
Mable Commercial Funding Limited – In Administration

Joint Administrators' progress
report for the period 23 September
2010 to 22 March 2011

20 April 2011

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

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

Creditors should have received the Administrators' proposals (the "Proposals") dated 12 November 2008 which were approved at a meeting of creditors held on 27 November 2008. Creditors should also have received the Administrators' first, second, third and fourth progress reports dated 21 April 2009, 22 October 2009, 20 April 2010 and 21 October 2010 respectively.

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 22 March 2011.

Objectives 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 manage the Company's portfolios of assets; and
- Realise these assets, including cash, mortgages and asset backed securities, on a managed basis.

Creditors' Committee

A Creditors' Committee has not been formed.

Outcome for creditors

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.

In respect of these uncertainties, the Pensions Regulator listed Mable as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme.

However, the Determinations Panel of the Pensions Regulator issued a Determination Notice on 13 September 2010 which stated that an FSD should not be issued against Mable. As the FSD legal process has not yet been completed the Administrators are not certain at this stage that Mable will not have liability under an FSD.

Until there is more certainty regarding the 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.

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

Administrators' remuneration

As there is no Creditors' Committee, the Administrators have sought the approval of the general body of creditors to draw remuneration in respect of costs incurred in this Administration. Total remuneration drawn to date is £5.9m including VAT for the period 23 September 2008 to 30 June 2010.

Extension of the Administration

On the application for the Administrators the High Court made an Order extending the period of the Administration for a further year up to 30 November 2011.

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 Joint Administrators' actions to date

Business activities

Mable is a holding company that principally acted as a funding vehicle for mortgages and asset backed debt financing on behalf of a number of its direct and indirect subsidiaries.

Mable utilised employees from Lehman Brothers Limited ("LBL") and operated from the Lehman Group's former premises at 25 Bank Street, London, E14 5LE.

Progress to date

The Administrators have:

- Implemented the hold strategy of the mortgage loan assets ("Mortgage Assets"), as stated in the previous progress report. By way of background, Mable provided a loan to one of its subsidiaries, which was used to fund the origination of the Mortgage Assets. These Mortgage Assets were pledged as security against the loan. The Mortgage Assets are being held and run-off within the Administration using a Lehman owned servicing platform, Acenden Limited ("Acenden"), formerly known as Capstone Mortgage Services Limited.

Between 23 September 2010 and 22 March 2011, the Administrators have collected loan interest and principal sums totalling £9m in relation to the Mortgage Assets;

- Concluded discussions with Lehman Brothers Bankhaus AG ("Bankhaus") in respect of a sub-participation loan agreement which Mable had entered into with Bankhaus. The original loan was provided by Bankhaus to a French leisure development. Bankhaus has now sold its interest in the loans to a third party and Mable will receive €7.2m from the proceeds of this sale. Settlement agreements are currently being prepared;
- Agreed the corporation tax affairs with HMRC up to 30 November 2007. Mable has entered into a group relief agreement with other PwC controlled Lehman entities. HMRC has approved the group tax position up to 2007 and repayments are being processed. To date, £19.1m has been repaid for accounting periods

up to year ended 2004 and £1.8m has been received from the sale of certain prior year tax losses. A further repayment of approximately £4.2m for accounting periods up to and including 2007 is likely to be received later this year. Repayments will be subject to a deduction for tax function costs and an LBL compensation payment in accordance with the group relief agreement;

- Submitted claims totalling US\$118.5m against the estate of Bankhaus and Lehman Brothers Holdings Inc on a direct and guarantee basis respectively; and
- Continued to investigate inter-company balances. As at the date of appointment Mable had over 40 inter-company debtor and creditor balances, representing US\$903m of debtors and US\$1.4bn of creditors at 12 September 2008 book values. Mable's largest debtor is Storm Funding Limited (In Administration) with a book value of \$684m.

Future strategy

The Administrators will continue to:

- Work with the Acenden team to ensure that all applicable principal and interest payments are remitted to Mable;
- Submit further inter-company claims into insolvent estates where necessary; and
- Determine the most appropriate route to distribute dividends to the creditors.

