

# Nevada to reap 3 times what it expected in Lehman Bros. settlement

By Sean Whaley, Nevada News Bureau

CARSON CITY – The state Board of Finance was told this week Nevada expects to receive between 30 and 33 cents on the dollar in recovery from a \$50 million investment loss when Lehman Brothers unexpectedly filed for bankruptcy in September 2008.

Nevada Treasurer Kate Marshall said the state initially expected 10 to 11 cents on the dollar when the firm filed for bankruptcy protection during the height of the nation's financial crisis.

The estimate used more recently by the Treasurer's Office was a return of 20 cents on the dollar, Chief Deputy Treasurer Mark Mathers told the board, which includes Marshall, Gov. Brian Sandoval and several other appointees.

A 33-cent return would mean more than \$16 million being returned to the state in the next two to three years, Marshall said. It does not include additional money that could be returned to the state as a result of separate litigation against a Lehman Brothers subsidiary, she said.

"I'm happy to report that based on the bankruptcy plan that was submitted and approved by a bankruptcy judge last year, based on conversations and analysis we've seen from major banks, and the amounts offered by those banks, we are now expecting a recovery rate in the range of 30 to 33 cents on the dollar for those holdings," Mathers said.

"Based again on the analysis we've seen and the comments from

folks who trade in these bonds every day, we will see the vast majority of these monies come back in the next two to three years," he said.

Ninety-nine percent of the creditors approved the bankruptcy plan, Mathers said.

There have been offers to buy the bonds from the state at a rate of 26 to 27 cents on the dollar, but it is more financially prudent to hold on to them and get the higher return, he said.

The \$50 million loss has resulted in less income being generated for a number of state programs, but Mathers said those funding reductions will be eased with the anticipated higher recovery on the investment.

The \$50 million loss was used as a campaign issue against Marshall in her successful re-election bid in 2010.

Marshall has said there was no warning ahead of time the firm would file for bankruptcy.

Nevada's Lehman loss was only a part of \$3 billion in losses to states, counties and municipalities across the country when the firm filed for bankruptcy.

After the informational report to the Finance Board, Marshall said her decision to keep the Lehman assets rather than unload them at a "fire sale" proved to be the right decision.

"If you recall when I was at the Legislature right after Lehman's went down there was a big push that I sell everything," she said. "And I came back and I said I would not do that. That that would be a fire sale; we would lose a significant amount of money. That turned out to be very smart."

The Board of Finance also has litigation under way with Lehman Brothers Commercial Bank but Marshall could not predict what

the state might ultimately see returned from the action.