
Eldon Street Holdings Limited – In Administration

Joint Administrators' progress
report for the period 9 June 2014 to
8 December 2014

23 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 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 their appointment, with particular focus on the developments made in the six months to 8 December 2014 ("the reporting period").

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 creditors.

On 4 September 2014, a second interim dividend of 5.98 pence in the £ was declared and paid to the Company's unsecured creditors. Dividends paid to date total 17.98 pence in the pound.

The Administrators anticipate that a third interim distribution will be made to creditors within the next six months.

Pension liability

In 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.

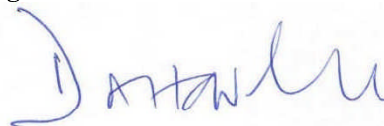
Following the settlement agreement with the Pension Scheme Trustees, and all other potential FSD targets, which became effective on 18 August 2014, Eldon Street no longer has a potential liability to the Scheme.

As part of the settlement, Eldon Street 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.

Future reports

The Administrators will next report to creditors in approximately six months or the end of the Administration, whichever is sooner.

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.

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

In the reporting period, the Administrators have realised £26.7k from the sale of tax losses. The Administrators anticipate that there may be future realisations for ESH in this regard, but at this stage, the timing and quantum remain uncertain. Any such realisations are unlikely to be significant.

Intercompany debtors

As previously reported, in 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 \$611.35m and \$28.56m for its direct and guarantee claims, respectively.

A sixth distribution of \$24.7m was received from LBHI on 2 October 2014. To date, Eldon Street has received dividends totalling \$161.5m 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.

Other realisations in the period include the following:

Interim distributions from the estates of Longmeade Limited, Lehman Brothers Holdings plc and LB UK RE Holdings Limited totalling £0.30m, £1.28m and £0.19m respectively.

Other Assets

Certain of Eldon's Street's subsidiary investments were similarly affected by the pensions issue. Now that this matter has been resolved, it is anticipated that Eldon Street will be in a position to realise value from certain of its subsidiary investments for the benefit of Eldon Street's creditors. However, the timing and quantum of such realisations remain 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.

In addition, Eldon Street holds funds on behalf of some of the solvent subsidiaries who do not hold bank accounts. These funds have been disclosed in the Receipts and Payments account as 'Funds held on Trust'.

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. A further second interim dividend of 5.98 pence in the £ was declared on 4 September 2014 to unsecured non-preferential creditors. The Administrators anticipate that a third interim dividend will be paid within the next six months.
<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.

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

Time costs for this period total £222,917 plus VAT, which represents 575.30 hours at an average hourly rate of £387.

To date, remuneration of £2,005,433 plus VAT has been drawn in respect of time costs incurred to 30 September 2014. Details of time costs incurred in prior periods have been provided in earlier reports.

Receipts and payments account

An account of the receipts and payments in the Administration showing movements for the six months to 8 December 2014 is set out overleaf.

Key movements in period

- Intercompany debtor receipts of £1.77m;
- Dividends of \$24.7m received from LBHI, equivalent to £15.2m;
- A further £45k has been earned in interest from the investment of funds on the money markets;
- The Administrators' have drawn remuneration of £0.2m plus VAT;
- Legal costs totalling £0.2m plus VAT in respect of the pension issue and Supreme Court litigation;
- Irrecoverable input VAT of £57k on costs; and
- A second interim dividend paid to unsecured creditors of £27.6m.

Net receipts as at 8 December 2014 total approximately £35.9m.

