
Mable Commercial Funding Limited – In Administration

Joint Administrators' progress
report for the period 23 March 2013
to 22 September 2013

18 October 2013

Contents

<i>Section 1 Purpose of the Joint Administrators' progress report</i>	<i>1</i>
<i>Section 2 Joint Administrators' actions to date</i>	<i>2</i>
<i>Section 3 Statutory and other information</i>	<i>4</i>
<i>Section 4 Financial information</i>	<i>5</i>
<i>Section 5 Receipts and payments account</i>	<i>7</i>

Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the tenth 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' nine 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 September 2013 (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

An application to the High Court was made on 24 June 2013 and an Order has been granted permitting the Administrators to make distributions to the unsecured creditors of Mable.

The deadline to lodge proof of debt forms for inclusion in this distribution to creditors passed on 6 September 2013. 20 claims with a value of £840m were received including £119m in relation to pensions as referred to below. The remaining claims totalling £721m have been agreed, including a claim of £593m from Lehman Brothers International (Europe) (in Administration).

The Administrators intend to declare a first interim dividend in excess of 10 pence in the pound no later than 5 November 2013. It is too early to estimate the likely timing or quantum of further distributions to unsecured creditors.

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 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 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 using a Lehman owned servicing platform, Acenden Limited ("Acenden"), formerly known as Capstone Mortgage Services Limited.

In the Period the Administrators collected loan interest and principal sums totalling £1.9m in relation to the Mortgage Assets. In total £46.2m has been collected since the beginning of the Administration.

Debtors

As mentioned in previous reports, Mable's total claim against the various US affiliates has been agreed at \$16.5m. To date, Mable has received distributions totalling \$2.2m, including a distribution of \$0.8m received in the Period. A further distribution of \$0.9m is expected from the US affiliates in October 2013. The timing and quantum of future distributions remains uncertain.

On 3 August 2012, LB UK RE Holdings Limited (in Administration) ("LBUKRE") admitted Mable's claim of £0.6m. To date, Mable has received dividends totalling £0.3m, including a distribution of £0.07m received in the Period. The timing and quantum of future distributions from LBUKRE remains uncertain.

On 29 July 2013, Storm Funding Limited (in Administration) ("Storm") admitted Mable's claim of £366.2m. A first distribution of 10.4 pence in the pound was declared on 25 September 2013 and Mable received £38.1m. Storm has given notice of its intention to declare a second dividend of approximately 5 to 7 pence in the pound on or before 3 January 2014. The timing and quantum of future distributions from Storm is uncertain.

Pensions

We explained in our last report that the Upper Tribunal's decision not to grant the strike-out

application brought by Mable and 36 other entities was being appealed. The Court of Appeal issued its judgment on 21 June 2013, dismissing the appeal. Accordingly, the risk that we have explained previously of a Financial Support Direction ("FSD") being imposed on Mable remains in place.

The Supreme Court issued its judgment on 24 July 2013 in a case brought by certain other Lehman entities, whereby it held that the liability derived from a FSD constitutes a provable debt in an administration. This has enabled the Administrators to change the basis of reserving for any possible FSD liability, to allow for a potential additional unsecured debt rather than an administration expense.

During the Period Mable also joined with other Lehman entities to establish a collective reserve for a possible FSD liability. However, it has not been possible to reach agreement with the pension scheme trustees on the operation of this reserve, and it has therefore not been brought into full effect. As a result, Mable is now participating in a court process which may assist in determining whether the entities could make a collective reserve or whether they will need to reserve separately.

Meanwhile, a full reserve of £119m for the potential future pension liability has been made. The figure previously reported included a notional £5m for legal costs. Such costs are now reserved for separately.

The Administrators continue to monitor the pension issues closely.

Taxation

The Corporation Tax return for the period ended 22 September 2011 submitted previously has not yet been agreed by HM Revenue and Customs, but shows no tax payable with losses available to shelter further trading income. The Corporation Tax return for the period ended 22 September 2012 has been drafted and will shortly be submitted. The return shows no tax payable for the period and further losses also available to shelter further trading income.

No significant Corporation Tax recoveries are envisaged.

Value Added Tax ("VAT") repayments of £74k for returns filed for May 2012 and August 2012, have been paid to Mable in the Period. Mable is also due to

receive a further £92k in respect of the VAT returns filed to May 2013.

Future strategy

The Administrators will:

- Continue to work with the Acenden team to ensure that all applicable principal and interest is remitted to Mable;
- Gather evidence for any further claims to be made against other Lehman estates;
- Pursue routes to finalise the pension liability; and
- Make further payments to creditors as funds permit.

