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

Joint Administrators' progress
report for the period 9 December
2013 to 8 June 2014

25 June 2014

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the eleventh 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 their appointment, with particular focus on the progress made in the six months to 8 June 2014.

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.

The Administrators declared and paid a first interim dividend of 12 pence in the £ to the Company's unsecured creditors on 28 October 2013.

Further dividends have been received in the period from intercompany debtors, so the Joint Administrators propose to make a second interim distribution within the next six months.

Pension liability

Following the Supreme Court judgment in July 2013, to which we referred in our last report, the stay which had been in force for the Upper Tribunal proceedings came to an end.

The Upper Tribunal has the role of deciding whether a Financial Support Direction ("FSD") should be made, and against which entities. Eldon

Street is one of the potential targets of a FSD. The Upper Tribunal has set a date in February 2015 for a substantive hearing.

Also, since their previous progress report, the Administrators have participated in a High Court application relating to the maximum quantum of any Contribution Notice ("CN"). The High Court held that the aggregate liability under potential CNs issued to more than one target company could exceed the amount of the total scheme deficit of £119m. This judgment is being appealed.

In light of the activity set out above, the risk of Eldon Street having a liability to the pension scheme under a FSD remains, and the Administrators continue to monitor the position and take steps as appropriate.

Pension "Trust Account"

The Administrators' previous report referred to a "Trust Account" which held the collective reserve established by Eldon Street and 36 other entities for a possible FSD liability. However, it was not possible to reach agreement with the pension scheme trustees on the operation of this reserve, and therefore it was not brought into full effect.

The Trust Account's funds were subsequently redistributed to its contributors. Since this matter is now concluded and no funds are held in this account, a separate receipts and payments account for the Pension Trust Account will no longer be reported.

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:



GE Bruce
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

Eldon Street continues to be an investment company for tax purposes. Tax computations up to the period ending 31 December 2012 have been submitted and agreed with HM Revenue & Customs. Eldon Street recovered £59.6k in the period from the sale of tax losses.

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 \$661.35m and \$28.56m for its direct and guarantee claims, respectively.

A fifth distribution of \$32.4m was received from LBHI on 3 April 2014. To date, Eldon Street has received dividends totalling \$136.8m 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 £2.3m. A third distribution of £74.8k was received from LB UK RE on 13 April 2014. To date, Eldon Street has received dividends totalling £1.0m 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.

Eldon Street has also received a first dividend of £810k from Longmeade Limited ("Longmeade") on its claim of £3.93m. The quantum and timing of further dividends from Longmeade are currently uncertain.

Other Assets

It is anticipated that there will be realisations from Eldon Street's subsidiary investments, however, the timing and quantum of these realisations remain uncertain. One key factor will be the resolution of the pension matter.

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'.

First interim distribution to unsecured non-preferential creditors

The Administrators declared and paid a first interim dividend of 12 pence in the £ to unsecured non-preferential creditors whose claims had been admitted in October 2013. A reserve of £14.28m has been made for the contingent pension liability.

The Joint Administrators propose to make a second interim distribution within the next six months.

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 remain 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.

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 November 2013 to 30 May 2014, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for this period total £187,974 plus VAT, which represents 522.45 hours at an average hourly rate of £360.

To date, remuneration of £1,787,010 plus VAT has been drawn in respect of time costs incurred to 31 March 2014. Details of time costs incurred in earlier 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 June 2014 is set out overleaf.

Key movements in period

- \$32.4m dividend received from LBHI; £74.8k dividend received from LB UK RE and £810k from Longmeade; and
- GBP equivalent to £53k earned in interest from the investment of funds on the money markets.

