
Mable Commercial Funding Limited – In Administration

Joint Administrators' progress
report for the period 23 September
2013 to 22 March 2014

11 April 2014

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the eleventh 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' ten 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 2014 (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.

A last date for proving claims was set for 6 September 2013. 20 claims with a value of £840m have been received including £119m in relation to pensions as referred to below. The remaining claims totalling £721m have been agreed, including a claim of £598m from Lehman Brothers International (Europe) (in administration).

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 approximately four pence in the pound is to be made to unsecured creditors.

A deadline to lodge proof of debt forms for inclusion in this distribution has been set for 30 April 2014 with the dividend to be paid no later than 30 June 2014. The Administrators encourage any creditor that has not submitted its claim to do so as soon as possible. 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.

In the Period the Administrators collected loan interest and principal sums totalling £1.7m in relation to the Mortgage Assets. In total £47.9m 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 \$3.1m, including a distribution of \$0.9m received in the Period. A further distribution of \$1.0m is expected from the US affiliates in April 2014. 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 interim dividends totalling £0.3m, including a distribution of £20k 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 £366m. To date, Mable has received dividends totalling £63.7m, including a distribution of £25.6m received in the Period. A third interim distribution of approximately ten pence in the pound is expected in May 2014.

On 8 October 2013, Eldon Street Holdings Limited (in administration) (“Eldon”) admitted Mable’s claim of £7.1m. A first interim dividend of 12 pence in the pound was made on 29 October 2013 and Mable

received £0.8m. The timing and quantum of future distributions from Eldon remains uncertain.

On 25 February 2014, Lehman Brothers Financing Limited (in Creditors’ Voluntary Liquidation) (“LBFL”) admitted Mable’s claim of £1.5m. First and second interim dividends totalling 73.9 pence in the pound were made on 12 March 2014 and Mable received \$1.4m and €0.3m. The timing and quantum of future distributions from LBFL remains uncertain.

Pensions

Following the Supreme Court judgment in July 2013 to which we referred in our last report, the stay which had been in force for the Upper Tribunal proceedings came to an end. The Upper Tribunal has the role of deciding whether a Financial Support Direction (“FSD”) should be made, and against which entities, in respect of the Lehman Brothers Pension Scheme. Mable is one of the potential targets of a FSD.

In accordance with directions from the Upper Tribunal, written claims have been produced by the Pensions Regulator and the pension scheme trustees. The Upper Tribunal has also issued a timetable for the FSD targets (including Mable) to file their written replies, and has set a date in February 2015 for a 15-day substantive hearing. The Upper Tribunal is expected to issue further directions in July 2014.

Also since our last report the Administrators have participated, with the administrators of 13 other Lehman companies, in a High Court application relating to the maximum quantum of a Contribution Notice (“CN”) if this were to be issued by the Pensions Regulator in the event of non-compliance with a FSD. The High Court held that the aggregate liability under CNs issued to more than one target company could exceed the amount of £119m claimed as a statutory debt due from the pension scheme employer, Lehman Brothers Limited (in administration). This judgment is being appealed.

In light of the activity set out above, the risk of Mable having a liability to the pension scheme under a FSD remains, and the Administrators continue to monitor the position and take steps as appropriate. In the meantime, Mable is continuing to reserve £119m in respect of any liability that may arise in connection with a FSD.

Taxation

All Corporation Tax returns up to the year ended 22 September 2011 have been agreed. The Corporation Tax return for the year ended 22 September 2012 has been submitted but has not yet been agreed by HM Revenue and Customs. The 2012 return shows no tax payable and £0.1m of current year losses available to shelter future trading profits or to surrender for value as group relief to other companies in the Lehman Group. It is uncertain at this stage what value Mable may achieve for these losses.

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

Value Added Tax ("VAT") repayments of £0.1m for returns filed for the quarters ended November 2012 to August 2013 were received in the Period. To date, Mable has received total VAT repayments of £0.9m. Mable is also due to receive a further £41k in respect of the VAT return filed for the quarter ended November 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;
- 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>	<p>On 4 April 2014 the Administrators issued a Notice of Intended Dividend to all known creditors stating that the last day for proving is 30 April 2014. The second interim dividend of approximately four pence in the pound will be paid on or before 30 June 2014 to all creditors with agreed claims.</p> <p>The Administrators are unable to estimate the quantum or timing of further distributions.</p>
<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, £0.8m (VAT inclusive) representing the Administrators' remuneration for the period from 1 January 2013 to 31 December 2013 has been drawn.

