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Lehman liquidators convene creditor meetings, update on assets

KPMG's Paul Brough, Edward Middleton and Patrick Cowley, Provisional Liquidators of Lehman Brothers Hong Kong, announce they have completed creditor meetings for all eight subsidiaries.

At the meetings, the provisional liquidators presented progress reports related to the liquidation of the eight Lehman subsidiaries, including the transfer of the Asia franchise to Nomura Holdings.

Creditors voted in favour of Paul Brough, Edward Middleton and Patrick Cowley continuing in office as liquidators. They were initially appointed in September 2008 by the High Court of Hong Kong as provisional Liquidators of the eight Lehman Brothers Hong Kong incorporated entities.

Creditors have also approved Committees of Inspection for five subsidiaries. The committees act as representative bodies for creditors within each entity. They will help the liquidators in the performance of their duties, including deciding asset disposal strategies and approving the liquidators' fees and expenses.

The Court is expected to finalise both appointments by the end of March, 2009.

Edward Middleton, Head of Restructuring at KPMG, said: "Our focus as Provisional Liquidators has been the preservation and protection of assets. However as the liquidations move into a new phase following these meetings, the challenge will be to realise the best value for these assets, in what is a very challenging macro-economic environment."

"However we have been pleasantly surprised having received over 250 expressions of interest in Lehman assets. We will continue to work diligently on behalf of our creditors," he adds.

In broad based terms, the Provisional Liquidators are dealing with book values of assets totalling US\$20 billion and liabilities of US\$22.6 billion.

KPMG also participated in the swift action which led to the sale of Lehman's Asian franchise to Nomura. This is estimated to have resulted in a total net benefit to creditors of the Hong Kong estates of around USD\$164 million.

The provisional liquidators are also currently in the process of market discovery as they conduct investor interviews to assess appetite for real estate and other assets.

Lehman Brothers Commercial Corporation Asia Limited (LBCCAL) is the second largest Lehman entity in Hong Kong, with a significant real estate exposure.



Its global real estate portfolio (GREG) consists of 44 counterparties represented by loans of various forms, with the main country and currency risk exposures in Thailand and China.

Michael Lindsay, Global Head of Real Estate for KPMG Corporate Finance, has been brought in from London to lead the management and eventual asset disposal of the portfolio, which has a par value of US\$ 1.26 billion.

Lindsay said: "Our detailed review of the GREG portfolio has provided us with a fascinating insight into the scale, spread and risk profile of the real estate investments of the collapsed investment bank."

"After five months of collecting and analyzing all the data it is fair to say that the countries in which the assets are held, the levels of loans advanced relative to value and actual or prospective cash flow and the specific characteristics of the underlying security have presented the Provisional Liquidators with significant challenges," he adds.

Lehman Brothers Asia Holdings Limited (LBAHL) meanwhile is the largest Lehman entity in Hong Kong. It is also the principal funding agent for all other entities in Hong Kong and Asia.

As the principal funding entity for the LB Asia Pacific Group, KPMG found that LBAHL had significant inter-company book debts. It is owed funds from a total of 231 inter-company debtors, which total around US\$12.6 billion.

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About KPMG

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