

The Insolvency Act 1986

Administrators' progress report

Name of Company Lehman Commercial Mortgage Conduit Limited	Company number 06221756
In the High Court of Justice, Chancery Division [full name of court]	Court case number 9635 of 2008

(a) Insert full name(s) and
address(es) of
administrator(s)

We (a) Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann,
Michael John Andrew Jervis and Derek Anthony Howell of

PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

Joint Administrators of the above company attach a progress report for the period

(b) Insert dates

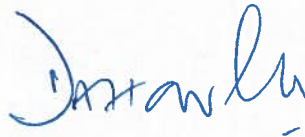
from

to

(b) 30 October 2011

(b) 29 April 2012

Signed



Joint Administrator

Dated

24 May 2012

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

PricewaterhouseCoopers LLP	
7 More London Riverside, London, SE1 2RT	
	Tel 0207 583 5000
DX Number	DX Exchange

Companies House receipt date barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

Notice of conduct of business by correspondence

Name of Company Lehman Commercial Mortgage Conduit Limited	Company number 06221756
In the High Court of Justice, Chancery Division, Companies Court [full name of Court]	Court case number 9635 of 2008

(a) Insert full name(s) and address(es) of the administrator(s)

(b) Insert full name and address of registered office of the company

(c) Insert number of resolutions enclosed

(d) Insert address to which form is to be delivered

(e) Insert closing date

Notice is hereby given by (a) Derek Anthony Howell, Anthony Victor Lomas, Dan Yoram Schwarzmann, Steven Anthony Pearson and Michael John Andrew Jervis of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

of (b) Lehman Commercial Mortgage Conduit Limited, Level 23, 25 Canada Square, London, E14 5LQ

that, pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, enclosed are (c) 2 resolutions for your consideration. Please indicate below whether you are in favour or against the resolutions.

This form must be received at (d) PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

Repeat as necessary for the number of resolutions attached

by 12.00 hours on (e) 15 June 2012 in order to be counted. It must be accompanied by details in writing of your claim if you have not previously provided details of your claim. Failure to do so will lead to your vote(s) being disregarded.

	In Favour	Against
THAT the Administrators be authorised to draw £3,858 plus VAT in respect of Category 2 disbursements incurred for the usage of the IT software platform, iConect.		
THAT the Administrators be authorised to draw up to £500 plus VAT per month in respect of Category 2 disbursements incurred for the future usage of the software platform, iConect.		

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM:

Name of creditor: _____

Signature of creditor: _____
 (If signing on behalf of creditor, state capacity e.g. director/solicitor)

If you require any further details or clarification prior to returning your votes, please contact us at the address above.

Signed


 Derek A Howell
 Joint Administrator

Dated 24 May 2012

Lehman Commercial Mortgage Conduit Limited – In Administration

Joint Administrators' progress
report for the period 30 October
2011 to 29 April 2012

24 May 2012

Contents

Section 1	<i>Purpose of the Joint Administrators' progress report</i>	3
Section 2	<i>Joint Administrators' actions to date</i>	4
Section 3	<i>Statutory and other Information</i>	5
Section 4	<i>Financial Information</i>	6
Section 5	<i>Receipts and Payments Account</i>	7
Section 6	<i>Joint Administrators' time costs for the period 1 October 2011 to 31 March 2012</i>	8

Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the seventh progress report prepared by the Joint Administrators (the "Administrators") of Lehman Commercial Mortgage Conduit Limited ("LCMC" or the "Company").

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 29 April 2012.

Objectives of the Administration

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

The specific aims of this Administration are to:

- Protect and control the Company's assets, namely its portfolio of commercial mortgages;
- Identify future cash flows and secure payments for the benefit of the Company; and
- Maximise value for the Company at the time of sale or transfer of the assets.

Outcome for creditors

As previously advised, the Pensions Regulator (the "Regulator") listed LCMC as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme.

In September 2010 the Pensions Regulator's Determinations Panel (the "Panel") decided that an FSD should be issued against six Lehman group entities. LCMC was among 38 companies that the Panel decided should not be issued with an FSD.

The Panel's decision has been referred to the Upper Tribunal, with the Scheme Trustees asking the Upper Tribunal to overturn the Panel's decision and rule that the 38 companies (including LCMC) should also be subject to an FSD. This means that LCMC is still at risk from this potential liability.

LCMC (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 an FSD against LCMC. 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.

The Administrators of LCMC and those of the other target companies are exploring ways in which resolution of this pension issue could be expedited. If this can be achieved the Administrators will take steps to prepare for a distribution to creditors at the earliest practical opportunity.

Extension of the administration

On the application of the Administrators, the High Court recently made an Order to further extend the period of the Administration to 30 November 2013.

Future reports

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

Signed:



DA Howell
Joint Administrator
Lehman Commercial Mortgage Conduit Limited

AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell were appointed as Joint Administrators of Lehman Commercial Mortgage Conduit Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Section 2 Joint Administrators' actions to date

Overview

LCMC is a subsidiary of LB SF No.1 – in Administration (“LBSF1”). LCMC’s assets comprise a portfolio of loans purchased from Northern Rock with funding from LBSF1, and intercompany claims.

