

Mable Commercial Funding Limited – In Administration

Joint Administrators' progress report for the period
23 September 2008 to 22 March 2009

21 April 2009

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Section 1: Purpose of the Joint Administrators' progress report

Introduction

This is the first progress report by the Joint Administrators (the "Administrators") of Mable Commercial Funding Limited ("Mable" or the "Company").

Creditors were sent the Administrators' proposals (the "Proposals") on 12 November 2008 which were approved at a meeting of creditors held on 27 November 2008.

This report provides details of the work we have undertaken and the progress we have made during the first six months of our appointment.

Objective of the Administration

The Administrators are pursuing the objective of achieving a better result for Mable's creditors as a whole than would be likely if Mable were wound up (without first being in Administration).

The specific aims of this Administration are to:

- Protect and control the Company's portfolios of assets; and
- Realise these assets, including cash and asset and mortgage backed securities, on a managed basis.

Creditors' Committee

There were no requests from creditors for the formation of a Creditors' Committee.

Outcome for Creditors

At this time the Administrators are unable to provide a reliable estimate of the likely dividend to ordinary unsecured creditors as there are significant uncertainties regarding future net realisations. The timing and level of any dividend therefore remains uncertain.

What steps should be taken now?

The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors.

Until there is more certainty regarding dividend prospects, claims agreement work will be restricted to gathering information. If you have not already submitted your claim to the Administrators, please do so by completing and returning the attached statement of claim form.


Administrators' remuneration

As there is no Creditors' Committee, the Administrators will in due course seek the approval of the general body of creditors to draw remuneration in respect of costs incurred in this Administration.

Future reports

The Administrators will next report to creditors in approximately six months.

Signed:



D Y Schwarzmann
Joint Administrator
Mable Commercial Funding Limited

Section 2: Background information

Background information

Mable was the holding company for a number of subsidiaries within the Lehman Brothers Group of Companies (the “Lehman Group”). It principally acted to manage the flow of investment funds to these subsidiaries from Lehman Brothers Holdings Inc. (“LBHI”) and Lehman Brothers International (Europe) (“LBIE”), the ultimate US registered parent of the Lehman Group and the main European broker - dealer respectively.

Events immediately preceding the Administrators’ appointments

On 15 September 2008, LBHI announced that it was preparing to file for Chapter 11 insolvency protection in the US, precipitating the appointment of Administrators to protect the business and assets of LBIE, amongst other Lehman Group companies, on the same day.

Immediately upon their appointment, the Administrators of LBIE met with certain directors and undertook a detailed review of the UK operations of the Lehman Group. As part of this review it was established that Mable could not repay its liabilities to LBHI and LBIE could not repay its liabilities to Mable.

Consequently, on 22 September 2008, the directors of Mable resolved to place the Company into Administration and the Administrators were appointed on 23 September 2008.

Following the application of the Administrators, Graham Martin was also appointed as an Administrator of the Company on 29 October 2008.

Business activities

Mable acted as the funding vehicle for mortgage and asset backed debt financing on behalf of a number of direct and indirect subsidiaries (the “Mable Group”).

The activities of the key subsidiaries within the Mable Group were:

- To originate mortgages and sell these to Special Purpose Vehicles (“SPVs”) which securitised the assets and issued notes to investors;
- To retain a residual interest in these SPVs;
- To service the mortgages held by the SPVs in return for a fee; and
- To hold portfolios of performing and non performing loans.

Mable’s main assets at the date of appointment were intercompany debts and shareholdings in a number of its subsidiaries.

Section 3: Joint Administrators' actions to date

Progress since 27 November 2008

Key achievements include:

- Completed a review of key staff and infrastructure in order to ensure continued stability of asset performance;
- Stakeholders including the FSA, key Lehman Group employees and investors, were contacted and advised of the Administration and the goals of the Administrators;
- Completed financial and legal due diligence reviews of the loan portfolios and servicers where Mable has an interest;
- Developed in-house asset management and treasury functions to monitor asset performance and ensure cash-flows are secured;
- Cash-flows from portfolios secured wherever possible, totalling to date US\$8.9m;
- Valuations undertaken of key portfolios;
- Offered portfolios and servicers to market through formal sales processes;
- Developed internal processes for the ongoing run-off of loan portfolios where the hold valuations were greater than available sales price; and
- Established a team to support the long term hold strategy, including regulatory, finance, restructuring and valuation specialists.

