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

Joint Administrators' progress
report for the period 29 October
2012 to 28 April 2013

24 May 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 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 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 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 reported the Administrators expect a distribution to be made to unsecured creditors in due course, however the quantum and timing of this distribution remain uncertain, principally due to uncertainty around a potential pension liability.

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 a FSD.

The Scheme Trustees have requested that the Upper Tribunal overturns the Panel's decision and rule that the 38 companies (including Monaco) should also be subject to a FSD. Monaco is still, therefore, at risk from this potential liability, but (together with 36 other affected entities) maintains that the FSD should be struck out on the grounds that it is now no longer possible for the Regulator to impose a FSD against the Company. Following a judgment on 14 June 2012, the Upper Tribunal

declined the strike out, meaning that Monaco is still at risk of a FSD. An appeal has been made to the Court of Appeal and the hearing began on 29 April 2013. Judgement has been reserved and will be handed down in due course.

The Administrators continue to monitor the pensions issues closely and are seeking an interim resolution.

Change of Administrators

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

The Court also ordered that former Joint 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 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 Immofoi GmbH ("Immofoi"), 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 Immofoi.

At the date of this report, total recoveries on the loan portfolio after the deduction of collection costs are €2.85m and 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 Immofoi 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 \$2,951,633.

LBSF has previously paid two dividends resulting in Monaco receiving \$640,586. A third dividend of \$74,541 was received from LBSF during the period. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

Further dividends from LBSF will be received on a six monthly basis.

Monaco has 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, but discussions are still ongoing between the two estates regarding the balance of c.£15m. A first distribution of 30p in the £ was declared by LB UK RE on 27 September 2012 and Monaco received £6.56m.

During the period, 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.

The due date for the next dividend from LB UK RE is not known.

As previously reported, a tax loss agreement was entered into with certain other Lehman companies in administration. 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 £1.46m to date.

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. DA Howell, MJA Jervis and DY Schwarzmann ceased to be Administrators on 22 March 2013.
<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 GE Bruce, SA Pearson, AV Lomas and JG Parr 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 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 exit options available to them however the most likely exit route from the Administration is to apply to Court for permission to distribute and then dissolution.
<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.

Time cost analyses covering the period 29 October 2008 to 30 September 2012 have been provided previously.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 October 2012 to 31 March 2013, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for the period 1 October 2012 to 31 March 2013 are £46,647, which represents 111.31 hours at an average hourly rate of £419.07.

To date, remuneration of £358,635 plus VAT has been drawn in respect of time costs incurred to 29 October 2008 to 28 February 2013.

Receipts and payments account

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

The IT costs incurred during the period are Monaco's contribution to the production and running of the Entity Prioritisation Model ("EPM") whose cost was incurred by Lehman Brothers International (Europe). The EPM has been used for considering options in respect of the pensions issue.

Section 5 Receipts and Payments Account

	As at 28 April 2013		As at 28 October 2012		Movements	
	GBP (£)	EUR (€)	GBP (£)	EUR (€)	GBP (£)	EUR (€)
Receipts						
Recoveries on loan portfolio	-	2,851,807	-	2,518,227	-	333,580
Distributions from LBSF	-	-	715,127	-	-	-
LB UK RE intercompany debt	10,744,805	-	-	-	-	-
Receipt from sale of tax losses	1,457,228	-	6,557,305	-	4,187,500	-
Tax Repayment	300,000	-	1,457,228	-	-	-
Bank account usage charge	106,000	-	300,000	-	-	-
Interest on tax repayment	58,776	-	106,000	-	-	-
Cash at bank on appointment	-	288,047	39,708	-	19,068	-
Total Receipts	12,666,809	3,139,854	8,460,241	2,806,274	4,206,568	333,580
						74,541
Payments						
Legal fees	23,455	-	19,911	-	3,544	-
Gross wages & salaries	14,918	-	10,405	-	4,513	-
IT Costs	5,741	-	-	-	5,741	-
Joint Administrators' fees	358,635	22,805	318,296	22,805	40,339	-
Joint Administrators' category 1 disbursements	2,238	-	2,238	-	-	-
Bank charges	40	31	40	31	-	-
Statutory advertising	1,321	-	1,321	-	-	-
VAT Paid	68,229	3,421	58,754	3,421	9,475	-
Total Payments	474,577	26,257	410,965	26,257	63,612	-
Intracompany transfer						
Payment	-	(3,113,597)	-	(2,775,000)	-	(338,597)
Receipt	3,050,245	-	2,707,707	-	342,538	-
Net position	15,242,477	-	10,756,983	5,017	4,485,494	-
						(39)
Cash balances						
HSCB (Non-interest bearing)	141,305	-	72,033	5,017	69,272	(5,017)
Money Market	15,101,172	-	10,684,950	-	4,416,222	-
Total Cash	15,242,477	-	10,756,983	5,017	4,485,494	-
						(38)

Note: The total GBP equivalent cash in hand at the exchange rate on 28 April 2013 is £15,243,123.

Section 6 Joint Administrators' time costs for the period 1 October 2012 to 31 March 2013

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	0.10	84	2.05	849	11.60	3,046	11.40	2,508	25.15	6,487
Asset realisations	2.50	2,095	23.60	9,770	5.40	1,366	-	-	31.50	13,231
Creditors	-	-	1.00	414	0.75	190	-	-	1.75	604
Statutory and compliance	1.00	838	-	-	12.70	3,213	0.90	187	14.60	4,238
Strategy and planning	7.00	5,866	12.20	5,051	1.30	329	-	-	20.50	11,246
Tax and VAT	5.00	4,765	10.50	5,403	-	-	0.10	22	15.60	10,190
LB1 recharges	0.04	24	0.61	266	0.60	160	0.96	201	2.21	651
Grand Total	15.64	13,672	49.96	21,753	32.35	8,304	13.36	2,918	111.31	46,647

Current charge out rates Grade	Business Recovery Services		Specialist	
	Max £/hr	838	Max £/hr	1,027
Partner				
Director	639		932	
Senior manager	492		869	
Manager	414		634	
Senior Associate	346		389	
Associate/Support Staff	220		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 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 October 2012 to 31 March 2013

Accounting and treasury - £6,487

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

Creditors - £604

- Reviewing correspondence received from creditors.

Asset realisations - £13,231

- Facilitating the sale of £12m of Monaco's claim against LB UK RE; and
- Reviewing and finalising loan portfolio, and monitoring actions of Immofofi.

Statutory and compliance - £4,238

- Preparation of the Administrators' eighth 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 - £11,246

- 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;
- Discussions regarding strategy for the administration; and
- Preparations for extending the Administration beyond 30 November 2012.

Tax and VAT - £10,190

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

LBL recharges - £651

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