

BANKRUPTCY REPORT

Bankruptcy report number 8 of the trustees of

Lehman Brothers Securities N.V.

28 September 2011¹

Company name	: Lehman Brothers Securities N.V. (" LBS ")
Bankruptcy reference	: E.J.F. 2/2009
Bankruptcy date	: 30 January 2009
Trustees	: Mr. M.R.B. Gorsira and Mr. R.F. van Beemen (the " Trustees ")
Supervisory judge	: Mr. A.J. Beukenhorst (the " Supervisory Judge ")
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	: 23 April 2011 up to and including 26 September 2011
Hours spent in period under review	: 1.708,8
Total hours spent to date	: 7.794,7

Summary of key issues

- On 24 May 2011 the Supervisory Judge appointed Mr. Robert F. van Beemen as bankruptcy trustee in the bankruptcy of Lehman Brothers Securities N.V. alongside Mr. Michiel R.B. Gorsira;
- After the approval of the Supervisory Judge, the Trustees have entered into a USD 32,500,000 refinance and facility agreement, dated 13 June 2011, which enable them to finance the settlement of the bankruptcy;

¹ This report does not address any events or filings (including any new or amended chapter 11 plans of reorganization) after 26 September 2011.

- After the approval of the Supervisory Judge, the Trustees have entered into a Non-Disclosure Agreement, dated 16 June 2011, relating to the discussions concerning possible amendments to the Plan and the Disclosure Statement with the U.S. Debtors;
- On 1 July 2011, the U.S. Debtors filed the Second Amended Joint Chapter 11 Plan of LBHI and Its Affiliated Debtors (the "**Second Amended Plan**") and a related Disclosure Statement (the "**Disclosure Statement**");
- On 30 August 2011, the United States bankruptcy judge, James M. Peck approved the Disclosure Statement;
- On 1 September 2011, the U.S. Debtors filed the Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc and Its Affiliated Debtors (the "**Third Amended Plan**") and the related Disclosure Statement;
- LBHI has published a list of each structured security issued by LBS and the corresponding Proposed Allowed Claim Amount calculated using the Structured Securities Valuation Methodology;
- The Trustees are a party to the *Cross-Border Insolvency Protocol* (the "**Protocol**") and have participated in meetings with the official representatives that are also parties to the Protocol (the "**Official Representatives**" or the "**Protocol Parties**") on 29 April 2011 in New York, on 1 June 2011 in London and on 27 July 2011 in New York; and
- Neither a claims filing date nor a date for the claim admission meeting have been set in Curacao. The Trustees expect to request the Supervisory Judge to set a claim filing date in the first quarter of 2012.

1. General

- 1.1 This is the eighth bankruptcy report of the Trustees. 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 such further investigation.
- 1.2 With regard to the progress of the bankruptcy, the Trustees will communicate with the creditors and other interested parties via electronic mailings (through the electronic communication systems of the clearing systems) and via the website: www.ekvandoorne.com/bankruptcy-lehman-brothers-securities/38-general-information.

Please note that the information and documents published on the dedicated website may (at any time) be subject to changes.

- 1.3 In this eighth bankruptcy report the Trustees provide an update regarding the progress of the settlement of the bankruptcy of LBS over the last 5 months. Subjects discussed in the prior bankruptcy reports, but not discussed in this bankruptcy report, may however still be subject to further investigation and/or analysis, but no or little progress has been made regarding those subjects in this reporting period.

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, seated in Hong Kong, which in turn is a wholly-owned subsidiary of LBHI. LBHI is incorporated in Delaware in the United States and is the holding company of the worldwide operating Lehman Brothers group of companies (the "**Lehman Brothers Group**").

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

2.2 *Cause of bankruptcy*

On 15 September 2008 LBHI filed a petition in the U.S. Bankruptcy Court seeking relief under Chapter 11 of the United States Bankruptcy Code. The Lehman Brothers Group has subsequently closed all its subsidiaries globally. As LBS was then unable to pay its debts, LBS requested the Court of First Instance of the Netherlands Antilles, venue Curacao, that it be declared bankrupt in January 2009.

3. **Cross-border insolvency protocol**

3.1 *Protocol Meetings*

The Protocol Parties met on 29 April 2011 in New York, on 1 June 2011 in London and on 27 July 2011 in New York. The Protocol Parties participated in a conference call on 15 September 2011. Representatives of the non-consolidation plan proponents that filed a competing Plan on 25 April 2011 gave a presentation to the Protocol Parties at the protocol meeting in New York held on 29 April 2011 and a subsequent presentation at the meeting in London on 1 June 2011.

Contrary to the Bankruptcy Trustees and certain other participants' expectations, the (intercompany) settlement guidelines mentioned in the previous report, have not formally been agreed upon.

