

---

# ***Monaco NPL (No. 1) Limited – In Administration***

Joint Administrators' progress  
report for the period 29 April to 28  
October 2015

20 November 2015

---

# Contents

<b>Section 1</b>	<b><i>Purpose of the Joint Administrators' progress report</i></b>	<b>3</b>
<b>Section 2</b>	<b><i>Joint Administrators' actions to date</i></b>	<b>4-5</b>
<b>Section 3</b>	<b><i>Statutory and other Information</i></b>	<b>6</b>
<b>Section 4</b>	<b><i>Financial Information</i></b>	<b>7</b>
<b>Section 5</b>	<b><i>Receipts and Payments Account</i></b>	<b>8</b>
<b>Section 6</b>	<b><i>Joint Administrators' time costs for the period 1 April to 30 September 2015</i></b>	<b>9-10</b>

---

# **Section 1 Purpose of the Joint Administrators' progress report**

## **Introduction**

This is the 14th progress report by the Joint Administrators (the "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 six months to 28 October 2015 ("the Reporting Period").

## **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 from creditors**

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

To date, Monaco has paid three interim distributions to unsecured non-preferential creditors totalling 32.07 pence in the £.

It is anticipated that a final distribution will be paid to the unsecured non-preferential creditors, following which the Administration will be brought to an end and the Company will be dissolved.

## **Future reports**

The Administrators will next report to creditors in approximately six months or the end of the Administration, whichever is sooner.

Signed:



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

*DA Howell, 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. DA Howell, 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 bound by the Insolvency Code of Ethics which can be found at:  
<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.*

*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.

Most 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 Immofoi GmbH ("Immofoi"), a third party agent, to ensure that the loans are continually serviced. All loans have now been realised.

### Administrators' actions to date

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

Total recoveries on the loan portfolio after the deduction of collection costs are €4.42m. No further realisations are expected.

### Inter-company debts

#### *Lehman Brothers Special Financing Inc ("LBSF")*

On 24 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc 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 LBSF agreed at \$2.95m.

An eighth distribution of \$26k was received from LBSF on 1 October 2015, bringing the total received to date to \$1m. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

#### *LB UK RE Holdings Limited ("LB UK RE")*

As previously reported, Monaco submitted a claim in the estate of LB UK RE for £36m. Of this claim £21.8m was initially admitted to rank for a dividend. The remaining balance of £15m being disputed.

Monaco subsequently sold £12m of its admitted claim against LB UK RE to a third party for £4.19m

in March 2013, retaining the dividend received on this portion of the agreed claim.

On 14 May 2015, a Company Voluntary Arrangement ("CVA") was approved by LB UK RE's creditors.

In July 2015, under the terms of the CVA, Monaco received a final distribution from LB UK RE of 11.3 pence in the £, bringing total distributions to 63p in the £ in respect of Monaco's admitted claim of £9.4m

Further, Monaco entered into a conditional settlement agreement with LB UK RE in relation to the £15m disputed balance in order to fix the claim for the purposes of the CVA.

Under the terms of the settlement agreement, the £15m disputed balance has now been admitted in the sum of £7.5m. Accordingly, Monaco also received a final dividend of 63 pence in the £ in respect of this part of its claim.

#### *Distribution in specie of the LBSF Claim*

Following receipt of the final dividend from LB UK RE, Monaco's sole remaining asset is its claim in the LBSF estate (the "LBSF Claim").

Shortly after the Reporting Period, the Administrators wrote to Monaco's creditors regarding their proposed strategy for the disposal of the LBSF Claim. The Administrators' aim is to expedite the closure of the Administration, thereby saving time and costs, whilst preserving value for the Company's creditors. The Administrators put forward the following Resolutions, which were supported by the majority of creditors by value:

1. That the Administrators be authorised to make a distribution of the Company's unsold assets in their existing form, including but not limited to the distribution of the receivable due to the Company from Lehman Brothers Special Financing Inc. to the Company's majority creditor, Lehman Brothers Holdings Inc.
2. That the Administrators be authorised to make a nominal cash distribution to the Company's minority creditors in respect of their share in any potential further distributions that may be received in respect of the LBSF claim.

Accordingly, Monaco will shortly be making a distribution in specie to LBHI, comprising an assignment of the receivable due from LBSF.

---

## ***Closure strategy***

The Administrators are now proceeding to bring the Administration to a close and will shortly be applying to HM Revenue & Customs for tax clearance. Once clearance has been obtained, the Administrators will issue a notice of their intention to pay a final dividend to unsecured non-preferential creditors. After this process is concluded, the Administrators will apply for the dissolution of the Company. It is anticipated that the Administration will be brought to a close within the next six months.

