
Mable Commercial Funding Limited – In Administration

Joint Administrators' progress
report for the period 23 September
2014 to 22 March 2015

21 April 2015

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the thirteenth 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' twelve previous progress reports. If any creditor requires copies of these reports, please contact Nigel Rackham at PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT, alternatively, these are also available on the Administrators' website www.pwc.co.uk/business-recovery/administrations/lehman/mable-commercial-funding-limited-in-administration.jhtml.

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 six months to 22 March 2015 (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

On 24 June 2013, the High Court of Justice made an Order pursuant to paragraph 65(3) of Schedule B1 of the Insolvency Act 1986, granting permission to make distributions to unsecured creditors of Mable.

On 14 November 2013, the Administrators paid a first interim dividend of 16.1 pence in the pound. The total paid by way of dividend to creditors with agreed claims was £116m.

A second interim dividend of 4.7 pence in the pound was paid on 15 May 2014. The total paid by way of dividend to creditors with agreed claims was £33.9m.

A third interim dividend of 3.3 pence in the pound was paid on 23 September 2014. The total paid by way of dividend to creditors with agreed claims was £23.8m.

The Administrators are unable to estimate the quantum or timing of further distributions.

Future reports

The Administrators will report to creditors in approximately six months.

Signed:



D Y Schwarzmans
Joint Administrator
Mable Commercial Funding Limited

DY Schwarzmans, AV Lomas, SA Pearson and JG Parr were appointed as Joint Administrators of Mable Commercial Funding Limited to manage its affairs, business and property as agents without personal liability. DY Schwarzmans, AV Lomas, SA Pearson and JG Parr are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

DY Schwarzmans, AV Lomas, SA Pearson and JG Parr are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration.

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 for 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 using a Lehman owned servicing platform, Acenden Limited ("Acenden"), formerly known as Capstone Mortgage Services Limited. A third party has now exchanged contracts on the acquisition of Acenden with the sale expected to complete in the second quarter of 2015. Acenden will continue to provide the same service.

In the Period the Administrators collected loan interest and principal sums totalling £1.1m in relation to the Mortgage Assets. In total £50.1m has been collected since the beginning of the Administration.

Debtors

As mentioned in previous reports, Mable's total claims against various Lehman US affiliates was agreed pursuant to the Joint Chapter 11 Plan dated December 2011 at \$16.5m. To date, Mable has received distributions totalling \$4.9m, including a distribution of \$0.73m received in the Period in respect of these claims. The timing and quantum of future distributions remains uncertain.

On 3 October 2014, a settlement agreement was executed between Mable and certain Lehman US entities not included in the 2011 Joint Chapter 11 Plan. A one-off settlement totalling \$1.6m was received on 6 October 2014.

On 3 August 2012, LB UK RE Holdings Limited (in administration) ("LBUKRE") admitted Mable's claim of £0.66m. To date, Mable has received interim distributions totalling £0.34m. The timing and quantum of future distributions from LBUKRE remain uncertain.

On 29 July 2013, Storm Funding Limited (in administration) ("Storm") admitted Mable's claim of £366m. To date, Mable has received distributions

totalling £117.2m. The timing and quantum of future distributions from Storm remains uncertain.

On 8 October 2013, Eldon Street Holdings Limited (in administration) ("Eldon") admitted Mable's claim of £7.1m. To date, Mable has received interim distributions totalling £1.8m, including a distribution of £0.49m received in the period. The timing and quantum of future distributions from Eldon remain uncertain.

On 14 March 2014, Longmeade Limited ("Longmeade") admitted Mable's claim of £0.3m. To date Mable has received interim distributions of £101k, including a distribution of £27k received in the Period. The timing and quantum of future distributions from Longmeade remain uncertain.

On 25 June 2014, Grace Hotels Ltd ("Grace") admitted Mable's claim of £80k. A first and final dividend of 100 pence in the pound plus statutory interest totalling £113k was received in the Period.

Restructuring of subsidiaries

During the Period meetings were held with the Directors of various Mable subsidiary companies to review a proposal for restructuring the Mable sub-group. The main objectives of the restructuring are to:

- Simplify the group and reduce operating costs:
 - Flatten the group structure to aid orderly liquidations;
 - Eliminate dormant or inactive companies within the sub-group;
- Preserve Southern Pacific Mortgage Limited and Preferred Mortgages Limited as live subsidiaries – directly held by Mable;
- Minimise tax leakage; and
- Accelerate cash repatriation to Mable.

It is anticipated that this restructuring process will be completed by Q3 2016.

Claims agreement

Mable has received 20 claims from unsecured creditors. Two claims have subsequently been withdrawn leaving 18 claims with a total value of £720m, all of which have been admitted. The largest admitted claim is from Lehman Brothers International (Europe) (in administration) of £598m.

Taxation

All Corporation Tax returns up to the year ended 22 September 2012 have been agreed by HM Revenue and Customs ("HMRC"). The Corporation Tax return for the year ended 22 September 2013 has been submitted but has not yet been agreed by HMRC. It shows no tax payable with losses available to shelter future trading profit.

No further significant Corporation Tax recoveries are envisaged for pre-appointment periods.

Value Added Tax ("VAT") returns for the quarters ended 31 August 2014 and 30 November 2014 were filed during the Period. A VAT repayment totalling £39k is due in relation to the November return. The August VAT return repayment of £470 was received in the Period. To date, Mable has received total VAT repayments of £1m.

Future strategy

The Administrators will:

- Continue to work with the Acenden team to ensure that all applicable principal and interest is remitted to Mable;
- Make further payments to creditors as funds permit; and
- Progress the restructuring of Mable's subsidiaries to realise funds.

