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***Eldon Street Holdings  
Limited –  
In Administration***

Joint Administrators' progress  
report for the period 9 June 2013 to  
8 December 2013

20 December 2013

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# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the tenth progress report by the Joint Administrators (the "Administrators") of Eldon Street Holdings Limited ("Eldon Street" 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 8 December 2013.

## Objectives of the Administration

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 were 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.

## Outcome for creditors

On 24 June 2013, the Court gave the Administrators of Eldon Street 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 12 pence in the £ to the Company's unsecured non-preferential creditors on 28 October 2013.

The quantum and timing of any further dividend remains uncertain at this stage.

## Pension liability

We explained in our most recent report that the Upper Tribunal's decision not to grant the strike-out application that was brought by Eldon Street and 36 other entities was being appealed. The Court of Appeal issued its judgment on 21 June 2013, dismissing the appeal. Accordingly, the risk that we have explained previously of a Financial Support Direction ("FSD") being imposed on Eldon Street remains.

The Supreme Court issued its judgment on 24 July 2013 in a case brought by certain other Lehman entities, whereby it held that liability derived from a FSD would constitute a provable debt in an administration. This has enabled the Administrators to change the basis of reserving for any possible FSD liability, to allow for a potential additional unsecured debt rather than an administration expense.

The Administrators continue to monitor the pension issues closely.

## 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  
Eldon Street Holdings Limited

*AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Eldon Street Holdings Limited to manage its affairs, business and property as agents without personal liability. The Joint Administrators 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.*

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## **Section 2 Joint Administrators' actions to date**

### **Overview**

Eldon Street was incorporated as a holding company for a number of the Lehman Brothers' group real estate investments.

On appointment, the key categories of assets owned by the Company were intercompany receivables and direct equity investments in subsidiaries. Eldon Street's subsidiaries hold real estate assets.

### **Administrators' actions to date**

#### **Tax**

The Administrators have realised £2.2m from corporation tax refunds and £2.7m from the sale of tax losses up to 8 December 2013.

#### **Debtors**

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, Eldon Street had claims against LBHI agreed at \$661.35m and \$28.56m for its direct and guarantee claims, respectively.

A fourth distribution of \$29.81m was received from LBHI on 3 October 2013. To date, Eldon Street has received dividends totalling \$104.40m from LBHI. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

Further dividends from LBHI are expected to be received on a six monthly basis.

As previously reported, LB UK RE Holdings Limited ("LB UK RE") has agreed Eldon Street's claim of £2.34m. A second distribution of £234k was received from LB UK RE on 2 September 2013. To date, Eldon Street has received dividends totalling £936k from LB UK RE. The quantum and timing of receipt of further dividends from LB UK RE are largely dependent upon the aforementioned pension liability.

#### **Other Assets**

It is anticipated that there will be realisations from Eldon Street's subsidiary investments, however, the

timing and quantum of these realisations remains uncertain.

The Administrators continue to work closely with the independent directors appointed to a number of the solvent Eldon Street subsidiaries and the company has made payments on behalf of those subsidiaries which have no immediately available cash resources. Such payments are only being made where the Administrators expect recoveries from the subsidiaries to exceed the costs being borne.

#### **First interim distribution to unsecured non-preferential creditors**

On 31 July 2013, the Administrators issued a Notice of Intended Dividend to the unsecured non-preferential creditors of Eldon Street. The final date for creditors to prove their claims was 30 August 2013.

On 29 October 2013, the Administrators declared and paid a first interim dividend of 12 pence in the £ to unsecured non-preferential creditors whose claims had been admitted.



## Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 11056 of 2008
<i>Full name:</i>	Eldon Street Holdings Limited
<i>Trading name:</i>	Eldon Street Holdings Limited
<i>Registered number:</i>	04108165
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ
<i>Company directors:</i>	IM Jameson (resigned 17/07/09), AJ Rush (resigned 17/07/09)
<i>Company secretary:</i>	M Smith (resigned 25/01/09), 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>	9 December 2008
<i>Administrators' names and addresses:</i>	DA Howell, AV Lomas, JG Parr, SA Pearson and GE Bruce of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.
<i>Appointer's name and address:</i>	The original appointment 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 Eldon Street's creditors as a whole than would be likely if Eldon Street was 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 persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	A further 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 12p in the £ to unsecured non-preferential creditors on 28 October 2013. The quantum and timing of any further dividends remains uncertain at present.
<i>Estimated values of the prescribed part and Eldon Street'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 does apply to this Administration and these are the main proceedings.

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## ***Section 4 Financial Information***

### ***Administrators' remuneration***

In February 2009, Eldon Street's 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 at Section 6, is a summary of the Administrators' time costs for the period 1 May 2013 to 31 October 2013, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for this period total £142,250 plus VAT, which represents 397.03 hours at an average hourly rate of £358.

To date, remuneration of £1,626,574 plus VAT has been drawn in respect of time costs incurred to 30 September 2013.

