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

Joint Administrators' progress  
report for the period 29 October  
2011 to 28 April 2012

24 May 2012

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# 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</b>
<b>Section 3</b>	<b><i>Statutory and other Information</i></b>	<b>5</b>
<b>Section 4</b>	<b><i>Financial Information</i></b>	<b>6</b>
<b>Section 5</b>	<b><i>Receipts and Payments Account</i></b>	<b>7</b>
<b>Section 6</b>	<b><i>Joint Administrators' time costs for the period 1 July 2011 to 31 March 2012</i></b>	<b>8</b>

# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the seventh progress report by the Joint 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 our appointment, with particular focus on the progress in the six months to 28 April 2012.

## 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 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

As previously advised, the Pensions Regulator (the "Regulator") listed Monaco as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme.

In September 2010 the Pensions Regulator's Determinations Panel (the "Panel") decided that an FSD should be issued against six Lehman group entities. Monaco was among 38 companies that the Panel decided should not be issued with an FSD.

The Panel's decision has been referred to the Upper Tribunal, with the Scheme Trustees asking the Upper Tribunal to overturn the Panel's decision and rule that the 38 companies (including Monaco) should also be subject to an FSD. This means that Monaco is still at risk from this potential liability.

Monaco (together with 36 other affected entities) applied to the Upper Tribunal, seeking an order that the Trustees' referral to the Upper Tribunal should be struck out on the grounds that it is now no longer possible for the Regulator to impose an FSD against Monaco. The Trustees and the Pensions Regulator opposed the strike-out application, and the hearing took place from 12 to

15 March 2012. Judgment was reserved and has not yet been handed down.

The Administrators of Monaco and those of the other target companies are exploring ways in which resolution of this pension issue could be expedited. If this can be achieved the Administrators will take steps to prepare for a distribution to creditors or place the Company into liquidation at the earliest practical opportunity.

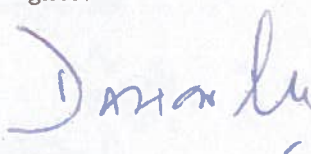
## Extension of the administration

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2012.

## Future reports

The Administrators will next report to creditors in approximately six months, or at the conclusion of the administration, whichever is sooner.

Signed:



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

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



## **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 ("LBHI").

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 are working closely with Immofofi GmbH ("Immofofi"), a third party agent, to ensure that the loans continue to be serviced.

### **Administrators' actions to date**

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

During the period under review, asset realisations total €1.06m from discounted loan pay-offs, consensual sales of underlying secured assets and collection of overdue rents. This, together with cash held by Immofofi of €996k on behalf on Monaco from previous realisations, resulted in Monaco receiving a total of €2.016m in the period after the deduction of collection expenses.

On 24 October 2011, the Administrators entered into a settlement agreement with 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 claim against Lehman Brothers Special Financing Inc ("LBSF") agreed at \$2,951,633 and agreed an unsecured claim from LBHI in the sum of \$100,992,542.

The first distributions from LBSF were made on 17 April 2012. Monaco has received \$590,784 in respect of its agreed claim. These funds were immediately exchanged to GBP to minimise the foreign exchange risk. Further dividends are expected, however the quantum and timing remain uncertain.

A tax loss agreement was entered into with, certain other PwC Lehman administration companies. This agreement set 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 £1,428,408 as at 28 April 2012.

Monaco has levied a charge on a Lehman group company to allow it to use one of Monaco's pre-appointment bank accounts.

### **Outstanding matters**

One property asset remains to be realised. Negotiations are ongoing with a potential purchaser.

## 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>	DA Howell, DY Schwarzmman, SA Pearson, MJA Jervis and AV Lomas of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
<i>Appointer's name and address:</i>	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>	The current Joint Administrators of Monaco are DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmman of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. 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 persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	A third extension has been granted by the High Court of Justice until 30 November 2012.
<i>Proposed end of the Administration:</i>	The Administrators wish to retain various exit options available to them however the most likely exit route from the Administration is to place the Company into creditors' voluntary liquidation.
<i>Estimated dividend for unsecured creditors:</i>	Based on current information, it is anticipated that there should be a dividend to unsecured creditors, but it is too early to estimate the quantum and timing of such a dividend.
<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***

At the initial 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 at Section 6 is a summary of the Administrators' time costs for the period 1 July 2011 to 31 March 2012, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for the period 1 July 2011 to 31 March 2012 are £34,289, which represents 104.11 hours at an average hourly rate of £329.35.

Time cost analyses covering the period 29 October 2008 to 30 June 2011 have been provided previously.

To date, remuneration of £242,346 plus VAT and £22,805 plus VAT has been drawn in respect of time costs incurred from 29 October 2008 to 31 December 2011.

### ***Rate increase***

An increase to rates has been applied with effect from 1 January 2012. Details of increased rates are set out in Section 6.

