UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re:	)	
	)	**Chapter 11**
PATRIOT COAL CORPORATION, *et al.*,	)	**Case No. 12-51502-659**
	)	**(Jointly Administered)**
Debtors.	)	
	)	**Re: Docket No. 3498**
	)	
	)	**Hearing Date:**
	)	**April 23, 2013 at 10:00 a.m. (CDT)**
	)	

OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS TO THE DEBTORS' SECOND MOTION TO EXTEND THE DEBTORS' EXCLUSIVE PERIODS WITHIN WHICH TO FILE A PLAN OF REORGANIZATION AND SOLICIT VOTES THEREON

The Official Committee of Unsecured Creditors (the "**Committee**") objects to entry of an order extending the Debtors' exclusive periods to file a chapter 11 plan and solicit acceptances thereof ("**Exclusivity**") and respectfully represents as follows:

PRELIMINARY STATEMENT

1. These cases need a viable exit strategy. Any exit strategy will require a third-party to invest enough to (i) repay or refinance the Debtors' DIP facility (or induce the existing DIP Lenders or other lenders to do so), (ii) pay administrative and priority claims in full, (iii) monetize any equity provided to any VEBA (to the extent one is created) to pay for retiree medical benefits, and (iv) provide the Debtors with necessary post-reorganization working capital.

2. There should be no impediments to finding such an investor. Exclusivity is an impediment to this process, and, therefore, the Committee objects to the extension of Exclusivity. These cases will be better served if non-Debtors, including the United Mine

Workers of America (the "**UMWA**"), the United Mine Workers of America 1974 Pension Plan and Trust (the "**1974 Pension Plan**"), the noteholders who have sought the appointment of a chapter 11 trustee (the "**Senior Noteholders**"), the Committee and other parties-in-interest, are permitted to seek out and communicate with potential investors and, based on those discussions, propose a feasible plan (or plans) of reorganization.[1]

OBJECTION

3. To extend Exclusivity under Section 1121(d)(1),[2] the movant has the burden of showing good "cause" under the facts and circumstances of the particular case. *In re Tony Downs Foods Co.*, 34 B.R. 405, 407 (Bankr. D.Minn. 1983). Section 1121(d) does not make Exclusivity a routine benefit to be granted without serious justification.[3]

4. While courts analyze many factors in determining whether to extend Exclusivity, the primary focus is whether extending exclusivity will move the plan process forward. *In re Dow Corning Corp.*, 208 B.R. 661, 670 (Bankr. E.D. Mich. 1997) ("[W]hen the Court is determining whether to terminate a debtor's exclusivity, the primary consideration should be whether or not doing so would facilitate moving the case forward. And that is a practical call that can override a mere toting up of the factors.").

[1] The Committee's confidentiality agreement with the Debtors does not permit the Committee to share Debtor information, or Committee analyses, with a potential investor, even if the investor is also a creditor represented by the Committee and even if the creditor/investor has also signed a confidentiality agreement with the Debtors. Discussions are underway to address this issue.

[2] All references to "Sections" are to sections of the Bankruptcy Code unless otherwise indicated.

[3] Indeed, as an indication of its intention that extensions of Exclusivity be seriously weighed, Congress specifically provided for an immediate appeal as of right of an order extending Exclusivity, making it one of the very few interlocutory orders that may be appealed as such. *See* 28 U.S.C. § 158(a)(2). The legislative history provides that an "undue extension can result in excessively, prolonged and costly delay, to the detriment of creditors." H.R. REP. No. 103-835, at 36 (1994), *reprinted in* 1994 U.S.C.C.A.N. 3340, 3344-45. The addition of an immediate right to appeal allows "those parties who feel they were harmed by an extension … to obtain possible recourse in the district court. The [Congressional] Committee intends that the district court consider the circumstances of each case so appealed with a view to encouraging a fair and equitable resolution of the bankruptcy." *Id.*