The next Protocol meeting is scheduled for 15 November 2011, place to be determined.

4. U.S. Debtors

4.1 *The Amended Plan and the Disclosure Statement*

On 1 July 2011, the U.S. Debtors filed the Second Amended Plan and the related Disclosure Statement. Subsequently, the United States bankruptcy judge, James M. Peck approved the Disclosure Statement on 30 August 2011. On 1 September 2011 the U.S. Debtors filed the Third Amended Plan along with the Disclosure Statement.

The Second Amended Plan and the subsequent Third Amended Plan (together and only for the purpose of this bankruptcy report the "**Amended Plan**") is the result of a settlement with substantially all of the proponents of the Ad Hoc Plan and the Non-Con Plan. The Third Amended Plan can be best described as (i) a non-consolidation plan with (ii) certain mechanisms designed to resolve what the Disclosure Statement describes as "Plan Issues".

4.1.1 *LBS Intercompany Claim against LBHI*

LBS filed an intercompany claim against LBHI (the "**Intercompany Claim**") for approximately USD 6 billion.²

Affiliate Claims have allowed claims in an amount agreed to by the applicable Debtor and Affiliate or otherwise determined by the Bankruptcy Court. The Trustees are currently in settlement negotiations with the U.S. Debtors over the allowed amount of the Intercompany Claim.

As a Senior Affiliate Claim in LBHI Class 4A, the LBS Intercompany Claim will receive (i) its pro rata share, as an LBHI unsecured claim, of all LBHI cash available to LBHI unsecured claims and (ii) its pro rata share, as a "senior" LBHI claim, of distributions allocable to LBHI's subordinated notes which must turn those distributions over to "senior" claims.

The Amended Plan provides that LBHI may assert set-offs and recoupments against intercompany claims (§ 8.10), assert rights of reimbursement arising out of payments on guaranties, (§ 8.14) and withhold distributions on an intercompany claim to a Non-Controlled

² In accordance with the Global Close Balance Sheet LBHI has an intercompany claim with LBS of approximately USD 800 million.

Affiliate if such affiliate is itself obligated to another Non-Controlled Affiliate who is refusing to honor its obligations to LBHI (§ 8.15).

The Amended Plan excludes LBS from the following Plan provisions: Sections 8.10 (Setoff and Recoupment), 8.14 (Right of Reimbursement) and 8.15 of the Plan (Distribution to Non-Controlled Affiliates).

4.1.2 *LBS Claims against LBSF*

LBS filed an intercompany claim against LBSF for approximately \$74.6 million. LBSF has not filed a claim against LBS. The Trustees are currently in settlement negotiations with the U.S. Debtors over the allowed amount of this claim.

Allowed Affiliate Claims in LBSF Class 5C receive a Pro Rata Share from LBSF of (i) Available Cash provided, however, a Plan Adjustment Percentage (6%) will be automatically redistributed to LBHI Class 3 and LBHI Class 7, (ii) the Excess Plan Adjustment Portion and (iii) the LBSF Additional Settlement Amount.

4.1.3 *LBS Claims against LBCC*

LBS filed a derivatives claim against LBCC for approximately USD 1.2 million. The Trustees are currently in settlement negotiations with the U.S. Debtors over the allowed amount of this claim.

Allowed Affiliate Claims in LBCC Class 5C receive Pro Rata Share from LBCC of (i) Available Cash provided, however, a Plan Adjustment Percentage (10%) will be automatically redistributed to LBHI Class 3 and LBHI Class 7 and (ii) the Excess Plan Adjustment Portion.

4.1.4 *LBS Note Guarantee Claims*

Each LBS Security will have a Senior Third-Party Guarantee Claim in LBHI Class 5 and receive 80% of its (i) its pro rata share, as an LBHI unsecured claim, of all LBHI cash available to LBHI unsecured claims, (ii) its pro rata share, as a “senior” LBHI claim, of distributions allocable to LBHI’s subordinated notes which must turn those distributions over to “senior” claims. The other 20% (its “Plan Adjustment Percentage”) will be distributed to LBHI Class 3 (Senior General Unsecured Claims) and LBHI Class 7 (General Unsecured Claims). In addition, Senior Third-Party Guarantee Claims will receive their pro rata share of the Excess Plan Adjustment Portion.

The amount of the claims will be calculated in accordance with the Structured Securities Valuation Methodologies. Based on those methodologies, the U.S. Debtors have proposed that LBS Note Guarantee Claims be allowed in the approximate and aggregate amount of USD 979,438,893.

