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

Joint Administrators' progress  
report for the period 29 October  
2013 to 28 April 2014

23 May 2014

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

## **Introduction**

This is the eleventh progress report by the Joint Administrators ("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 progress in the six months to 28 April 2014.

## **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 for creditors**

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

The Administrators declared and paid a first interim dividend of 7.75 pence in the £ to the Company's unsecured non-preferential creditors on 22 October 2013.

The quantum and timing of any further dividend remains uncertain at this stage.

## **Pension liability**

Following the Supreme Court judgment in July 2013, to which the Administrators referred in their last report, the stay which had been in force for the Upper Tribunal proceedings came to an end.

The Upper Tribunal has the role of deciding whether a FSD should be made, and against which entities. Monaco is one of the potential targets of a FSD. The Upper Tribunal has set a date in February 2015 for a substantive hearing.

Also, since their previous progress report, the Administrators have participated in a High Court application relating to the maximum quantum of any Contribution Notice ("CN"). The High Court held that the aggregate liability under potential CNs issued to more than one target company could exceed the amount of £119m. This judgment is being appealed.

In the light of the activity set out above, the risk of Monaco having a liability to the pension scheme under a FSD remains, and the Administrators will continue to monitor the position and take any appropriate steps.

## **Extending 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.

The Administrators are currently considering whether a further application to extend the Administration should be made. In deciding whether an extension is appropriate, the Administrators will give due regard to the cost and benefit implications for the Company's creditors.

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.*

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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.

As at the date of this report, total recoveries on the loan portfolio after the deduction of collection costs are €4.42m. No further realisations are anticipated.

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 Lehman Brothers Special Financing Inc ("LBSF") agreed at \$2.95m.

A fifth distribution of \$90k was received from LBSF on 3 April 2014. To date, Monaco has received dividends totalling \$0.90m from LBSF. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

Further dividends from LBSF are expected to be received on a six monthly basis.

Monaco 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. The remaining balance of c£15m has not yet been adjudicated. A third distribution of 3.2p

in the £ was declared by LB UK RE on 13 March 2014 and Monaco received £0.30m in respect of the admitted element of its claim.

As previously reported, 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. Accordingly, Monaco has received the equivalent of 64.9p in the £ in relation to this element of its claim.

To date, Monaco has received dividends from LB UK RE totalling £11.98m. The timing and quantum of any further dividends from LB UK RE is not yet known.

On 22 October 2013, the Administrators declared a first interim dividend of 7.75 pence in the £ to unsecured non-preferential creditors whose claims had been admitted. A reserve has been made for the contingent pension liability.

## 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.
<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 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. The most likely exit route from the Administration is to continue to distribute from the 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>	The Administrators declared a first interim dividend of 7.75p in the £ to unsecured non-preferential creditors on 22 October 2013. The quantum and timing of any further dividends remains uncertain at present.
<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***

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, is a summary of the Administrators' time costs for the period 1 October 2013 to 31 March 2014, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Time costs for this period total £55,147 plus VAT, which represents 151.71 hours at an average hourly rate of £364. Details of the time costs incurred in earlier periods have been provided in earlier reports.

To date, remuneration of £446,436 plus VAT and €22,805 has been drawn in respect of time costs incurred to 31 January 2014.

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

An account of the receipts and payments in the Administration showing movements for the six months to 28 April 2014 is set out overleaf.

Cash at bank as at 28 April 2014 is equivalent to £12.5m.

