

Monaco NPL (No. 1) Limited – In Administration

Joint Administrators' progress report for the period 29
October 2009 to 28 April 2010

28 May 2010

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Section 1: Purpose of the Joint Administrators' progress report

Introduction

This is the third progress report by the Joint Administrators of Monaco NPL (No.1) Limited ("Monaco" or the "Company"), under Rule 2.47(3)(a) of the Insolvency Rules 1986.

This report provides an update on the work the Administrators have undertaken and the progress made since our appointment, with particular focus of the progress in the six months to 28 April 2010.

Objective 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 are to:

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

Outcome for creditors

At this time the Administrators are unable to provide a reliable estimate of the likely dividend to ordinary unsecured creditors as there are uncertainties regarding future realisations. The timing and level of any dividend therefore remains uncertain.

Extension of the Administration

On the application of the Administrators, the High Court made an Order extending the period of the Administration to 30 November 2010.

Additional Administrators

Steven Anthony Pearson and Michael John Andrew Jervis were appointed as additional Administrators on 30 November 2009.

SA Pearson and MJA Jervis are licensed in the United Kingdom to act as insolvency

practitioners by the Institute of Chartered Accountants in England and Wales.

AV Lomas, DY Schwarzmenn and DA Howell continue to act as Joint Administrators.


Change of business address

The Company has relocated from 25 Bank Street and all future correspondence should be addressed to Level 23, 25 Canada Square, London, E14 5LQ.

Future reports

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

Signed:



DA Howell
Joint Administrator
Monaco NPL (No.1) Limited

Section 2: Joint Administrators' actions to date

Overview

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

The vast majority of these portfolios were subsequently securitised via a special purpose vehicle ("SPV") but Monaco retained a small portfolio with unpaid principal balance of circa \$10 million. This portfolio consisted of 19 outstanding loans secured against eight properties. These loans were predominantly commercial and the collateral represents a mixture of commercial and residential properties.

The Administrators worked closely with Immofofi GmbH ("Immofofi"), a third party agent, to ensure that the loans continued to be serviced whilst an appropriate realisation strategy for the portfolio was established.

Administrators' actions to date

Following the appointment, the Administrators put in place a realisation strategy, working with Immofofi. To date, €288k has been recovered from pre-appointment collection accounts, and €502k has been recovered from the loan portfolio, including €40k in the period covered by this report.

Ongoing work

The Administrators regularly review and monitor the work of Immofofi and have agreed a reporting framework going forward. The purpose of this is to ensure that the portfolios are properly analysed to allow value to be realised as soon as it is possible to do so.

Extension of the Administrations

The Administrators will decide in due course whether a further extension is necessary.

Section 3: Statutory and other information

| | |
|--|--|
| Court details for the Administration: | High Court of Justice, Chancery Division, Companies Court – Court Case 9580 of 2008 |
| Full name: | Monaco NPL (No.1) Limited |
| Trading name: | Monaco NPL (No.1) Limited |
| Registered number: | 05432398 |
| Registered address: | Level 23, 25 Canada Square, London, E14 5LQ |
| Company directors: | 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) |
| Company secretary: | P Dave (resigned 25/01/10), ESE Upton (resigned 25/01/10) |
| Shareholdings held by the directors and secretary: | None of the directors own shares in the Company |
| Date of the Administration appointment: | 29 October 2008 |
| Administrators' names and addresses: | AV Lomas, DY Schwarzmman, MJA Jervis, SA Pearson and DA Howell of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT |
| Appointer's name and address: | The directors of the Company, 25 Bank Street, London E14 5LE |
| Objective being pursued by the Administrators: | 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) |
| Division of the Administrators' responsibilities: | Statement of Power for the purposes of paragraph 100(2) Schedule B1 to the Insolvency Act 1986. The Directors of Monaco NPL (No. 1) Limited (the "Company") have appointed AV Lomas, DA Howell and DY Schwarzmman of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT as joint administrators of the Company. The joint administrators will act jointly and severally so that all functions may be exercised by any or all of them. Further to the appointment of MJA Jervis and SA Pearson as additional Administrators, any act required of authorised under any enactment to be done by any or all of the joint administrators may be done by one or more of the persons for that time being holding office. |
| Details of any extensions for the initial period of appointment | The Court has granted an extension of the Administration to 30 November 2010. |
| Proposed end of the Administration: | 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. |
| Estimated dividend for unsecured creditors: | It is too early to estimate the likely dividend for unsecured creditors. |
| Estimated values of the prescribed part and Monaco's net property: | Not applicable as there is no prescribed part. |
| Whether and why the Administrators intend to apply to court under Section 176A(5) IA86: | Not applicable as there is no prescribed part. |
| The European Regulation on Insolvency Proceedings (Council Regulation(EC) No 1346/2000 of 29 May 2000): | The European Regulation on Insolvency Proceedings applies to this Administration and these are the main proceedings. |

Section 4: Financial information

Administrators' remuneration

At the meeting of creditors which was held by correspondence on 5 January 2009, creditors resolved that the Administrators' remuneration 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 as an Appendix, is a summary of the Administrators' time costs for the period 1 November 2009 to 31 March 2010, presented in accordance with Statement of Insolvency Practice 9 ("SIP 9"), together with a narrative of the work performed.

