
Monaco NPL (No. 1) Limited – In Administration

Joint Administrators' progress
report for the period 29 April 2013 to
28 October 2013

25 November 2013

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the tenth progress report by the Joint Administrators ("Administrators") of Monaco NPL (No.1) Limited ("Monaco" or the "Company").

This report provides an update on the work the Administrators have undertaken and the progress made since their appointment, with particular focus on the progress in the six months to 28 October 2013.

Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for Monaco's creditors as a whole than would be likely if Monaco were wound up (without first being in Administration).

The specific aims of this Administration were to:

- Protect, manage and realise the Company's assets; and
- Agree creditors' claims and, if applicable, make a distribution to creditors.

Outcome for creditors

On 24 June 2013 the Court gave the Administrators of Monaco permission to agree and pay a dividend in respect of the claims of its unsecured non-preferential creditors.

The Administrators declared and paid a first interim dividend of 7.75 pence in the £ to the Company's unsecured non-preferential creditors on 22 October 2013.

The quantum and timing of any further dividend remains uncertain at this stage.

Pension liability

We explained in our most recent report that the Upper Tribunal's decision not to grant the strike-out application that was brought by Monaco 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 Monaco remains.

The Supreme Court issued its judgment on 24 July 2013 in a case brought by certain other Lehman entities, whereby it held that liability derived from a FSD would constitute 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 covered by this report, Monaco joined with the other 36 entities to establish a collective reserve for possible FSD liability. However, it was not possible to reach agreement with the pension scheme trustees on the operation of this reserve, and it was therefore not brought into full effect. Following this, Monaco is 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.

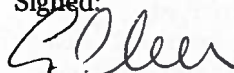
The Administrators continue to monitor the pension issues closely.

Extension of the Administration

The Administrators made an application to the High Court to extend the Administration by a further year to 30 November 2014. The application was granted at a hearing on 24 June 2013.

The Administrators will next report to creditors in approximately six months.

Signed:



GE Bruce
Joint Administrator
Monaco NPL (No.1) Limited

AV Lomas, SA Pearson, GE Bruce and JG Parr were appointed as Joint Administrators of Monaco NPL (No. 1) Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, GE Bruce 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

Overview

Monaco was incorporated to manage investments in portfolios of non-performing secured loans acquired with funding provided by Lehman Brothers Holdings, Inc.

The majority of the loans were securitised into a special purpose vehicle and Monaco retained a small portfolio of loans with an unpaid principal balance of c. \$10 million. This portfolio comprised 19 outstanding loans secured against eight properties.

The Administrators implemented a 'hold' strategy with the loans to enhance realisations and worked closely with Immofofi GmbH ("Immofofi"), a third party agent, to ensure that the loans continued to be serviced. All loans have now been realised.

Administrators' actions to date

Following their appointment, the Administrators put in place a realisation strategy working with Immofofi.

As at the date of this report, total recoveries on the loan portfolio after the deduction of collection costs are €4.42m. An additional €1.57m has been received during the reporting period. This sum relates to collections dating back to 2008, which were mistakenly paid to Lehman Brothers Holdings Inc and subsequently released to the Company.

Other receipts comprise:-

- Asset realisations of €1.52m from discounted loan pay-offs, consensual sales of underlying secured assets and collection of overdue rents; and
- Cash held by Immofofi of €1.33m on behalf of Monaco from previous realisations.

All positions have now been finalised.

On 24 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc ("LBHI") and certain other affiliates previously subject to Chapter 11 proceedings in the USA in conjunction with other UK affiliates. The Plans of Reorganisation became effective on 6 March 2012. Pursuant to this agreement, Monaco had its guarantee claim against Lehman Brothers Special Financing Inc ("LBSF") agreed at \$2.95m.

A fourth distribution of \$0.10m was received from LBSF on 3 October 2013. To date, Monaco has received dividends totalling \$0.80m from LBSF. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

Further dividends from LBSF are expected to be received on a six monthly basis.

Monaco submitted a claim in the estate of LB UK RE Holdings Limited ("LB UK RE") for c£36m. Of this claim c£21m has been admitted to rank for a dividend. The remaining balance of c£15m has not yet been adjudicated. A second distribution of 10p in the £ was declared by LB UK RE on 2 September 2013 and Monaco received £0.93m in respect of the admitted element of its claim.

Monaco sold £12m of its admitted claim against LB UK RE to a third party for £4.19m. Monaco also retained the dividend that was received on this portion of the agreed claim. Accordingly, Monaco has received the equivalent of 64.9p in the £ in relation to this element of its claim.

