

BANKRUPTCY REPORT

Bankruptcy report number 2 of the trustee of

Lehman Brothers Securities N.V.

29 July 2009

Company name	: Lehman Brothers Securities N.V. (" LBS ")
Bankruptcy reference	: E.J.F. 2/2009
Bankruptcy date	: 30 January 2009
Trustee	: Mr. M.R.B. Gorsira (the " Trustee ")
Supervisory judge	: Mrs. A.M.P. Geelhoed
Activities Company	: The objective of LBS is the structuring and issuing of derivative products linked to equity securities with the purpose to obtain a return on investment.
Turnover data	: Operating income according to the audited annual accounts 2007 (as of 30 November 2007): USD 21,895
Reporting period	: 12 March 2009 up to and including 28 July 2009
Hours spent in period under review	: 407.3
Total hours spent to date	: 538.9

Summary of key issues

- The Trustee has signed the *Cross-Border Insolvency Protocol* and on 16 and 17 July 2009 he joint meetings with trustees and/or administrators and/or the various official representatives of the most important Lehman Brothers Group entities world wide (the "**Official Representatives**");
- In the Chapter 11 proceedings of LBHI, dates have been set for the filing of claims (under the guarantee). The final date for filing of claims on the basis of guarantees provided by LBHI to the LBS certificate and warrant holders (the "**Security Holders**") is set on 2 November 2009. Please check: www.lehman-docket.com; and
- In accordance with US GAAP, the intercompany *Global Close Balance Sheet* of the Lehman Brothers Group entities, including LBS, has been finalized in January 2009.

1. General

1.1 This is the second bankruptcy report of the Trustee. The information provided in this report – especially the financial information – is still subject to further investigation. Please be advised that information may have to be substantially amended following the further investigation.

1.2 With regard to the progress of the bankruptcy, the Trustee will communicate with creditors and other interested parties via electronic mailings and the website: www.ekvandoorne.com/bankruptcylbs.

2. Lehman Brothers Securities N.V.

2.1 General

LBS was incorporated on 31 October 2003 and is a wholly-owned subsidiary of Lehman Brothers Asia Holdings Limited ("**LBAHL**"), seated in Hong Kong, which in turn is a wholly-owned subsidiary of Lehman Brothers Holdings Inc. ("**LBHI**"). LBHI is incorporated in Delaware in the United States and is the holding company of the worldwide operating Lehman Brothers group (the "**Lehman Brothers Group**").

LBS has its corporate seat at E-Commerce Park Vredenberg, Curacao, the Netherlands Antilles. Mr. Jonathan Josef Knapp is listed in the Commercial Register as the managing director of LBS (the "**Managing Director**").

2.2 *Lehman Brothers Warrants N.V.*

The Trustee is aware of the fact that the term sheets of at least the security with ISIN code ANN5214R8254 issued by LBS, shows a company called "*Lehman Brothers Warrants N.V.*" as the issuer of the respective security. After review of the final terms and other (legal) documentation of the respective security and further research with the Commercial Register regarding the existence of a Netherlands Antilles company "*Lehman Brothers Warrants N.V.*", it appears that the issuer – Lehman Brothers Securities N.V. – has probably by accident been referred to as "*Lehman Brothers Warrants N.V.*". The final terms and the offering circular as well as the respective ISIN code refer to Lehman Brothers Securities N.V. as the issuer; and as far as the Trustee could have assessed, a Netherlands Antilles company "*Lehman Brothers Warrants N.V.*" does not exist.

2.3 *Cause of bankruptcy*

On 15 September 2008 LBHI filed a petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of the United States Bankruptcy Code. The Lehman Brothers Group has subsequently closed globally all its subsidiaries. As LBS was not able to pay its debts anymore, LBS requested the Court of First Instance of the Netherlands Antilles, venue Curacao, to be declared bankrupt in January 2009.

3. **The Securities**

3.1 LBS issued warrants and certificates (the "**Securities**") to institutional and private investors under various programs, such as:

- Lehman Warrant and Certificate Program;
- Warrant and Certificate Program (Germany);
- Warrant and Certificate Program (Switzerland); and
- Warrant and Certificate Program (Nordic States).