5. To this end, and as is clear in these cases, failing to resolve fundamental reorganization matters essential to a debtors' survival in a timely manner justifies denying an extension of Exclusivity. *In re Sharon Steel Corp.*, 78 B.R. 762, 766 (Bankr. W.D.Pa. 1987) ("The leverage accorded to the debtor by the period of exclusivity must give way to the legitimate interests of other parties in interest so that progress toward an effective reorganization of the debtor may be enhanced *before it is too late*.") (emphasis added); *see In re Tripodi*, Case No. 04-30793, 2005 Bankr. LEXIS 1981, at *7 (Bankr. D. Conn. Feb. 18, 2005) (denying extension of exclusivity where no plan was on horizon). The restructuring of collective bargaining agreements with the UMWA is a fundamental issue in these cases. Implementation of the Debtors' proposals to the UMWA would require confirmation of a plan. Although the Debtors have been engaged in discussions with the UMWA for months, the Debtors made their first plan proposal to the UMWA only days ago on April 10, after nine months in chapter 11. The April 10 proposal offered the UMWA 35% of the equity of the reorganized Debtors under a plan, but the information provided in connection with that proposal was inadequate. As explained further in the Committee's statement in response to the Debtors' motions to reject their collective bargaining agreements and retiree medical benefits under Section 1113 and 1114 (ECF No. 3609), the Committee (and other parties in interest) cannot determine whether the UMWA and the 1974 Pension Plan would be overcompensated (or undercompensated) under that proposal.

6. Indeed, the concern over that very issue has already prompted the Senior Noteholders to file their own motion seeking the appointment of a chapter 11 trustee with respect to those Debtors who are ***not*** parties to the Debtors' collective bargaining agreements.

Terminating exclusivity and allowing parties-in-interest to propose their own plans is the quickest route to having a viable (and consensual) plan developed in the near term.

7. Moreover, in the nine months that have passed since the petition date, the Debtors have not produced a third-party investor willing and able to finance the Debtors' exit from bankruptcy (and may have only recently started looking). Without such an investor, the Debtors cannot steer these cases towards a successful conclusion. Terminating Exclusivity will facilitate the plan process here by enabling third-parties, whether that be the UMWA, the 1974 Pension Plan, the Senior Noteholders, the Committee or other parties-in-interest, to seek out the necessary third-party investors and propose their own plans.

8. Without an active search for a third-party investor, these cases will remain at a standstill. The Court should not extend Exclusivity where it would "allow the debtor[s] to hold creditors and other parties in interest 'hostage' so that the debtor[s] can force [their] view of an appropriate plan upon the other parties." *In re Public Serv. Co. of New Hampshire*, 88 B.R. 521, 537 (Bankr. D.N.H. 1988); *see also In re Timbers of Inwood Forest Assocs., Ltd.*, 808 F.2d 363, 372 (5th Cir. 1987) ("Section 1121 was designed, and should be faithfully interpreted, to limit the delay that makes creditors the hostages of Chapter 11 debtors."), *aff'd*, 484 U.S. 365 (1988).

9. As recognized by other courts, declining to extend Exclusivity will not prejudice the estates, nor will it alter the Debtors' right to file their own plan. *Southwest Oil*, 84 B.R. 448, 454 (Bankr. W.D. Tex. 1987) (stating that "[b]y denying the extension [of Exclusivity], the Court does not prejudice the debtors' co-existent right, nor dilute the debtors' duty to file a plan … [rather] [t]he other parties are simply allowed to protect their interests by coming forward with alternative plans or motions to dismiss." (citations omitted)). In contrast, the ability to have competing plans will benefit the estate and will likely produce a quicker and more appropriate

resolution of these chapter 11 cases. *See In re EUA Power Corp.*, 130 B.R. 118, 119 (Bankr. D.N.H. 1991) ("It may well be, as has been the experience in cases not only in this Court but in other courts, that while the process starts after termination of exclusivity with competing plans the ongoing progress of the case results in compromises and negotiations whereby one joint plan goes forward."); *see also In re Mother Hubbard, Inc.*, 152 B.R. 189, 195 (Bankr. W.D. Mich 1993) ("In some instances, authority to file a competing plan may additionally motivate the debtor to more earnestly negotiate an acceptable consensual plan."). Competing plans will also provide creditors with the opportunity to compare different valuations of the Debtors' business and the reasonableness of the various plans.