With the exception of 20 loans, the portfolio purchased from Northern Rock was securitised into a Special Purpose Vehicle (“SPV”) known as “Diversity”.

Administrators' actions to date

The Administrators continue to monitor LCMC’s contractual interest in the loans securitised in Diversity. In the period covered by this report, the Administrators received one-off payments totalling approximately £4.2k.

Of the 20 loans which were not securitised, LCMC had no title to three of them. Since appointment, three loans have been repaid in full and three have either been enforced or settled with their borrowers.

A further four loans are subject to receivership appointments. This includes one new appointment in the period following successful court proceedings.

The Administrators continue to actively manage the remaining seven loans in order to maximise returns for creditors. The Administrators have continued to retain an employee of Lehman Brothers to work solely on the outstanding portfolio of loans. Regular strategy meetings are held with the Administrators to ensure that realisations from the loan portfolio are being optimised and prompt action taken on non-performing loans.

In the 6 month reporting period, collections on the portfolio of loans totalled £2.3m.

The Administrators remain of the opinion that, given the current market conditions, it would not be in the best interests of LCMC’s creditors to sell the loan portfolio at present. This position will continue to be reviewed regularly.

In order to maximise realisations for creditors, and to minimise risks, funds held by the Administrators are being actively invested on the money markets. In the six months to 29 April 2012, interest of

£221k has been realised from the ongoing investments on the money markets.

On 24 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc (“LBHI”) and certain other affiliates previously subject to Chapter 11 proceedings in the USA in conjunction with other UK affiliates. The Plans of Reorganisation became effective on 6 March 2012. Pursuant to this agreement LCMC had its guarantee claim against LBHI agreed at \$8,314,737 and its claim against Lehman Commercial Paper Inc (“LCPI”) at \$101,984,667.

The first distributions from LBHI and LCPI were made on 17 April 2012. LCMC has received \$375,082 and \$12,014,566 respectively in regard to each of its agreed claims detailed above. These funds were immediately exchanged to GBP to minimise the foreign exchange risk. Further dividends are expected however the quantum and timing remain uncertain.

Outstanding matters

The Administrators will continue working towards realising value for the Company’s outstanding loans and other assets, and minimising the potential pension liability.

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 9635 of 2008
<i>Full name:</i>	Lehman Commercial Mortgage Conduit Limited
<i>Trading name:</i>	Lehman Commercial Mortgage Conduit Limited
<i>Registered number:</i>	06221756
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	Paul Anthony Sherwood (resigned 31/10/08)
<i>Company secretary:</i>	Emily Sarnia Everard Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	Neither owns shares in LCMC
<i>Date of the Administration appointment:</i>	30 October 2008
<i>Administrators' names and addresses:</i>	DA Howell, DY Schwarzmman, SA Pearson, MJA Jervis and AV Lomas of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
<i>Appointer's name and address:</i>	The director of the Company, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LCMC's creditors as a whole than would be likely if LCMC were wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	The current joint administrators are DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmman of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. 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.
<i>Details of any extensions of the initial period of appointment:</i>	A third extension has been granted by the High Court of Justice until 30 November 2013.
<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 LCMC's net property:</i>	There is no prescribed part as there is no qualifying floating charge.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings applies to this Administration and these are the main proceedings.

Section 4 Financial Information

Administrators' remuneration

At the meeting of creditors held by correspondence on 6 January 2009, creditors resolved that the Administrators' remuneration be fixed by reference to the time properly given by them and the various grades of their staff. The Administrators were also authorised to draw their remuneration on account from time to time.

We have previously provided time cost analyses for the period 30 October 2008 to 29 October 2011.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 October 2011 to 30 March 2012, presented in accordance with Statement of Insolvency Practice 9 ("SIP 9"), together with a narrative of the work performed.

The SIP 9 summary shows that the time costs incurred for the period from 1 October 2011 to 31 March 2012, are £138,221, which represents 370.94 hours at an average hourly rate of £372.62.

To date, remuneration of £1,586,193 plus VAT has been drawn for time costs incurred to 31 December 2011.

Enclosed with this report are details of a meeting by correspondence to seek approval to draw Category 2 Disbursements that have been incurred.

Rate increase

An increase to rates has been applied with effect from 1 January 2012. Details of increased rates are set out in Section 6.

Receipts and payments account

An account of the receipts and payments in the Administration showing movements in the 6 month period to 29 April 2012 is set out overleaf.

