
Mable Commercial Funding Limited – In Administration

Joint Administrators' progress
report for the period 23 September
2012 to 22 March 2013

5 April 2013

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the ninth 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' eight 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 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 Mable'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

The significant uncertainties, which have previously been reported on, remain. As a result it is not possible for the Administrators to provide a reliable estimate of the likely dividend to ordinary unsecured creditors.

At this stage 15 claims with a value of £634m have been received. The Administrators would encourage any creditor that has not submitted its claim to do so by completing and returning the enclosed statement of claim form.

Proposal for making distributions

The Administrators are currently of the view that it is in the best interests of Mable's creditors as a whole for distributions to unsecured creditors to be made through the Administration.

As referred to in greater detail in Section 2, Mable is still at risk of a Financial Support Direction ("FSD") being imposed against it and, consequently, will have to hold a significant pension liability reserve. The Administrators have investigated options to enable Mable to reduce this reserve and allow for a release of funds to creditors. However, to date it has not been possible to implement any such options. The Administrators will continue to assess whether there are any steps that can be taken to reduce the reserve held for the FSD liability and thereby assist the release of funds.

Change of Administrators

Upon the application of the Administrators, the High Court of Justice ("the Court") made an order on 22 March 2013 that JG Parr be appointed Administrator and that DA Howell and MJA Jervis cease to be Administrators of the Company.

The Court also ordered that the former Administrators shall be released from all liability pursuant to the relevant sections in the Insolvency Act 1986 in respect of their acts and omissions and otherwise in respect of their conduct as Administrators of the Company and that such release will take effect 56 days after the date of this progress report. The Court gave permission for each creditor and member of the Company to apply to vary or discharge its order by an application issued within 28 days of receipt of this progress report.

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 Schwarzmann
Joint Administrator
Mable Commercial Funding Limited

DY Schwarzmann, AV Lomas, SA Pearson, MJA Jervis and DA Howell were appointed as Joint Administrators of Mable Commercial Funding Limited. Upon the application of the Joint Administrators, the High Court of Justice made an order on 22 March 2013 that JG Parr be appointed Joint Administrator and that MJA Jervis and DA Howell cease to be Joint Administrators. The Joint Administrators were appointed to manage Mable's affairs, business and property as agents without personal liability.

DY Schwarzmann, AV Lomas, SA Pearson, MJA Jervis, DA Howell and JG Parr are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The Joint Administrators 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 £42.3m 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. Mable received a first dividend from the affiliates of \$0.9m in April 2012 and a second dividend of \$0.6m on 1 October 2012. A further dividend is expected in April 2013. The quantum and timing of additional future dividends are uncertain.

On 3 August 2012, LB UK RE Holdings Limited admitted Mable's claim of £0.6m. A first dividend of 30 pence in the pound was made on 27 September 2012 and Mable received £0.2m. The timing and quantum of further dividends remain uncertain.

Pensions

As noted in our last report, the Upper Tribunal declined to grant the strike-out application that was brought by Mable and 36 other entities in relation to the Trustees' referral to the Upper Tribunal relating to the FSD proceedings. The Upper Tribunal's decision has been appealed and is listed to begin in the Court of Appeal on 29 April 2013.

As already referred to in Section 1, the Administrators have investigated options which would enable them to reduce the reserve in order to release funds to creditors, but it has not proved possible to date to implement any of these. The Administrators will continue to explore these options.

Taxation

The Administrators have agreed the Corporation Tax affairs of Mable with HM Revenue and Customs for all periods up to the year ended 22 September 2010. The tax return for the period ended 22 September 2011 was submitted in the Period and shows no tax payable with losses available to shelter further trading income.

In the Period, Corporation Tax recoveries were £0.4m, comprising Corporation Tax repaid from pre-insolvency periods and amounts received for losses surrendered to other group companies. To date Mable has received a net tax repayment of £27.1m and there may be prospects for further recoveries from the sale of losses in future years.

Value Added Tax ("VAT") repayments of £0.7m for returns filed to February 2012, have been paid to Mable to date. In the Period, VAT repayments of £0.05m were received.

Future strategy

The Administrators will:

- Continue to work with the Acenden team to ensure that all applicable principal and interest is remitted to Mable;
- Submit further inter-company claims into insolvent estates where necessary; and
- Closely review the pensions issues and work to reduce the reserve held for future pension liabilities.

