



To all known creditors

4 July 2012

Our Reference: DAH/HEG/AD/ P11-4

Dear Sirs

Eldon Street Holdings Limited – in Administration (the “Company”)

Pursuant to Rule 2.47 of the Insolvency Rules 1986, I enclose the Joint Administrators' seventh progress report for the Administration, together with a copy of Form 2.24B.

Yours faithfully
For and on behalf of the Company

A handwritten signature in black ink, appearing to read 'DA Howell', is written over a faint, larger version of the same signature.

DA Howell
Joint Administrator

DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmann were appointed as Joint Administrators of Eldon Street Holdings Limited to manage its affairs, business and property as agents without personal liability. DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmann 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.

PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7212 4652, www.pwc.co.uk

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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 <small>[full name of court]</small>	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

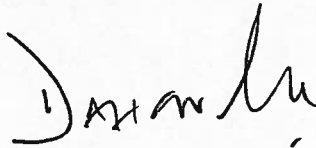
from

to

(b) 9 December 2011

(b) 8 June 2012

Signed



Joint Administrator

Dated

4 July 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

Companies House receipt date barcode

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

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

Joint Administrators' progress
report for the period 9 December
2011 to 8 June 2012

2 July 2012

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the seventh 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 June 2012.

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

The Administrators expect a distribution will be made to unsecured creditors in due course, however the quantum and timing of this distribution remains uncertain, principally due to uncertainty around a potential pension liability.

As previously advised, the Pensions Regulator (the "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.

In September 2010 the Pensions Regulator's Determinations Panel (the "Panel") decided that an FSD should be issued against six Lehman group entities. Eldon Street was among 38 companies that the Panel decided should not be issued with an FSD.

The Panel's decision has been referred to the Upper Tribunal, with the Scheme Trustees asking the Upper Tribunal to overturn the Panel's decision and rule that the 38 companies (including Eldon Street) should also be subject to an FSD. This

means that Eldon Street is still at risk from this potential liability.

Eldon Street (together with 36 other affected entities) applied to the Upper Tribunal, seeking an order that the Trustees' referral to the Upper Tribunal should be struck out on the grounds that it is now no longer possible for the Regulator to impose an FSD against Eldon Street. The Trustees and the Pensions Regulator opposed the strike-out application, and the hearing took place from 12 to 15 March 2012. Judgment was handed down on 14 June 2012.

The Upper Tribunal rejected Eldon Street's application, and the Administrators are seeking permission to appeal to the Court of Appeal.

The Administrators of Eldon Street and those of the other target companies are keeping the position under close review. When possible, the Administrators will take steps to prepare for a distribution to creditors at the earliest practical opportunity.

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 expect recoveries from the subsidiaries to exceed the costs.

Administrators' actions to date

Tax

The Administrators have realised a Corporation Tax refund of £2.1m in relation to the periods from 2004 to 2008.

A further £953k has been recovered from the sale of tax losses during the period 9 December 2011 to 8 June 2012 and £59k has been recharged to Eldon Street in relation to its share of the tax function costs, as a result of the increased recoveries.

Debtors

On 24 October 2011, the Administrators entered into a settlement 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 this agreement Eldon Street had claims against LBHI agreed at \$661,350,282 and \$28,565,323 for its direct and guarantee claims respectively. To date dividends totalling \$29,539,552 have been received. Further distributions are anticipated however the quantum and timing are uncertain.

Other Assets

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

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>	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>	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>	A further extension has 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.

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 1 May 2011 to 30 November 2011 was provided with our sixth Progress Report. Attached at Section 6 of this report is a summary of the Administrators' time costs for the period 1 December 2011 to 31 May 2012, presented in accordance with Statement of Insolvency Practice 9 ("SIP 9"), together with a narrative of the work performed.

The SIP 9 summary shows that the time costs incurred for the period from 1 December 2011 to 31 May 2012 are £75,312, which represents 268.73 hours at an average hourly rate of £280.25.

To date, remuneration of £1,295,157 plus VAT, has been drawn in respect of time costs incurred in the periods 9 December 2008 to 31 December 2011 and 1 March 2012 to 30 April 2012. Remuneration drawn in the period totalled £473,413 in respect of time costs from 1 January 2010 to 31 December 2011, and 1 March 2012 to 30 April 2012.

Remuneration for January and February 2012 of £23,547 was drawn on 18 June 2012 after the date to which the receipts and payment account has been prepared.

Rate increase

An increase to rates has been applied with effect from 1 January 2012. Details of increased rates are set out in Section 6.

Receipts and payments account

An account of the receipts and payments in the Administration showing movements for the six months to 8 June 2012 is shown overleaf.