10. Lehman Brothers' chapter 11 illustrates how competing chapter 11 plans can catalyze the negotiation of a consensual plan. In Lehman Brothers, the expiration of exclusivity after the debtors had filed their plan allowed a group of bondholders with claims against the Lehman parent company to file their own plan that would have substantively consolidated the Lehman estates. Unhappy with both the Lehman debtors' plan and the plan proposed by the parent company creditors, a second group of creditors holding claims against the Lehman subsidiaries filed their own chapter 11 plan respecting the separateness of each Lehman debtors' estate. With three competing plans outstanding, it took the major parties-in-interest only a few weeks to negotiate a single consensual plan. The net result was an uncontested confirmation hearing that lasted only a few hours.[4]

11. For the reasons set forth above, when Exclusivity comes to an end on May 5, 2013, parties in interest should be free to file viable plans of reorganization and move these cases promptly toward a successful reorganization.

[4] For the Court's convenience, a collection of articles describing the Lehman plan confirmation background is attached hereto as Exhibit A.

CONCLUSION

For the foregoing reasons, the Court should deny the Debtors' request for an extension of Exclusivity.

Dated: April 16, 2013

CARMODY MACDONALD P.C.

/s/ Gregory D. Willard
Gregory D. Willard (MO 30192)
Angela L. Schisler (MO 57678)
120 South Central Avenue, Suite 1800
St. Louis, Missouri 63105
Telephone: (314) 854-8600
Facsimile: (314) 854-8660

KRAMER LEVIN NAFTALIS & FRANKEL LLP

Thomas Moers Mayer (admitted *pro hac vice*)
P. Bradley O'Neill (admitted *pro hac vice*)
1177 Avenue of the Americas
New York, New York 10036
Telephone: (212) 715-9100
Facsimile: (212) 715-8000

Counsel for the Official
Committee of Unsecured Creditors

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing *Objection of the Official Committee of Unsecured Creditors to the Debtors' Second Motion to Extend the Debtors' Exclusive Periods within which to File a Plan of Reorganization and Solicit Votes Thereon* was filed on April 16, 2013 using the Court's CM/ECF system, which sent a copy to all parties receiving electronic notices in these cases.

/s/ Gregory D. Willard
Gregory D. Willard

EXHIBIT A

(*See attached pages*)

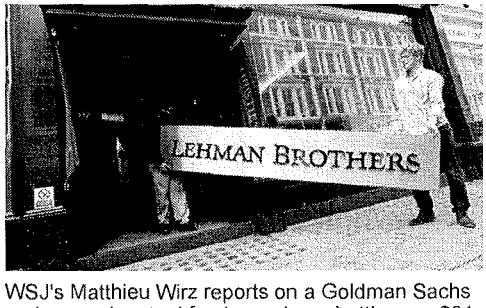
THE WALL STREET JOURNAL.
WSJ.com

BUSINESS | April 26, 2011

Fight for Lehman's Remains Heats Up

By MATT WIRZ And MIKE SPECTOR

A three-way battle over the remnants of Lehman Brothers Holdings Inc. is coming to a head, as the defunct investment bank's estate fights with big-name hedge funds and Lehman's former archrival Goldman Sachs Group Inc. over how to divvy up $61 billion in assets.

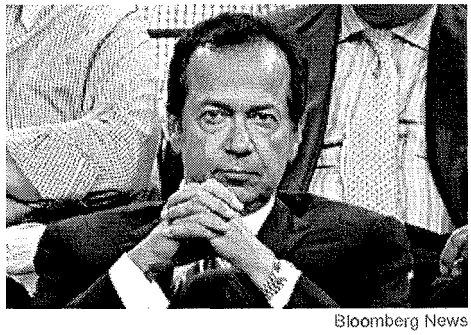


WSJ's Matthieu Wirz reports on a Goldman Sachs and several mutual funds waging a battle over $61 million in leftover assets from Lehman Brothers.

In one corner is hedge fund manager John Paulson, whose firm made a fortune on the financial crisis that destroyed Lehman. Mr. Paulson has been snapping up bargain-priced debt of Lehman and is now one of its biggest creditors. His firm, Paulson & Co., is leading a group of hedge funds pushing one proposal for how to unwind the failed firm.

In another is Goldman, which itself made big bets against subprime securities that drove Lehman to collapse and on Monday led a group of banks presenting a competing plan that would pay a larger share of proceeds to them.

Both oppose a previous proposal filed to the bankruptcy court by Lehman's estate manager.



Bloomberg News
John Paulson, president of Paulson & Co.

