

Monaco NPL (No. 1) Limited – In Administration

Joint Administrators' progress report for the period 29
October 2008 to 28 April 2009

21 May 2009

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Section 1: Purpose of the Joint Administrators' progress report

Introduction

This is the first progress report by the Joint Administrators of Monaco NPL (No. 1) Limited ("Monaco" or the "Company").

Creditors were sent the Joint Administrators' (the "Administrators") proposals on 22 December 2008 which were approved at a meeting of creditors held by correspondence on 5 January 2009.

This report provides details of the work we have undertaken and the progress we have made during the first six months of our appointment.

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
- If funds become available, agree in principle the claims of unsecured creditors.

Creditors' Committee

There were insufficient nominations to enable the formation of a Creditors' Committee.

Administrators' remuneration

The Administrators' made a request in their Proposals for the approval of their remuneration. Creditors resolved that the Administrators' remuneration should be fixed by reference to the time properly given by them and the various grades of their staff and that remuneration could be drawn from time to time. Details of the Administrators' remuneration drawn to 28 February 2009 are shown at Appendix A of this report.

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.

What steps should be taken now

The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors.

Until there is more certainty regarding dividend prospects, claims agreement work will be restricted to gathering information. If you have not already submitted your claim to the Administrators, please do so by completing the enclosed statement of claim form.

Future reports

The Joint Administrators' next progress report to creditors will be sent in approximately six months time.

Signed:



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

Section 2: Background information

Background information

Monaco is a subsidiary of LB UK RE Holdings Limited – in Administration (“LBUKRE”) and part of the Lehman Brothers group of companies (the “Lehman Group”).

The Company invested funds from Lehman Brothers Holdings Inc (“LBHI”) in portfolios of non performing mortgage backed securities acquired in the German market from Florian Investments No 1 (“Florian”).

Events immediately preceding the Administrators’ appointment

Following the insolvency of LBHI and the appointment of Administrators to Lehman Brothers International (Europe) (“LBIE”) on 15 September 2008, the Administrators of LBIE undertook a detailed review of the Lehman Group within the UK.

As a consequence of this review, it was established that Monaco was unable to repay its indebtedness to LBHI. On recognising that the Company was therefore cash flow insolvent, the directors resolved to place Monaco into Administration, which they did on 29 October 2008.

Section 3: Joint Administrators' actions to date

Background

Monaco was incorporated to manage investments in portfolios of non performing secured loans acquiring from Florian with funding provided by LBHI.

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

Initial strategy

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

Administrators' actions to date

A detailed analysis of the portfolio has been completed to ascertain the most appropriate way to realise value from the loans, and a realisation strategy has been put in place. It is anticipated that the following steps will be taken to realise value:

- a property will be sold if an agreement can be made with the borrower to do so and if it is most beneficial route for the Company or,
- if an agreement to a sale cannot be reached, steps for foreclosure may be taken or,
- if it transpires that the price achievable for the sale of the property is too low, alternative strategies such as renting the property or restructuring the loan will be considered.

Following their appointment the Administrators identified that there were funds being held in collection accounts in respect of loan assets. Steps were therefore taken to collect these funds and the amount of €288k has been received in this respect.

Outstanding matters

The Administrators will regularly review and monitor the work of both Immofoori and Monaco's management, and agree a report framework going forward. The purpose of this is to ensure that the portfolios are regularly analysed to allow value to be realised as soon as it is possible to do so.

Section 4: 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:	25 Bank Street, London E14 5LE, England.
Company directors:	D Gibb, M Gollin, I Jameson, A Rush, S Staid
Company secretary:	P Dave
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 Schwarzmann and DA Howell 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 DA Howell, AV Lomas, GH Martin and DY Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT as Administrators of the Company. The Administrators will act jointly and severally so that all functions may be exercised by any or all of them.
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 Zestdew'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 5: Financial information

Statement of Affairs

The Directors have provided their Statement of Affairs (the "Statement"). This Statement is not attached to the progress report as disclosure of the information therein may impact adversely upon future realisations.

Receipts and payments account

An account of the Administrators' receipts and payments for the six months to 28 April 2009 is set out in Section 6 of this report.

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 at Appendix A is a full summary of the Administrators' remuneration drawn to date which was based upon time costs incurred in the period 29 October 2008 to 28 February 2009, 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 remuneration drawn in the period is £24,702.55. This represents 68.10 hours at an average hourly rate of £362.74.

Section 6: Receipts and payments account

29 October 2008 to 28 April 2009

RECEIPT	GBP (£)	EUR (€)	Total Equivalent (€)
Pre Appointment cash at bank	-	288,047	288,047
Loan from group company	51,800	-	57,931
Total receipts	51,800	288,047	345,978
PAYMENT			
Joint Administrators' remuneration	39,976	-	44,708
Joint Administrators' category 1 disbursements	1,612	-	1,803
Bank charges	40	-	45
VAT	6,238	-	6,976
Total payments	47,866	-	53,532
Net position	3,934	288,047	292,446
CASH BALANCES			
HSBC	3,934	288,047	292,446
Total Cash in hand	3,934	288,047	292,446

Exchange rate (as at 28/4/09) - GBP £1 : EURO €1.11836