## ***Discharge***

Creditors will recall that JG Parr and GE Bruce were appointed Administrators of Monaco by the Court in March 2013, replacing two previously appointed Administrators. As they were appointed by the Court, the Insolvency Rules 1986 require the timing of their discharge to be determined by the Court. However this conflicts with the method agreed by creditors in respect of the original appointees.

Accordingly, the Administrators applied to the Court to have the method and timing of their discharge made consistent with that of the originally appointed Administrators, which will then be in accordance with the method set out in the Administrators' Proposals as agreed by creditors. On 29 June 2015, the Court duly granted an order that the Joint Administrators be discharged from liability in respect of any action of theirs as Administrators after 28 days from the date of their ceasing to act.

## 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>Current 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 fifth extension has been granted by the High Court of Justice to 30 November 2016.
<i>Proposed end of the Administration:</i>	The Administrators intend to make a final distribution to the Company's unsecured non-preferential creditors from Administration (the Administrators having obtained permission from the Court to do so in June 2013) and then to apply for the dissolution of the Company.
<i>Estimated dividend for unsecured creditors:</i>	To date, the Administrators have declared and paid three interim dividends to the Company's unsecured non-preferential creditors equating to 32.07p in the £, including the third distribution of 16.22p in the £, which was made in the reporting period. It is anticipated that a final dividend will be paid to the unsecured non preferential creditors within the next six months.
<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 of this report is a summary of the Administrators' time costs for the period 1 April 2015 to 30 September 2015, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Time costs for this period total £79,383 plus VAT, which represents 210.56 hours at an average hourly rate of £377. Details of the time costs incurred in earlier periods have been provided in earlier reports.

To date, remuneration of £652,974 plus VAT has been drawn in respect of time costs incurred to 30 September 2015.

### ***Receipts and payments account***

An account of the receipts and payments in the Administration, showing movements for the six months to 28 October 2015, is set out in Section 5.

Cash at bank as at 28 October 2015 is equivalent to £3.5m.

## Section 5 Receipts and Payments Account

		GBP(£)			Eur(€)			USD(\$)		
	Notes	As at 28-Oct-15	Movements in Period	As at 28-Apr-15	As at 28-Oct-15	Movements in Period	As at 28-Apr-15	As at 28-Oct-15	Movements in Period	As at 28-Apr-15
<b>Receipts</b>										
Recoveries on loan portfolio		-	-	-	-	-	-	-	-	-
Distributions from LBSF		-	-	-	4,425,324	-	4,425,324	1,015,282	26,369	988,913
LB UK RE intercompany debt		18,572,371	5,796,949	12,775,422	-	-	-	-	-	-
Receipt from sale of tax losses		1,457,228	-	1,457,228	-	-	-	-	-	-
Tax Repayment		300,000	-	300,000	-	-	-	-	-	-
Bank account usage charge		134,000	-	134,000	-	-	-	-	-	-
Interest on tax repayment		38,757	-	38,757	-	-	-	-	-	-
Cash at bank on appointment		-	-	-	288,047	-	288,047	-	-	-
Gross wages & salaries		145	-	145	-	-	-	-	-	-
Bank interest		105,658	13,461	92,197	-	-	-	-	-	-
Balance at bank		-	-	-	12,395	-	12,395	-	-	-
<b>Total Receipts</b>		<b>20,608,159</b>	<b>5,810,410</b>	<b>14,797,749</b>	<b>4,725,766</b>	<b>-</b>	<b>4,725,766</b>	<b>1,015,282</b>	<b>26,369</b>	<b>988,913</b>
<b>Payments</b>										
Legal fees		194,626	6,579	188,047	-	-	-	-	-	-
Gross wages & salaries		47,944	16,960	30,984	-	-	-	-	-	-
Pension related legal costs	(2)	49,105	23,535	25,570	-	-	-	-	-	-
IT Costs		5,741	-	5,741	-	-	-	-	-	-
Joint Administrators' fees		652,974	73,393	579,581	22,805	-	22,805	-	-	-
Joint Administrators' category 1 disbursements		2,238	-	2,238	-	-	-	-	-	-
Joint Administrators' category 2 disbursements		20,000	20,000	-	-	-	-	-	-	-
Bank charges		40	-	40	31	-	31	352	75	277
Statutory advertising		28,498	8,185	20,313	-	-	-	-	-	-
Corporation Tax		15,000	-	15,000	-	-	-	-	-	-
Irrecoverable VAT	(3)	174,058	29,730	144,328	-	-	-	-	-	-
<b>Total Payments</b>		<b>1,190,224</b>	<b>178,382</b>	<b>1,011,842</b>	<b>22,836</b>	<b>-</b>	<b>22,836</b>	<b>352</b>	<b>75</b>	<b>277</b>
<b>Intracompany transfer</b>										
Payment		-	-	-	(4,699,509)	-	(4,699,509)	(1,013,930)	(76,017)	(937,913)
Receipt		4,486,439	48,147	4,438,292	-	-	-	-	-	-
<b>Total receipts less total payments</b>	(4)	<b>23,904,374</b>	<b>5,680,175</b>	<b>18,224,199</b>	<b>3,421</b>	<b>-</b>	<b>3,421</b>	<b>1,000</b>	<b>(49,723)</b>	<b>50,723</b>
<b>Distributions to unsecured creditors</b>										
1st distribution of 7.75p in the £, declared in October 2013		4,922,340	-	4,922,340	-	-	-	-	-	-
2nd distribution of 8.1p in £, declared in September 2014		5,144,640	-	5,144,640	-	-	-	-	-	-
3rd distribution of 16.22p in £, declared in September 2015		10,301,982	10,301,982	-	-	-	-	-	-	-
<b>Cash in hand / (movement in year)</b>		<b>3,535,412</b>	<b>(4,621,807)</b>	<b>8,157,219</b>	<b>3,421</b>	<b>-</b>	<b>3,421</b>	<b>1,000</b>	<b>(49,723)</b>	<b>50,723</b>
<b>Cash balances</b>										
HSBC (Non-interest bearing)		3,535,412	3,346,393	189,019	-	-	-	1,000	(49,723)	50,723
Money Market		-	(7,968,200)	7,968,200	-	-	-	-	-	-
<b>Total Cash</b>		<b>3,535,412</b>	<b>(4,621,807)</b>	<b>8,157,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>(49,723)</b>	<b>50,723</b>

