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

Joint Administrators' progress
report for the period 29 October
2014 to 28 April 2015

20 May 2015

Contents

Section 1	<i>Purpose of the Joint Administrators' progress report</i>	4
Section 2	<i>Joint Administrators' actions to date</i>	5 - 6
Section 3	<i>Statutory and other Information</i>	7
Section 4	<i>Financial Information</i>	8
Section 5	<i>Receipts and Payments Account</i>	9
Section 6	<i>Joint Administrators' time costs for the period 1 October 2014 to 31 March 2015</i>	10-11

Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 13th progress report by the Joint Administrators (the “**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 progress made in the six months to 28 April 2015 (the “**reporting period**”).

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 from 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.

To date, Monaco has paid two interim dividends to unsecured non-preferential creditors totalling 15.85 pence in the £.

It is anticipated that a further, final distribution will be made to the unsecured non-preferential creditors. However, the timing of the final distribution will be dependent upon the closure strategy.

Future reports

The Administrators will next report to creditors in approximately six months or the end of the Administration, whichever is sooner.

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 Immofori GmbH ("Immofoori"), 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 Immofori.

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 seventh distribution of \$36k was received from LBSF on 2 April 2015. To date, Monaco has received dividends totalling \$0.99m from LBSF. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

As previously reported, Monaco submitted a claim in the estate of LB UK RE Holdings Limited ("LB UK RE") for c£36m. Of this claim, c£21.8m was initially admitted to rank for a dividend whilst the remaining c£15m was disputed (the "**disputed balance**").

Monaco sold c£12m of its admitted claim against LB UK RE to a third party for £4.19m in March

2013. Monaco also retained the dividend that was received on this portion of the agreed claim.

To date, Monaco has received dividends from LB UK RE totalling £8.6m, equating to 51.7p in the £ in respect of its admitted claim.

LB UK RE Company Voluntary Arrangement

On 29 April 2015, the Joint Administrators of LB UK RE issued a Proposal for a Company Voluntary Arrangement ("CVA") which was approved by LB UK RE's creditors on 14 May 2015.

Under the terms of the CVA, Monaco will receive a final distribution of 11.3 pence in the £, bringing total distributions to 63p in the £ in respect of Monaco's admitted claim of £9.4m

Furthermore, Monaco entered into a conditional settlement agreement with LB UK RE in relation to the c£15m disputed balance in order to fix the claim for the purposes of the CVA.

The disputed balance relates to a transaction whereby certain loan notes were transferred from Monaco into LB UK RE shortly before the date of its administration. The transaction was originally booked at the face value of the loan notes, however the market value was c£15m lower than face value at the time and this loss was borne by LB UK RE.

LB UK RE's Administrators had maintained that the loss should have been taken in Monaco, however Monaco disputed this treatment. There is no documentation to support either accounting treatment.

Under the terms of the settlement agreement, the c£15m disputed balance has now been admitted in the sum of c£7.5m. Accordingly, Monaco will also receive a dividend of 63p in the £ in respect of this claim.

Receipt of the final dividend from LB UK RE is expected within the next few months.

Closure Strategy

Following resolution of the LB UK RE disputed balance, the Administrators are considering the strategy for the closure of the Administration and will write to creditors in due course with their proposals in this regard.

Timing of the Joint Administrators' Discharge

Creditors will recall that JG Parr and GE Bruce were appointed Administrators of Monaco by the Court in March 2013, replacing two previously appointed Administrators. As they were appointed by the Court, the Insolvency Rules 1986 require the timing of their discharge to be determined by the Court. However this conflicts with the method agreed by creditors in respect of the original appointees. Accordingly, the Administrators will shortly be applying to the Court to have the method and timing of their discharge made consistent with that of the originally appointed Administrators, which will then be in accordance with the method set out in the Administrators' Proposals as agreed by creditors. The relevant section of the Proposals is restated below:

“The Administrators shall be discharged from liability pursuant to Paragraph 98(1) Sch.B1 IA86 in respect of any action of theirs as Administrators at a time determined by the creditors committee or, if no creditors committee appointed, after 14 days from the date of ceasing to act as Administrators of Monaco.”

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 fifth extension has been granted by the High Court of Justice to 30 November 2016.
<i>Proposed end of the Administration:</i>	The Administrators intend to make a final distribution to the Company's unsecured non-preferential creditors 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. A second interim dividend of 8.1p in the £ was declared and paid on 12 September 2014. The quantum and timing of a final dividend to the Company's unsecured non-preferential creditors 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.

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 2014 to 31 March 2015, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Time costs for this period total £48,678 plus VAT, which represents 151.17 hours at an average hourly rate of £322. Details of the time costs incurred in earlier periods have been provided in earlier reports.

To date, remuneration of £579,581 plus VAT has been drawn in respect of time costs incurred to 31 March 2015.

Receipts and payments account

An account of the receipts and payments in the Administration showing movements for the six months to 28 April 2015 is set out overleaf.

Cash at bank as at 28 April 2015 is equivalent to £8.2m.