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) 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>	The Administrators intend to declare a first interim dividend in excess of 10 pence in the pound no later than 5 November 2013. It is too early to estimate the likely timing or quantum of further distributions for unsecured creditors.
<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) 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.

In the period, £0.3m (VAT inclusive) representing the remaining 25% of the Administrators' remuneration for the period from 1 January 2011 to 30 June 2012 and £0.2m (VAT inclusive) representing 100% of the Administrators' remuneration for the period from 1 July 2012 to 31 December 2012 has been drawn.

This brings the total amount of Administrators' remuneration drawn to date to £8.1m (VAT inclusive).

On 16 August 2013, the fee analysis for the period from 1 January 2013 to 30 June 2013 was circulated to creditors. Fees for this period total £316k, which represents 894 hours at an average hourly rate of £353, excluding VAT and are currently under the creditors' review.

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 2013 to 30 June 2013:

Grade	Hours	Costs (£'000)
Partner	17	14
Director	35	24
Senior Manager	16	9
Manager	69	30
Senior Associate	668	220
Associate	89	19
Total	894	316

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

Grade	Hours	Costs (£'000)
Accounting and Treasury	166	48
Statutory and Compliance	142	53
Strategy and Planning	272	95
Realisation of Assets, Branches and Subsidiaries	38	17
Inter-company	218	76
Tax and VAT	43	22
Central Services	15	5
Total	894	316

In addition, Mable has incurred time costs in relation to the recovery of Corporation Tax and VAT. Time costs are initially borne on a Group level basis for the Lehman Group of companies and apportioned to individual estates based on the level of individual recovery. The share of Administrators' time costs allocated to Mable will fluctuate when any entity within the Group makes a recovery or a payment. A full breakdown of these time costs will be submitted once all entities within the Group have collected all expected recoveries.

Receipts and payments account

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

Significant receipts in the period include:

- £2.0m in respect of principal and interest; and
- Book debt receipts of £0.5m.

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

Total cash held as at 22 September 2013 was £73.9m (GBP equivalent).

Section 5 Receipts and payments account

RECEIPTS	As at 22 September 2013			As at	Movements	As at	As at 22 March 2013 (GBP equivalent) RESTATED at 22 September 2013 exchange rate	As at 22 March 2013 (GBP equivalent) £
	GBP (£)	EUR (€)	USD (\$)	22 September 2013 TOTAL GBP equivalent £	23 March 2013 to 22 September 2013 (GBP equivalent) £	22 March 2013 (GBP equivalent) £		
	000's	000's	000's	000's	000's	000's	000's	000's
Mezzanine loan repayments and other asset recoveries	3,417	7,677	-	9,899	(2,641) *	12,540	12,606	12,606
Book debts	262	-	2,249	1,667	539	1,128	1,175	1,175
Corporation Tax repayments	27,132	-	-	27,131	30	27,100	27,100	27,100
VAT repayments	787	-	-	787	74	713	713	713
Refund of professional fees	6	115	-	103	-	103	104	104
Inter estate transfer	6,473	-	-	6,473	-	6,473	6,473	6,473
Principal and interest	46,923	6	-	46,928	4,631 *	42,297	42,297	42,297
Receipts Grand Totals	85,000	7,798	2,249	92,989	2,634	90,354	90,468	90,468
PAYMENTS								
Building and occupancy costs	622	-	-	622	7	615	615	615
Payroll and employee costs	1,486	-	-	1,486	36	1,450	1,450	1,450
Legal fees	1,822	-	-	1,822	88	1,734	1,734	1,734
Insurance premiums	237	-	-	237	-	237	237	237
Administrators' remuneration	8,150	-	-	8,150	495	7,654	7,655	7,655
Administrators' disbursements	48	-	-	48	-	48	48	48
Inter estate transfer	-	7,773	-	6,563	1	6,562	6,630	6,630
Other professional fees	200	-	-	200	(63)	263	263	263
Payments Grand Totals	12,565	7,773	-	19,128	564	18,563	18,632	18,632
NET POSITION	72,436	25	2,249	73,862	2,069	71,790	71,836	71,836
CASH BALANCES								
HSBC	859	25	2,249	2,285				
Money markets	71,577	-	-	71,577				
Total Cash	72,436	25	2,249	73,862				

* Note: £2,641k received during a previous period has been reclassified from Mezzanine loan repayments and other asset recoveries to Principal and interest

Exchange rates as at 22 March 2013:

US\$ 1: GBP 0.6562
EURO €1: GBP 0.8529

Exchange rate as at 22 September 2013:

US\$ 1: GBP 0.6250
EURO €1: GBP 0.8443

Amounts include VAT where applicable



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