Section 3 Statutory and other information

| | |
|---|---|
| <i>Court details for the Administration:</i> | High Court of Justice, Chancery Division, Companies Court - Court Case 8211 of 2008. |
| <i>Full name:</i> | Mable Commercial Funding Limited |
| <i>Trading name:</i> | Mable Commercial Funding Limited |
| <i>Registered number:</i> | 2682316 |
| <i>Registered address:</i> | Level 23, 25 Canada Square, London E14 5LQ, United Kingdom. |
| <i>Company directors:</i> | JC Blakemore (resigned 05/11/08), D Gibb (resigned 17/07/09), PEJ Hansell (resigned 23/10/08), IM Jameson (resigned 17/07/09), B Porter (resigned 23/10/08), AJ Rush (resigned 28/10/08) and PR Sherratt (resigned 06/10/08). |
| <i>Company secretary:</i> | P Dave (resigned 25/01/10), M Smith (resigned 25/01/10) and 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> | 23 September 2008. |
| <i>Administrators' names and addresses:</i> | DY Schwarzmann, MJA Jervis, AV Lomas, SA Pearson and DA Howell of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, England. |
| <i>Appointer's name and address:</i> | The directors of the Company, whose address at appointment was 25 Bank Street, London, E14 5LE, United Kingdom. |
| <i>Objective being pursued by the Administrators:</i> | Achieving a better result for creditors as a whole than would be likely if the Company 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 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> | The Court has granted an extension of the Administration to 30 November 2011. |
| <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> | It is too early to estimate the likely dividend for unsecured creditors. |
| <i>Estimated values of the prescribed part and Mable's net property:</i> | There is no prescribed part in this matter. |
| <i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i> | Not applicable. |
| <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

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 for the general body of creditors to agree the level of the Administrators' remuneration and Category 2 disbursements. Creditors have previously been provided with a SIP 9 analysis and therefore it is not repeated here.

On 20 September 2010 a meeting was held to vote upon the resolution to authorise remuneration for the costs incurred between 1 January 2010 and 30 June 2010. All votes received were in favour of the resolution and fees of £876k including VAT have been drawn. This represents 2,210 hours at an average hourly rate of £396, including VAT.

In addition, and as highlighted in the last report to creditors, the Administrators were authorised by creditors to draw the remaining 25% of fees relating to the period 23 September 2008 to 31 December 2009 totalling £1.25m including VAT. This has also been drawn in the period covered by this report.

A SIP 9 time cost analysis for the period from 1 July 2010 to 31 December 2010 will be issued to creditors shortly.

Receipts and payments account

An account of the receipts and payments in the Administration for the six months to 22 March 2011, and a cumulative total since commencement of the Administration, is set out in section 5 to this report.

Significant receipts in the period covered by this report are:

- £9.2m in respect of principal and interest; and
- £20.9m in respect of a corporation tax refund.

Significant payments in the period covered by this report are:

- £0.3m in respect of payroll and employee costs;
- £0.3m in respect of legal fees; and
- £2.1m in respect of office holders' remuneration.

Total cash held as at 22 March 2011 was £50.8m.

Section 5 Receipts and payments

| | As at 22 March 2011 | | As at 22 March 2011 | Movements 23 September 2010 | As at 22 September 2010 (GBP equivalent) RESTATED | As at 22 September 2010 (GBP equivalent) |
|--|---------------------|------------|------------------------------|---|--|---|
| RECEIPT | GBP (£) | EUR (€) | TOTAL GBP equivalent £ | to 22 March 2011 (GBP equivalent) £ | at 22 March 2011 exchange rate £ | £ |
| | 000 | 000 | 000 | 000 | 000 | 000 |
| Mezzanine loan repayments and other asset recoveries | 3,418 | 250 | 3,635 | - | 3,635 | 3,631 |
| Corporation Tax repayment | 20,887 | - | 20,887 | 20,887 | - | - |
| Principal and interest from subsidiary | 35,942 | - | 35,942 | 9,219 | 26,723 | 26,723 |
| Receipts Grand Totals | 60,247 | 250 | 60,464 | 30,106 | 30,358 | 30,354 |
| PAYMENT | | | | | | |
| Building and occupancy cost | 590 | - | 590 | - | 590 | 590 |
| Payroll and employee costs | 1,336 | - | 1,336 | 319 | 1,017 | 1,017 |
| Legal fees | 1,605 | - | 1,605 | 289 | 1,316 | 1,316 |
| Insurance premium | 165 | - | 165 | 64 | 101 | 101 |
| Office holders' remuneration | 5,898 | - | 5,898 | 2,131 | 3,767 | 3,767 |
| Office holders' disbursements | 33 | - | 33 | - | 33 | 33 |
| Other professional fees | 48 | - | 48 | 7 | 41 | 41 |
| Payments Grand Totals | 9,675 | - | 9,675 | 2,810 | 6,865 | 6,865 |
| NET POSITION | 50,572 | 250 | 50,789 | 27,296 | 23,493 | 23,489 |
| CASH BALANCES | | | | | | |
| HSBC | 1,042 | 250 | 1,259 | | | |
| Money markets | 49,530 | - | 49,530 | | | |
| Total Cash | 50,572 | 250 | 50,789 | | | |

Exchange rate as at 22 September 2010:

EURO €1 : GBP 0.8545

Exchange rate as at 22 March 2011:

EURO €1 : GBP 0.8696

Amounts include VAT where applicable

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