Section 5 Receipts and Payments Account

	Notes	GBP (£)			EUR(€)			USD(\$)		
		As at 28-Apr-15	Movements in Period	As at 28-Oct-14	As at 28-Apr-15	Movements in Period	As at 28-Oct-14	As at 28-Apr-15	Movements in Period	As at 28-Oct-14
Receipts										
Recoveries on loan portfolio		-	-	-	4,425,324	-	4,425,324	-	-	-
Distributions from LBSF		-	-	-	-	-	-	988,913	36,019	952,894
LB UK RE intercompany debt		12,775,422	-	12,775,422	-	-	-	-	-	-
Receipt from sale of tax losses		1,457,228	-	1,457,228	-	-	-	-	-	-
Tax Repayment		300,000	-	300,000	-	-	-	-	-	-
Bank account usage charge		134,000	-	134,000	-	-	-	-	-	-
Interest on tax repayment	(1)	38,757	-	38,757	-	-	-	-	-	-
Cash at bank on appointment		-	-	-	288,047	-	288,047	-	-	-
Gross wages & salaries		145	-	145	-	-	-	-	-	-
Bank interest	(1)	92,197	14,355	77,842	-	-	-	-	-	-
Balance at bank		-	-	-	12,395	-	12,395	-	-	-
Total Receipts		14,797,749	14,355	14,783,394	4,725,766	-	4,725,766	988,913	36,019	952,894
Payments										
Legal fees		188,047	122,323	65,724	-	-	-	-	-	-
Gross wages & salaries		30,984	5,376	25,608	-	-	-	-	-	-
Pension related legal costs		25,570	-	25,570	-	-	-	-	-	-
IT Costs		5,741	-	5,741	-	-	-	-	-	-
Joint Administrators' fees		579,581	48,678	530,903	22,805	-	22,805	-	-	-
Joint Administrators' category 1 disbursements		2,238	-	2,238	-	-	-	-	-	-
Bank charges		40	-	40	31	-	31	277	75	202
Statutory advertising		20,313	-	20,313	-	-	-	-	-	-
Corporation Tax		15,000	15,000	-	-	-	-	-	-	-
Irrecoverable VAT	(3)	144,328	35,261	109,067	3,421	-	3,421	-	-	-
Total Payments		1,011,842	226,638	785,204	26,257	-	26,257	277	75	202
Intracompany transfer										
Payment		-	-	-	(4,699,509)	(1,585,912)	(3,113,597)	(937,913)	(38,900)	(899,013)
Receipt		4,438,292	1,274,873	3,163,419	-	-	-	-	-	-
Total receipts less total payments		18,224,199	1,062,590	17,161,609	-	(1,585,912)	1,585,912	50,723	(2,956)	53,679
Distributions to unsecured creditors										
1st distribution of 7.75p in the £, declared in October 2013		4,922,340	-	4,922,340	-	-	-	-	-	-
2nd distribution of 8.1p in £, declared in September 2014		5,144,640	-	5,144,640	-	-	-	-	-	-
Cash in hand / (movement in year)		8,157,219	1,062,590	7,094,629	-	(1,585,912)	1,585,912	50,723	(2,956)	53,679
Cash balances										
HSBC (Non-interest bearing)		189,019	110,759	78,260	-	(1,585,912)	1,585,912	50,723	(2,956)	53,679
Money Market		7,968,200	951,831	7,016,369	-	-	-	-	-	-
Total Cash		8,157,219	1,062,590	7,094,629	-	(1,585,912)	1,585,912	50,723	(2,956)	53,679

Notes:

- (1) £77,842 of funds previously allocated to 'Interest on tax repayment' reclassified to 'Bank interest'.
(2) Funds are invested on the money markets in order to accrue interest and to manage risk.
(3) 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 2014 to 31 March 2015

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	0.07	47	4.20	1,810	17.35	4,650	22.05	5,049	43.67	11,556
Strategy and planning	6.30	4,300	5.90	2,543	17.90	5,620	9.30	2,130	39.40	14,593
Statutory and other compliance	0.30	200	9.75	4,279	20.80	6,130	16.55	3,790	47.40	14,399
Tax and VAT	2.00	1,940	2.55	1,264	11.30	3,539	1.60	366	17.45	7,109
Pensions	0.28	203	0.04	19	-	-	0.35	65	0.67	287
LBIE Recharges	0.16	107	0.98	287	0.44	117	1.00	223	2.58	734
Grand Total	9.11	6,797	23.42	10,202	67.79	20,056	50.85	11,623	151.17	48,678
Average Hourly Rate		746		436		296		229		322

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 minimum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.
	Max £/hr		Max £/hr		
Grade	From 1 July 2014	From 1 Jan 2015	From 1 July 2014	From 1 Jan 2015	* 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.
Partner	873	873	1,225	1,225	
Director	665	765	1,076	1,076	
Senior manager	512	512	905	905	
Manager	431	431	660	660	
Senior Associate	360	360	490	490	
Associate/Support Staff	229	229	229	229	

Narrative of the Joint Administrators' time costs for the period 1 October 2014 to 31 March 2015

Accounting and treasury - £11,556

- 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;
- Closure of the Euro account; and
- Implementing investment strategy.

Strategy and planning - £14,593

- Reviewing financial information including updating the Estimated Outcome Statement;
- Updating strategy documents;
- Strategy discussions for the Administration, case progression and resource management;
- Ongoing dialogue with the Administrators of LB UK RE regarding the disputed balance; and
- Evaluating exit routes and strategy for the closure and/or extension of the Administration.

Statutory and compliance - £14,399

- Preparation of the Administrators' 12th 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 - £7,109

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

LBIE recharges - £734

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