

Mable Commercial Funding Limited – In Administration

Joint Administrators' progress report for the period
23 September 2009 to 22 March 2010

20 April 2010

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Section 1: Purpose of the Joint Administrators' progress report

Introduction

This is the third 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' first and second progress reports dated 21 April 2009 and 22 October 2009 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 2010.

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

Creditors' Committee

A Creditors' Committee was not 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.

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

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.

Administrators' remuneration

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

Extension of the Administration

On the application of the Administrators the High Court made an Order extending the period of the Administration to 30 November 2010.

As noted in this report, there are a number of material issues that remain outstanding, the resolution of which will materially affect the quantum and timing of any dividend to unsecured creditors. It is therefore likely that a further extension to the period of Administration will be required.

Change in Administrators

Following the resignation of GH Martin, DA Howell was appointed as replacement Administrator on 30 November 2009.

Change of address

The Company has relocated from 25 Bank Street and all future correspondence should be addressed to The Administrators of Mable at Level 23, 25 Canada Square, London, E14 5LQ, United Kingdom.

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

Progress to date

The Administrators have:

- Been implementing 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 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, Capstone Mortgage Services Limited ("Capstone").

Between 23 September 2009 and 22 March 2010, the Administrators have collected loan interest and principal sums totalling £5.3m in relation to the Mortgage Assets;

- Received funds of £714k following the conclusion of the deal with a third party in respect of a deep discounted bond which we had previously reported;
- Commenced discussions with Lehman Brothers Bankhaus AG ("Bankhaus") in respect of a sub-participated loan agreement ("the Agreement") which Mable had entered into with Bankhaus. The original loan was provided by Bankhaus to a French leisure development. Bankhaus has received a partial repayment of the loan from the development. Bankhaus are now in the process of negotiating the sale of the original loan to a third party. Mable believes that it should be entitled to the proceeds from this sale under the terms of the Agreement and is taking legal advice on this point;

- Received a corporation tax refund of £20.6m following detailed negotiations with HMRC. The funds are currently held by LBL, pending transfer to Mable. As such this refund is not recorded in the receipts and payments account; and
- Submitted claims totalling US\$118.5m against the estate of Lehman Brothers Bankhaus AG and Lehman Brothers Holdings Inc on a direct and guarantee basis respectively.

Future strategy

The Administrators will continue to:

- Work with the Capstone team to ensure that all applicable principal and interest are remitted to Mable;
- Pursue the recovery of sale proceeds from Bankhaus in respect of the sub-participated loan;
- 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

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:	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom.
Company directors:	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).
Company secretaries:	P Dave (resigned 25/01/10), M Smith (resigned 25/01/10) and ESE Upton (resigned 25/01/10).
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:	DY Schwarzmann, MJA Jervis, AV Lomas, DA Howell and SA Pearson of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, England.
Appointer's name and address:	The directors of the Company, whose address at appointment was 25 Bank Street, London, E14 5LE, United Kingdom.
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.
Details of any extensions of the initial period of appointment:	The Court has granted an extension of the Administration to 30 November 2010.
Proposed end of the Administration:	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.
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 4: Financial information

Statement of Affairs

A copy of the Directors' Statement of Affairs ("SoA") as at 23 September 2008 is attached at Appendix A.

The SoA contains the list of creditors and shareholders, including their name, address and amount due together with a breakdown of the assets held by the Company as at 23 September 2008.

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 shortly following this report.

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 2010, 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:

- £5.5m in respect of principal and interest.

Significant payments in the period covered by this report are:

- £0.25m in respect of payroll and employee costs; and
- £0.24m in respect of legal fees.

Total Cash held as at 22 March 2010 was £20.7m.

Section 5: Receipts and payments

	As at 22 March 2010		As at 22 March 2010 TOTAL GBP equivalent £	Movements 23 September 2009 to 22 March 2010 (GBP equivalent) £	As at 22 September 2009 (GBP equivalent) RESTATED at 22 March 2010 exchange rate £
	GBP (£)	EUR (€)	000	000	000
RECEIPT					
Mezzanine loan repayments and other asset recoveries	3,380	250	3,605	1,011	2,594
Principal and interest from subsidiary	19,692	-	19,692	5,286	14,406
Receipts Grand Totals	23,072	250	23,297	6,297	17,000
PAYMENT					
Building and occupancy cost	590	-	590	26	564
Payroll and employee costs	911	-	911	251	660
Legal fees	994	-	994	241	753
Insurance premium	101	-	101	0	101
Office holders' category 1 disbursements	11	-	11	0	11
Other professional fees	28	-	28	16	12
Payments Grand Totals	2,635	-	2,635	534	2,101
NET POSITION	20,437	250	20,662	5,763	14,899
CASH BALANCES					
HSBC	867	250	1,092		
Money markets	19,570	-	19,570		
Total Cash	20,437	250	20,662		

Exchange rates as at 22 September 2009:

EURO €1 : GBP 0.9034

Exchange rates as at 22 March 2010:

EURO €1 : GBP 0.9016

Amounts include VAT where applicable

As per previous report, exchange rate at 22 September 2009	
As at 22 September 2009 (GBP equivalent) £	As at 22 September 2009 (USD equivalent) Previously reported \$
000	000
2,594	4,247
14,406	23,588
17,000	27,835
564	923
660	1,080
753	1,233
101	165
11	18
12	20
2,101	3,440
14,899	24,395