Section 5 Receipts and payments account for the period ended 8 June 2012

	As at 8 June 2012			As at 8 December 2011			Movements				
	GBP (£)	EUR (€)	USD (\$)	SEK (kr)	GBP (£)	EUR (€)	USD (\$)	SEK (kr)	EUR (€)	USD (\$)	SEK (kr)
Receipts											
Corporation Tax Refund	2,168,381	-	-	-	31,500	-	-	-	2,136,881	-	-
Dividends from subsidiary	300,000	-	-	-	300,000	-	-	-	-	-	-
Dividend from LBHI	-	-	29,539,552	-	-	-	-	-	-	29,539,552	-
Interest	274,815	-	-	97,588	7,748	-	-	-	267,067	-	97,588
Recovery of intercompany loan	280,000	300,000	-	-	280,000	300,000	-	-	-	-	-
Sale of tax losses	2,326,642	-	-	-	1,373,911	-	-	-	952,731	-	-
Net tax function costs recharged	325,998	-	-	-	385,061	-	-	-	(59,063)	-	-
Funds held on trust	1,486,349	212,490	-	31,454,100	1,069,323	212,490	-	29,554,000	417,026	-	1,900,100
Total Receipts	7,162,185	512,490	29,539,552	31,551,688	3,447,543	512,490	-	29,554,000	3,714,642	-	1,997,688
Payments											
Accountants fees	-	-	-	-	13,250	-	-	-	(13,250)	-	-
Bank charges	52	51	37	264	52	51	-	264	-	37	-
Consultancy fees	9,900	-	-	-	9,900	-	-	-	-	-	-
Employee expenses	5,334	-	-	-	5,334	-	-	-	-	-	-
Employee costs	47,867	-	-	-	38,896	-	-	-	8,971	-	-
Legal fees	283,787	-	-	-	154,567	-	-	-	129,220	-	-
Office costs	2,669	-	-	-	2,669	-	-	-	-	-	-
Payments on behalf of Subsidiaries	317,440	-	-	-	260,875	-	-	-	56,565	-	-
Professional fees	94,870	-	-	-	94,870	-	-	-	-	-	-
Registrars fees	400	-	-	-	400	-	-	-	-	-	-
Statutory costs	4,320	-	-	-	4,320	-	-	-	-	-	-
Insurance	156,124	-	-	-	81,179	-	-	-	74,945	-	-
Joint Administrators' remuneration	1,295,157	-	-	-	821,744	-	-	-	473,413	-	-
Joint Administrators' Cat 1 disbursements	1,181	-	-	-	-	-	-	-	1,181	-	-
Joint Administrators' Cat 2 disbursements	26	-	-	-	-	-	-	-	26	-	-
VAT	321,566	-	-	-	190,858	-	-	-	130,708	-	-
Total Payments	2,540,693	51	37	264	1,678,914	51	-	264	861,779	-	37
Intracompany Transfers											
Receipts	18,730,127	-	-	-	255,864	-	-	-	18,474,263	-	-
Payments	-	(300,000)	(29,538,500)	-	-	(300,000)	-	-	-	(29,538,500)	-
Net Position	23,351,619	212,439	1,015	31,551,424	2,024,493	212,439	-	29,553,736	21,327,126	-	1,015
Cash Balances											
HSBC (non-interest bearing)	23,351,619	212,439	1,015	31,551,424	2,024,493	212,439	-	29,553,736	21,327,126	-	1,015
Total Cash	23,351,619	212,439	1,015	31,551,424	2,024,493	212,439	-	29,553,736	21,327,126	-	1,015

Total cash at 8 June 2012 based on exchange rates at 8 June 2012 was £26,367,008 of which £4,492,353 is held on trust.

Section 6 Joint Administrators' time costs for the period 1 December 2011 to 31 May 2012

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total		Average Hourly Rate
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£	
Accounting and Treasury	-	-	9.90	4,099	30.30	7,783	34.10	7,477	74.30	19,359	260.55
Asset Realisations	-	-	2.90	1,217	11.60	3,831	-	-	14.50	5,048	348.14
Statutory and Reporting	-	-	7.70	3,246	35.90	9,827	4.70	1,094	48.30	14,107	292.07
Strategy and Planning	3.10	2,599	32.00	13,728	9.40	2,604	2.90	638	47.40	19,569	412.85
Tax and VAT	2.70	2,642	5.80	4,030	67.60	8,493	4.70	1,031	80.80	16,196	200.45
LBL Recharges	0.04	27	1.12	454	1.52	404	0.75	148	3.43	1,033	301.17
Grand Total	5.84	5,268	59.42	26,774	156.32	32,942	47.15	10,328	268.73	75,312	280.25

The Joint Administrators' policy for charging for disbursements is:

Photocopying is charged at 3p per sheet for creditors and bulk copying
 Mileage is charged at a maximum of 62p per mile (up to 2000cc) or 81p per mile (over 2000cc)
 All other disbursements are charged at cost

Costs to date (£)
-
-
-

Current charge out rates	Business Recovery Services		Specialist*	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	800	838	980	1,027
Director	610	639	890	932
Senior manager	470	492	830	869
Manager	395	414	605	634
Senior Associate	330	346	330	389
Associate / Support Staff	210	220	195	204

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).

Summary of the Joint Administrators' time costs for the period 1 December 2011 to 31 May 2012

Accounting and Treasury - £ 19,359

- Preparation of receipt and payment 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 - £5,048

- Reviewing of Eldon Street's investments in subsidiaries and joint ventures;
- Submitting claims in intercompany estates; and
- Provision of advice and real estate expertise to subsidiaries to maximise value.

Statutory and Reporting - £14,107

- Dealing with statutory issues;
- Preparation of the Administrators' sixth progress report and statutory filing;
- Reviewing time cost data for accuracy and completeness;
- Preparing fee analysis for Administrators' update;
- Undertaking six monthly case reviews;
- Preparation of time cost analysis for report;
- Managing case database and file; and
- Maintaining case records and database.

Strategy and planning - £19,569

- Reviewing 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;
- Discussions with advisors regarding pension claims;
- Agreeing and implementing the plan of reorganisation; and
- Liaising with legal advisors regarding the extension of the administration.

Tax and VAT- £16,196

- Tax planning for group companies;
- Preparing tax computations; and
- Tax and VAT issues.

LBL recharges - £1,033

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