Realisation of assets and sale of subsidiaries

Sales processes have been undertaken to consider realising Mable's interests in two of its investments:

- The UK wholly-owned mortgage loan book and the UK servicing platform (Capstone); and
- The Dutch servicing platform and associated wholly owned Dutch loans (ELQ).

Key decisions will be made on both of these sales in the near future.

The Administrators have also been seeking to realise value for other assets and investments, including:

- The repayment of a mezzanine loan, by a Lehman Group subsidiary, through the sale of property investments over the next 12 months; and
- From share options and deep discount bonds in an equity release mortgage structure.

The proceeds for these realisations should be achieved in the very near future for the benefit of creditors.

Section 4: Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court - Court Case 8211 of 2008.
Full name:	Mable Commercial Funding Limited
Trading name:	Mable Commercial Funding Limited
Registered number:	2682316
Registered address:	25 Bank Street, London E14 5LE, England.
Company directors:	JC Blakemore, D Gibb, PEJ Hansell, IM Jameson, B Porter, AJ Rush and PR Sherratt.
Company secretary:	P Dave, M Smith and ESE Upton.
Shareholdings held by the directors and secretary:	None of the directors own shares in the Company.
Date of the Administration appointment:	23 September 2008.
Administrators' names and addresses:	MJA Jervis, AV Lomas, GH Martin, SA Pearson and DY Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, England.
Appointer's name and address:	The directors of the Company, 25 Bank Street, London E14 5LE, England.
Objective being pursued by the Administrators:	Achieving a better result for creditors as a whole than would be likely if the Company was wound up (without first being in Administration).
Division of the Administrators' responsibilities:	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.
Proposed end of the Administration:	The Administrators are not yet in a position to determine the most likely exit routes from the Administration and wish to retain the options available to them.
Estimated dividend for unsecured creditors:	It is too early to estimate the likely dividend for unsecured creditors.
Estimated values of the prescribed part and Mable's net property:	There is no prescribed part in this matter.
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	Not applicable.
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

Section 5: Financial information

Statement of Affairs

The Directors have provided their Statement of Affairs (the "Statement"). This Statement is not attached to the progress report as disclosure of the information therein may impact adversely upon future realisations.

Administrators' remuneration

By way of context, the manner in which Administrators' remuneration is determined and approved is set out in the Insolvency Rules 1986 2.106 to 2.109 (the "Rules").

In accordance with the Proposals, as a Creditors' Committee was not formed it is now for creditors to agree the level of the Administrators' remuneration and Category 2 disbursements. Full details of the Administrators' remuneration will be provided to creditors in due course.

The Administrators will only draw remuneration when appropriate approval has been given and when funds are available to do so.

Receipts and payments account

An account of the receipts and payments in the Administration for the six months to 22 March 2009 is set out in section 6 to this report.

Significant receipts in the period covered by this report are US\$8.89m in respect of income from investments.

Section 6: Receipts and payments

	As at 22 Mar 2009			
	GBP	US\$	EUR	Total (US\$ Equivalent)
	000's	000's	000's	000's
Receipts				
Income from investments	6,160	-	-	8,891
Total receipts for period	6,160	-	-	8,891
Payments				
Building and occupancy cost	114	-	-	164
Payroll and employee costs	96	-	-	138
Legal fees	19	-	-	28
Total payments for period	229	-	-	330
Net position	5,931	-	-	8,561
Held as				
HSBC	5,931	-	-	8,561
Total cash	5,931	-	-	8,561

Note:

US\$ equivalent is for information purposes only.
 Rates used for conversion are Financial Times rates on 22 Mar 2009:
 1 GBP = 1.4433 US\$,
 1 € = 1.3566 US\$