The SIP 9 summary shows that the total time costs in the period are £35,335. This represents 117.7 hours at an average hourly rate of £300.18.

We have previously provided time cost analysis for the period 29 October 2008 to 31 October 2009.

To date, remuneration of £163,397 plus VAT, a portion of which was paid in Euros, has been drawn.

Receipts and payments account

An account of the receipts and payments in the Administration is set out overleaf.

Section 5: Receipts and payments account for the period ended 28 April 2010

| | As at 28 April 2010 | | As at 28 October 2009 | | Movements | |
|--|---------------------|----------------|-----------------------|----------------|-----------------|---------------|
| | GBP (£) | EUR (€) | GBP (£) | EUR (€) | GBP (£) | EUR (€) |
| RECEIPT | | | | | | |
| Pre appointment cash at bank | | 288,047 | | 288,047 | - | - |
| Recoveries on loan portfolio | | 502,138 | | 462,138 | - | 40,000 |
| Loan from Group company | | | 51,800 | | (51,800) | - |
| Receipts Grand Totals | - | 790,185 | 51,800 | 750,185 | (51,800) | 40,000 |
| PAYMENT | | | | | | |
| Joint Administrators' remuneration | 144,241 | 22,805 | 114,680 | 22,805 | 29,561 | - |
| Joint Administrators' Category 1 disbursements | 1,612 | | 1,612 | | - | - |
| Bank charges | 40 | 31 | 40 | 31 | - | - |
| Statutory advertising | 1,321 | | 1,321 | | - | - |
| VAT paid | 22,096 | 3,421 | 17,662 | 3,421 | 4,434 | - |
| Payments Grand Totals | 169,310 | 26,257 | 135,315 | 26,257 | 33,995 | - |
| INTERCOMPANY TRANSFER (EUR to GBP) | | | | | | |
| Payment | | (255,000) | | (255,000) | | |
| Receipt | 217,358 | | 217,358 | | | |
| NET POSITION | 48,048 | 508,928 | 133,843 | 468,928 | | |
| CASH BALANCES | | | | | | |
| Bank of England | | - | | | | |
| HSBC | 48,048 | 508,928 | | | | |
| Money market deposits | | | | | | |
| Total Cash | 48,048 | 508,928 | | | | |

Note

Cash is held on non-interest bearing accounts

Appendix: Summary of the Joint Administrators' time costs for the period 1 November 2009 to 30 April 2010

| Classification of work | PARTNER / DIRECTOR Hrs | SENIOR MANAGER / MANAGER Hrs | SENIOR ASSOCIATE Hrs | ASSOCIATE / SUPPORT STAFF Hrs | Total Hrs |
|---|---------------------------|------------------------------------|-------------------------|-------------------------------------|--------------|
| Asset Realisations | - | 23.8 | 21.4 | - | 45.2 |
| Strategy and Planning | - | 1.0 | 13.7 | 1.7 | 17.5 |
| Accounting and treasury | - | 1.2 | 0.6 | 12.7 | 14.5 |
| Statutory, compliance and other workstreams | 0.9 | 14.8 | 12.0 | 12.8 | 40.5 |
| Grand Total | 2.0 | 40.8 | 47.7 | 27.2 | 117.7 |

The Joint Administrators' policy for charging for disbursements is:

Photocopying is charged at 3p per sheet for creditors and bulk copying
Mileage is charged at a maximum of 62p per mile (up to 2000cc) or 81p per mile (over 2000cc)
All other disbursements are charged at cost

Total

| Costs to date (£) |
|----------------------|
| - |

| Current charge out rates | Business | Recovery Services | Specialist* |
|---------------------------|----------|-------------------|-------------|
| Grade | | | |
| Partner | Max £/hr | Max £/hr | Max £/hr |
| Director | 790 | 1,070 | 1,030 |
| Senior manager | 590 | 580 | 810 |
| Manager | 390 | 390 | 590 |
| Senior Associate | 320 | 320 | 410 |
| Associate / Support Staff | 200 | 200 | 205 |

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 remuneration is to be paid as and when funds become available at the charge-out rates shown for the various grades of staff who may be involved in this administration

*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 give 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 inflationary cost increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

Appendix: Narrative of time costs

The following narrative summarises the work undertaken by the Joint Administrators' and their staff during the period.

Asset Realisations - £16,111

- Obtaining and analysing loan portfolio information from management
- Working with the servicer to ensure the loan portfolio is actively managed

Strategy and planning - £5,830

- Meetings to discuss asset valuations and strategy

Accounting and treasury - £3,220

- Monitoring flow of funds into bank accounts
- Reconciliation of bank accounts

Statutory, compliance and other workstreams - £10,174

- Preparation of the Administrators' progress report
- Lehman Brothers Limited (in Administration) recharges
- Tax and VAT issues
- Dealing with statutory issues
- Maintaining case files and database