
Hughes Hubbard & Reed

Firm Wins Court Approval to Sell Lehman's Claims Against UK Unit

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Hughes Hubbard won court approval to proceed with the sale of Lehman Brothers Inc. (LBI) estate's claims against its UK affiliate, Lehman Brothers Europe Limited, for 32.8 million pounds.

The sale was an important step in the wind-down and closure of the LBI estate. The failure of the global Lehman enterprise resulted in more than 76 separate insolvency proceedings across the globe, with significant interaffiliate claims asserted among the numerous Lehman entities. Over the course of the Securities Investor Protection Act liquidation, LBI trustee Jim Giddens has resolved nearly all of these claims and recovered billions of dollars from LBI's former affiliates on behalf of LBI's former customers and creditors of the estate.

The trustee's claim against Lehman Brothers Europe Limited is one of a dozen remaining affiliate claims that have not been fully distributed. The trustee received the full principal amount (approximately 63 million pounds), but future distributions of more than \$52 million with respect to post-petition interest and currency conversion claims remain possible. These future distributions are, however, contingent on the outcome of ongoing litigation in the United Kingdom, which is expected to take several years to resolve.

In order to monetize the claim in the short term for distribution to creditors of the LBI estate, the trustee implemented a court-approved auction conducted by Banc of America Credit Products Inc. After a two-week auction in which 14 financial institutions participated, the trustee received three bids.

On June 17, US Bankruptcy Judge Shelley Chapman approved the sale to the highest and best bidder resulting in net proceeds of \$50.4 million, which far exceeded the expected recovery. The trustee's professionals expedited the closing of the sale so that proceeds were received in advance of the "Brexit" vote, which netted the LBI estate millions in currency gains.

In a separate matter, Hughes Hubbard distributed another \$677 million to the unsecured creditors of Lehman Brothers Inc. In a statement released in late June, Giddens said the distribution, the fourth one to the brokerage's unsecured creditors, brought their total recovery to approximately \$8.5 billion.

"We are continuing to wind down the estate to fully and fairly maximize assets for all creditors, and there is no certainty other distributions of this magnitude will be possible," Giddens said.

The sale and distribution drew coverage in The Wall Street Journal and Law360.

The attorneys who worked on this transaction for Giddens include Chris Kiplok and Erin Diers. Avner Bengera and Jonathan Pail assisted with the agency agreement and assignment agreement. The attorneys who worked on the distribution include Anson Frelinghuysen, Sara Echenique, John Dunn and Paulina Bellantonio.

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James W. Giddens



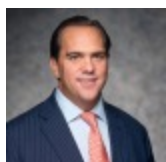
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