
Mable Commercial Funding Limited – In Administration

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

21 October 2011

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the sixth 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, and the Administrators' previous progress reports.

This report provides an update on the work that the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 22 September 2011.

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

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 Mable'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.

Following the update provided in the last progress report regarding the Lehman Brothers Pension Scheme, the Administrators have made an application to the Upper Tribunal seeking an order that the stay of proceedings should be lifted and that the Upper Tribunal should determine that a Financial Support Direction ("FSD") cannot be imposed against Mable.

The timescale for the determination of the application by the Upper Tribunal is not certain at present, but it is likely that the process of concluding whether or not Mable has any liability under a FSD will take some time to complete.

This issue may have a material impact on the outcome for 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 for the period 23 September 2008 to 31 December 2010 is £6.4m including VAT.

Extension of the Administration

The current extension of the Administration will come to an end on 30 November 2011. An application will shortly be made to the High Court to extend the Administration for a further period.

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

Progress to date

Mortgage loan assets (“Mortgage Assets”)

As stated in previous progress reports, the Administrators have implemented a hold strategy of the Mortgage Assets.

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 March 2011 and 22 September 2011 the Administrators collected loan interest and principal sums totalling £2.3m in relation to the Mortgage Assets.

Bankhaus settlement

The Administrators have agreed a settlement with Lehman Brothers Bankhaus AG (“Bankhaus”) in respect of a sub-participated 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 loan to a third party. Pursuant to the settlement with Bankhaus, Mable will soon receive €7.2m from the proceeds of this sale.

Taxation

The Administrators have agreed with HM Revenue and Customs the corporation tax affairs of Mable for accounting periods up to the date of Administration. After deductions pursuant to the group relief agreement, approximately £20.9m has been repaid to Mable to date and an additional £3.5m is expected later this year.

Inter-company claims

In conjunction with other UK affiliates, the Administrators have reached agreement in principle with LBHI and certain other US debtors. This comprehensive inter-company claims settlement will involve Mable and other UK affiliates committing their support to the third amended plan of reorganisation filed by LBHI and its US debtor affiliates in September 2011.

The Administrators have continued to investigate other inter-company balances and submitted claims where appropriate.

Outstanding matters

The Administrators will continue to:

- Work with the Acenden team to ensure that all applicable principal and interest is remitted to Mable;
- Submit further inter-company claims into insolvent estates where necessary; and
- Determine the most appropriate route to distribute dividends to 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, 7 More London Riverside, London SE1 2RT, 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 Mable 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.

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 time cost analyses and narrative for the period up to 30 June 2010 and remuneration of £5.9m including VAT has been approved by creditors and drawn.

A time cost analysis for the period from 1 July 2010 to 31 December 2010 totalling £0.6m has been issued to creditors. It has been agreed that 75% of these time costs can be drawn as remuneration now, with the balance to be paid subject to further information being provided in response to a creditor's request. The creditor's agreement and the drawdown of these fees occurred after the date of the attached receipts and payments account.

Total remuneration drawn to date is £6.4m including VAT. This represents 14,519 hours at an average hourly rate of £443, including VAT.

Receipts and payments account

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

The significant receipt in the period covered by this report is £2.3m in respect of principal and interest.

There were no significant payments in the period covered by this report.

Total cash held as at 22 September 2011 was £53.1m (GBP equivalent).

Section 5 Receipts and payments

RECEIPTS	As at 22 September 2011		As at	Movements	As at	As at 22 March 2011 (GBP equivalent) RESTATED
	GBP (£)	EUR (€)	22 September 2011	to 22 September 2011	22 March 2011 (GBP equivalent) exchange rate	
	000	000	TOTAL GBP equivalent £	(GBP equivalent) £	£	£
Mezzanine loan repayments and other asset recoveries	3,418	250	3,637	-	3,637	3,635
Corporation Tax repayments	20,942	-	20,942	55	20,887	20,887
Refund of professional fees	-	115	101	101	-	-
Principal and interest from subsidiary	38,213	-	38,213	2,271	35,942	35,942
Receipts Grand Totals	62,573	365	62,893	2,427	60,466	60,464
PAYMENTS						
Building and occupancy costs	590	-	590	-	590	590
Payroll and employee costs	1,371	-	1,371	35	1,336	1,336
Legal fees	1,665	-	1,665	60	1,605	1,605
Insurance premiums	165	-	165	-	165	165
Office holders' remuneration	5,898	-	5,898	-	5,898	5,898
Office holders' disbursements	33	-	33	-	33	33
Other professional fees	48	-	48	-	48	48
Payments Grand Totals	9,770	-	9,770	95	9,675	9,675
NET POSITION	52,803	365	53,123	2,332	50,791	50,789
CASH BALANCES						
HSBC	2,001	365	2,321			
Money markets	50,802	-	50,802			
Total Cash	52,803	365	53,123			

Exchange rate as at 22 March 2011:

EURO €1 : GBP 0.8696

Exchange rate as at 22 September 2011:

EURO €1 : GBP 0.8777

Amounts include VAT where applicable



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