Lehman's collapse in September 2008 set off the worst of the financial crisis and represented the largest bankruptcy in history, with $613 billion in liabilities and a sprawling empire of corporate components spread across the globe.

The battle's outcome could provide a precedent-setting road map for how to split up billions of dollars to creditors of companies with operations across the globe after they fall into bankruptcy protection.

Lehman's estate is attempting to handle more than $350 billion in claims, many of them held by distressed-debt investors who make a living betting large sums on the results of litigation in major bankruptcy cases.

Paulson, for instance, has snatched up Lehman debt for prices ranging from 7.5 cents to 36 cents since the bank sought bankruptcy protection.

The hedge fund's recent purchases have been around 25 cents on the dollar. Paulson declined to comment.

Lehman owes money to creditors at its parent, or holding-company, level, as well as several operating subsidiaries that trafficked in everything from complex derivatives contracts to commercial paper and real estate.

More

Lehman Brothers Rival Bankruptcy Plan

Earlier: Trader Racks Up a Second Epic Gain

The Paulson and Goldman groups are creditors to different parts of Lehman. Goldman's group, which also includes Deutsche Bank AG and Angelo Gordon & Co., is owed money by Lehman's subsidiaries and says it is entitled to more than Paulson's group, which includes California Public Employees' Retirement System and is a creditor to the holding company.

The Paulson group argues Lehman should be wound down by pooling all its sprawling parts together into one pot as the simplest and most efficient way to untangle the vast web of debts. The method is known as "substantive consolidation" in bankruptcy parlance.

The Goldman group argues that the claims should be kept separate because consolidation would invite litigation concerning intercompany claims between Lehman's various units.

"Substantive consolidation certainly makes everybody's life easier because you basically treat all the Lehman entities as if they were one corporation," said Stephen Lubben, a professor at Seton Hall University's law school who specializes in corporate bankruptcy and debt.

"But if you go that route," he said, "you're picking a huge fight."

The estate is trying to avoid a fight by proposing a plan that combined elements from both approaches, paying bondholders like Paulson about 21.4 cents on the dollar. And those in the camp with Goldman would get between 22.3 and 52 cents on the dollar

The gap among these points in recovery can amount to billions of dollars.

The Goldman-led creditor group believes the estate's plan would improperly move money owed to operating subsidiaries to pay bondholders of Lehman's parent more than they deserve.

The rival Goldman plan would pay operating subsidiary creditors between 26.1 cents and 60.4 cents on the dollar. Creditors to the holding company, including Paulson's group, would get about 16 cents.

Paulson's group says Goldman and other operating subsidiary creditors should get about 21.6 cents on the dollar, while those owed by the holding company should get 25.5 cents.

The sides also are conscious of the need to tread carefully. Disdain toward Wall Street reached a peak in the wake of the financial crisis, and Goldman and Paulson in particular were singled out for profiting while many individuals lost homes and swathes of their personal savings.

That may increase the chance of a settlement, rather than protracted court fight over how much each will receive.

"Everyone may just be staking out their bargaining positions with these plans," Prof. Lubben said. "We may see some sort of plan that comes out that represents a negotiated solution between all three."

A hearing in front of U.S. Bankruptcy Judge James Peck on whether all three plans can be put to Lehman's creditors for a vote is set for June 28.

—Eric Morath and Joseph Checkier contributed to this article.

Write to Matt Wirz at matt.wirz@wsj.com and Mike Spector at mike.spector@wsj.com

April 12, 2013
HUFF POST BUSINESS

Lehman Brothers Files $65 Billion Liquidation Plan, Setting Stage For Bankruptcy's End

First Posted: 06/29/11 04:43 PM ET Updated: 08/29/11 06:12 AM ET

REUTERS

NEW YORK (Caroline Humer and Jonathan Stempel) - Lehman Brothers Holdings Inc filed a new $65 billion bankruptcy liquidation plan that it said has won wider support, possibly setting the stage for the end of the biggest bankruptcy in U.S. history.

If approved, the plan could enable what remains of the fourth-largest U.S. investment bank to emerge from Chapter 11 protection and start repaying creditors. Chief Executive Bryan Marsal has said he hopes to begin payments next year.