Section 5 Receipts and Payments Account

	As at 29 April 2012		As at 29 October 2011		Movements	
	GBP (£'000)	USD (\$'000)	GBP (£'000)	USD (\$'000)	GBP (£'000)	USD (\$'000)
Receipts						
Cash at bank on appointment	14,078	-	14,078	-	-	-
Residual Interests - Diversity	26,094	-	26,090	-	4	-
Recoveries on loan portfolio	77,452	-	75,155	-	2,297	-
Sale of tax losses	235	-	-	-	235	-
Dividend from LBHI	-	12,390	-	-	-	12,390
Net tax function costs recharged	1	-	1	-	-	-
Bank Interest	823	-	602	-	221	-
Contribution towards costs	164	-	164	-	-	-
Total Receipts	118,847	12,390	116,090	-	2,757	12,390
Payments						
Joint Administrators' remuneration	1,586	-	1,474	-	112	-
Joint Administrators' Category 1 disbursements	12	-	6	-	6	-
Loan portfolio servicing fees	523	-	438	-	85	-
Legal fees and disbursements	990	-	744	-	246	-
Employee costs	828	-	543	-	285	-
Statutory costs	1	-	1	-	-	-
Bank charges	1	-	1	-	-	-
Insurance	17	-	17	-	-	-
Net VAT paid	569	-	481	-	88	-
Total Payments	4,527	-	3,705	-	822	-
Intracompany Transfer						
Payment	-	(12,389)	-	-	-	(12,389)
Receipt	7,753	-	-	-	7,753	-
Net Position	122,073	1	112,385	-	9,688	1
Cash Balances						
HSBC (Non-interest bearing account)	520	1	728	-	(208)	1
Money market deposits	121,553	-	111,657	-	9,896	-
Total Cash	122,073	1	112,385	-	9,688	1

Note

Cash not required for day to day expenses of the Administration is invested on the money markets.

Section 6 Joint Administrators' time costs for the period 1 October 2011 to 31 March 2012

Classification of work	Partner / Director	Senior Manager / Manager	Senior Associate	Associate / Support	Total	Average Hourly Rate
	Hrs	Hrs	Hrs	Hrs	Hrs	£
Strategy and planning	37.40	53.50	12.30	11.90	115.10	512.04
Realisation of assets	-	52.40	6.80	-	59.20	396.40
Accounting and treasury	-	28.30	68.30	54.20	150.80	281.72
Reporting	-	1.40	26.70	-	28.10	255.55
Tax and VAT	-	1.80	4.70	0.80	7.30	392.05
LBL Recharges	0.15	4.52	3.91	1.86	10.44	315.23
Total	37.55	141.92	122.71	68.76	370.94	372.62

The Joint Administrators' policy for charging for disbursements is:

Photocopying is charged at 3p per sheet for creditors and bulk copying
Mileage is charged at a maximum of 62p per mile (up to 2000cc) or 81p per mile (over 2000cc)
Category 2 disbursements
All other disbursements are charged at cost

Total

Costs to date (£)
291
3,858
12,048
16,197

Current charge out rates		BRS		Specialist*	
Grade		Recovery Services			
		To 31 Dec 11	From 1 Jan 12	To 31 Dec 11	From 1 Jan 12
Partner		800	838	980	1,027
Director		610	639	890	932
Senior manager		470	492	830	869
Manager		395	414	605	634
Senior Associate		330	346	330	389
Associate / Support Staff		210	220	195	204

The Administrators' remuneration has been fixed by reference to the time properly given by the joint administrators and their staff in attending to matters arising in the administration. The remuneration is to be paid as and when funds become available at the charge-out rates shown for the various grades of staff who may be involved in this administration

*Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary, however, the figures shown give an indication of the maximum rate per hour.

In common with all professional firms, the scale rates used by the Joint Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover annual inflationary cost increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

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Narrative of the Joint Administrators' time costs for the period 1 October 2011 to 31 March 2012

The following narrative summarises the work undertaken by the Joint Administrators and their staff during the period.

Strategy and Planning - £58,936

- Monitoring loan portfolio performance
- Reviewing and updating strategy on the overall loan portfolio, together with the interest in Diversity;
- Making strategic decisions on refinancing options and loan enforcement; and
- Discussions with advisors regarding pension claims;

Realisation of Assets - £23,467

- Liaising with loan servicer;
- Continuing to assist the servicer of the Diversity SPV;
- Preparing for legal action stemming from the acquisition of the loan portfolio;
- Extensive discussions and planning for legal action in relation to the appointment of a receiver over one property; and
- Reviewing and analysing settlement proposals.

Accounting and Treasury - £42,484

- Actively investing funds on money markets to ensure appropriate return on funds, whilst minimising risk;
- Reconciling bank accounts;
- Preparing and effecting receipts and payment; and
- Monitoring flow of funds into bank accounts.

Interest totalling £221k has been earned in the period covered by these timecosts.

Reporting - £7,181

- Dealing with statutory issues;
- Preparing the Administrators' sixth progress report;
- Preparing documentation for the court extension application; and
- Maintaining case records and database.

Tax and VAT - £2,862

- Meetings and discussions with the tax team;
- Preparing tax computations; and
- Dealing with other tax and VAT issues.

LBL recharges - £3,291

- This is an apportionment of the costs incurred by Lehman Brothers Limited associated with the administration companies.