### ***Receipts and payments account***

An account of the receipts and payments in the Administration showing movements for the six months to 8 December 2013 is set out overleaf.

### ***Key movements in period***

- \$29.81m dividend received from LBHI; £234k dividend received from LB UK RE;
- GBP equivalent to £89k earned in interest from the investment of funds on the money markets; and
- First interim dividend distribution to unsecured non-preferential creditors of £54.41m.

# Section 5 Receipts and payments account for the period ended 8 December 2013

	As at 8 December 2013			As at 8 June 2013			Movements		
	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)
<b>Receipts</b>									
Corporation Tax Refund	2,210,311	-	-	2,210,311	-	-	-	-	-
Contributions to the Pension Club Deal	11,800,000	-	-	-	-	-	11,800,000	-	-
Dividends from subsidiary	300,000	300,000	-	300,000	-	-	-	300,000	-
Dividends from dissolved subsidiaries	167,735	-	-	167,735	-	-	-	-	-
Dividend from LBHI	-	-	104,403,952	-	-	74,588,790	-	-	29,815,162
Dividend from LBUK RE	935,789	-	-	701,842	-	-	233,947	-	-
Dividend from Storm	2,426	-	-	-	-	-	2,426	-	-
Interest	441,070	616	-	368,429	342	-	72,641	274	-
Recovery of intercompany loan	280,000	-	-	280,000	300,000	-	-	(300,000)	-
Sale of tax losses	2,692,653	-	-	2,692,653	-	-	-	-	-
Net tax function costs recharged	382,850	-	-	382,850	-	-	-	-	-
Net third party funds	1,644	-	-	-	-	-	1,644	-	-
Funds held on trust	6,200,464	4,180,601	-	2,806,075	4,180,601	-	3,394,389	-	-
<b>Total Receipts</b>	<b>25,414,942</b>	<b>4,481,217</b>	<b>104,403,952</b>	<b>9,909,895</b>	<b>4,480,943</b>	<b>74,588,790</b>	<b>15,505,047</b>	<b>274</b>	<b>29,815,162</b>
<b>Payments</b>									
Bank charges	52	51	82	52	51	42	-	-	40
Consultancy fees	9,900	-	-	9,900	-	-	-	-	-
Employee costs	214,767	-	-	124,094	-	-	90,673	-	-
Legal fees	356,025	-	-	318,466	-	-	37,559	-	-
Office costs	8,409	-	-	2,669	-	-	5,740	-	-
Contribution to Pension Club Deal	11,800,000	-	-	11,800,000	-	-	-	-	-
Payments on behalf of Subsidiaries	608,666	6,192	-	568,965	6,192	-	39,701	-	-
Professional fees	94,870	-	-	94,870	-	-	-	-	-
Registrars fees	400	-	-	400	-	-	-	-	-
IT costs	41,741	-	-	41,741	-	-	-	-	-
Statutory costs	13,203	-	-	3,869	-	-	9,334	-	-
Insurance	194,608	-	-	194,608	-	-	-	-	-
Joint Administrators' remuneration	1,626,574	-	-	1,521,603	-	-	104,971	-	-
Joint Administrators' Cat 1 disbursements	1,181	-	-	1,181	-	-	-	-	-
Joint Administrators' Cat 2 disbursements	26	-	-	26	-	-	-	-	-
Funds held on Trust	1,625,340	-	-	1,610,159	-	-	15,181	-	-
VAT	471,576	-	-	436,823	-	-	34,753	-	-
<b>Total Payments</b>	<b>17,067,338</b>	<b>6,243</b>	<b>82</b>	<b>16,729,426</b>	<b>6,243</b>	<b>42</b>	<b>337,912</b>	<b>-</b>	<b>40</b>
<b>Intracompany Transfers</b>									
Receipts	66,046,066	21,523	-	47,548,625	-	-	18,497,441	21,523	-
Payments	(1,644)	(300,000)	(104,402,800)	-	(300,000)	(74,587,700)	(1,644)	-	(29,815,100)
<b>Net Position</b>	<b>74,392,026</b>	<b>4,196,497</b>	<b>1,070</b>	<b>40,729,094</b>	<b>4,174,700</b>	<b>1,048</b>	<b>18,495,797</b>	<b>21,523</b>	<b>(29,815,100)</b>
<b>Distributions</b>									
1st dividend to unsecured creditors, declared in October	54,413,701	-	-	-	-	-	54,413,701	-	-
<b>Total</b>	<b>19,978,325</b>	<b>4,196,497</b>	<b>1,070</b>	<b>40,729,094</b>	<b>4,174,700</b>	<b>1,048</b>	<b>(20,750,769)</b>	<b>21,797</b>	<b>22</b>
<b>Cash Balances</b>									
HSBC (non-interest bearing)	59,034	15,896	1,070	495,142	(5,901)	1,048	(436,108)	21,797	22
Money Markets	15,344,167	-	-	39,038,036	-	-	(23,693,869)	-	-
Net funds held on trust	4,575,124	4,180,601	-	1,195,916	4,180,601	-	3,379,208	-	-
<b>Total Cash</b>	<b>19,978,325</b>	<b>4,196,497</b>	<b>1,070</b>	<b>40,729,094</b>	<b>4,174,700</b>	<b>1,048</b>	<b>(20,750,769)</b>	<b>21,797</b>	<b>22</b>

Total cash at 8 December 2013 based on exchange rates at 6 December 2013 was £26,502,420 of which the net sum of £11,039,304 is held on trust.