4.1.5 *LBS Note Convenience Guarantee Claims*

The Amended Plan added a class of “Convenience Guarantee Claims” - Senior Third-Party Guarantee Claims or Third-Party Guarantee Claims (other than public debt security issued by LBHI or Designated Entity) for \$50k or less.

Such claims receive Cash from LBHI in amount equal to .17 multiplied by the amount of such claim.

Subject to reaching a settlement agreement with the U.S. Debtors that settles the treatment of the Intercompany Claim, the LBSF and LBCC claims and certain other issues, the Trustees intend to vote in favour of the Amended Plan (as currently filed).

4.1.6 *Settlement Agreement*

Any settlement agreement between the Trustees and the U.S. Debtors will be subject to the approval of the Supervisory Judge. If and when the Trustees have entered into a settlement agreement with the U.S. Debtors – and after the Supervisory Judge has given his approval – the executed settlement agreement will be communicated to the Security Holders via i) electronic mailings (through the electronic communication systems of the clearing systems); ii) a notification on the website; and iii) by means of an email notification to those included on the mailing list. The Trustees expect to execute a settlement agreement in the coming weeks.

5. **Plan Discovery Procedures**

As a result of the filing of the Second Amended Plan, on 1 July 2011, the U.S. Debtors filed a motion with the U.S. Bankruptcy Court seeking (i) approval of an order among the U.S. Debtors, the Ad Hoc Group and substantially all of the non-consolidation plan proponents regarding abeyance of prosecution of the alternative chapter 11 plans and (ii) a stay of related discovery under the Discovery Protocol Order. On 21 July 2011 the U.S. Bankruptcy Court entered an order approving the motion. The order provides that implementation of the Discovery Protocol Order and all proceedings thereunder are stayed pending further order of the U.S. Bankruptcy Court. The order does, however, reserve the rights of any party in interest (other than a party to the stipulation) to seek discovery in accordance with applicable U.S. Rules, so long as a party seeking discovery first confers with the party on which a discovery

request is to be served and subject to any additional requirements or procedures agreed to or ordered by the U.S. Bankruptcy Court.

6. Valuation of LBS Warrants & Certificates

LBHI has published a list of each structured security issued by LBS and the corresponding Proposed Allowed Claim Amount calculated using the Structured Securities Valuation Methodology. The Trustees refer to the following website: <http://chapter11.epiqsystems.com/LBH/Project/default.aspx>. On this website one can find the allowed guarantee claims for the structured security. As the Trustees have noted in their previous bankruptcy report, they are considering the possibility of utilizing the same or similar methodologies for valuing the Securities in the Curacao proceedings.

7. Non U.S. Debtors

LBF, LBFNA and LBIE

With regard to the claims against respectively i) Lehman Brothers International (Europe) ("**LBIE**"); and ii) LBF and LBFNA, in relation to certain unfunded Securities (the "**Unfunded Securities**"), and to a related back-to-back hedging agreement, in the last couple of months several meetings and discussions between the Trustees, LBIE and LBF/LBNA have taken place. Further discussions and investigation is still necessary. The Trustees expect to provide more detailed information regarding a settlement concerning the Unfunded Securities and the back-to-back hedge claim in due course.

Depending on the outcome of the joint investigations, (legal) analyses and discussions between the Trustees on the one hand and LBIE and LBF/LBFNA on the other hand, the Trustees might cancel and/or amend (part of) the claims against LBIE and/or LBF/LBFNA.

8. Global Close Balance Sheet and Reconciliation

Further to the joint reconciliation and the investigation efforts by LBS, LBF/LBFNA and LBIE regarding the Unfunded Securities, the Trustees note that they continue to investigate the bookings of certain Securities issued by LBS.

9. Creditors

The Trustees have not set a bar date yet, but they expect to request the Supervisory Judge to set a bar date in the first quarter of 2012.

10. Improper management

The Trustees will further investigate the manner in which the Managing Director and the supervisory board have fulfilled their duties.

11. Fraudulent acts in respect of creditors

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

12. Miscellaneous

12.1 As to the timing, the Trustees note that the winding-up of the bankruptcy of LBS largely depends on the completion of the Chapter 11 proceedings of LBHI as well as the Trustees' investigation into the bookings of LBS's assets and liabilities.

12.2 This eighth bankruptcy report (as well as every subsequent bankruptcy report) will be available on <http://www.ekvandoorne.com/bankruptcy-lehman-brothers-securities/38-general-information>. The bankruptcy reports are also available for inspection at the Court of First Instance in Curacao.

12.3 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 documents supporting such claim, to:

VanEps Kunneman VanDoorne
Attn. Robert F. van Beemen
Jachthavenweg 121
P.O. Box 75265
1070 AG Amsterdam
The Netherlands

or by e-mail to:

beemen@ekvandoorne.com
