

# Eldon Street Holdings Limited – In Administration

Joint Administrators' progress report for the period  
9 December 2008 to 8 June 2009

7 July 2009

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

## Introduction

This is the first progress report by the Joint Administrators of Eldon Street Holdings Limited ("Eldon Street" or the "Company").

Creditors were sent the Joint Administrators' proposals on 28 January 2008 which were approved through a meeting by correspondence with all creditors of the Company on 13 February 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 Eldon Street's creditors as a whole than would be likely if Eldon Street were wound up (without first being in Administration).

The specific aims of this Administration are to:

- Protect and control the Company's assets; and
- Maximise value for the Company from its real estate interests, inter-company debtors and shareholdings in subsidiary companies.

## Creditors' Committee

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

## Administrators' remuneration and disbursements

It was resolved at the first meeting of the Creditors' that the Administrators' remuneration should be fixed by reference to the time properly given by them and the various grades of their staff and that remuneration could be drawn from time to time.

## 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  
Eldon Street Holding Limited

# Section 2: Background information

## **Background information**

Eldon Street is a subsidiary of Lehman Brothers (PTG) Limited – in administration (“LB PTG”), and is part of the Lehman Brothers group of companies.

The Company was initially formed in order to hold investments in other real estate companies within the Lehman Brothers group and 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 inter-company debtors and creditors.

## **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 Group of companies within the UK.

As part of this review it was established that Eldon Street would not have sufficient assets to meet its liabilities and was placed into Administration on 9 December 2008.

# Section 3: Joint Administrators' actions to date

## **Overview of the Company's business**

Eldon Street was initially created to be a holding company for a number of the Lehman Brothers group real estate investments.

As well as direct equity investments in other Eldon Street subsidiaries, which in turn hold debt or equity stakes in off-balance sheet joint ventures, Eldon Street's principal investment was in real estate assets, £151m of which relates to a loan to the Thayer group, which is likely to be significantly impaired. Thayer Properties Limited is a subsidiary of Eldon Street which acquired, and subsequently disposed of, the assets held by the Burford group, a large property investment group.

## **Administrators' actions to date**

Following the Administrators' appointment an initial exercise was undertaken to identify and review the value of Eldon Street's investments in real estate assets, and to consider a strategy for disposal of those assets. A realisation strategy for the majority of Eldon Street's assets has now been defined. In some cases this has involved negotiation with third party Joint Venture Partners.

The Administrators have had access to the central Lehman Real Estate asset management team. They have provided assistance with realisation strategy development and will perform the day to day management of Eldon Street's assets.

Due to market conditions the Administrators have decided, in most cases, to hold Eldon Street's real estate investments. Assets will be disposed of in an orderly fashion over the next three to five years. The Administrators believe this approach will realise greater value for creditors than if assets were disposed of immediately.

As part of the realisation strategy the Administrators have appointed independent Directors to a number of solvent Eldon Street subsidiaries to perform the statutory obligations of these companies and protect the value of assets held.

Additionally, the Administrators are monitoring the ongoing solvent liquidation of the Burford group of companies, which had commenced

some time prior to the collapse of the Lehman Brothers group.

## **Dividend prospects**

The Administrators are not yet able to determine the quantum and timing of a distribution to ordinary unsecured creditors.

## **Receipts and payments**

No recoveries have been made for Eldon Street owned assets in the reporting period. However, Eldon Street holds funds on trust on behalf of a number of its subsidiaries. To avoid co-mingling of assets, Eldon Street is in the process of setting up separate Trust Bank accounts to hold these funds in the future.

# Section 4: Statutory and other information

<b>Court details for the Administration:</b>	High Court of Justice, Chancery Division, Companies Court - case 11056 of 2008
<b>Full name:</b>	Eldon Street Holdings Limited
<b>Trading name:</b>	Eldon Street Holdings Limited
<b>Registered number:</b>	04108165
<b>Registered address:</b>	25 Bank Street, London E14 5LE
<b>Company directors:</b>	Ian Michael Jameson and Anthony John Rush
<b>Company secretary:</b>	Ms M Smith and 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>	9 December 2008
<b>Administrators' names and addresses:</b>	DA Howell, AV Lomas, DY Schwarzmann & 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 Eldon Street's creditors as a whole than would be likely if Eldon Street 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 Schwarzmannn 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 Eldon Street'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 5: Financial Information

## **Statement of Affairs**

The directors' Statement of Affairs (the "Statement") was received on 26 March 2009. This Statement has been filed at Companies House and a copy is attached to this report at Appendix A.

In preparing the Statement, the directors made various assumptions regarding recoveries from other insolvent Lehman Group entities. The resultant values provide a misleading view of recovery prospects and no reliance should be placed upon them in forming any view of the dividend prospects for the Company's creditors.

## **Administrators' remuneration**

At the meeting of creditors which was held by correspondence on 13 February 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.
- That 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)

The Administrators have incurred time costs totalling £318,024 for the period 9 December 2008 to 30 May 2009. The Administrators intend to draw fees when sufficient funds become available.

# Section 6: Receipts and payments account

	GBP (£)
<b>RECEIPT</b>	
Loan from LBIE	442
Assets held on Trust	343,000
<b>Receipts Grand Totals</b>	<b>343,442</b>
<b>PAYMENT</b>	
Statutory costs	442
<b>Payments Grand Totals</b>	<b>442</b>
<b>NET POSITION</b>	<b>343,000</b>
<b>CASH BALANCES</b>	
HSBC	343,000
Total Cash	343,000