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, AV Lomas, SA Pearson and JG Parr 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) of Schedule B1 of the Insolvency Act 1986, 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>	Dividends paid to date total 24.1 pence in the pound. The Administrators are unable to estimate the quantum or timing of further distributions.
<i>Estimated values of the prescribed part and Mable's net property:</i>	In the absence of qualifying floating charges, The Insolvency Act 1986 (Prescribed Part) Order 2003 does not apply to these proceedings.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) of the Insolvency Act 1986:</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.

At a meeting held by correspondence on 20 September 2010, those creditors who voted, unanimously approved a resolution authorising the Administrators to draw remuneration on the basis of their time costs, together with Category 2 disbursements and VAT from 1 July 2010 onwards from time to time.

In accordance with the resolution, the Administrators can draw remuneration 21 days after circulating details to creditors.

On 13 March 2015, the fee analysis for the period from 1 July 2014 to 31 December 2014 was circulated to creditors.

On 8 April 2015 £0.37m (VAT inclusive) representing the Administrators' remuneration based on time costs incurred in the period from 1 July 2014 to 31 December 2014 was approved and billed.

This brings the total amount of Administrators' remuneration drawn to date to £9.65m (VAT inclusive).

Additional analysis of Administrators' remuneration

The table below provides an analysis of the total hours and cost by grade in respect of the period from 1 July 2014 to 31 December 2014:

Grade	Hours	Costs (£)
Partner	13.7	13,947
Director	61.4	50,337
Senior Manager	112.5	65,060
Manager	175.4	76,145
Senior Associate	147.7	48,484
Associate	240.8	53,520
Total	751.5	307,493

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

Grade	Hours	Costs (£)
Accounting and Treasury	142.1	43,383
Central Services	9.6	2,610
Creditor Claims	51.0	16,882
Pensions	12.0	6,047
Realisation of Assets	93.9	44,368
Statutory and Compliance	77.8	23,669
Strategy and Planning	122.3	40,419
Tax and VAT	242.8	130,115
Total	751.5	307,493

As previously reported, Mable incurred time costs in relation to the recovery of Corporation Tax from 23 September 2008 to 30 September 2011. These time costs were initially borne on a Group level basis for the Lehman Group of companies and apportioned to and paid by individual estates based on the level of individual recovery.

All entities within the Group have now collected all expected recoveries, and a full and final breakdown of the time costs is now available. Details of Mable's allocation of these time costs are outlined in the table below:

Grade	Hours	Costs (£)
Partner	25.8	24,749
Director	41.2	35,800
Senior Manager	31.4	17,429
Manager	213.6	82,144
Senior Associate	622.5	150,057
Associate	7.9	1,400
Support	1.1	96
Total	943.5	311,675

Receipts and payments account

An account of the receipts and payments in the Administration for the Period and the cumulative total since commencement of the Administration is set out in Section 5 to this report.

Significant receipts in the Period include:

- £0.6m in respect of book debt receipts mainly comprising of dividends received from Grace and Eldon;
- \$1.6m in respect of the settlement with certain Lehman US entities; and
- £1.1m in respect of principal and interest on mortgage assets.

Significant payments in the Period include:

- £23.8m in respect of distributions to unsecured creditors; and
- £0.11m in respect of legal fees mainly related to resolution of the possible pension liability.

Total cash held as at 22 March 2015 was £26m (GBP equivalent).

Section 5 Receipts and payments account

RECEIPTS	As at 22 March 2015			As at	Movements	As at	As at
	GBP (£)	EUR (€)	USD (\$)	22 March 2015	from 22	22 September 2014	22 September 2014
	000's	000's	000's	TOTAL GBP	September 2014	(GBP equivalent)	RESTATED
				equivalent	to 22 March 2015	at 22 March 2015	exchange rate
				£	(GBP equivalent)	exchange rate	£
				£	£	£	£
				000's	000's	000's	000's
Mezzanine loan repayments	3,418	7,677	-	8,969	-	8,969	9,447
Book debts	119,530	322	7,816	125,000	2,198	122,802	122,507
Corporation Tax repayments	27,131	-	-	27,131	-	27,131	27,131
VAT repayments	971	-	-	971	-	971	971
Refund of professional fees	6	115	-	89	-	89	96
Foreign currency conversions	11,543	-	-	11,543	1,450	10,093	10,093
Principal and interest on mortgage assets	50,101	-	-	50,101	1,088	49,013	49,013
Income from investments	836	6	-	840	49	791	792
Receipts Grand Totals	213,536	8,120	7,816	224,644	4,785	219,859	220,050
PAYMENTS							
Building and occupancy costs	718	-	-	718	87	631	631
Payroll and employee costs	1,533	-	-	1,533	36	1,497	1,497
Legal fees	1,985	-	-	1,985	111	1,874	1,874
Insurance premiums	249	-	-	249	-	249	249
Administrators' remuneration	9,285	-	-	9,285	18	9,303	9,303
Administrators' disbursements	50	-	-	50	-	50	50
Foreign currency conversions	-	8,095	7,816	11,090	1,563	9,527	9,716
Other professional fees	109	-	-	109	5	114	114
Distributions to unsecured creditors	173,627	-	-	173,627	23,807	149,820	149,820
Payments Grand Totals	187,556	8,095	7,816	198,646	25,581	173,065	173,254
NET POSITION	25,980	25	-	25,998	20,796	46,794	46,796
CASH BALANCES							
HSBC	2,022	25	0	2,041			
Money markets	23,958	-	-	23,958			
Total Cash	25,980	25	0	25,998			

Exchange rate as at 22 September 2014

US\$ 1: GBP 0.6124
EURO €1: GBP 0.7853

Exchange rate as at 22 March 2015

US\$ 1: GBP 0.6700
EURO €1: GBP 0.7230

Amounts include VAT where applicable



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