The abovementioned programs are hereinafter collectively referred to as the "**Programs**". Under the Programs a great variety of Securities with individually different terms and conditions were issued.

3.2 Most of the Securities were linked to derivative instruments, such as the price developments of specific shares, basket of shares or commodities etc. The risks related to these derivative instruments were hedged by LBS by entering into (hedging) agreements under ISDA master agreements with (especially) Lehman Brothers Finance S.A. ("**LBF**"). The idea was that, by entering into these (hedging) agreements with LBF, LBS did not run any market risk of value movements with respect to the Securities LBS had issued. The Trustee has not – yet – been provided by LBIE and/or LBF with the (hedging) agreements nor with the ISDA master agreements (see also in this respect paragraph 5.2).

3.3 The Securities have (most probably) all been issued under guarantee of LBHI. The proceeds of the issuances of the Securities were used to finance LBHI and its group companies.

4. **Settlement bankruptcy**

4.1 *General*

Since the first bankruptcy report, dated 12 March 2009, the Trustee has especially been active regarding the filing of (provisional) claims of and correspondence with the Security Holders

and/or their representatives. On 16 and 17 July 2009 the Trustee went to London to join respectively a meeting organized by Lehman Brothers International (Europe) Ltd. ("LBIE") and the First Protocol Meeting (see also paragraph 6.2). As a direct consequence of a lack of financing (see also paragraph 5.1 of the [first bankruptcy report](#)), the Trustee is (still) not able: i) to acquire the necessary (legal and financial) documentation and information from LBIE; ii) to be provided with accountants services in order to review the accounts and other financial data from LBS; and iii) in respect of matters of UK and US law, hiring UK and US counsel. The Trustee expects to be provided with estate financing (*boedel financiering*) on short term.

5. Financial and Legal Documentation and Information

5.1 *The Global Close Balance Sheet*

In accordance with US GAAP, the intercompany *Global Close Balance Sheet* (the "**Global Close**") of the Lehman Brothers Group entities has been finalized in January 2009. The Global Close was a full accounting close as of 12 September 2009, the last business day prior to the commencement of the Chapter 11 proceedings for LBHI and LBIE on 15 September 2009. The Trustee, who has not actively been involved in the Global Close, has been provided with the Global Close, which Global Close will not be published by the Trustee yet, for the following reasons.

Due to the fact that the IT and internal control systems of the Lehman Brothers Group have not been designed to draw up interim balance sheets, the financial data generated for the purpose of the Global Close has not been confirmed by PwC UK (the receiver of LBIE) or a third party. Furthermore, the difference of the insolvency dates of the various Lehman Brothers Group entities have made it even more difficult. In order to accomplish the Global Close, adjustments were made in the administrative systems of the Lehman Brothers Group; at this stage the Trustee has no insight in these adjustments.

The Trustee expects to receive further explanation on the Global Close and the adjustments from LBIE and/or LBHI in the coming months. The Trustee will inform the creditors in due course of his findings, if any, in this respect.

5.2 *Lehman Brothers International (Europe) Ltd.*

Due to the enormous quantity of Securities issued by LBS and the complexity of the valuation process of the Securities, the accounting of LBS is very complicated. The complexity of the accounting of LBS is enhanced by the fact that the Trustee is dependant on the information to

be provided by other Lehman Brothers entities, within the Lehman Brothers Group, especially LBIE, which entity is in U.K. administration proceedings as of 15 September 2008. LBIE acted, among other matters, as arranger, dealer and calculation agent with respect to the majority of the Programs. In these capacities LBIE structured the issuances, prepared the underlying legal documentation and coordinated the issuances to intermediaries who eventually offered the Securities to private and institutional investors. LBIE has carried out the main administrative duties for LBS.

Almost all legal documents and accounts are on the systems of LBIE; LBS had – except for some hard copies – no physical records in its offices. As it seems now, LBIE is only willing to provide the affiliates with the information against settlement of costs. In order to be provided with all relevant information, the Trustee has to negotiate with LBIE and agree to a bilateral agreement under UK law.

