Ms L Greenwood MP  
Chair of Transport Select Committee  
House of Commons  
London, SW1A 0AA

By email

24th October 2017

Dear Ms Greenwood,

Thank you for your letter dated 19th October 2017.

Your letter raises a number of important questions which we attempt to address below. Beyond answering the questions raised, please accept this letter as confirmation that we will co-operate fully with any enquiry your committee choses to pursue, as we recognise the many public interest issues that relate to Monarch’s administration. Given that your committee may not meet to discuss Monarch for some time, please let us know if you have any further questions. Furthermore, if you deem it appropriate we are also open to meeting with you or any of your colleagues in person.

We believe that any enquiry will help to highlight the strong financial support we have provided to Monarch during the last three years and all the other work we have done to help this struggling company and its management team. Turnaround investing is risky and challenging. It is important to us, and the health of the broader economy, that when such turnaround attempts fail, investors who were willing to take on these difficult situations are not unduly criticised or assumed to be guilty until proven innocent.

Your letter questions our claim that we have ‘acted responsibly and with integrity’, the structure of our investments, the nature of our interactions with the Secretary of State for Transport and his officials, and perhaps most importantly our views on ‘our moral obligations’ to make a financial contribution.

We strongly believe that we have acted responsibly and with the utmost integrity during our attempt to turnaround the Monarch Group.

- In 2014 Monarch was facing imminent failure. Without Greybull’s support, Monarch would have entered into administration in 2014, with even more disruption to passengers and job losses than the current difficult situation has given rise to. After an extensive search for investors, Greybull was the only party willing to back the management team and finance their attempted rescue of Monarch.

- During the three years we kept the airline flying, many stakeholders benefitted from our efforts. 3,000 direct employees and many more indirect employees were able to enjoy full employment
for 3 years longer than would otherwise have been possible. Today despite the loss of the airline
division, over 700 employees in the engineering division remain in full employment. Around £250
million was paid to HMRC in the 3 years of our ownership through various taxes. Similarly, over
£25 million has been paid to the Air Travel Trust in ATOL fees and bonds. The Pension
Protection Fund has also made it clear that they believe our attempted rescue of Monarch has
been beneficial for the pension scheme. £30 million was paid into the pension scheme by the
exiting shareholder in 2014 that otherwise would not have been available. Suppliers and lessors
have enjoyed a profitable relationship with Monarch. We estimate more than £1.5 billion was paid
to third parties between 2014 and 2017. Whilst we regret deeply the collapse of Monarch, we are
convinced that our willingness to invest and support Monarch in 2014 benefitted many and was
undoubtedly preferable to a collapse at that time.

- Our investors remained supportive throughout and made further investments on a number of
occasions when the company faced new challenges and struggled to meet its business plans.
We deferred the payment of loans and interest and took no dividends from the Group so that our
financing did not act as a drag on the Group’s ability to succeed. We facilitated and arranged
significant third-party financing through innovative arrangements. All financings and agreements
entered into were completed in full view of the relevant authorities and approved by all key
stakeholders. Put simply, we honoured in full all the commitments we made to Monarch and, as
market conditions deteriorated, went beyond our original commitments on many occasions in
order to be a supportive shareholder.

- Post administration we have remained actively involved with the Group and KPMG, funding the
stabilisation of the engineering business and the 720 associated jobs there. We have also paid
for additional support to be given to help employees who lost their jobs find alternative
employment in the form of sponsored job fairs and other support services.

Our involvement with Monarch, as shareholders and investors, has been to provide vital capital to a
company when no other investor, bank or financial institution was willing to assist. Bar the payment of
consulting fees, our support of Monarch saw a one-way flow of money for the past three years, from our
investors to Monarch. As investors we have been entrepreneurial, risk taking, patient, supportive, flexible
and importantly, transparent with all relevant authorities. Whilst the attempted turnaround failed due to
external market factors outside of our control, which also contemporaneously felled two other large
European airlines in Alitalia and Air Berlin, we believe that we have been committed and responsible
investors.

Our investment in the Monarch Group was structured in the form of secured shareholder loans,
unsecured loans, and equity. All financing provided had the full approval of the relevant authorities,
including the CAA, and other key financial stakeholders such as the Pension Protection Fund (PPF). Our
investments were fully disclosed for all to see in the company’s audited financial accounts. We have a
moral and fiduciary duty to protect our investors as best we can in the event a turnaround is not
successful. We have followed accepted principles and standard documentation in providing financial
support to Monarch. Other creditors, including the PPF, have confirmed the financing was provided on
standard market terms and that inter-creditor arrangements have been more than fully respected. You
may be aware of the PPF’s response to recent enquiries by the Rt. Hon Frank Field MP. We draw your
attention to the PPF’s confirmation, that despite our investors’ providing further equity, the PPF’s stake
was never diluted. It is most unusual for shareholders, the PPF in this case, to remain undiluted if they
do not participate in multiple financing rounds.

We have had numerous discussions with the Secretary of State for Transport and his officials, before and
after the failure of Monarch on 2nd October 2017. As responsible investors, we considered it appropriate
to work closely with the Department of Transport to explore all avenues and do as much as possible to
help prevent an unplanned and uncontrolled failure of the Group.

We concur wholeheartedly with the Secretary of State’s recent statement that any stakeholder who finds
themselves in-pocket at the end of the administration process would be under a moral obligation to
contribute to other stakeholders. This would include helping to defray the costs incurred by the Department for Transport in repatriating Monarch customers. This was first discussed in principle with the Secretary of State and his Department several weeks ago. We acknowledge this and will act accordingly. Profit sharing with stakeholders is a long-standing practice that runs through every investment we are involved with, such as our recent announcements to share profits with the employees of British Steel. However, we also agree with the Secretary of State that it is premature to prejudge the outcome of the administration.

We remain at your disposal for further dialogue.

Yours sincerely,

Marc Meyohas
Partner

cc: Nathaniel Meyohas, Richard Perlhagen