Section 5 Receipts and Payments account for the period ended 8 December 2014

	GBP		EUR		USD		SEK*	
	As at	Movements	As at	Movements	As at	Movements	As at	Movements
	08-Dec-14	In Period	09-Jun-14	In Period	08-Dec-14	In Period	08-Dec-14	In Period
Receipts								
Corporation Tax Refund	2,210,311	-	2,210,311	-	-	-	-	-
Contributions to the Pension Club Deal	11,800,000	-	11,800,000	-	-	-	-	-
Contributions from subsidiaries	467,735	467,735	300,000	300,000	-	-	-	-
Intercompany debtors	3,599,373	1,774,660	1,824,713	-	161,468,772	24,694,456	136,774,316	-
Interest	526,874	45,378	481,496	110	3,093	-	820,487	37,378
Recovery of intercompany loan	280,000	-	280,000	-	-	-	-	-
Sale of tax losses	2,778,953	26,671	2,752,282	-	-	-	-	-
Net tax function costs recharged	414,124	31,274	382,850	-	-	-	-	-
Net third party funds	1,644	1,644	-	-	-	-	-	-
Funds held on trust	8,003,684	1,789,049	6,214,635	4,276,651	4,276,651	-	31,454,100	-
Total Receipts	30,082,698	3,667,032	26,415,666	4,579,744	161,468,772	24,694,456	136,774,316	37,378
Payments								
Bank charges	52	-	51	-	82	-	264	-
Consultancy fees	11,446	-	11,446	-	-	-	-	-
Employee costs	362,872	62,637	300,235	-	-	-	-	-
Legal fees	605,424	219,912	385,512	-	-	-	-	-
Office costs	8,409	8,409	-	-	-	-	-	-
Contribution to Pension Club Deal	11,800,000	-	11,800,000	-	-	-	-	-
Pension related legal costs	25,570	25,570	-	-	-	-	-	-
Payments on behalf of Subsidiaries	613,056	2,890	610,166	6,192	-	-	-	-
Professional fees	95,905	154	95,751	-	-	-	-	-
Registrars fees	400	400	-	-	-	-	-	-
IT costs	41,741	-	41,741	-	-	-	-	-
Statutory costs	22,995	9,792	13,203	-	-	-	-	-
Insurance	229,781	-	229,781	-	-	-	-	-
Joint Administrators' remuneration	2,005,433	218,423	1,787,010	-	-	-	-	-
Joint Administrators' Cat 1 disbursements	1,181	1,181	-	-	-	-	-	-
Joint Administrators' Cat 2 disbursements	26	26	-	-	-	-	-	-
Funds held on Trust	1,810,542	20,540	1,790,002	-	-	-	-	-
Recoverable VAT	564,733	57,677	507,056	-	-	-	-	-
Total Payments	18,199,366	617,595	17,581,971	6,243	82	82	264	264
Intracompany Transfers								
Receipts *	103,572,019	17,992,669	85,579,350	21,523	-	-	-	-
Payments	(1,644)	(1,644)	(300,000)	(300,000)	(161,467,690)	(24,694,526)	(136,773,164)	(32,270,000)
Total receipts less total payments	115,453,507	21,042,406	94,411,401	4,295,024	1,000	(70)	4,323	(32,232,622)
Distributions								
1st dividend to unsecured creditors, declared in Oct 2013	55,372,350	958,649	54,413,701	-	-	-	-	-
2nd dividend to unsecured creditors, declared in Sept 2014	27,593,888	27,593,888	-	-	-	-	-	-
Total	32,487,269	(7,510,433)	39,997,700	4,295,024	1,000	(70)	4,323	(32,232,622)
Cash Balances								
H83C (non-interest bearing)	351,862	(500,464)	852,326	18,373	1,000	(70)	1,070	(836)
Money Markets	23,185,606	(11,535,135)	34,720,741	-	-	-	-	(782,009)
Net funds held on Trust	6,193,142	1,768,509	4,424,633	4,276,651	-	-	4,323	(31,449,777)
Net funds held on Trust - SEK conversion	2,756,659	2,756,659	-	-	-	-	-	-
Total Cash	32,487,269	(7,510,433)	39,997,700	4,295,024	1,000	(70)	1,070	(32,232,622)

Notes:

* Funds totalling £2,756,659 held on trust for a solvent subsidiary.