6. Cross-border insolvency protocol

6.1 *Cross-border insolvency protocol*

As mentioned in the first bankruptcy report, LBHI has drafted a multi-party cross border insolvency protocol (the "**Protocol**"). The purpose of the Protocol is to come to an efficient winding-up of the companies of the Lehman Brothers Group by facilitating the coordination between the various official representatives and the courts involved. The Protocol intends, among other issues, to provide for a consistent and measured approach to the calculation and adjudication of intercompany claims that avoids unnecessary intercompany litigation.

After approval of the Supervisory Judge, the Trustee has signed the Protocol. The Protocol has also been signed by the Official Representatives of the various Lehman Brothers Group entities in the United States (LBHI and LBI), Germany (Lehman Brothers Bankhaus), Singapore, Hong Kong (LBAHL), Australia and Switzerland (LBF). LBIE has not signed the Protocol; it has notified the official representatives that it does not favour a multilateral approach as embodied by the Protocol regarding the settlement of the intercompany relations of the Lehman Brothers Group entities.

6.2 *First Protocol Meeting*

LBHI invited the Official Representatives of the most important Lehman Brothers companies for a meeting in London on 17 July 2009. Except for LBIE, all parties to the Protocol as well as the official representatives of Lehman Brothers Equity Finance (Luxembourg) S.A. and

Lehman Brothers Japan attended the first protocol meeting held on 17 July 2009 (the "**First Protocol Meeting**"). The objective of the First Protocol Meeting was primarily to discuss how the Official Representatives might agree to intercompany claims through a streamlined, consistent, coordinated and transparent process that significantly reduces administrative expenses and avoids years of potential costly litigation.

Each of the Official Representatives presented the meeting an update of their respective bankruptcy proceedings. Subsequently, LBHI gave an overview of the global close procedures. Furthermore, the parties discussed the settlement of the intercompany claims. The parties acknowledged the importance of settling the intercompany claims as these claims constitute important items in the respective balance sheets. All parties which were present stated to be willing to investigate a joint approach towards resolving intercompany claims and to have the intent to embark on a number of follow up steps during the coming months.

The Second Protocol Meeting will take place in October 2009 either in Amsterdam or London.

7. **Filing claims**

7.1 *General*

The rules and procedures in respect of the filing of claims in bankruptcy proceedings in the Netherlands Antilles and the United States differ considerably. A major difference is that in the United States a bar date is fixed relatively early in the proceedings. The creditors, who do not file their claims before or ultimately on this bar date, can no longer file their claims after that date. The procedure for establishing the amount of the claim does not take place until after the bar date. Netherlands Antilles bankruptcy proceedings do not have a bar date or comparable mechanism for filing claims. If there is a prospect of a distribution to creditors and the trustee has been able to assess the amount of the claims filed, the supervisory judge will set a date for the creditors' meeting (*verificatievergadering*). At this meeting lists of provisionally allowed and provisionally disputed claims are discussed. At the end of the meeting the supervisory judge establishes which claims are definitively allowed and disputed. It is noted that after the creditors' meeting (subsequent) claims can still be allowed.

7.2 *Filing claims (under the guarantee) in the bankruptcy of Lehman Brothers Holdings Inc.*

As mentioned under paragraph 3.3 of this bankruptcy report, the Securities have (most probably) all been issued under a guarantee of LBHI. In this respect, please note the following.

Judge Peck of the United States Bankruptcy Court, Southern District of New York, set various bar dates for filing claims in the Chapter 11 proceedings of LBHI in his order of 2 July 2009 (the "**Order**"). The Order establishes 22 September 2009 as the deadline for the filing of proofs of claim by virtually all creditors against LBHI and its affiliated debtors in the Chapter 11 cases and 2 November 2009 as the deadline for the filing of proofs of claim with respect to any Lehman Program Securities. In the Order it is established that regarding securities stated on the Lehman Program Securities list – which in principle should include the securities issued by LBS – a bank or another representative can submit claims in the Chapter 11 proceedings of LBHI on behalf of the Security Holders. The filing party is deemed to be able to take any decisions in respect of the relevant Security for these Security Holders. The Trustee expects that the banks and intermediaries involved will inform the ultimate beneficial Security Holders on the details related to the filing of the proofs of claims in the bankruptcy of LBHI and accordingly take the necessary steps in order to secure potential claims under the guarantee.