## *Section 5 Receipts and payments account for the period ended 8 December 2013 – Trust account*

	As at 8 December 2013 GBP (£)	As at 8 June 2013 GBP (£)	Movements GBP (£)
<b>Receipts</b>			
Funds contributed to trust account	153,100,000	153,100,000	-
<b>Total Receipts</b>	<b>153,100,000</b>	<b>153,100,000</b>	<b>-</b>
<b>Payments</b>			
Contribution to pension club deal	153,100,000	-	153,100,000
<b>Total Payments</b>	<b>153,100,000</b>	<b>-</b>	<b>153,100,000</b>
<b>Intracompany Transfers</b>			
Receipts	25,668	-	25,668
Payments	(25,668)	-	(25,668)
<b>Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Balances</b>			
HSBC (non-interest bearing)	-	153,100,000	(153,100,000)
<b>Total Cash</b>	<b>-</b>	<b>153,100,000</b>	<b>(153,100,000)</b>

Monies placed on the money markets after date of receipt



# Section 6 Joint Administrators' time costs for the period 1 May 2013 to 31 October 2013

Joint Administrators time costs for the period 1 May 2013 to 31 October 2013

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	0.10	67	36.30	15,429	72.60	20,737	90.35	20,462	199.35	56,695
Strategy and Planning	9.85	7,276	47.70	22,721	3.25	874	2.25	510	63.05	31,381
Asset Realisation	-	-	2.60	1,114	-	-	-	-	2.60	1,114
Creditors	-	-	11.60	5,000	17.40	6,264	22.92	5,249	51.92	16,513
Statutory and Compliance	1.10	943	8.70	3,733	22.10	6,275	7.60	1,644	39.50	12,595
Tax and VAT	1.50	1,455	16.30	9,228	1.80	696	1.80	275	21.40	11,654
Pensions	12.90	10,130	2.80	1,198	-	-	-	-	15.70	11,328
LBL Recharges	0.08	49	0.67	288	1.03	268	1.72	365	3.49	970
<b>Grand Total</b>	<b>25.53</b>	<b>19,920</b>	<b>126.67</b>	<b>58,711</b>	<b>118.18</b>	<b>35,114</b>	<b>126.64</b>	<b>28,505</b>	<b>397.02</b>	<b>142,250</b>
<b>Average Hourly Rate</b>		<b>780</b>		<b>463</b>		<b>297</b>		<b>225</b>		<b>358</b>

Current charge out rates Grade	Business Recovery Services		Specialist	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	838	1,069		
Director	665	970		
Senior manager	512	905		
Manager	431	571		
Senior Associate	360	278		
Associate/Support Staff	229	212		

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 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 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.

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## **Summary of the Joint Administrators' time costs for the period 1 May 2013 to 31 October 2013**

### **Accounting and Treasury - £56,694**

- Reconciliation of bank accounts;
- Arranging receipts and payments of funds and coding of movements;
- Preparation of receipt and payment account for statutory reporting;
- Monitoring flow of funds into bank accounts.
- Managing investments on the money market and mitigating risk;
- Dealing funds on the money markets and inputting deals; and
- Dealing with dividend distribution to unsecured creditors.

### **Strategy and Planning - £31,382**

- Preparing the six monthly partner review;
- Discussions regarding strategy for the administration and updating the strategy documents;
- Discussions regarding strategy for the Administration including quantum and timing of the distribution;
- Reviewing financial information; and
- Regular meetings regarding the status of assets.

### **Asset Realisations - £1,114**

- Communications with debtors.

### **Creditors - £16,512**

- Adjudicating unsecured creditor claims;
- Updating list of creditor claims and status of such claims;
- Liaising with creditors to obtain bank account details for dividend distribution;
- Dealing with distribution to creditors.

### **Statutory and Compliance - £12,596**

- Preparation of Administrators' ninth progress report;
- Circulate progress report to creditors;
- Statutory filings at Companies House and Court;
- Prepare detailed remuneration summary;
- Fee analysis and preparing billing paperwork;
- Liaise with Administrators on statutory issues;
- Managing the Eldon Street Administration website; and
- Maintaining case records and database.

### **Tax and VAT- £11,653**

- Preparing and implementing tax protocol regarding the sale and purchase of tax losses;
- Dealing with Corporation and VAT queries;
- VAT reconciliation and preparation of VAT returns; and
- Preparing Corporation Tax computations;

### **Pensions - £11,328**

- Preparations for and attending the Upper Tribunal pensions hearing; and
- Participating in discussions to try and resolve the pension issue.

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**LBL recharges - £971**

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