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

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

20 December 2012

Contents

Section 1	<i>Purpose of the Joint Administrators' progress report</i>	3
Section 2	<i>Joint Administrators' actions to date</i>	4
Section 3	<i>Statutory and other Information</i>	5
Section 4	<i>Financial Information</i>	6
Section 5	<i>Receipts and payments account for the period ended 8 December 2012</i>	7
Section 6	<i>Joint Administrators' time costs for the period 1 June to 31 October 2012</i>	8

Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the eighth 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 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 to 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 noted in previous reports, 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 relating to a FSD should be struck out on the grounds that it is now no longer possible for the Regulator to impose a FSD against the Company. The Trustees and the 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 with the Upper Tribunal declining to strike out the Trustees' referral, meaning that Eldon Street is still at risk of a FSD. The Upper Tribunal's decision has been appealed to the Court of Appeal, and the hearing in the Court of Appeal has now been listed to begin on 29 April 2013.

The Administrators continue to keep the pensions issues under close review and are working to find an interim resolution that may allow dividends to be paid soon. Once an interim resolution has been determined, the Administrators propose to apply to Court to request an Order to convert the administration of Eldon Street into a distributing administration in order to allow them to pay a dividend to unsecured creditors.

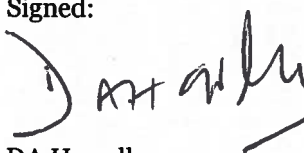
Extension of the administration

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. 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 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

Tax

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

A further £338k has been recovered from the sale of tax losses during the period.

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.

The first distribution from LBHI was made on 17 April 2012 and Eldon Street received \$29,539,552 in regard to its agreed claims detailed above. A further distribution from LBHI was made on 1 October 2012 and Eldon Street received \$19,914,416. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

During the period, LB UK RE Holdings Limited ("LB UK RE") have agreed Eldon Street's claim of £2,339,472. A first distribution of 30p in the £ was made on 27 September 2012 and Eldon Street received £701,842.

Further dividends from both LBHI and LB UK RE are expected, however the quantum and timing remain 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 Administrators expect recoveries from the subsidiaries to exceed the costs.

Since our last report, Eldon Street has realised £167,735 from Tax refunds due to certain of its dissolved subsidiaries.

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 December 2011 to 31 May 2012 was provided with our seventh progress report. Attached at Section 6 of this report is a summary of the Administrators' time costs for the period 1 June to 31 October 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 June to 31 October 2012 are £76,281, which represents 310.25 hours at an average hourly rate of £245.87.

To date, remuneration of £1,410,350 plus VAT, has been drawn in respect of time costs incurred to 31 October 2012.

Receipts and payments account

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

Receipts in the period, as discussed in Section 2, were:

- \$19,914,416 dividend received from LBHI, equivalent to approximately £12.3m;
- £701,842 dividend received from LB UK RE;
- £337,765 in respect of the sale of tax losses;
- Corporation Tax refund of £41,930; and
- GBP equivalent to £62,700 earned in interest from the investment of funds on the money markets.

