k in respect of one of its subsidiary investments. The subsidiary companies are in the process of being liquidated. The Administrators have been advised that it is unlikely that any further realisations will be received in respect of these assets.

Distributions to Creditors

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's 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 second interim dividend of 10.42 pence in the £ was declared and paid on 5 September 2014.

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. A second interim dividend of 10.42 pence in the £ was declared and paid on 5 September 2014. The Administrators anticipate that a further dividend will be paid within the next six months.
<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.

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 April 2014 to 30 September 2014, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for this period total £101,152 plus VAT, which represents 283 hours at an average hourly rate of £358.

To date, remuneration of £1,404,609 plus VAT has been drawn in respect of time costs incurred to 30 September 2014.

Receipts and payments account

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

Section 5 Receipts and Payments Account

Notes	As at	Movement	As at	As at	Movement	As at
	5 November 2014		5 May 2014	5 November 2014		5 May 2014
	GBP (£)	GBP (£)	GBP (£)	EUR (€)	EUR (€)	EUR (€)
Receipts						
Assets held on trust	399	-	399	-	-	-
Distributions received	38,204,601	13,555,066	24,649,535	510,000	510,000	-
Asset realisations	-	-	-	3,605,748	-	3,605,748
Loan from group company	30	-	30	-	-	-
Sale of tax losses	51,284	-	51,284	-	-	-
VAT refunds due to Lehman Brothers Ltd ("LBL")	(1) 51,288	46,846	4,442	-	-	-
Net tax function costs recharged	251,253	1,167	250,086	-	-	-
Interest received gross	31,191	14,300	16,891	-	-	-
Total Receipts	38,590,046	13,617,379	24,972,667	4,115,748	510,000	3,605,748
Payments						
Legal fees	108,413	3,543	104,870	-	-	-
Professional fees	21,846	-	21,846	-	-	-
Employee wages & associated costs	310,438	-	310,438	-	-	-
Joint Administrators' Remuneration	1,404,609	128,091	1,276,518	-	-	-
Joint Administrators Category 1 disbursements	3,406	-	3,406	-	-	-
Payment for group relief	342,723	16,298	326,425	-	-	-
Statutory advertising	20,540	9,792	10,748	-	-	-
Insurance	87,150	-	87,150	-	-	-
Pension related costs	25,570	25,570	-	-	-	-
IT costs	5,741	-	5,741	-	-	-
VAT irrecoverable	256,779	75,226	181,553	-	-	-
Total Payments	2,587,215	258,520	2,328,695	-	-	-
Intracompany Transfers						
Receipt	3,041,205	-	3,041,205	-	-	-
Payment	-	-	-	(3,595,692)	-	(3,595,692)
Total receipts less total payments	39,044,036	13,358,859	25,685,177	520,056	510,000	10,056
Distributions to unsecured creditors						
1st dividend of 7.5p in the £, declared in October 2013	(13,675,082)	(95,167)	(13,579,915)	-	-	-
2nd dividend of 10.42p in the £, declared in September 2014	(18,999,247)	(18,999,247)	-	-	-	-
Cash in hand / (movement in year)	(2) 6,369,707	(5,735,555)	12,105,262	520,056	-	10,056
Cash Balances						
HSBC (non interest bearing)	1,369,707	912,436	457,271	520,056	520,056	-
Money market	5,000,000	(6,647,991)	11,647,991	-	(10,056)	10,056
Total Cash	(2) 6,369,707	(5,735,555)	12,105,262	520,056	510,000	10,056

Notes

(1) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs. In previous group VAT calculations, the Company has been credited with input VAT refunds to which it is not entitled. Therefore, VAT refunds received of £51,288 are to be repaid to LBL.

(2) The total GBP equivalent cash in hand at the exchange rate on 5 November 2014 is £6,695,230.

Section 6 Joint Administrators' time costs for the period 1 April 2014 to 30 September 2014

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)
Accounting and treasury	0.05	33	13.05	5,706	28.60	8,381	19.85	4,546	61.55	18,666
Strategy and planning	11.35	8,858	9.70	4,237	34.05	12,229	15.30	3,504	70.40	28,828
Statutory and compliance	0.60	524	20.85	9,059	21.80	7,829	49.00	11,221	92.25	28,633
Realisation of assets	0.50	437	-	-	3.20	1,152	-	-	3.70	1,589
Tax and VAT	5.20	5,094	11.00	6,427	25.55	9,812	11.00	1,647	52.75	22,980
Pensions	-	-	-	-	-	-	-	-	-	-
LBL/LBIE recharges	0.10	68	0.22	92	0.14	34	1.29	262	1.75	456
Total	17.80	15,014	54.82	25,521	113.34	39,437	96.44	21,180	282.40	101,152
Average hourly rate		843		466		348		220		358

Current Chargeout Rates:

Grade	Business Recovery Services		Specialist	
	Max £ per hour		Max £ per hour	
	To 30 June 2014	From 1 July 2014	To 30 June 2014	From 1 July 2014
Partner	873	873	1,167	1,225
Director	665	665	1,076	1,076
Senior Manager	512	512	905	905
Manager	431	431	660	660
Senior Associate	360	360	490	490
Associate/Support Staff	229	229	228	228

The Administrators' remuneration has been fixed by reference to the time properly given by the Administrators and their staff in attending to matters arising in the Administration. The minimum unit for time charged by the Liquidators 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 Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover annual inflation cost increase) over the period of the Administrators. 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 1 April 2014 to 30 September 2014

Accounting and treasury - £18,666

- 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 second dividend distribution to unsecured creditors.

Strategy and planning - £28,828

- Reviewing financial information;
- Preparations for and attending the Upper Tribunal pensions hearing;
- Participating in discussions regarding pension issue and settlement;
- Discussions regarding strategy for the Administration;
- Updating strategy documents;
- Distribution strategy and planning;
- Payment of second dividend; and
- Regular meetings regarding the status of assets.

Statutory and compliance - £28,633

- Preparation of Administrators' 11th 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.

Realisation of assets- £1,589

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

Tax and VAT - £22,980

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

LBL / LBIE Recharges - £456

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