

Vulture fund wins case against cash-strapped Congo

Vanda Carson

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A NEW YORK "vulture fund" has successfully sued one of the world's poorest nations in the NSW Supreme Court over a \$US30 million debt related to a failed hydro-electricity project.

FG Hemisphere, now known as FG Capital Management Ltd, has succeeded in the suit against the Democratic Republic of Congo and its national electricity company, triggering the sale of more than \$US30 million worth of shares in an undisclosed Australian mining company.

The shares are owed by the Congolese government and are expected to be sold to meet the court judgment, handed down last month.

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Sources close to the case said the shares were in a major mining company. They declined to name the miner, but ruled out BHP Billiton and Rio Tinto.

FG, which was founded by a pair of former Morgan Stanley and Lehman Brothers consultants, made the claim because it bought the "distressed debt" owed to Energoinvest, the Yugoslav company which financed the construction of a high-voltage electric power transmission line in the Congo in 1980.

FG is described as a "pioneer in the secondary market for developing-country debt". FG Capital's website boasts that the company manages "portfolios of several hundred million dollars of emerging market bonds and loans from some 40 countries representing virtually every emerging or developing region in the world".

"For the last several years, FGCM has been managing a portfolio of several hundred million dollars in legal claims involving various certain emerging market sovereigns."

The founder of FG, Peter Grossman, told the court he had a right to collect the money because International Chamber of Commerce arbitrations in Switzerland and in France in April 2003 awarded Energoinvest \$US30 million, plus interest. Mr Grossman said his company had bought the debt in November 2004.

FG took action in the US in 2005 to force the Congo to identify "airplanes, boats, trucks and cars" worth more than \$10,000, and precious metals, art or jewellery belonging to the government.

The case in the NSW Supreme Court is one of many fought around the world, including Hong Kong and Jersey in Britain.

Both the Hong Kong and Jersey courts ordered the Congo to pay \$100 million.

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