
Mable Commercial Funding Limited – In Administration

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

12 October 2015

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

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

A fourth interim dividend of 3 pence in the pound was paid on 2 September 2015. The total paid by way of dividend to creditors with agreed claims was £21.6m.

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. The joint administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.

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 and are being held and run-off by Acenden Limited ("Acenden").

In the Period the Administrators collected loan interest and principal sums totalling £0.8m in relation to the Mortgage Assets. In total £50.9m has been collected since the beginning of the Administration.

Debtors

As mentioned in previous reports, Mable's total claims against various Lehman US affiliates were agreed pursuant to the Joint Chapter 11 Plan dated December 2011 at \$16.5m. To date, Mable has received distributions totalling \$5.4m, including a distribution of \$0.5m received in the Period in respect of these claims. The timing and quantum of future distributions remains uncertain.

On 3 August 2012, LB UK RE Holdings Limited (in administration) admitted Mable's claim of £0.66m. Mable has received distributions totalling £0.41m in this respect, including a final distribution of £74k received in the period.

On 29 July 2013, Storm Funding Limited (in administration) ("Storm") admitted Mable's claim of £366m. To date, Mable has received distributions totalling £137.7m in this respect, including two interim dividends of £8.4m and £12m 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 £1.8m in this respect. 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 £112k in this respect, including a distribution of £11k received in the Period. The timing and quantum of future distributions from Longmeade remain uncertain.

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, minimise tax leakage and accelerate cash repatriation to Mable.

On 9 July 2015, Southern Pacific Residuals 4 Limited was dissolved. On 17 July 2015, Preferred Mortgages Residuals One Limited, Preferred Mortgages Residuals 2 Limited, Southern Pacific Funding 1 Limited and Southern Pacific Residuals 2 Limited were placed into Members' Voluntary Liquidation.

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

In parallel with rationalising the sub-group, the Administrators have been revisiting the strategy to hold and run-off the underlying mortgage assets, bonds and residual interests in securitisation structures. The Directors of the subsidiary entities which hold these interests have continued to employ proactive strategies to maximise value by consolidating interests and restructuring where appropriate. The portfolio of assets is actively managed with acquisitions and disposals transacted where appropriate to the ongoing strategy. The strategic review is still ongoing but the preliminary conclusion is that a continuation of this approach for the next two to four years is probably most appropriate.

As part of the review, an analysis of the likely value of the assets has been undertaken. As a result, it is estimated that the overall benefit to Mable is in the range of £250m to £300m. These are subjective valuation estimates as no external market testing has been undertaken and the eventual outcome could be greater or less than these figures. In addition, these are not present values but the aggregate of cash flows.

Creditors should exercise caution in relying on these figures for any purpose.

Claims agreement

Mable received 21 claims from unsecured creditors. Four claims have subsequently been withdrawn leaving 17 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) ("LBIE") 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. The Corporation Tax return for the year ended 22 September 2014 has been drafted and will be submitted to HMRC shortly.

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

Value Added Tax ("VAT") returns for the quarters ended 28 February 2015 and 31 May 2015 were filed during the Period and a VAT return for the quarter ended 31 August 2015 has been prepared but not yet filed. VAT repayments of £37k and £161 for the 30 November 2014 and 28 February 2015 VAT returns have been received by the VAT group representative member, and will be distributed to Mable shortly. A claim of £580 of VAT for the 31 May 2015 VAT return has been submitted to HMRC but is yet to be approved. To date, Mable has received total VAT repayments of £1m.

Future strategy

The Administrators will:

- Finalise the strategic review of the mortgage assets held by Mable's subsidiaries and then keep this under review;
- Work closely with LBIE, being its majority creditor, including consultation over planned asset disposals;
- Continue to work with the Acenden team to ensure that all applicable principal and interest is remitted to Mable;
- Progress the restructuring of Mable's subsidiaries; 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 1 September 2015, the Administrators paid a fourth dividend of 3 pence in the pound to all unsecured creditors whose claims had been admitted for dividend purposes.</p> <p>Dividends paid to date total 27.1 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.

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 4 September 2015, the fee analysis for the period from 1 January 2015 to 30 June 2015 was circulated to creditors. On 30 September 2015 £0.36m (VAT inclusive) representing the Administrators' remuneration based on time costs incurred in the period from 1 January 2015 to 30 June 2015 were drawn.

This brings the total amount of Administrators' remuneration drawn to date to £10.01m (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 2015 to 30 June 2015:

Grade	Hours	Costs (£)
Partner	11.3	11,364
Director	39.4	30,434
Senior Manager	83.9	49,964
Manager	303.3	136,087
Senior Associate	87.4	24,514
Associate	223.0	50,188
Total	748.3	302,551

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

Grade	Hours	Costs (£)
Accounting and Treasury	194.3	53,071
Central Services	13.7	3,845
Creditor Claims	4.6	2,188
Realisation of Assets	172.8	77,945
Statutory and Compliance	95.3	33,785
Strategy and Planning	121.6	44,777
Tax and VAT	146.0	86,940
Total	748.3	302,551

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:

- £20.6m and \$0.6m in respect of book debt receipts mainly comprising of dividends received from Storm; and
- £0.8m in respect of principal and interest on mortgage assets.

Significant payments in the Period include:

- £21.6m in respect of distributions to unsecured creditors.

Total cash held as at 22 September 2015 was £25.8m (GBP equivalent).

Section 5 Receipts and payments account

	As at 22 September 2015			As at 22 September 2015	Movements from 22 March 2015 to 22 September 2015	As at 22 March 2015 (GBP equivalent) RESTATED	As at 22 March 2015 (GBP equivalent)
	GBP (£)	EUR (€)	USD (\$)	TOTAL GBP equivalent	September 2015 (GBP equivalent)	at 22 September 2015 exchange rate	
	000's	000's	000's	£	£	£	£
RECEIPTS							
Mezzanine loan repayments	3,418	7,677	-	8,988	-	8,988	8,969
Book debts	140,139	322	8,430	145,802	21,004	124,798	125,000
Legal Fees	-	5	-	4	4	-	-
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	89
Foreign currency conversions	11,949	-	-	11,949	406	11,543	11,543
Principal and interest on mortgage assets	50,892	-	-	50,892	791	50,101	50,101
Income from investments	896	6	-	900	60	840	840
Receipts Grand Totals	235,402	8,125	8,430	246,726	22,265	224,461	224,644
PAYMENTS							
Building and occupancy costs	657	-	-	657	61	718	718
Payroll and employee costs	1,543	-	-	1,543	10	1,533	1,533
Legal fees	2,060	-	-	2,060	75	1,985	1,985
Insurance premiums	249	-	-	249	-	249	249
Administrators' remuneration	9,654	-	-	9,654	369	9,285	9,285
Administrators' disbursements	51	-	-	51	1	50	50
Foreign currency conversions	-	8,125	8,430	11,324	416	10,908	11,090
Other professional fees	112	-	-	112	3	109	109
Distributions to unsecured creditors	195,241	-	-	195,241	21,614	173,627	173,627
Payments Grand Totals	209,567	8,125	8,430	220,891	22,427	198,464	198,646
NET POSITION	25,835	-	-	25,835	162	25,997	25,998
CASH BALANCES							
HSBC	972	-	-	972	-	-	-
Money markets	24,863	-	-	24,863	-	-	-
Total Cash	25,835	-	-	25,835	-	-	-

Exchange rate as at 22 March 2015

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

Exchange rate as at 22 September 2015

US\$ 1 : GBP 0.6441
EURO €1 : GBP 0.7256



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