For detailed information related to the filing of claims in the Chapter 11 proceedings of LBHI, the Trustee advises Security Holders to visit the website of LBHI (www.lehman-docket.com). This website also includes the Order and the Lehman Programs Securities list.

The bar date for filing intercompany claims against LBHI and its affiliated debtors in the Chapter 11 cases for the Official Representatives is 2 November 2009.

7.3 *Filing claims in the bankruptcy of Lehman Brothers Securities N.V.*

Up to date about 100 (ultimate beneficial) Security Holders and/or their representatives (the custodians) have filed claims with the Trustee and/or have provided the Trustee with their contact information in order to be kept informed about the settlement of the bankruptcy proceedings. The Supervisory Judge has **not** set a date for the creditors' meeting or a bar date for filing claims in the LBS bankruptcy yet; it is still unknown when the Trustee will request the Supervisory Judge to set such dates. Nonetheless, the Trustee still requests the Security Holders to file their claims – as documented¹ as possible.

The Trustee has published the list of issuances of LBS, identified by the ISIN code. The Trustee makes no representation in respect of the completeness and accuracy of this list. It is

¹ Latest bank statement before 30 January 2009; Final Terms of the respective securities; contact information of the (ultimate beneficial) Security Holder and of the custodian/representative.

also noted that the description of the notes as stated on the list, is not always consistent with the description in the underlying documentation.

7.4 *Valuation of claims*

As stated in paragraph 3.1 of this bankruptcy report, there are four different programs under which the Securities are issued by LBS. The program documentation, which includes the specific rights and obligations of the Security Holders is the starting point regarding the valuation of the claims arising out of the Securities. For the valuation of these claims in the bankruptcy of LBS, Netherlands Antilles bankruptcy law is primarily of importance.

The Trustee has not been provided with said documentation by LBIE yet. The Trustee expects publishing further information on this subject in the next bankruptcy report.

8. Improper management

The Trustee will further investigate the manner in which the Managing Director has fulfilled his duties.

9. Fraudulent acts in respect of creditors

The Trustee will further investigate whether fraudulent acts (*paulianus handelen*) have been committed.

10. Miscellaneous

- 10.1 This second bankruptcy report (as well as every subsequent bankruptcy report) will be available on www.ekvandoorne.com/bankruptcylbs. The bankruptcy reports are also available for inspection at the Court of First Instance of the Netherlands Antilles, venue Curacao.

- 10.2 All creditors, including but not limited to the Security Holders, who believe that they have a claim against LBS, are requested to submit those claims in writing, with documents² supporting such claim, to:

VanEps Kunneman VanDoorne

C/o Bankruptcy LBS
Attn. Robert F. van Beemen
Julianaplein 22
P.O. Box 504, Curacao
Netherlands Antilles

or by e-mail to:

bankruptcy_lbs@ekvandoorne.com

11. Plan of action

At this stage the Trustee has four priorities:

- i) The Trustee will continue gathering (contact) information of the (ultimate beneficial) Security Holders and/or their representatives;
- ii) The Trustee has still no funds to finance the required duties to settle this bankruptcy in a satisfactory manner; however the Trustee expects to be provided with estate financing on short term;
- iii) After the Trustee has been provided with estate financing, he will initiate negotiations with LBIE in order to be provided with the legal and financial documentation and information regarding the Securities and LBS; and
- iv) In accordance with the Global Close, the Trustee will file the intercompany claims with the various Lehman Brothers affiliates.

² Latest bank statement before 30 January 2009; Final Terms of the respective securities; contact information of the (ultimate beneficial) Security Holder and of the custodian/representative.