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Reorganization of LIAT Wins Approval in Antigua High Court

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ST. JOHN'S, Antigua, CMC – A high court has granted a petition allowing for the reorganization of the cash-strapped regional airline, LIAT, the appointment of an administrator as well as staying all proceedings relating to the liquidation of the company.

Senior Counsel Anthony Astaphan confirmed that the High Court here granted the petition late Friday as the Gaston Browne administration moves ahead with its efforts to reorganise the airline which owes creditors in excess of EC\$100 million (One EC dollar=US\$0.37 cents).

Browne had disagreed with his fellow shareholder governments, mainly Barbados and St. Vincent and the Grenadines, to liquidate the airline, which has been serving the region for decades. Dominica is the other major shareholder government.

“It was a petition to begin the process of reorganisation by the appointment of an administrator and a stay of all proceedings against LIAT, civil, liquidation proceedings by the shareholders, creditors, to put a stay on it which will give the administrator...appointed by the court to be able to take a deep look at LIAT and to make recommendations one way or the other,” Astpahan said.

He said the administrator would assume control of the assets of the airline “and to begin the exercise imposed on him by the legislation, the amendments that were made recently.

“And it is a very very important step because it gives the Prime Minister ...the opportunity to be able to work with the administrator and for the administrator to take a look at everything to be able to come to the conclusion that LIAT (1974) one sort or the other would be able to be reorganised and back in the skies”.

According to the new reorganizational plan, a copy of which has been obtained by the CMC, Antigua and Barbuda is proposing re-investment of EC\$108 million with St. John’s indicating that under the new plan it is prepared to underwrite up to 50 per cent of the required capitalization.

“The new capital invested during reorganization will be protected, in that it will rank in priority above all other creditors in the unlikely event of liquidation,” it said, noting that the remaining EC\$54 million to be shared by other private and public sector entities, including existing shareholder governments.

The Companies Act of Antigua and Barbuda allows for the appointment of an administrator, who will be the sole representative of the LIAT estate. All decisions involving the affairs of LIAT would be taken exclusively by the administrator and not the directors, or shareholders.

The main responsibility of the Administrator would be to reorganize the company, by cutting liabilities and realigning expenses to make. The administrator would have full powers to negotiate terms with creditors, including agreement to reduce sums payable.

Astaphan confirmed that as a result of the High Court ruling, a stay has been put on the creditor’s meeting that had been scheduled for July 31.

Astaphan said the legislation “puts a complete stay on everything, it’s an automatic stay on everything, but in credit to LIAT, the debtor company in this case, their lawyer...indicated that LIAT had no objections to the petition or the appointment of the arbitrator”.

He said the lawyer “wanted to make it absolutely clear that the stay should include the shareholders agreement to liquidate and also the creditors meeting that was schedule for the 31st (of July).

“So the critical processes have been stayed expressly with the consent of the attorney...representing LIAT,” he said.

In an interview with the CMC earlier this week, Prime Minister Browne said that the reorganised LIAT (1974) limited would be different from a restructured entity “where you restructuring to sustain debts but you have no deep cuts

“In a reorganised LIAT, creditors will be asked to take a cut up to 100 per cent in some instances, but on average about 50 per cent. The staff we expect, a 50 per cent reduction in the staff liabilities because if they go to liquidation they will be lucky to get 10 per cent,” he added.