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

	As at 8 December 2012			As at 8 June 2012			Movements		
	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)
Receipts									
Corporation Tax Refund	2,210,311	-	-	2,186,381	-	-	41,930	-	-
Dividends from subsidiary	300,000	-	-	300,000	-	-	-	-	-
Dividends from dissolved subsidiaries	167,735	-	-	-	-	-	167,735	-	-
Dividend from LBHI	-	49,453,969	-	-	29,539,552	-	-	19,914,417	-
Dividend from LEUK RE	701,842	-	-	-	-	-	701,842	-	-
Interest	317,163	161	314,208	274,815	-	-	42,348	161	216,620
Recovery of intercompany loan	280,000	300,000	-	280,000	300,000	-	-	-	-
Sale of tax losses	2,664,407	-	-	2,326,842	-	-	337,565	-	-
Net tax function costs recharged	325,205	-	-	325,998	-	-	(793)	-	-
Funds held on trust	1,248,041	3,180,601	31,454,100	1,486,349	212,490	31,454,100	(238,308)	2,966,111	-
Total Receipts	8,214,704	3,480,762	49,453,969	7,162,185	512,490	29,539,552	1,052,518	2,968,272	19,914,417
Payments									
Accountants fees	52	51	42	52	51	37	264	-	-
Bank charges	9,900	-	-	9,900	-	-	-	-	5
Consultancy fees	5,334	-	-	5,334	-	-	-	-	-
Employee expenses	72,280	-	-	47,867	-	-	24,413	-	-
Legal fees	296,280	-	-	283,787	-	-	12,493	-	-
Office costs	2,669	-	-	2,669	-	-	-	-	-
Payments on behalf of Subsidiaries	551,049	1,872	-	317,440	-	-	233,609	1,872	-
Professional fees	94,870	-	-	94,870	-	-	-	-	-
Registrars fees	400	-	-	400	-	-	-	-	-
Statutory costs	3,869	-	-	4,320	-	-	(451)	-	-
Insurance	156,124	-	-	156,124	-	-	-	-	-
Joint Administrators' remuneration	1,410,350	-	-	1,295,157	-	-	115,193	-	-
Joint Administrators' Cat 1 disbursements	1,181	-	-	1,181	-	-	-	-	-
Joint Administrators' Cat 2 disbursements	26	-	-	26	-	-	-	-	-
VAT	354,429	-	-	321,566	-	-	32,863	-	-
Total Payments	2,858,613	1,923	42	2,540,693	51	37	418,120	1,872	5
Intracompany Transfers									
Receipts	31,060,472	-	-	18,730,127	-	-	12,330,345	-	-
Payments	(300,000)	(49,452,500)	-	(300,000)	(29,539,500)	-	-	(19,914,000)	-
Net Position	36,316,363	3,178,839	1,427	23,351,619	212,439	1,015	12,964,744	2,966,400	412
Cash Balances									
HSBC (non-interest bearing)	735,378	96,678	1,427	836	-	-	-	-	-
Money Markets	35,590,985	3,080,161	-	23,351,619	212,439	1,015	12,229,366	2,867,722	(1,015)
Total Cash	36,316,363	3,178,839	1,427	23,351,619	212,439	1,015	12,964,744	2,966,400	412

Total cash at 8 December 2012 based on exchange rates at 8 December 2012 was £41,845,548 of which £6,748,450 is held on trust.

Section 6 Joint Administrators' time costs for the period 1 June to 31 October 2012

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total Hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	15.40	6,376	46.80	11,887	20.30	4,466	82.50	22,729
Asset Realisations	-	-	3.00	1,242	18.70	4,861	4.50	990	26.20	7,093
Statutory and Reporting	-	-	2.50	1,105	-	-	14.80	3,256	17.30	4,361
Strategy and Planning	8.70	7,291	25.20	11,096	5.80	1,477	12.20	2,684	51.90	22,548
Tax and VAT	2.70	2,773	2.90	1,627	121.20	13,723	3.20	671	130.00	18,794
LBL Recharges	0.04	23	0.91	397	0.86	222	0.54	114	2.35	756
Grand Total	11.44	10,087	49.91	21,843	193.36	32,170	55.54	12,181	310.25	76,281

Grade	Business Recovery Services		Specialist	
	Max £/hr	Services	Max £/hr	Services
Partner	838	838	1,027	
Director	639	639	932	
Senior manager	492	492	869	
Manager	414	414	634	
Senior Associate	346	346	389	
Associate/Support Staff	220	220	204	

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 0.1 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 an 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 to 31 October 2012

Accounting and Treasury - £22,729

- Preparation of receipt and payment account for statutory reporting;
- Preparation of receipts and payments vouchers;
- Managing investments on the money market;
- Mitigating risk on investments;
- Reconciliation of bank accounts; and
- Monitoring flow of funds into the bank accounts.

Asset Realisations - £7,093

- Reviewing of Eldon Street's investments in subsidiaries and joint ventures;
- Provision of advice and real estate expertise to subsidiaries to maximise value; and
- Agreeing LB UK RE claim.

Statutory and Reporting - £4,361

- Preparation of Administrators' seventh 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 Eldon Street Administration website; and
- Maintaining case records and database.

Strategy and Planning - £22,548

- Preparing the six monthly partner review;
- Discussions regarding strategy for the administration and updating the strategy documents;
- Participating in discussions to resolve the pension issue; and
- Regular meetings regarding the status of assets.

Tax and VAT- £18,794

- Tax planning for group companies;
- Dealing with tax and VAT queries; and
- Preparing tax computations.

LBL recharges - £756

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