
Mable Commercial Funding Limited – In Administration

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

21 October 2014

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the twelfth 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' eleven 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 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.

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.

In the Period the Administrators collected loan interest and principal sums totalling £1.1m in relation to the Mortgage Assets. In total £49m 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 \$4.1m, including a distribution of \$1m received in the Period in respect of these claims. A sixth distribution of \$0.73m was received from the US affiliates on 2 October 2014. 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, including a distribution of £56k received in the Period. 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, including distributions of £53.5m

received in the Period. 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 £1.3m, including a distribution of £0.42m 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. The timing and quantum of future distributions from Longmeade remain uncertain.

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.

Pensions

As reported previously, it was necessary to retain a reserve against a possible liability to the Lehman Brothers Pension Scheme under a Financial Support Direction (“FSD”). Following a settlement agreement with the pension scheme trustees and all other potential FSD targets which became effective on 18 August 2014, Mable no longer has a potential liability to the pension scheme and accordingly it has been possible to release the £119m which the Administrators had reserved for this purpose.

Mable has not contributed to the cost of funding pension benefits under the settlement, which is being discharged by other Lehman companies.

Taxation

All Corporation Tax returns up to the year ended 22 September 2011 have been agreed by HM Revenue and Customs (“HMRC”). The Corporation Tax return for the year ended 22 September 2012 has been submitted, but has not yet been agreed by HMRC. It 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. The Corporation Tax return for

the period ended 22 September 2013 has been drafted and will shortly be submitted to HMRC. It shows no tax payable for the period.

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

Value Added Tax ("VAT") repayments of £86k for returns filed for the quarters ended November 2013 to May 2014 were 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; 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) 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>	<p>On 15 May 2014 the Administrators paid a second interim dividend of 4.7 pence in the pound to all unsecured creditors whose claims had been admitted for dividend purposes.</p> <p>On 23 September 2014 the Administrators paid a third interim dividend of 3.3 pence in the pound to all unsecured creditors whose claims had been admitted for dividend purposes.</p> <p>Dividends paid to date total 24.1 pence in the pound.</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) 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.

In the Period, £0.35m (VAT inclusive) representing the Administrators' remuneration for the period from 1 January 2014 to 30 June 2014 has been drawn.

This brings the total amount of Administrators' remuneration drawn to date to £9.3m (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 January 2014 to 30 June 2014:

Grade	Hours	Costs (£)
Partner	8.4	7,909
Director	57.2	45,230
Senior Manager	33.9	20,466
Manager	77.6	34,478
Senior Associate	327.7	114,877
Associate	319.9	67,450
Total	824.7	290,410

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

Grade	Hours	Costs (£)
Accounting and Treasury	147.3	42,091
Central Services	7.6	1,520
Creditor Claims	47.8	15,549
Pensions	53.7	25,750
Realisation of Other Assets	104.8	41,752
Statutory and Compliance	147.1	40,950
Strategy and Planning	146.1	44,589
Tax and VAT	170.3	78,209
Total	824.7	290,410

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 the cumulative total since commencement of the Administration is set out in Section 5 to this report.

Significant receipts in the Period include:

- £54.6m in respect of book debt receipts mainly comprising interim dividends received from Storm; and
- £1.1m in respect of principal and interest on mortgage assets.

Significant payments in the Period include:

-
- £33.9m in respect of distributions to unsecured creditors; and
 - £0.35m in respect of Administrators' remuneration.

Total cash held as at 22 September 2014 was £46.8m (GBP equivalent).

Section 5 Receipts and payments account

RECEIPTS	As at 22 September 2014			As at 22 September 2014	Movements from 22 March 2014 to 22 September 2014	As at 22 March 2014 (GBP equivalent) RESTATED	As at 22 March 2014 (GBP equivalent)
	GBP (£)	EUR (€)	USD (\$)	TOTAL GBP equivalent £	September 2014 (GBP equivalent) £	at 22 September 2014 exchange rate £	£
	000's	000's	000's	000's	000's	000's	000's
Mezzanine loan repayments	3,418	7,677	-	9,447	-	9,447	9,833
Book debts	118,895	322	5,485	122,507	54,629	67,878	67,867
Corporation Tax repayments	27,131	-	-	27,131	-	27,131	27,131
VAT repayments	971	-	-	971	86	885	885
Refund of professional fees	6	115	-	96	-	96	102
Foreign currency conversions	10,093	-	-	10,093	1,665	8,428	8,428
Principal and interest on mortgage assets	49,013	-	-	49,013	1,090	47,923	47,923
Income from investments	787	6	-	792	52	740	740
Receipts Grand Totals	210,314	8,120	5,485	220,050	57,522	162,528	162,909
PAYMENTS							
Building and occupancy costs	631	-	-	631	8	623	623
Payroll and employee costs	1,497	-	-	1,497	12	1,485	1,485
Legal fees	1,874	-	-	1,874	39	1,835	1,835
Insurance premiums	249	-	-	249	-	249	249
Administrators' remuneration	9,303	-	-	9,303	349	8,954	8,954
Administrators' disbursements	50	-	-	50	2	48	48
Foreign currency conversions	-	8,095	5,485	9,716	1,684	8,032	8,404
Other professional fees	114	-	-	114	2	112	112
Distributions to unsecured creditors	149,820	-	-	149,820	33,854	115,966	115,966
Payments Grand Totals	163,538	8,095	5,485	173,254	35,950	137,304	137,676
NET POSITION	46,776	25	-	46,796	21,572	25,224	25,233
CASH BALANCES							
HSBC	24,878	25	-	24,897	-	-	-
Money markets	21,899	-	-	21,899	-	-	-
Total Cash	46,776	25	-	46,796	-	-	-

Exchange rate as at 22 March 2014

US\$ 1: GBP 0.6063

EURO €1: GBP 0.8356

Exchange rate as at 22 September 2014

US\$ 1: GBP 0.6124

EURO €1: GBP 0.7853

Amounts include VAT where applicable



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