In a filing Wednesday with the U.S. Bankruptcy Court in Manhattan, Lehman said it believed it had an "agreement in principle" with major creditor groups on the revised plan.

Its earlier proposals spurred two competing reorganization plans from powerful creditors including the hedge fund Paulson & Co and Goldman Sachs Group Inc.

Under the new plan, many unsecured creditors would still recover only about one-fifth of what they were owed.

The company said a key change from its prior plan in January is that some sums will go to unsecured creditors of the parent rather than creditors of subsidiaries.

In a court filing, Lehman called the compromise a "reasonable, fair and efficient means to resolve and avoid the vexatious, multifaceted and protracted litigation and delay that might otherwise occur."

CREDITOR BACKING

The new plan has the support of two major creditor groups that had filed competing reorganization plans, people familiar with the matter said.

One group comprises bondholders including Paulson's firm and the California Public Employees' Retirement System, or CalPERS, pension fund, one of the sources said.

The other is a derivatives group including Goldman, hedge fund Silver Point Capital LP, Morgan Stanley and other creditors, another of the sources said. This group plans to soon sign an agreement reflecting their support, the source said.

Lehman's plan envisions having these and other creditor representatives select directors for a reconstituted, nine-member Lehman board. The board would oversee how assets are distributed to creditors, probably over a few years.

Representatives of Lehman, Paulson, CalPERS and the Goldman group declined to comment or were not available.

FRACTIONS ON THE DOLLAR

Lehman was the fourth-largest U.S. investment bank, with an estimated $639 billion of assets, when it filed for Chapter 11 protection on September 15, 2008. The bankruptcy was a major trigger for the global financial crisis.

Under the new Lehman plan, holders of unsecured debt from the parent company would receive 21.1 cents on the dollar, down from 21.4 cents under the January plan. Other unsecured creditors would get 19.9 cents on the dollar.

Creditors such as Paulson earlier sought roughly 24 cents on the dollar.

Many unsecured creditors of the Lehman Brothers Special Financing Inc derivatives unit would receive 27.9 cents on the dollar. These creditors include large banks that had been Lehman trading partners, as well as hedge funds.

Holders of commercial paper, a type of short-term debt, could recover 48.4 cents or 55.7 cents on the dollar.

Lehman has said creditors have roughly $322 billion of allowed claims, meaning they would on average recover about 20 cents on the dollar.

U.S. Bankruptcy Judge James Peck presides over Lehman's bankruptcy proceedings.

A hearing to review issues related to Lehman's plan is set for July 20, and a hearing to authorize submitting the plan to creditors for a vote is set for August 30, court records show.

The case is In re: Lehman Brothers Holdings Inc, U.S. Bankruptcy Court, Southern District of New York, No. 08-13555.

(Reporting by Caroline Humer and Jonathan Stempel; editing by Dave Zimmerman and John Wallace)

The Deal Pipeline

[RETURN TO ARTICLE]

Bankruptcy

Lehman amends plan

By Jamie Mason Updated 05:54 PM, Jun-30-2011 ET

Lehman Brothers Holdings Inc. has filed an amended liquidation plan for the company and its bankrupt affiliates that it hopes will remove the major roadblocks to confirmation.

The former New York investment bank in court papers said its official committee of unsecured creditors supports the second amended plan, filed Wednesday, June 29. In addition, Lehman anticipates that its significant creditors will sign plan support agreements following negotiations this month with creditors, including those that proposed two rival reorganization plans.

Debtor counsel Harvey Miller of Weil, Gotshal & Manges LLP said creditors holding significantly more than $100 billion in claims support the plan, including Paulson & Co., Goldman, Sachs & Co., UBS, Silver Point Capital LP and Deutsche Bank AG.

Paulson was part of a so-called ad hoc creditor group that filed a rival Lehman plan on Dec. 15. The group, which sought to substantively consolidate the debtors, holds more than $12 billion in claims against Lehman, including $9.4 billion in senior unsecured claims. It also includes the California Public Employees' Retirement System, the county of San Mateo, Calif., Fiduciary Counselors Inc., Fir Tree Inc., Gruss Asset Management LP, Owl Creek Asset Management LP, Perry Capital LLC, Taconic Capital Advisors LP, Canyon Capital Advisors LLC, Pacific Investment Management Co. LLC and Western Asset Management Co.