## Section 5 Receipts and Payments Account

	GBP (£)			EUR(€)			USD(\$)		
	As at 28-Apr-14	Movements in Period	As at 28-Oct-13	As at 28-Apr-14	Movements in Period	As at 28-Oct-13	As at 28-Apr-14	Movements in Period	As at 28-Oct-13
<b>Receipts</b>									
Recoveries on loan portfolio	-	-	-	4,425,324	-	4,425,324	-	-	-
Distributions from LBSF	-	-	-	-	-	-	900,223	91,874	808,349
LB UK RE intercompany debt	11,980,019	299,446	11,680,573	-	-	-	-	-	-
Receipt from sale of tax losses	1,457,228	-	1,457,228	-	-	-	-	-	-
Tax Repayment	300,000	-	300,000	-	-	-	-	-	-
Bank account usage charge	120,000	14,000	106,000	-	-	-	-	-	-
Interest on tax repayment	100,061	17,465	82,596	-	-	-	-	-	-
Cash at bank on appointment	-	-	-	288,047	-	288,047	-	-	-
Third party funds	12,000	-	12,000	-	-	-	-	-	-
Gross wages & salaries	145	-	145	-	-	-	-	-	-
Balance at bank	-	-	-	12,395	-	12,395	-	-	-
<b>Total Receipts</b>	<b>13,969,453</b>	<b>330,911</b>	<b>13,638,542</b>	<b>4,725,766</b>	<b>-</b>	<b>4,725,766</b>	<b>900,223</b>	<b>91,874</b>	<b>808,349</b>
<b>Payments</b>									
Legal fees	65,724	15,680	50,044	-	-	-	-	-	-
Gross wages & salaries	21,018	4,343	16,675	-	-	-	-	-	-
IT Costs	5,741	-	5,741	-	-	-	-	-	-
Joint Administrators' fees	446,436	46,746	399,690	22,805	-	22,805	-	-	-
Joint Administrators' category 1 disbursemen	2,238	-	2,238	-	-	-	-	-	-
Bank charges	40	-	40	31	-	31	127	40	87
Statutory advertising	10,655	-	10,655	-	-	-	-	-	-
Irrecoverable VAT (see Note 1)	93,958	10,318	83,640	3,421	-	3,421	-	-	-
<b>Total Payments</b>	<b>645,810</b>	<b>77,087</b>	<b>568,723</b>	<b>26,257</b>	<b>-</b>	<b>26,257</b>	<b>127</b>	<b>40</b>	<b>87</b>
<b>Intracompany transfer</b>									
Payment	-	-	-	(3,113,597)	-	(3,113,597)	(899,013)	(91,833)	(807,180)
Receipt	3,163,419	55,415	3,108,004	-	-	-	-	-	-
<b>Total receipts less total payments</b>	<b>16,487,062</b>	<b>309,239</b>	<b>16,177,823</b>	<b>1,585,912</b>	<b>-</b>	<b>1,585,912</b>	<b>1,083</b>	<b>1</b>	<b>1,082</b>
<b>Distributions</b>									
1st distribution to unsecured creditors at 7.75p in the £, declared in October 2013	4,922,340	3,360	4,918,980	-	-	-	-	-	-
<b>Cash in hand / (movement in year)</b>	<b>11,564,722</b>	<b>305,879</b>	<b>11,258,843</b>	<b>1,585,912</b>	<b>-</b>	<b>1,585,912</b>	<b>1,083</b>	<b>1</b>	<b>1,082</b>
<b>Cash balances</b>									
HSBC (Non-interest bearing)	440,139	(7,176,846)	7,616,985	1,585,912	-	1,585,912	1,083	1	1,082
Money Market	11,124,583	7,482,725	3,641,858	-	-	-	-	-	-
<b>Total Cash</b>	<b>11,564,722</b>	<b>305,879</b>	<b>11,258,843</b>	<b>1,585,912</b>	<b>-</b>	<b>1,585,912</b>	<b>1,083</b>	<b>1</b>	<b>1,082</b>

### Notes:

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

# Section 6 Joint Administrators' time costs for the period 1 October 2013 to 31 March 2014

Joint administrators' time costs for the period 1 October 2013 to 31 March 2014

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate / Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	0.30	262	4.40	1,896	22.15	6,635	24.55	5,622	51.40	14,415
Strategy and planning	5.30	3,525	8.10	3,499	7.65	2,744	9.75	2,233	30.80	12,001
Realisation of assets	-	-	0.60	259	-	-	-	-	0.60	259
Creditors	-	-	4.50	1,940	4.60	1,656	0.94	215	10.04	3,811
Statutory and compliance	1.90	1,451	8.75	3,828	13.30	4,521	5.35	1,225	29.30	11,025
Tax and VAT	1.90	1,398	1.65	711	0.05	18	1.20	162	4.80	2,289
Pensions	7.60	5,281	9.30	4,008	1.70	612	5.05	1,156	23.65	11,057
LBL Recharges	0.01	10	0.14	60	0.27	64	0.70	156	1.12	290
<b>Grand Total</b>	<b>17.01</b>	<b>11,927</b>	<b>37.44</b>	<b>16,201</b>	<b>49.72</b>	<b>16,250</b>	<b>47.54</b>	<b>10,769</b>	<b>151.71</b>	<b>55,147</b>
<b>Average Hourly Rate</b>		<b>701</b>		<b>433</b>		<b>327</b>		<b>227</b>		<b>364</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 maximum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.
Grade	Max £/hr	Max £/hr	
Partner	873	1,167	* 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 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.
Director	665	1,076	
Senior manager	512	905	
Manager	431	660	
Senior Associate	360	490	
Associate/Support Staff	229	228	



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## ***Narrative of the Joint Administrators' time costs for the period 1 October 2013 to 31 March 2014***

### **Accounting and treasury - £14,415**

- Monitoring flow of funds into bank accounts;
- Arranging receipts and payments of funds and coding of movements;
- Reconciliation of bank accounts.
- Managing funds in various institutions in order to mitigate risk; and
- Dealing funds on the money markets and inputting deals.

### **Strategy and planning - £12,001**

- Reviewing financial information;
- Updating strategy documents; and
- Team discussions on strategy for the Administration, case progression and resource management.

### **Realisation of assets - £259**

- Dividend distributions from LBSF and LB UK RE.

### **Creditors - £3,811**

- Requesting bank details from creditors for distribution; and
- Adjudication of claim received after last date for proving.

### **Statutory and compliance - £11,025**

- Preparation of the Administrators' tenth 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.

### **Tax and VAT - £2,289**

- Dealing with Corporation Tax and VAT queries;
- Tax compliance;
- Meetings and discussions with the tax team;
- Preparing post appointment tax computations; and
- VAT reconciliation and submission of VAT returns.

### **Pensions - £11,057**

- Participating in discussions to try and resolve the pension issue; and
- Preparing for and attending the Upper Tribunal pensions hearing.

### **LBL/LBIE recharges - £290**

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