To date Monaco has received dividends from LB UK RE totalling £11.68m. The timing and quantum of any further dividends from LB UK RE is not yet known.

As previously reported, a tax loss agreement for tax losses reflected in the years 2004-2007 was entered into with certain other Lehman group companies. This agreement sets out the basis for allocating tax losses, and the value to be paid to loss surrendering companies, such as Monaco. This has resulted in receipts of £1,457,228 to date. No further receipts are expected in relation to this tax loss agreement.

On 31 July 2013, the Administrators issued a Notice of Intended Dividend to the unsecured non-preferential creditors of Monaco. The final date for creditors to prove their claims was 30 August 2013.

On 22 October 2013, the Administrators declared a first interim dividend of 7.75 pence in the £ to unsecured non-preferential creditors whose claims had been admitted.

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 9580 of 2008
<i>Full name:</i>	Monaco NPL (No.1) Limited
<i>Trading name:</i>	Monaco NPL (No.1) Limited
<i>Registered number:</i>	05432398
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	MD Gollin, D Gibb (resigned 17/07/09), IM Jameson (resigned 17/07/09), AJ Rush (resigned 17/07/09), S Staid (resigned 05/01/09)
<i>Company secretary:</i>	P Dave (resigned 25/01/10), ESE Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in the Company
<i>Date of the Administration appointment:</i>	29 October 2008
<i>Administrators' names and addresses:</i>	GE Bruce, SA Pearson, AV Lomas and JG Parr of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.
<i>Appointer's name and address:</i>	The original appointment of Administrators was made by the directors of the Company, 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 the Company 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 Joint Administrators, may be done by any or one or more of the Joint Administrators.
<i>Details of any extensions of the initial period of appointment:</i>	A fourth extension has been granted by the High Court of Justice until 30 November 2014.
<i>Proposed end of the Administration:</i>	The Administrators wish to retain various options available to them. However it is most likely that the Administrators will continue to distribute from the Administration (the Administrators having obtained permission from the Court to do so in June 2013) and, once the final distribution has been made, apply for the dissolution of the Company.
<i>Estimated dividend for unsecured creditors:</i>	The Administrators declared a first interim dividend of 7.75p in the £ to unsecured non-preferential creditors on 22 October 2013. The quantum and timing of any further dividends remains uncertain at present.
<i>Estimated values of the prescribed part and Monaco's net property:</i>	There is no prescribed part as there is no qualifying floating charge.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<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

In January 2009, the Administrators requested and received consent from Monaco's creditors for the Administrators' remuneration to be fixed by reference to the time properly given by them and the various grades of their staff. The Administrators were also authorised to draw their remuneration from time to time.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 April 2013 to 30 September 2013, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Time costs for this period total £43,942 plus VAT, which represents 123.62 hours at an average hourly rate of £355.

To date, remuneration of £399,690 plus VAT and €22,805 has been drawn in respect of time costs incurred to 31 August 2013.

Receipts and payments account

An account of the receipts and payments in the Administration showing movements for the six months to 28 October 2013 is set out overleaf.

Cash at bank as at 28 October 2013 is equivalent to £12.24m.

Section 5 Receipts and Payments Account

	As at 28 October 2013			As at 28 April 2013			Movements	
	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)
Receipts								
Recoveries on loan portfolio	-	4,425,324	-	-	2,851,807	-	-	1,573,517
Distributions from LBSF	-	-	808,349	-	-	715,127	-	-
LB UK RE intercompany debt	11,680,573	-	-	10,744,805	-	-	935,768	-
Receipt from sale of tax losses	1,457,228	-	-	1,457,228	-	-	-	-
Tax Repayment	300,000	-	-	300,000	-	-	-	-
Bank account usage charge	106,000	-	-	106,000	-	-	-	-
Interest on tax repayment	82,596	-	-	58,776	-	-	23,820	-
Cash at bank on appointment	-	288,047	-	-	288,047	-	-	-
Third party funds	12,000	-	-	-	-	-	12,000	-
Gross wages & salaries	145	-	-	-	-	-	145	-
Balance at bank	-	12,395	-	-	-	-	-	12,395
Total Receipts	13,638,542	4,725,766	808,349	12,666,809	3,139,854	715,127	971,733	1,585,912
Payments								
Legal fees	50,044	-	-	23,455	-	-	26,589	-
Gross wages & salaries	16,675	-	-	14,918	-	-	1,757	-
IT Costs	5,741	-	-	5,741	-	-	-	-
Joint Administrators' fees	399,690	22,805	-	358,635	22,805	-	41,055	-
Joint Administrators' category 1 disbursements	2,238	-	-	2,238	-	-	-	-
Bank charges	40	31	87	40	31	47	-	40
Statutory advertising	10,655	-	-	1,321	-	-	9,334	-
VAT Paid	83,640	3,421	-	68,229	3,421	-	15,411	-
Total Payments	568,723	26,257	87	474,577	26,257	47	94,146	40
Intracompany transfer								
Payment	-	(3,113,597)	(807,180)	-	(3,113,597)	(714,080)	-	-
Receipt	3,108,004	-	-	3,050,245	-	-	57,759	-
Total receipts less total payments	16,177,823	1,585,912	1,082	15,242,477	-	1,000	935,346	1,585,912
Distributions								
1st distribution to unsecured creditors at 7.75p in the £, declared in October 2013	4,918,980	-	-	-	-	-	4,918,980	-
Total	4,918,980	-	-	-	-	-	4,918,980	-
Cash in hand / (movement in year)	11,258,843	1,585,912	1,082	15,242,477	-	1,000	(3,983,634)	1,585,912
Cash balances								
HSBC (Non-interest bearing)	7,616,985	1,585,912	1,082	141,305	-	1,000	7,475,681	1,585,912
Money Market	3,641,858	-	-	15,101,172	-	-	(11,459,314)	-
Total Cash	11,258,843	1,585,912	1,082	15,242,477	-	1,000	(3,983,634)	1,585,912