Silver Point and Deutsche Bank are part of the "nonconsolidation plan proponents," which filed another rival Lehman plan on April 25. Oaktree Capital Management LP, Angelo, Gordon & Co. LP, Credit Suisse International and affiliates of D.E. Shaw Composite Portfolios LLC are also part of the group.

Court papers show that any proponent of one of the two alternative plans that signs a plan support agreement will reserve the right to prosecute its respective plan if the PSA were terminated. The debtor opposes the two alternative plans.

Miller said the competing plans won't be withdrawn but rather held in abeyance. In other words, they will not be prosecuted and will not move forward at the disclosure statement hearing.

Miller said Judge James Peck of the **U.S. Bankruptcy Court for the Southern District of New York** in Manhattan will consider the disclosure statement for the latest plan on Aug. 30. He expects a confirmation hearing to follow late this year and the plan to take effect early in 2012.

Lehman's amended plan separates the creditors of each of 23 bankrupt affiliates and does not substantively consolidate the debtors. It does, however, reallocate a portion of distributions from certain classes of creditors that would receive a lower distribution with substantive consolidation to creditors that would benefit from substantive consolidation.

The parent would pay its administrative, priority and secured claims in full.

LBHI senior unsecured creditors would receive a 21.1% recovery, compared with a 21.4% recovery under the previous plan, through a pro-rata share of available cash, while senior intercompany claimholders would receive a 15.6% recovery, compared with a previous 16.6% recovery, through available cash.

Guarantee claimholders would receive a recovery of 12.2% to 15.2%, compared with an 11.2% to 16.1% recovery under the previous plan.

LBHI's unsecured creditors would receive a 19.9% recovery from available cash.

But if the senior unsecured creditors and general unsecured creditors voted to accept the plan, then 20% of the distributions of the senior third-party guarantee claimholders would go to those creditors that voted in favor of the plan.

Intercompany claims would receive a 14.4% recovery in available cash. LBHI's subordinated claimholders and equity holders would be wiped out.

Lehman affiliate **Lehman Brothers Commercial Paper Inc.** would repay its secured creditors in full in cash.

LBCP would give its general unsecured creditors a 55.7% recovery in cash, compared with a 51.9% recovery in the previous plan. Holders of LBCP intercompany claims would receive a 48.4% recovery in available cash, and equity holders would be wiped out.

Certain LBCP creditors would also have to share a percentage of their distribution depending on if certain other classes of creditors voted to accept the plan.

The recoveries for creditors of other Lehman affiliates are all different.

Lehman, which owned investment banking, asset management, real estate and other assets, filed for bankruptcy on Sept. 15, 2008, after the collapse of a federal government-led effort to save it because of massive mortgage securities losses.

Its exclusive right to file and solicit acceptances to a Chapter 11 plan expired March 15 and May 17, 2010, respectively.

Miller, Lori Fife, and Alfredo R. Pérez of Weil Gotshal are debtor counsel.

Bingham McCutchen LLP, **Brown Rudnick LLP**, **Cadwalader, Wickersham & Taft LLP**, **Cleary Gottlieb Steen & Hamilton LLP**, **Clifford Chance LLP**, **Cravath, Swaine & Moore LLP**, **Dewey & LeBoeuf LLP** and **Paul, Weiss, Rifkind, Wharton & Garrison LLP** represent the nonconsolidation plan proponents.

J. Christopher Shore and Gerard Uzzi of **White & Case LLP** are counsel to the ad hoc creditor group.

THE WALL STREET JOURNAL.
WSJ.com

MARKETS | December 7, 2011

Lehman Closes a Chapter

As $65 Billion Bankruptcy Plan Is Approved, Cheers and Tears Color Courtroom

By JOSEPH CHECKLER

Lehman Brothers Holdings Inc.'s $65 billion creditor-payment plan was confirmed, a milestone in the investment bank's record-setting bankruptcy case and a denouement in the saga of the collapse that tipped world economies into chaos in 2008.

Judge James Peck of U.S. Bankruptcy Court in Manhattan signed off on the proposal, which benefits creditors of Lehman's subsidiaries more than other groups. Tuesday's approval sets the stage for Lehman creditors to start getting their money back sometime early next year, an outcome that seemed unlikely as recently as earlier this year.