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

	GBP		EUR		USD		SEK	
	As at 08-Jun-14	As at 08-Dec-13	As at 08-Jun-14	As at 08-Dec-13	As at 08-Jun-14	As at 08-Dec-13	As at 08-Jun-14	As at 08-Dec-13
Receipts								
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	-	-	-	-	136,774,316	104,403,952	-	-
Dividend from LBUK RE	1,010,652	935,789	-	-	-	-	-	-
Dividend from Longmeade	810,241	-	-	-	-	-	-	-
Dividend from Storm	3,820	1,394	-	-	-	-	-	-
Interest	481,496	441,070	2,983	616	-	-	783,109	125,483
Recovery of intercompany loan	280,000	280,000	-	-	-	-	-	-
Sale of tax losses	2,752,282	59,659	2,692,653	-	-	-	-	-
Net tax function costs recharged	382,850	382,850	-	-	-	-	-	-
Net third party funds	1,644	1,644	-	-	-	-	-	-
Funds held on trust	6,214,635	14,171	6,200,464	4,276,651	4,276,651	4,276,651	31,454,100	31,454,100
Total Receipts	26,415,666	1,000,724	25,414,942	4,579,634	136,774,316	104,403,952	32,237,209	125,483
Payments								
Bank charges	52	52	51	51	82	82	264	264
Consultancy fees	11,446	9,900	-	-	-	-	-	-
Employee costs	300,235	214,767	-	-	-	-	-	-
Legal fees	385,512	355,025	-	-	-	-	-	-
Office costs	8,409	8,409	-	-	-	-	-	-
Contribution to Pension Club Deal	11,800,000	11,800,000	-	-	-	-	-	-
Payments on behalf of Subsidiaries	610,166	608,666	6,192	6,192	-	-	-	-
Professional fees	957,511	881	94,870	-	-	-	-	-
Registrars fees	400	400	-	-	-	-	-	-
IT costs	41,741	41,741	-	-	-	-	-	-
Statutory costs	13,203	13,203	-	-	-	-	-	-
Insurance	229,781	35,173	194,608	-	-	-	-	-
Joint Administrators' remuneration	1,787,010	160,436	1,626,574	-	-	-	-	-
Joint Administrators' Cat 1 disbursements	1,181	1,181	-	-	-	-	-	-
Joint Administrators' Cat 2 disbursements	26	26	-	-	-	-	-	-
Funds held on Trust	1,790,002	1,625,340	-	-	-	-	-	-
VAT	507,056	35,480	471,576	-	-	-	-	-
Total Payments	17,458,971	5,446,333	17,067,338	6,243	82	82	264	264
Intracompany Transfers								
Receipts	85,579,350	19,533,284	66,046,066	21,523	-	-	-	-
Payments	(1,644)	(1,644)	(300,000)	(300,000)	(136,773,164)	(104,402,800)	-	-
Total receipts less total payments	94,411,401	20,019,375	4,294,914	4,294,914	1,070	1,070	32,236,945	125,483
Distributions								
1st dividend to unsecured creditors, declared in October 2013	54,413,701	54,413,701	-	-	-	-	-	-
Total	39,997,700	20,019,375	19,978,325	4,294,914	1,070	1,070	32,236,945	125,483
Cash Balances	855,326	793,292	59,034	18,263	1,070	-	836	836
HSEC (non-interest bearing)	347,207,411	19,376,574	15,344,167	-	-	-	782,009	656,526
Money Markets	4,424,633	(150,491)	4,575,124	4,276,651	-	-	31,454,100	31,454,100
Net funds held on trust	39,997,700	20,019,375	19,978,325	4,294,914	1,070	1,070	32,236,945	125,483
Total Cash	39,997,700	20,019,375	19,978,325	4,294,914	1,070	1,070	32,236,945	125,483

*Funds held on trust for solvent subsidiary. Interest accrued in SEK account attributable to solvent subsidiary.

Notes:

(1) Total cash at 8 June 2014 based on exchange rates at 8 June 2014 was £46,347,559 of which the net sum of £10,689,921 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 November 2013 to 30 May 2014

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	0.30	200	30.80	13,395	53.85	17,127	77.65	17,782	162.60	48,504
Strategy and Planning	15.35	11,976	21.05	9,243	30.35	10,897	18.20	4,168	84.95	36,284
Asset Realisations	-	-	0.20	86	0.85	306	-	-	1.05	392
Statutory and Compliance	1.30	1,135	13.55	5,962	52.50	18,895	23.65	5,416	91.00	31,408
Tax and VAT	2.50	2,321	17.20	10,739	8.20	3,201	30.58	4,564	58.48	20,825
Pensions	20.57	14,626	35.56	16,146	26.79	9,657	30.01	6,873	112.93	47,302
Creditors	-	-	0.45	194	3.55	1,278	3.75	859	7.75	2,331
LBL / LBIE Recharges	0.07	47	0.42	188	0.57	129	2.63	564	3.69	928
Grand Total	40.09	30,305	119.23	55,953	176.66	61,490	186.47	40,226	522.45	187,974
Average Hourly Rate		756		469		348		216		360

Current charge out rates Grade	Business Recovery Services		Specialist	
	Max £/hr		Max £/hr	
Partner	873		1,167	
Director	665		1076	
Senior manager	512		905	
Manager	431		660	
Senior Associate	360		490	
Associate/Support Staff	229		228	

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.

Summary of the Joint Administrators' time costs for the period 1 November 2013 to 30 May 2014

Accounting and Treasury - £48,504

- 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 - £36,284

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

Asset Realisations - £392

- Communications with debtors.

Statutory and Compliance - £31,408

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

Tax and VAT- £ 20,825

- Preparing and implementing tax protocol regarding the sale and purchase of tax losses;
- Dealing with Corporation and VAT queries;
- Preparing Corporation Tax returns;
- VAT reconciliation and preparation of VAT returns;
- Preparation for and starting Senior Accounting Officer work; and
- Review of documents and discussions regarding tax provision.

Pensions - £47,302

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

Creditors - £2,331

- Dealing with creditor queries and status of claims.

LBL / LBIE Recharges - £928

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

