



TAMPA BAY BANKRUPTCY CENTER, P.A.

PHONE: (813) 200-4133

TOLL FREE: (800) 965-5074

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## Lehman Brothers Plan to Exit Bankruptcy with Revised Plan

Defunct investment bank, Lehman Brothers recently submitted a revised plan to exit bankruptcy after several creditors declined to support their initial plan. Under the revised plan, there will be more money offered to bondholders.

The bank intends to raise some \$60 billion for creditors by selling their assets over the next few years and reducing allowable claims by \$322 billion. With this move, the average creditor will receive 18.6 cents for every dollar claimed. This is more than the 14.7 cents under the initial plan which was shown in March and April 2010 when values for Lehman assets were not as high as presently.

Senior bondholders would be paid 21.4 cents on the dollar compared to 17.4 cents under the original plan. Unsecured creditors would receive a return of 19.8%. Derivative creditors would get 22.3 cents, down from an earlier estimate of 24.1 cents. Some of the derivative creditors that filed

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claims against Lehman Brothers Special Financing include Morgan Stanley, Deutsche Bank, Credit Suisse Group AG, Goldman Sachs Group Inc. and Bank of America. When it filed for bankruptcy, Lehman Brothers was involved in about 1.2 million derivative transactions with about 6,500 counterparts. As at the end of last year, Lehman had settled about 45.6% of those contracts.

Last December, another competing plan was offered up by hedge fund Paulson & Co. and other creditors with large claims against Lehman.

Under this plan, the group including Paulson allocated 24.5 cents to bondholders and cut derivatives creditors' payout to 25.7 cents, from what the group calculated as 38.8 cents under Lehman's first plan, which gave them a right to get paid twice in a so-called "double dip." The group comprises of 10 members that include the California Public Employees' Retirement System (America's largest public pension fund), Pacific Investment Management Co. (the world's largest bond fund) and Canyon Partners LLC which is a \$19 billion hedge fund. Paulson & Co. themselves manage about \$33 billion in hedge funds.

Lehman urged creditors not to support Paulson's plan which, according to them, would "would engender significant opposition and litigation, and would result in increased expenses and delay" in the case.

With its new plan, Lehman hopes to have a court hearing by the end of June and within 60-90 days thereafter, obtain the approval of bankruptcy Judge James Peck. Creditors must first vote on the revised proposal.

If you are finding it hard to overcome your debts, consider filing for bankruptcy protection. Call us at (813) 200 4133 for a free consultation.

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