More
Lehman Names Its Wind-Down Board
Topics: Lehman Brothers

The voice of Weil, Gotshal & Manges LLP's Harvey Miller, Lehman's lead bankruptcy attorney, quivered as he recounted the early days of Lehman's collapse and the looks on employees' faces as they cleaned out their desks in September 2008.

"It seems only like yesterday that we started this journey," Mr. Miller said. He later added, "Order evolved out of chaos."

In confirming the plan, Judge Peck said that while the Lehman bankruptcy "accelerated the financial crisis," the case represented the most "overwhelming outpouring of creditor consensus in the history of insolvency law. What a difference three years makes." The packed courtroom applauded after Judge Peck's remarks.

Lehman hopes for its plan to be effective by the end of January, and will be able to start paying back the creditors soon after that. The company will continue to exist, however, as it still has pending litigation with some parties, plus billions of dollars in assets—mostly in real estate. Money Lehman recovers from sales of assets would be distributed to the creditors, a process that will probably go on for years.

Agence France-Presse/Getty Images

Lehman's 2008 collapse led to thousands of lost jobs, including that of this London staffer.

Lehman's latest plan, filed in June, gives those owed money from Lehman's various subsidiaries larger recoveries than they would have received under an original plan. For example, some creditors of Lehman's Specialty Finance Unit—the heart of the failed investment bank's derivatives business—will receive more than 30 cents on the dollar, but the plan sets limits on how much they can claim. Bondholders of the Lehman parent will get less: about 21.1 cents on the dollar.

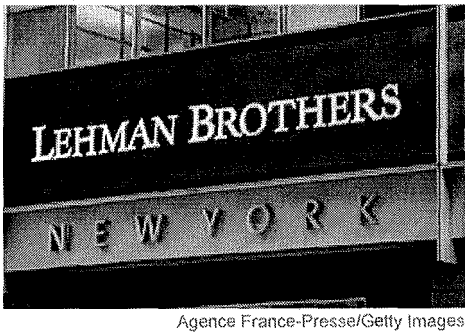
Lehman's plan reflects not only a compromise between the creditors of its parent company and those of its nearly two dozen subsidiaries—two groups that themselves had filed competing plans earlier this year before withdrawing them—but also satisfies last-minute concerns of a host of creditors from all over the world. By Tuesday, Mr. Miller said all but one minor objection, from a firm called Dotson Investments Ltd., had been resolved.

A lawyer for the firm, which like other objectors thought Lehman's plan should be one of "substantive consolidation" that pays creditors from one big pot of money, wanted to examine Lehman witnesses. Lehman and a lawyer for its creditors each said Tuesday that such a plan would result in years of litigation and delay distributions to creditors. Judge Peck said the objection could be construed as an attempt at "coercion" toward a deal with Lehman for better recovery.

Since the investment bank's collapse in September 2008, a team of hundreds of bankruptcy professionals under the direction of Alvarez & Marsal Inc. has managed Lehman's assets—which include real-estate holdings, corporate debt and derivatives—for the benefit of creditors. Fees paid to professionals in the case are near $1.5 billion.

Lehman estimated earlier this year that there would likely be $322 billion in allowed claims against its bankruptcy estate, with $272 billion from the parent company and about $50 billion from its various subsidiaries.

"Confirmation of this plan is a testament to the enormous efforts of the many stakeholders who recognized the value of an economic compromise plan and did yeoman's work to achieve it," said Alvarez & Marsal's Bryan Marsal, Lehman's chief executive.



Agence France-Presse/Getty Images

Lehman filed for bankruptcy protection on Sept. 15, 2008.

Despite the confirmation of its Chapter 11 plan, Lehman Brothers Holdings still has billions of dollars in real estate and other assets and will continue to exist as it unloads those investments. As part of its overall plan, Lehman on Monday named a new seven-member board of directors that includes executives and directors of businesses and subsidiaries related to Delphi Automotive PLC, Morgan Stanley, American International Group Inc. and Capmark Financial Group Inc., among others, according to court documents.

Toward the end of the hearing, Mr. Miller, Lehman's attorney, told Judge Peck, "Nobody thought this would be over in three years."

"Well, it's not over yet," Judge Peck responded.

Write to Joseph Checkler at joseph.checkler@dowjones.com