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

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

22 November 2012

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# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the eighth 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 October 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

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

As noted in previous reports, 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

relating to a 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. The Trustees and the Regulator opposed the strike-out application, and the hearing took place from 12 to 15 March 2012. Judgment was handed down on 14 June 2012 with the Upper Tribunal declining to strike out the Trustees' referral, meaning that Monaco is still at risk of a FSD. The Upper Tribunal's decision has been appealed to the Court of Appeal, and the hearing in the Court of Appeal has now been listed to begin on 29 April 2013.

The Administrators continue to keep the pensions issues under close review and are working to find an interim resolution that may allow dividends to be paid soon. Once an interim resolution has been determined, the Administrators propose to apply to Court to request an Order to convert the administration of Monaco into a distributing administration in order to allow them to pay a dividend to unsecured creditors.

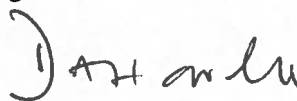
## Extension of the administration

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2014.

## Future reports

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

Signed:



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

*AV Lomas, SA Pearson, DY Schwarzmenn, 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 Schwarzmenn, 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.*

*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.*

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## ***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 €2.52m and comprise:-

- Asset realisations total €1.52m from discounted loan pay-offs, consensual sales of underlying secured assets and collection of overdue rents.
- Cash held by Immofoi of €996k on behalf of Monaco from previous realisations.

All positions have now been finalised. Immofoi will shortly remit the proceeds from the final recovery of circa €300k.

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.

As previously reported, the first distribution from LBSF was made on 17 April 2012 and Monaco received \$590,784. A further dividend of \$49,802

was received on 1 October 2012. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

Monaco has submitted a claim in the state of LB UK RE Holdings Limited ("LB UK RE") for approx £30m. The claim has been agreed at £21m, and discussions are ongoing between the two states regarding the balancing £15m. A first distribution of 30p in the £ was received from LB UK RE on 27 September 2012 and Monaco received £6.56m.

Further dividends are expected from both LBSF and LB UK RE, however the quantum and timings 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 £28,820 during the period.



## 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 Schwarzmnn, 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 Schwarzmnn 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 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 place 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.

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## ***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 April to 30 September 2012, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for the period 1 April to 30 September 2012 are £63,726, which represents 169.85 hours at an average hourly rate of £375.19.

Time cost analyses covering the period 29 October 2008 to 31 March 2012 have been provided previously.

To date, remuneration of £336,625 plus VAT has been drawn in respect of time costs incurred from 29 October 2008 to 30 September 2012.

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

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

## Section 5 Receipts and Payments Account

	As at 28 October 2012			As at 28 April 2012			Movements		
	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)
Receipts									
Recoveries on loan portfolio	-	2,518,227	-	-	2,518,227	-	-	-	-
Distributions from LBSF	-	-	640,586	-	-	590,784	-	-	49,802
Distributions from LB UK RE	6,557,305	-	-	-	-	-	6,557,305	-	-
Receipt from sale of tax losses	1,457,228	-	-	1,428,408	-	-	28,820	-	-
Tax Repayment	300,000	-	-	300,000	-	-	-	-	-
Bank account usage charge	106,000	-	-	106,000	-	-	-	-	-
Interest on tax repayment	39,708	-	-	38,757	-	-	951	-	-
Cash at bank	-	288,047	-	-	288,047	-	-	-	-
Total Receipts	8,460,241	2,806,274	640,586	1,873,165	2,806,274	590,784	6,587,076	-	49,802
Payments									
Legal fees	19,911	-	-	19,911	-	-	-	-	-
Gross wages & salaries	10,405	-	-	8,112	-	-	2,293	-	-
Joint Administrators' fees	318,296	22,805	-	242,346	22,805	-	75,950	-	-
Joint Administrators' category 1 disbursement	2,238	-	-	2,238	-	-	-	-	-
Bank charges	40	31	47	40	31	-	-	-	47
Statutory advertising	1,321	-	-	1,321	-	-	-	-	-
VAT Paid	58,754	3,421	-	43,208	3,421	-	15,546	-	-
Total Payments	410,965	26,257	47	317,176	26,257	-	93,789	-	47
Intracompany transfer									
Payment	-	(2,775,000)	(639,500)	-	(2,775,000)	(589,700)	-	-	(49,800)
Receipt	2,707,707	-	-	2,676,800	-	-	30,907	-	-
Net position	10,756,983	5,017	1,039	4,232,789	5,017	-	6,524,194	-	(45)
Cash balances									
HSBC (Non-interest bearing)	72,033	5,017	1,039	4,232,789	5,017	1,084	(4,160,756)	-	(45)
Money Market	10,684,950	-	-	-	-	-	10,684,950	-	-
Total Cash	10,756,983	5,017	1,039	4,232,789	5,017	1,084	6,524,194	-	(45)

**Note:** The total GBP equivalent cash in hand at the exchange rate on 28 October 2012 is £10,761,661.

# Section 6 Joint Administrators' time costs for the period 1 April to 30 September 2012

Classification of work	Partner/Director	Senior Manager/Manager	Senior Associate	Associate/Support Staff	Total hours
	Hours	£	Hours	£	Hours
Accounting and Treasury	-	-	8.30	1,562	15.40
Creditors	-	-	-	110	0.50
Realisation of assets	-	22.10	6.60	132	29.30
Statutory and Compliance	-	4.20	0.30	2,530	16.00
Strategy and planning	21.70	18,185	0.90	3,498	83.70
Tax and VAT	-	1.20	22.00	22	23.30
LBL Recharges	0.03	16	0.65	66	1.65
Grand Total	21.73	18,201	38.75	7,920	169.85
		30,820	6,785		63,726

Current charge out rates	Business Recovery		Specialist	
	Services	Max £/hr	Max £/hr	
Partner	838		1,027	
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 0.1 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.



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## ***Narrative of the Joint Administrators' time costs for the period 1 April to 30 September 2012***

### **Accounting and Treasury - £3,662**

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

### **Creditors - £110**

- Reviewing correspondence received from creditors.

### **Asset Realisation - £11,176**

- Submission of claim against LB UK RE, discussions regarding the claim and submitting evidence to LB UK RE; and
- Reviewing loan portfolio, and monitoring actions of Immofofi.

### **Statutory and Compliance - £4,427**

- Preparation of the Administrators' seventh 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 - £40,875**

- 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 - £2,929**

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

### **LBL Recharges - £537**

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