

The Insolvency Act 1986

# Administrators' progress report

Name of Company Eldon Street Holdings Limited	Company number 04108165
In the High Court of Justice, Chancery Division [full name of court]	Court case number 11056 of 2008

(a) Insert full name(s) and address(es) of administrator(s)

We (a) Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann, Michael John Andrew Jervis and Derek Anthony Howell of

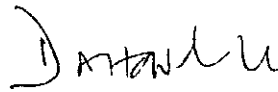
PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

Joint Administrators of the above company attach a progress report for the period

(b) Insert dates

from (b) 9 June 2011	to (b) 8 December 2011
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Signed



Joint Administrator

Dated 4 January 2012

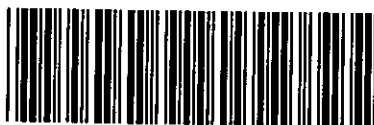
### Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

PricewaterhouseCoopers LLP	
7 More London Riverside, London, SE1 2RT	
	Tel 0207 583 5000
DX Number	DX Exchange

When you have completed and signed this form please send it to the Registrar of Companies at Companies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff

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

Joint Administrators' progress  
report for the period 9 June 2011 to  
8 December 2011

5 January 2012

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

## **Introduction**

This is the sixth 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 2011

## **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 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

## **Outcome for creditors**

As previously advised, the Pensions Regulator listed Eldon Street 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 an FSD should not be issued against Eldon Street

As the FSD legal process has not yet been completed, the Administrators are not certain at this stage that Eldon Street will not have a liability under an FSD

Given the ongoing uncertainty regarding the FSD process, the timing of any initial dividend to creditors remains uncertain

## **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 2013

## **Future reports**

The Administrators will next report to creditors in approximately six months

Signed



DA Howell  
Joint Administrator  
Eldon Street Holdings Limited

*AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell were appointed as Joint Administrators of Eldon Street Holdings Limited to manage its affairs, business and property as agents without personal liability AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales*

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

### ***Overview of the Company***

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

The key categories of Eldon Street's assets are intercompany receivables and direct equity investments in subsidiaries. The subsidiaries hold real estate assets

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

The Administrators have realised a further c £1m from the sale of tax losses during the period 9 June 2011 to 8 December 2011

On 11 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc ("LBHI") which will become operative when LBHI's Plan of Reorganisation, which has been approved by creditors, becomes effective Pursuant to this agreement Eldon Street had its claim against LBHI agreed at \$611,350,282 in respect of direct claims and \$28,565,323 in respect of guarantee claims The amounts that will be received from intercompany receivables remains uncertain at this time

It is anticipated that there will be realisations from Eldon Street's subsidiary investments however the timing and quantum of the realisations remains uncertain

The Administrators continue to work closely with the independent directors appointed to a number of the solvent Eldon Street subsidiaries and have met 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 subsidiary to exceed the costs

### ***Dividend Prospects***

Based on current information, the Administrators anticipate that there should be sufficient realisations to allow for a dividend to be paid to unsecured creditors, but they are not yet able to estimate the value or timing of any such dividend

## 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, DY Schwarzmann, SA Pearson and MJA Jervis of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
<i>Appointer's name and address</i>	High Court of Justice, Chancery Division, Companies Court
<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>	The current joint administrators of Eldon Street 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 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>	The first extension was granted by the High Court of Justice until 30 November 2010. A second extension was granted by the High Court of Justice until 30 November 2011. A further extension has now been granted by the High Court of Justice until 30 November 2013.
<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>	The Administrators expect to pay a dividend, though it is too early to estimate the likely timing and quantum
<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***

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 them and the various grades of their staff. The Administrators were also authorised to draw their remuneration from time to time.

A summary of the Administrators' time costs from 9 December 2008 to 30 April 2011 was provided with in our fifth Progress Report. Attached at Section 6 of this report is a summary of the Administrators' time costs for the period 1 May 2011 to 30 November 2011, presented in accordance with Statement of Insolvency Practice 9 ("SIP 9"), together with a narrative of the work performed.