### Notes:

(1) Funds are invested on the money markets in order to accrue interest and to manage risk.

(2) £23,535 paid during the period for Monaco's share of the pension related legal fees met by LB SF No.1 in Liquidation on behalf of other entities.

(3) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.

(4) Total Cash as at 28 October 2015 based on exchange rates on 28 October 2015 was £3,536,065.



## Section 6 Joint Administrators' time costs for the period 1 April to 30 September 2015

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	0.40	272	7.20	3,285	23.25	6,366	20.20	4,720	51.05	14,643
Strategy and planning	22.40	17,429	27.65	12,099	38.10	10,961	6.55	1,507	94.70	41,996
Statutory and reporting	0.60	524	15.25	6,805	19.25	5,149	19.75	4,579	54.85	17,057
Tax and VAT	2.10	2,211	4.85	2,628	0.60	173	0.21	31	7.76	5,043
LBIE Recharges	0.10	70	0.19	77	1.47	399	0.44	98	2.20	644
<b>Grand Total</b>	<b>25.60</b>	<b>20,506</b>	<b>55.14</b>	<b>24,894</b>	<b>82.67</b>	<b>23,048</b>	<b>47.15</b>	<b>10,935</b>	<b>210.56</b>	<b>79,383</b>
<b>Average Hourly Rate</b>		<b>801</b>		<b>451</b>		<b>279</b>		<b>232</b>		<b>377</b>

Current charge out rates	Business Recovery Services		Specialist		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 minimum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.
	Max £/hr		Max £/hr		
Grade	From 1 January 2015	From 1 July 2015	From 1 January 2015	From 1 July 2015	* 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.
Partner	873	899	1,225	1,262	
Director	765	788	1,076	1,108	
Senior manager	512	527	905	932	
Manager	431	444	660	680	
Senior Associate	360	371	490	505	
Associate/Support Staff	229	236	229	235	

---

## ***Narrative of the Joint Administrators' time costs for the period 1 April to 30 September 2015***

### **Accounting and treasury - £14,643**

- Reconciliation of bank accounts;
- Arranging receipts and payments of funds and coding of movements;
- Monitoring flow of funds into bank accounts;
- Dealing with compliance matters relating to funds; and
- Dealing funds on the money market and inputting deals.

### **Strategy and planning - £41,996**

- Consideration of strategies to achieve early closure;
- Regular team meetings and discussions on case progression;
- Preparing for a third interim distribution to unsecured non-preferential creditors;
- Review of financial information including updating the Estimated Outcome Statement; and
- Updating strategy documents.

### **Statutory and reporting - £17,057**

- Preparation of the Administrators' 13th progress report;
- Preparation and circulation of the of Administrators' receipts and payments account;
- Statutory filings at Companies House and Court;
- Preparing detailed remuneration summary and narrative of work undertaken;
- Undertaking six monthly review of the Administration;
- Managing the Administration database; and
- Review of the time costs in preparation for billing.

### **Tax and VAT - £5,043**

- Tax compliance;
- Meetings and discussions with the tax team;
- Review of tax provisions and strategy; and
- Evaluating closure strategies.

### **LBIE recharges - £644**

- This is an apportionment of the costs incurred by Lehman Brothers International (Europe) associated with the administration companies.