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. JG Parr was appointed Joint Administrator and MJA Jervis and DA Howell ceased to be Joint Administrators by order of the Court on 22 March 2013.
<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>	It is too early to estimate the likely dividend 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 creditors to agree the level of the Administrators' remuneration and Category 2 disbursements.

Following the approval of a creditor, £0.2m (VAT inclusive) in connection with the remaining 25% of Administrators' remuneration for the period from 1 July 2010 to 31 December 2010 has been drawn in the Period.

On 17 October 2012, the Administrators provided creditors with time cost analyses and narratives for the period 1 January 2012 to 30 June 2012. The Administrators have drawn £0.2m (VAT inclusive) representing 75% of the Administrators' remuneration for this period.

This brings the total amount of Administrators' remuneration drawn to date to £7.5m (VAT inclusive).

The time cost analyses and narratives for the period from 1 July 2012 to 31 December 2012 have been circulated to creditors. Costs for this period total £152k, which represents 429 hours at an average hourly rate of £355, 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 July 2012 to 31 December 2012:

Grade	Hours	Costs (£'000)
Partner	8	7
Director	20	15
Senior Manager	38	20
Manager	85	36
Senior Associate	245	67
Associate	33	7
Total	429	152

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

Grade	Hours	Costs (£'000)
Accounting and Treasury	116	34
Statutory and Compliance	67	27
Strategy and Planning	94	38
Realisation of Assets	15	7
Inter-company	11	4
Tax and VAT	103	35
Central Services	9	3
Branches and Subsidiaries	14	4
Total	429	152

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:

- £1.9m in respect of principal and interest;
- £0.6m in respect of book debt receipts; and
- £0.4m in respect of Corporation Tax repayments.

The significant payment in the Period covered by this report is:

- £0.4m in respect of Administrators' remuneration, which has been reduced to £0.1m as the result of the time cost adjustment relating to tax recoveries as described on Page 5.

Total cash held as at 22 March 2013 was £71.8m (GBP equivalent).

Section 5 Receipts and payments account

	As at 22 March 2013			As at	Movements	As at	As at	
	GBP (£)	EUR (€)	USD (\$)	22 March 2013	23 September	22 September 2012	22 September	
	000's	000's	000's	TOTAL GBP	to 22 March 2013	(GBP equivalent)	2012	
				equivalent	(GBP equivalent)	RESTATED	(GBP equivalent)	
				£	£	at 22 March 2013	exchange rate	
						exchange rate	£	
RECEIPTS								
Mezzanine loan repayments and other asset recoveries	6,058	7,677	-	12,606	-	12,606	12,194	
Book debts	197	-	1,490	1,175	591	584	547	
Corporation Tax repayments	27,100	-	-	27,100	410	26,690	26,690	
VAT repayments	713	-	-	713	51	662	662	
Refund of professional fees	6	115	-	104	-	104	98	
Inter estate transfer	6,473	-	-	6,473	-	6,473	6,473	
Principal and interest from subsidiary	42,292	6	-	42,297	1,908	40,389	40,389	
Receipts Grand Totals	82,839	7,798	1,490	90,468	2,960	87,508	87,053	
PAYMENTS								
Building and occupancy costs	615	-	-	615	-	615	615	
Payroll and employee costs	1,450	-	-	1,450	34	1,416	1,416	
Legal fees	1,734	-	-	1,734	13	1,721	1,721	
Insurance premiums	237	-	-	237	12	225	225	
Administrators' remuneration	7,655	-	-	7,655	119	7,536	7,536	
Administrators' disbursements	48	-	-	48	-	48	48	
Inter estate transfer	-	7,773	-	6,630	-	6,630	6,212	
Other professional fees	263	-	-	263	-46	309	309	
Payments Grand Totals	12,002	7,773	-	18,632	132	18,500	18,082	
NET POSITION	70,837	25	1,490	71,836	2,828	69,008	68,971	
CASH BALANCES								
HSBC	1,115	25	1,490	2,114	-	-	-	
Money markets	69,722	-	-	69,722	-	-	-	
Total Cash	70,837	25	1,490	71,836				

Exchange rate as at 22 September 2012:

US\$ 1 : GBP 0.6152
EURO €1 : GBP 0.7991

Exchange rate as at 22 March 2013:

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

Amounts include VAT where applicable



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