This brings the total amount of Administrators' remuneration drawn to date to £9.0m (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 1 July 2013 to 31 December 2013:

Grade	Hours	Costs (£)
Partner	14.8	14,413
Director	51.7	40,990
Senior Manager	15.4	9,268
Manager	62.4	28,393
Senior Associate	538.3	184,640
Associate	277.9	62,946
Total	960.5	340,650

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

Grade	Hours	Costs (£)
Accounting and Treasury	202.6	58,113
Realisation of Assets, Branches and Subsidiaries	69.8	26,052
Central Services	10.0	2,504
Inter-company	167.3	55,044
Statutory and Compliance	173.5	57,153
Strategy and Planning	258.6	89,472
Taxation	78.7	52,312
Total	960.5	340,650

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:

- £66.2m in respect of book debt receipts mainly comprising of interim dividends received from Storm; and
- £1.7m in respect of principal and interest on mortgage assets.

Significant payments in the period include:

- £116m in respect of distributions to unsecured creditors; and

-
- £0.8m in respect of Administrators' remuneration.

Total cash held as at 22 March 2014 was £25.2m (GBP equivalent).

Section 5 Receipts and payments account

	As at 22 March 2014			As at	Movements	As at	As at
	GBP (£)	EUR (€)	USD (\$)	22 March	23 September	22 September 2013	22 September
	000's	000's	000's	2014	2013	(GBP equivalent)	2013
				TOTAL GBP	to 22 March 2014	RESTATED	TOTAL GBP
				equivalent	(GBP equivalent)	at 22 March 2014	equivalent
				£	£	exchange rate	£
RECEIPTS							
Mezzanine loan repayments	3,418	7,677	-	9,833	-	9,833	9,900
Book debts	64,865	-	4,508	67,866	66,240	1,626	1,668
Corporation Tax repayments	27,131	-	-	27,131	-	27,131	27,131
VAT repayments	885	-	-	885	98	787	787
Refund of professional fees	6	115	-	102	-	102	103
Currency transfers	8,428	-	-	8,428	1,955	6,473	6,473
Principal and interest on mortgage assets	47,923	-	-	47,923	1,746	46,177	46,177
Income from investments	735	6	-	740	77	663	663
Receipts Grand Totals	153,391	8,120	4,508	162,908	70,116	92,792	92,902
PAYMENTS							
Building and occupancy costs	623	-	-	623	2	621	621
Payroll and employee costs	1,485	-	-	1,485	13	1,472	1,472
Legal fees	1,835	-	-	1,835	14	1,821	1,821
Insurance premiums	249	-	-	249	12	237	237
Administrators' remuneration	8,954	-	-	8,954	788	8,166	8,166
Administrators' disbursements	48	-	-	48	-	48	48
Currency transfers	-	7,773	3,147	8,403	1,908	6,495	6,563
Other professional fees	112	-	-	112	-	112	112
Distributions to unsecured creditors	115,966	-	-	115,966	115,966	-	-
Payments Grand Totals	129,272	7,773	3,147	137,675	118,703	18,972	19,040
NET POSITION	24,119	347	1,361	25,233	(48,587)	73,820	73,862
CASH BALANCES							
HSBC	789	347	1,361	1,904	-	-	-
Money markets	23,329	-	-	23,329	-	-	-
Total Cash	24,119	347	1,361	25,233			

Exchange rate as at 22 September 2013:

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

Exchange rate as at 22 March 2014:

US\$ 1 : GBP 0.6063
EURO €1 : GBP 0.8356

Amounts include VAT where applicable

* A reclassification exercise has been undertaken for all historical receipts. Consequently movements have occurred between "Mezzanine loan repayments" and "Principal and interest on mortgage assets". A newly created "Income from investments" category will include interest on investments as well as bank charges. There is a small difference in the previously reported total for these categories due to reallocation of bank charges from "Other professional fees" to the new "Income from investments" category.



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