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

An account of the receipts and payments in the Administration showing movements for the six months to 28 April 2012 is shown overleaf.

## Section 5 Receipts and Payments Account

	As at 28 April 2012			As at 28 October 2011			Movements	
	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)
<b>Receipts</b>								
Recoveries on loan portfolio		2,518,227			502,138			2,016,089
Distribution from LBSF			590,784					
Receipt from sale of tax losses	1,428,408			6,909			1,421,499	
Tax Repayment	300,000			300,000				
Bank account usage charge	106,000						106,000	
Interest on tax repayment	38,757			38,757				
Cash at bank		288,047			288,047			
<b>Total Receipts</b>	<b>1,873,165</b>	<b>2,806,274</b>	<b>590,784</b>	<b>345,666</b>	<b>790,185</b>		<b>1,527,499</b>	<b>2,016,089</b>
								<b>590,784</b>
<b>Payments</b>								
Legal fees	19,911			5,901			14,010	
Gross wages & salaries	8,112			3,167			4,945	
Office holders' fees	242,346			220,283			22,063	
Office holders' category 1 disbursements	2,238			1,612			626	
Bank charges	40	31		40	31			
Statutory advertising	1,321			1,321				
VAT Paid	43,208	3,421		36,862	3,421		6,346	
<b>Total Payments</b>	<b>317,176</b>	<b>26,257</b>		<b>269,186</b>	<b>26,257</b>		<b>47,990</b>	
<b>Intracompany transfer</b>								
Payment		(2,775,000)	(589,700)		(755,000)			(2,020,000)
Receipt	2,676,800			632,331			2,044,469	
<b>Net position</b>	<b>4,232,789</b>	<b>5,017</b>	<b>1,084</b>	<b>708,811</b>	<b>8,928</b>		<b>3,523,978</b>	<b>(3,911)</b>
								<b>1,084</b>
<b>Cash balances</b>								
HSBC (Non-interest bearing)	4,232,789	5,017	1,084	708,811	8,928		3,523,978	(3,911)
<b>Total Cash</b>	<b>4,232,789</b>	<b>5,017</b>	<b>1,084</b>	<b>708,811</b>	<b>8,928</b>		<b>3,523,978</b>	<b>(3,911)</b>
								<b>1,084</b>

**Note:** The total GBP equivalent cash in hand at the exchange rate on 28 April 2012 is £4,237,548.



## Section 6 Joint Administrators' time costs for the period 1 July 2011 to 31 March 2012

Classification of work	Partner / Director	Senior Manager / Manager	Senior Associate	Associate / Support staff	Total
	Hrs	Hrs	Hrs	Hrs	Hrs
	£	£	£	£	£
Accounting and Treasury	-	869	2,462	2,679	6,010
Asset Realisation	-	5,044	2,207	-	7,251
Statutory and Reporting	-	675	7,155	-	7,830
Tax and VAT	0.50	513	1,826	48	2,617
Strategy and Planning	1.50	1,208	3,688	368	9,696
LBL recharges	0.10	28	264	85	885
<b>Grand Total</b>	<b>2.10</b>	<b>1,747</b>	<b>17,602</b>	<b>3,180</b>	<b>34,269</b>

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

Costs to date (£)
2,238
2,238

Current charge out rates	BRS		Recovery Services		Specialist	
	To 31 Dec 11	From 1 Jan 12	To 31 Dec 11	From 1 Jan 12	To 31 Dec 11	From 1 Jan 12
Grade						
Partner	800	838	880	1,027	880	1,027
Director	610	639	890	932	890	932
Senior manager	470	492	830	869	830	869
Manager	395	414	605	634	605	634
Senior Associate	330	346	330	389	330	389
Associate / Support Staff	210	220	195	204	195	204

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 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.



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## ***Narrative of the Joint Administrators' time costs for the period 1 July 2011 to 31 March 2012***

### **Accounting and Treasury - £6,010**

- Monitoring flow of funds into bank accounts;
- Undertaking receipts and payments; and
- Reconciliation of bank accounts.

### **Asset Realisation - £7,251**

- Reviewing plan of reorganisation for LBSF;
- Submission of claim against LBSF; and
- Reviewing loan portfolio, and monitoring actions of Immofofi.

### **Statutory and Reporting - £7,830**

- Preparation of the Administrators' sixth progress report and statutory filing;
- Adjudicating on creditor claim of LBHI;
- Dealing with statutory issues; and
- Maintaining case files and database.

### **Tax and VAT - £2,617**

- Meetings and discussions with the tax team;
- Preparing tax computations; and
- Dealing with other tax and VAT issues.

### **Strategy and Planning - £9,696**

- Reviewing financial information;
- Updating strategy documents;
- Discussions with advisors regarding pension claims; and
- Distribution planning.

### **LBL Recharges - £885**

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