
Hughes Hubbard & Reed

Lehman Trustee Secures \$861M for LBI Estate and Customers

News & Events | Deals & Matters

Hughes Hubbard & Reed LLP • A New York Limited Liability Partnership
One Battery Park Plaza • New York, New York 10004-1482 • +1 (212) 837-6000

Attorney advertising. Readers are advised that prior results do not guarantee a similar outcome. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. For information regarding the selection process of awards, please visit <https://www.hugheshubbard.com/legal-notices-methodologies>.

On April 21, 2011, the firm, on behalf of James W. Giddens, as trustee for the SIPA liquidation of Lehman Brothers Inc. ("LBI"), reached a "milestone" settlement with JPMorgan Chase & Co. ("JPMC") whereby JPMC will return over \$861 million in cash and securities to the LBI estate for distribution to former customers of LBI. The recovery of customer assets represents the largest settlement to date for the trustee and the LBI estate. If approved by the U.S. Bankruptcy Court for the Southern District of New York, the proposed settlement would secure the return of more than \$861 million of cash and securities that the trustee has identified as customer property, including \$755 million in cash and \$106 million in securities.

The settlement follows the conclusion of an exhaustive two-year investigation into the multi-faceted relationship between LBI and JPMC, in which JPMC served as LBI's clearing bank, often extending more than \$100 billion per day of credit to LBI and providing other services to facilitate LBI's market activities. As part of this investigation, which proceeded on a cooperative, professional and constructive basis without the need to exchange formal process, the trustee's team interviewed more than 30 former LBI and JPMC employees, reviewed over one million pages of e-mails and other documents, and engaged in extensive negotiations with JPMC and its counsel, including several face-to-face meetings between the trustee and JPMC's General Counsel Stephen M. Cutler. The trustee and Mr. Cutler personally negotiated the final terms of the settlement. The settlement is conditioned on court approval; a hearing to approve it is not likely to occur before late June. Upon approval, all of the trustee's claims against JPMC will be resolved, though some of JPMC's claims, which the bank deemed itself unable to settle due to customer and other relationships, will remain pending in the normal course of the administration of the LBI estate.

The agreement received widespread press coverage, including Giddens' statement in an April 21 article from the Financial Times. Giddens said the proposed settlement represents "a milestone in the administration of the LBI Estate to recover assets to pay customer claims . . . [and] will increase funds held by the LBI Estate available for distribution to public customers of LBI by more than \$800 million in cash and securities [as] a direct result of cooperation and professionalism by both parties in working through complex and difficult issues."

The Securities Investor Protection Corporation (“SIPC”), which oversees Giddens’ handling of the liquidation, was pleased with Hughes Hubbard’s work, noting through SIPC’s President and CEO that the trustee and his firm have “produced extraordinary results . . . settling matters where possible and litigating only when necessary.”

On April 22, the day after the JPMC settlement was filed, the firm also submitted the trustee’s Fifth Interim Report to the bankruptcy court. The report provides a detailed account of the progress that Hughes Hubbard and the trustee’s professionals have made to date in the \$115 billion liquidation, and highlights some of the issues and contingencies that have yet to be resolved in the SIPA proceeding, including potential multibillion dollar litigation with former Lehman affiliates.

Giddens is generally represented by Jim Kobak and Chris Kiplok and supported by a large team throughout the firm. The Chase team was led by Jeffrey Coleman, with day-to-day support and assistance from Gabrielle Glemann and Dustin Smith. The team also included Steven Luger and Marc Weinstein at the partner level, associates Hannah Taylor, Lindsay Pruitt, Casey Hail, Julie Sczesnik and Kelli Lane, and paralegal Kimberly Sialiano. Ramsey Chamie was the principal author of the Fifth Interim Report and is the principal author of all the trustee’s Interim Reports.

Related People



James W. Giddens



James B. Kobak, Jr.



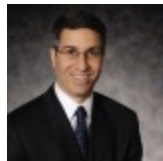
Christopher K. Kiplok



Dustin P. Smith



Stephen Luger



Marc A. Weinstein

Related Areas of Focus

Corporate Reorganization & Bankruptcy.