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

Joint Administrators' progress
report for the period 9 December
2012 to 8 June 2013

4 July 2013

Contents

Section 1	<i>Purpose of the Joint Administrators' progress report</i>	3
Section 2	<i>Joint Administrators' actions to date</i>	5
Section 3	<i>Statutory and other Information</i>	6
Section 4	<i>Financial Information</i>	7
Section 5	<i>Receipts and payments account for the period ended 8 June 2013</i>	8
Section 6	<i>Joint Administrators' time costs for the period 1 November 2012 to 30 April 2013</i>	10

Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the ninth 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 2013.

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

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 a FSD.

The Scheme Trustees have requested that the Upper Tribunal overturns the Panel's decision and rules that the 38 companies (including Eldon Street) should also be subject to an FSD. Eldon Street is still, therefore, at risk from this potential

liability but (together with 36 other affected entities) maintains that the FSD should be struck out on the grounds that it is now no longer possible for the Regulator to impose FSD against the Company. Following a judgment on 14 June 2012, the Upper Tribunal declined the strike out, meaning that Eldon Street is still at risk of FSD. An appeal was made to the Court of Appeal but judgement was handed down on 21 June 2013 rejecting the appeal so Eldon Street continues to be at risk of a FSD.

The Administrators continue to monitor the pensions issues closely and have formed a joint reserve for the liability, in line with what the Administrators consider to be the maximum possible liability. As an interim resolution is in place, the Administrators applied to Court for permission to distribute to creditors on 24 June 2013, and permission was granted. The Administrators also applied for an extension to the Administration to allow it to run to 30 November 2015, and that was also granted.

The Administrators are therefore in a position to commence agreeing claims, and creditors are encouraged to submit their claims as soon as they are able.

Change of Administrators

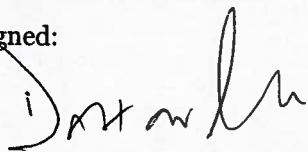
Upon an application to the High Court of Justice ("the Court"), an order was made on 22 March 2013 that GE Bruce and JG Parr be appointed joint administrators and that DY Schwarzmann and MJA Jervis cease to be joint administrators of the Company.

The Court also ordered that former joint administrators shall be released from all liability pursuant to the relevant sections in the Insolvency Act 1986 in respect of their acts and omissions and otherwise in respect of their conduct as administrators of the Company and that such release will take effect 56 days after the date of this progress report. The Court gave permission for each creditor and member of the Company to apply to vary or discharge its Order by an application issued within 28 days of receipt of this progress report.

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, 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 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 corporation tax refunds totalling £2.7m. Included in this is £28k recovered during the period from the sale of tax losses.

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.

Further to previous distributions, during the period, Eldon Street received \$25.1m from LBHI in respect of its agreed claims, bringing total realisations from this source to \$74.6m. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

As previously reported, LB UK RE Holdings Limited ("LB UK RE") has agreed Eldon Street's claim of £2,339,472. A first distribution was made in September 2012 and Eldon Street received £701,842. No further funds have been received during the period covered by this report.

Further dividends from LBHI will be received on a six monthly basis and LB UK RE will pay a second dividend on or before 2 September 2013.

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.

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. DY Schwarzmann and MJA Jervis ceased to act as administrators on 22 March 2013.
<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 AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr 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 2015.
<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 will 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 June to 31 October 2012 was provided with our eighth progress report. Attached at Section 6 of this report is a summary of the Administrators' time costs for the period 1 November 2012 to 30 April 2013, 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 November 2012 to 30 April 2013 are £111,252, which represents 279.48 hours at an average hourly rate of £398.06.

To date, remuneration of £1,521,603 plus VAT has been drawn in respect of time costs incurred to 30 April 2013.

Receipts and payments account

An account of the receipts and payments in the Administration showing movements for the six months to 8 June 2013 is set out overleaf.

The IT costs incurred during the period are Eldon Street's contribution to the production and running of the Entity Prioritisation Model ("EPM"), whose cost was incurred by Lehman Brothers International (Europe). The EPM has been used for considering options in respect of the pensions issue.

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

- \$25.1m dividend received from LBHI, equivalent to approximately £16.1m;
- £28k in respect of the sale of tax losses;
- £57.6k of recharges for tax functions; and
- GBP equivalent to £68k earned in interest from the investment of funds on the money markets.

As noted in Section 1 above, a joint pensions reserve has been formed with other entities which are also at risk of the FSD, in line with what the Administrators consider to be the maximum possible liability. During the period, Eldon Street made a payment of £11.8m into this fund.