The hourly charge out rates used on Eldon Street reflect those used by the Administrators of Lehman Brothers International (Europe). An annual inflationary increase in charge out rates has not yet been applied to the time costs as the requisite approval has not yet been obtained from the creditors' committee of LBIE. If approval is obtained, the increase will be effective from 1 July 2011.

The SIP 9 summary shows that the time costs incurred for the period from 1 May 2011 to 30 November 2011 are £55,075, before any increase in hourly rates is applied, which represents 160.5 hours at an average hourly rate of £343.15.

To date, remuneration of £821,774 plus VAT, has been drawn in respect of time costs incurred in the period 9 December 2008 to 31 December 2009. Further remuneration has yet to be drawn due to a previous lack of funds in the administration.

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

An account of the receipts and payments in the Administration showing movements in the 6 month period to 8 December 2011 is set out overleaf.

As stated earlier, certain costs have been incurred on behalf of subsidiaries.

# Section 5 Receipts and payments account for the period ended 8 December 2011

	As at 8 December 2011			As at 8 June 2011			Movements		
	GBP (£)	EUR (€)	SEK (kr)	GBP (£)	EUR (€)	SEK (kr)	GBP (£)	EUR (€)	SEK (kr)
<b>Receipts</b>									
Corporation Tax Refund	31,500	-	-	31,500	-	-	-	-	-
Dividends from subsidiary	300,000	22,500	-	300,000	-	-	-	22,500	-
Interest	7,748	-	-	14,774	-	-	(7,026)	-	-
Recovery of intercompany loan	280,000	300,000	-	280,000	300,000	-	-	-	-
Sale of tax losses	1,373,911	-	-	367,123	-	-	1,006,788	-	-
Net tax function costs recharged	385,061	-	-	359,932	-	-	25,129	-	-
Funds held on trust	1,069,323	189,990	29,554,000	1,013,646	240,000	29,554,000	55,677	(60,010)	-
<b>Total Receipts</b>	<b>3,447,543</b>	<b>512,490</b>	<b>29,554,000</b>	<b>2,366,975</b>	<b>540,000</b>	<b>29,554,000</b>	<b>1,080,568</b>	<b>(27,510)</b>	-
<b>Payments</b>									
Accountants fees	13,250	-	-	13,250	-	-	-	-	-
Bank charges	52	51	264	52	51	264	-	-	-
Consultancy fees	9,900	-	-	9,900	-	-	-	-	-
Employee expenses	5,334	-	-	5,334	-	-	-	-	-
Employee costs	38,896	-	-	26,595	-	-	12,301	-	-
Legal fees	154,567	-	-	38,527	-	-	116,040	-	-
Office costs	2,669	-	-	2,669	-	-	-	-	-
Payments on behalf of Subsidiaries	260,875	-	-	230,493	-	-	30,382	-	-
Professional fees	94,870	-	-	94,870	-	-	-	-	-
Registrars fees	400	-	-	400	-	-	-	-	-
Statutory costs	4,320	-	-	4,320	-	-	-	-	-
Insurance	81,179	-	-	54,929	-	-	26,250	-	-
Joint Administrators' remuneration	821,744	-	-	821,744	-	-	-	-	-
VAT	190,858	-	-	163,780	-	-	27,078	-	-
<b>Total Payments</b>	<b>1,678,914</b>	<b>51</b>	<b>264</b>	<b>1,466,863</b>	<b>51</b>	<b>264</b>	<b>212,051</b>	-	-
<b>Intracompany Transfers</b>									
Receipts	255,864	-	-	255,864	-	-	-	-	-
Payments	(300,000)	(300,000)	-	-	(300,000)	-	-	-	-
<b>Net Position</b>	<b>2,024,493</b>	<b>212,439</b>	<b>29,553,736</b>	<b>1,155,976</b>	<b>239,949</b>	<b>29,553,736</b>	<b>868,517</b>	<b>(27,510)</b>	-
<b>Cash Balances</b>									
HSBC (non-interest bearing)	2,024,493	212,439	29,553,736	1,155,976	239,949	29,553,736	868,517	(27,510)	-
<b>Total Cash</b>	<b>2,024,493</b>	<b>212,439</b>	<b>29,553,736</b>	<b>1,155,976</b>	<b>239,949</b>	<b>29,553,736</b>	<b>868,517</b>	<b>(27,510)</b>	-

