
Mable Commercial Funding Limited – In Administration

Joint Administrators' progress
report for the period 23 September
2011 to 22 March 2012

20 April 2012

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the seventh 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' six 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 March 2012 (the "Period").

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 – in Administration 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 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 significant uncertainties which have previously been reported on remain. As a result it is not possible for the Administrators to provide a reliable estimate of the likely dividend to ordinary unsecured creditors.

The Administrators would encourage any creditor that has not submitted its claim to do so by completing and returning the enclosed statement of claim form.

Extension of the Administration and proposal for making distributions

The previous extension to the Administration came to an end on 30 November 2011. An application was made to the High Court to further extend the Administration and by an Order dated 23 November 2011 the Administration was extended by a further five years to 30 November 2016.

The Administrators are currently of the view that it is in the best interests of Mable's creditors as a whole for distributions to unsecured creditors to be made through the Administration. It is therefore the intention of the Administrators to commence the process of making an application to the High Court to convert to a distributing Administration in the short term.

Future reports

The Administrators will report to creditors in approximately six months. The Administrators will contact creditors before this with any material developments regarding the distribution process.

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 September 2011 and 22 March 2012 the Administrators collected loan interest and principal sums totalling £2.6m in relation to the Mortgage Assets.

Inter-company claims - US affiliates

In conjunction with other UK affiliates, Mable reached agreement with Lehman Brothers Holdings Inc. (“LBHI”) and its US debtor affiliates in Chapter 11 to settle all claims between them. The agreement was executed on 24 October 2011 by LBHI and certain US debtor affiliates and by Mable and certain UK affiliates. The settlement agreement was disclosed within the plan supplement filed by the Chapter 11 entities on 25 October 2011, which formed part of the plan confirmed by the US Bankruptcy Court on 6 December 2011.

The settlement agreement became fully binding and operational when the plan became effective on 6 March 2012. Mable’s total claim against the various US debtors totalled \$16.5m and the US affiliates anticipate making their first distribution to Mable of \$0.9m in April 2012.

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

Pensions

Following the update provided in the last progress report regarding the Lehman Brothers Pension Scheme, Mable is still at risk from this potential liability.

Mable (together with 36 other affected entities) applied to the Upper Tribunal seeking an Order that the Trustees’ referral to the Upper Tribunal should be struck out on the grounds that it is now no longer possible for the Regulator to impose a Financial Support Direction (“FSD”) against Mable. The Trustees and the Pensions Regulator opposed the strike-out application, and the Hearing took place from 12 to 15 March 2012. Judgment was reserved and has not yet been handed down.

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, Mable has received £2.4m in the Period. Approximately £23.4m has been repaid to Mable to date and significant further recoveries are expected in 2012.

Receipts of £653k in respect of recoverable VAT have been made in the Period, after deductions for costs.

Future strategy

The Administrators will continue to:

- Work with the Acenden team to ensure that all applicable principal and interest is remitted to Mable; and
- Submit further inter-company claims into insolvent estates where necessary.

Section 3 Statutory and other information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies 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.
<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.
<i>Appointer's name and address:</i>	The directors of the Company, whose address at appointment was 25 Bank Street, London E14 5LE.
<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 2016.
<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. As mentioned in our previous progress report, the Creditors have been provided with time cost analyses and narrative for the period up to 31 December 2010 and remuneration of £6.4m including VAT has been approved by creditors and drawn.

A further £0.2m in respect of the period from 1 July 2010 to 31 December 2010 has not yet been paid and is subject to further information being provided in response to a creditor's request.

Additional analysis of Administrators' remuneration

The table below provides an analysis of the total hours and cost by grade in respect of the period 1 January 2011 to 31 December 2011:

Grade	Hours	Costs (£'000)
Partner	72	59
Director	93	63
Senior Manager	346	160
Manager	638	244
Senior Associate	615	173
Associate	335	64
Total	2,099	763

The following table provides a further analysis of the total hours and costs incurred by activity.

Grade	Hours	Costs (£'000)
Accounting and Treasury	511	150
Statutory and Compliance	347	124
Strategy and Planning	286	119
Realisation of Assets	163	77
Inter-company	173	73
Tax and VAT	128	70
Information Technology	239	61
Branches and Subsidiaries	132	54
Operations	96	26
Employee Issues	24	9
Total	2,099	763

Receipts and payments account

An account of the receipts and payments in the Administration for the six months to 22 March 2012 and a cumulative total since commencement of the Administration is set out in section 5 to this report.

Significant receipts in the period include:

- £2.6m in respect of principal and interest;
- Corporation tax refund of £2.4m;
- VAT repayment of £0.7m; and
- €7.4m from the settlement with Bankhaus referred to in our previous progress report.

The significant payment in the period covered by this report is £0.5m in respect of Administrators' remuneration.

Total cash held as at 22 March 2012 was £64.5m (GBP equivalent).

Section 5 Receipts and payments account

	As at 22 March 2012		As at 22 March 2012	Movements 23 September 2011	As at 22 September 2011 (GBP equivalent) RESTATED	As at 22 September 2011 (GBP equivalent)
	GBP (£)	EUR (€)	TOTAL GBP equivalent £	to 22 March 2012 (GBP equivalent) £	at 22 March 2012 exchange rate £	(GBP equivalent) £
	000	000	000	000	000	000
RECEIPTS						
Mezzanine loan repayments and other asset recoveries	6,059	7,677	12,454	8,828	3,626	3,637
Corporation Tax repayments	23,358	-	23,358	2,416	20,942	20,942
VAT repayments	653	-	653	653	-	-
Refund of professional fees	6	115	101	6	95	101
Inter estate transfer	6,473	-	6,473	6,473	-	-
Principal and interest from subsidiary	38,318	6	38,323	110	38,213	38,213
Receipts Grand Totals	74,867	7,798	81,362	18,486	62,876	62,893
PAYMENTS						
Building and occupancy costs	590	-	590	-	590	590
Payroll and employee costs	1,395	-	1,395	24	1,371	1,371
Legal fees	1,716	-	1,716	51	1,665	1,665
Insurance premiums	225	-	225	60	165	165
Office holders' remuneration	6,402	-	6,402	504	5,898	5,898
Office holders' disbursements	33	-	33	-	33	33
Inter estate transfer	-	7,773	6,474	6,474	-	-
Other professional fees	48	-	48	-	48	48
Payments Grand Totals	10,409	7,773	16,883	7,113	9,770	9,770
NET POSITION	64,458	25	64,479	11,373	53,106	53,123
CASH BALANCES						
HSBC	1,105	25	1,126			
Money markets	63,353	-	63,353			
Total Cash	64,458	25	64,479			

Exchange rate as at 22 September 2011:

EURO €1 : GBP 0.8777

Exchange rate as at 22 March 2012:

EURO €1 : GBP 0.8328

Amounts include VAT where applicable



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