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U.S. Hedge Fund Sues Vietnam's Vinashin

By ISABELLA STEGER And ALISON TUDOR

U.S. hedge fund Elliott Advisers LP is suing Vietnamese state-run shipbuilder Vinashin in the U.K. High Court, according to a filing seen by The Wall Street Journal.

Vinashin defaulted on a \$600 million syndicated loan last December, when the first repayment of \$60 million was due. Other investors in the loan, which was arranged by [Credit Suisse](#) AG in 2007, include Dublin-based Depfa Bank PLC and [Malayan Banking](#) Bhd., as well as Credit Suisse.

According to the filing, served in late November, Elliott is suing for par value of its investment, together with unpaid interest and default interest totaling \$13.2 million.

The filing says that 22 of Vinashin's subsidiaries were the original guarantors of the loan, and are named as defendants in the case. Four of the subsidiaries were transferred to two other state-owned enterprises—Vietnam Oil and Gas Group and Vietnam National Shipping Corporation—as part of a restructuring in mid-2010 amid a police investigation into fraud at the company. The terms of the loan prohibit Vinashin from transferring assets without the consent of lenders.

A person familiar with the matter said even after the restructuring, investors were "confident" Vinashin would make good on the first payment last December because of a letter of support sent by the government in March 2007 to investors explicitly backing the repayment of the loan. That guarantee led Standard & Poor's Rating Services to assign the same credit rating to Vinashin as it had on Vietnam's sovereign debt.

That guarantee was "the only reason why foreign investors invested in the facility," given Vinashin's lack of track record and massive debt, said the person.

The government has said Vinashin's debt are not the responsibility of the state.

Vinashin is being advised by law firm Mayer Brown JSM and KPMG. Both declined to comment. Vinashin officials declined to comment.

Formerly known as the Vietnam Shipbuilding Industry Group, Vinashin was created by the government in 2005 to spearhead the development of the country's maritime industry. It expanded rapidly into new shipping lines and manufacturing businesses, as well as industries unrelated to shipbuilding such as finance and beer, and the 2008 global economic crisis left the conglomerate saddled with around \$4.4 billion in debt.

In addition to worries over the credit quality of Vietnam's state-owned companies, foreign investors are also concerned over the ability of the Vietnamese government to manage its economy. Inflation was close to 20% in November, after peaking at 23% in August.

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