(1) Total cash at 8 December 2014 based on exchange rates at 8 December 2014 was £35,867,258 of which the net sum of £12,359,149 is held on trust.
(2) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.

Section 6 Joint Administrators' time costs for the period 1 June 2014 to 30 November 2014

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury Strategy and Planning	0.13	86	27.25	1,884	68.80	19,633	76.00	17,404	172.18	49,007
Asset Realisations	47.53	32,855	52.80	26,037	64.30	23,061	16.05	3,644	180.68	85,597
Statutory and Compliance	-	-	-	-	1.55	558	-	-	1.55	558
Tax and VAT	0.30	262	10.00	4,709	22.75	7,515	33.72	7,573	66.77	20,059
Pensions	8.40	8,287	20.60	11,691	33.70	11,336	19.15	3,292	81.85	34,606
Creditors	21.51	15,544	14.94	7,296	2.50	886	9.42	2,067	48.37	25,793
LBL / LBIE Recharges	-	-	5.40	2,327	3.95	1,403	9.05	2,072	18.40	5,802
	0.36	241	1.37	434	0.51	129	3.26	691	5.50	1,495
Grand Total	78.23	57,275	132.36	64,378	198.06	64,521	166.65	36,743	575.30	222,917
Average Hourly Rate		732		486		326		220		387

Current charge out rates Grade	Business Recovery Services		Specialist	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	873	1,167		
Director	665	1,076		
Senior manager	512	905		
Manager	431	660		
Senior Associate	360	490		
Associate/Support Staff	229	228		

The Joint 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 minimum 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.

Summary of the Joint Administrators' time costs for the period 1 June 2014 to 30 November 2014

Accounting and Treasury - £49,007

- Reconciliation of bank accounts;
- Arranging receipts and payments of funds and coding of movements on Eldon Street and its subsidiaries;
- Preparation of receipt and payment account for statutory reporting;
- Monitoring flow of funds into bank accounts;
- Managing funds in various institutions in order to mitigate risk;
- Dealing with funds on the money markets and inputting deals; and
- Dealing with dividend distribution to unsecured creditors.

Strategy and Planning - £85,597

- Preparing the six monthly partner review;
- Discussions regarding strategy for the administration and updating the strategy documents;
- Reviewing financial information including updating the Estimated Outcome Statement; and
- Regular meetings and discussions regarding strategy and proposed exit routes for the solvent subsidiaries.

Asset Realisations - £558

- Communications with debtors.

Statutory and Compliance - £20,059

- Preparation of Administrators' 11th progress report including circulating progress report to creditors;
- Statutory filings at Companies House and Court;
- Preparation of receipts and payments account for reports to creditors;
- Preparation of detailed remuneration summary;
- Fee analysis and preparing billing paperwork;
- Maintaining case records and database; and
- Preparation of Administrators' eleventh progress report.
- Preparation of the Administrators' six monthly review summary; and
- Dealing with statutory issues; and maintaining case files and the Eldon Street database.

Tax and VAT- £ 34,606

- Meetings and discussions with the tax team;
- Preparing and implementing tax protocol regarding the sale and purchase of tax losses;
- Dealing with Corporation and VAT queries;
- Preparation of post-appointment tax computations;
- VAT reconciliation and preparation of VAT returns;
- Preparation for and starting Senior Accounting Officer work; and
- Finalising discussions regarding distributions, tax provision and closure strategy.

Pensions - £25,793

- Work in relation to pensions contribution claim;
- Liaising with internal and external advisors in relations to the pensions issue;
- Participating in discussions to try and resolve the issue; and
- Reviewing settlement documentation.

Creditors - £5,802

- Preparation, declaration and distribution of second interim dividend;
- Responding to creditor queries;
- Maintaining database of creditor claims; and
- Managing the administration of the Eldon Street website.

LBL / LBIE Recharges - £1,495

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