Total cash at 8 December 2011 based on exchanges rates at 8 December 2011 was £5,001,381 of which £4,027,098 is held on trust



# Section 6 Joint Administrators' time costs for the period 1 May 2011 to 30 November 2011

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total	Average Hourly Rate	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£			
Accounting and Treasury	38	3,724	0.2	79	26.8	6,879	17.6	3,709	48.4	14,391	297.33
Asset Realisations	-	-	13.5	6,127	0.7	187	-	-	14.2	6,314	444.65
Statutory and Reporting	-	-	2.6	1,147	20.8	6,386	6.5	1,365	29.9	8,898	297.59
Strategy and Planning	2.1	1,690	13.7	6,124	22.8	7,392	2.9	492	41.5	15,678	377.78
Tax and VAT	1.5	1,470	5.0	2,509	8.1	2,817	2.5	445	17.1	7,241	423.45
LBL Recharges	0.2	97	4.4	1,586	3.1	649	1.7	221	9.4	2,553	271.60
<b>Grand Total</b>	<b>7.6</b>	<b>6,971</b>	<b>39.4</b>	<b>17,572</b>	<b>82.3</b>	<b>24,300</b>	<b>31.2</b>	<b>6,232</b>	<b>160.5</b>	<b>55,075</b>	<b>343.15</b>

### The Joint Administrators' policy for charging for disbursements is

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 All other disbursements are charged at cost

**Total**

Costs to date (£)
-
-
-

Grade	Business		Specialist*	
	Max £/hr		Max £/hr	
Partner	800		980	
Director	610		890	
Senior manager	470		830	
Manager	395		605	
Senior Associate	330		330	
Associate / Support Staff	210		195	

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 remuneration is to be paid as and when funds become available at the charge-out rates 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. In line with PricewaterhouseCoopers LLP's annual review of charge out rates, a 5% inflationary increase is being applied. This increase has not yet been reflected in the above figures as the requisite approval has not yet been obtained from the creditors committee of Lehman Brothers International (Europe). If approval is obtained, the increase will be effective from 1 July 2011.

## **Summary of the Joint Administrators' time costs for the period 1 May 2011 to 30 November 2011**

### **Accounting and treasury - £14,391**

- Preparation of receipts and payments account for statutory reporting,
- Preparation of receipts and payments vouchers;
- Reconciliation of bank accounts, and
- Monitoring flow of funds into the bank accounts

### **Asset Realisations - £6,314**

- Review of Eldon Street's investments in subsidiaries and joint ventures, and
- Provision of advice and real estate expertise to subsidiaries to maximise value

### **Statutory and Reporting - £8,898**

- Dealing with statutory issues,
- Review time cost data for accuracy and completeness,
- Performed fee analysis for Administrators' update,
- Undertaking six monthly case reviews,
- Preparation of time cost analysis for report,
- Preparation of documentation for the court application to extend the administration
- Management of case database and file, and
- Maintaining case records and database

### **Strategy and planning - £15,678**

- Review financial information,
- Regular review of activity on the estate by PwC staff and retained Lehman staff,
- Regular meetings regarding the status of assets,
- Review of strategy to ensure strategy is continually in line with proposals; and
- Liaise with legal advisors regarding the extension of the administration

### **Tax and VAT- £7,241**

- Tax planning for group companies, and
- Tax and VAT issues.

The majority of the costs associated with the tax have been recovered via the tax function cost recharges

### **LBL recharges - £2,553**

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