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

	As at 8 June 2013			As at 8 December 2012			Movements		
	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)
Receipts									
Corporation Tax Refund	2,210,311	-	-	2,210,311	-	-	-	-	-
Dividends from subsidiary	300,000	-	-	300,000	-	-	-	-	-
Dividends from dissolved subsidiaries	167,735	-	-	167,735	-	-	-	-	-
Dividend from LBHI	-	74,588,790	-	-	-	49,453,969	-	-	25,134,821
Dividend from LBUK RE	701,842	-	-	701,842	-	-	-	-	-
Interest	368,429	342	-	317,163	161	-	51,266	181	-
Recovery of intercompany loan	280,000	300,000	-	280,000	300,000	-	-	-	-
Sale of tax losses	2,692,653	-	-	2,664,407	-	-	28,246	-	-
Net tax function costs recharged	382,850	-	-	325,205	-	-	57,645	-	-
Funds held on trust	1,195,916	4,180,601	-	1,248,041	3,180,601	-	(52,125)	1,000,000	-
Total Receipts	8,299,736	4,480,943	74,588,790	8,214,704	3,480,762	49,453,969	85,032	1,000,181	25,134,821
Payments									
Bank charges	52	51	42	52	51	42	-	-	-
Consultancy fees	9,900	-	-	9,900	-	-	-	-	-
Employee expenses	5,334	-	-	5,334	-	-	-	-	-
Employee costs	118,760	-	-	118,760	-	-	46,480	-	-
Legal fees	318,466	-	-	296,280	-	-	22,186	-	-
Office costs	2,669	-	-	2,669	-	-	-	-	-
Contribution to Pension Club Deal	11,800,000	-	-	11,800,000	-	-	11,800,000	-	-
Payments on behalf of Subsidiaries	568,965	6,192	-	551,049	1,872	-	17,916	4,320	-
Professional fees	94,870	-	-	94,870	-	-	-	-	-
Registrars fees	400	-	-	400	-	-	-	-	-
IT costs	41,741	-	-	41,741	-	-	41,741	-	-
Statutory costs	3,869	-	-	3,869	-	-	-	-	-
Insurance	194,608	-	-	156,124	-	-	38,484	-	-
Joint Administrators' remuneration	1,521,603	-	-	1,410,350	-	-	111,253	-	-
Joint Administrators' Cat 1 disbursements	1,181	-	-	1,181	-	-	-	-	-
Joint Administrators' Cat 2 disbursements	26	-	-	26	-	-	-	-	-
VAT	435,823	-	-	354,429	-	-	82,394	-	-
Total Payments	15,119,267	6,243	42	14,763,813	1,923	42	12,160,454	4,320	-
Intracompany Transfers									
Receipts	47,548,625	-	-	31,060,472	-	-	16,488,153	-	-
Payments	-	(300,000)	(74,587,700)	-	(300,000)	(49,452,500)	-	-	(25,135,200)
Net Position	40,729,094	4,174,700	1,048	36,316,363	3,178,839	1,427	4,412,731	995,861	(379)
Cash Balances									
HSBC (non-interest bearing)	495,142	100,358	1,048	735,378	98,678	1,427	(240,236)	1,680	(379)
Money Markets	40,233,952	4,074,342	-	35,580,985	3,080,161	-	4,652,967	994,181	-
Total Cash	40,729,094	4,174,700	1,048	36,316,363	3,178,839	1,427	4,412,731	995,861	(379)

Total cash at 8 June 2013 based on exchange rates at 8 June 2013 was £47,406,185 of which £7,829,874 is held on trust.

Section 5 Receipts and payments account for the period ended 8 June 2013 – Trust account

	As at 8 June 2013 GBP (£)	As at 8 December 2012 GBP (£)	Movements GBP (£)
Receipts			
Funds contributed to trust account	153,100,000	-	153,100,000
Total Receipts	153,100,000	-	153,100,000
Payments			
Total Payments	-	-	-
Cash Balances			
HSBC (non-interest bearing)	153,100,000	-	153,100,000
Total Cash	153,100,000	-	153,100,000

Monies placed on the money markets after date of receipt.

Section 6 Joint Administrators' time costs for the period 1 November 2012 to 30 April 2013

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	0.40	335	31.00	12,834	63.35	17,004	45.95	10,109	140.70	40,282
Asset Realisations	0.00	0	4.60	1,904	9.40	2,378	1.80	396	15.80	4,678
Statutory and Reporting	2.00	1,676	3.00	1,242	11.60	2,935	0.50	110	17.10	5,963
Strategy and Planning	31.60	24,162	58.90	28,191	1.80	474	0.00	-	92.30	52,827
Tax and VAT	1.10	1,130	9.30	5,452	0.00	0	0.00	-	10.40	6,582
LBL Recharges	0.07	47	0.75	318	0.85	235	1.51	320	3.18	920
Grand Total	35.17	27,350	107.55	49,941	87.00	23,026	49.76	10,935	279.48	111,259

Current charge out rates	Business Services		Specialist	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	838	1,027		
Director	639	932		
Senior manager	492	869		
Manager	414	634		
Senior Associate	346	389		
Associate/Support Staff	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 0.05 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 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 November 2012 to 30 April 2013

Accounting and Treasury - £40,282

- 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 - £4,678

- Reviewing 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 - £5,963

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

Strategy and Planning - £52,827

- Preparing the six monthly partner review;
- Discussions regarding strategy for the administration and updating the strategy documents;
- Reviewing financial information;
- Preparations for and attending the Court of Appeal pensions hearing;
- Participating in discussions to resolve the pension issue; and
- Regular meetings regarding the status of assets.

Tax and VAT- £6,582

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

LBL recharges - £920

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