Section 6 Joint Administrators' time costs for the period 1 April 2013 to 30 September 2013

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	-	-	5.05	2,106	20.25	5,568	17.85	4,001	43.15	11,675
Asset realisations	2.00	1,278	5.70	2,374	-	-	-	-	7.70	3,652
Creditors	-	-	5.50	2,371	-	-	8.70	1,993	14.20	4,364
Statutory and compliance	1.00	739	3.40	1,502	10.25	2,594	9.90	2,157	24.55	6,992
Strategy and planning	8.60	5,694	12.10	5,086	2.20	641	0.75	167	23.65	11,588
Tax and VAT	3.80	3,047	3.40	1,777	1.60	396	0.20	43	9.00	5,263
LBL recharges	0.04	26	0.36	156	0.37	99	0.60	127	1.37	408
Grand Total	15.44	10,784	35.51	15,372	34.67	9,298	38.00	8,488	123.62	43,942
Average Hourly Rate		698		433		268		223		355

Current charge out rates Grade	Business Recovery Services		Specialist	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	838	1,027		
Director	665	932		
Senior manager	512	869		
Manager	431	634		
Senior Associate	360	389		
Associate/Support Staff	229	253		

The Administrators' remuneration has been fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration. The maximum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.

* Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary, however, the figures shown given an indication of the maximum rate per hour. In common with all professional firms, the scale rates used by the Joint Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover annual inflation cost increase) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

Narrative of the Joint Administrators' time costs for the period 1 April 2013 to 30 September 2013

Accounting and treasury - £11,674

- Correspondence with bank in respect of the transfer of Administrators;
- Monitoring flow of funds into bank accounts;
- Arranging receipts and payments of funds and coding of movements;
- Reconciliation of bank accounts.
- Managing funds in various institutions in order to mitigate risk; and
- Dealing funds on the money markets and inputting deals.

Asset realisations - £3,652

- Facilitating the sale of £12m of Monaco's claim against LB UK RE; and
- Dividend distributions from LBSF and LBHI.

Creditors - £4,364

- Updating list of creditor claims;
- Reviewing creditor claim submissions;
- Adjudicating creditor claims; and
- Preparing for dividend distribution.

Statutory and compliance - £6,992

- Preparation of the Administrators' ninth progress report;
- Circulating progress report to creditors;
- Statutory filings at Companies House and Court;
- Preparation of receipts and payments account for reports to creditors;
- Preparation of detailed remuneration summary;
- Liaising with Administrators on statutory issues;
- Preparation of the Administrators' six monthly review summary;
- Dealing with statutory issues; and
- Maintaining case files and Monaco database.

Strategy and planning - £11,588

- Reviewing financial information;
- Updating strategy documents;
- Meetings and review of strategy in respect of the LB UK RE CVA proposal;
- Preparations for and attending the Upper Tribunal pensions hearing;
- Participating in discussions to try and resolve the pension issue; and
- Discussions regarding strategy for the Administration.

Tax and VAT - £5,263

- Meetings and discussions with the tax team;
- Preparing post appointment tax computations; and
- VAT reconciliation and submission of VAT returns.

LBL recharges - £408

- This is an apportionment of the costs incurred by Lehman Brothers Limited associated with the administration companies.

