

BANKRUPTCY REPORT

Bankruptcy report number 6 of the trustee of

Lehman Brothers Securities N.V.

30 November 2010

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	: Mr. A.J. Beukenhorst
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	: 6 August 2010 up to and including 30 November 2010
Hours spent in period under review	: 1.038,40
Total hours spent to date	: 4.868,20

Summary of key issues

- The Trustee is a party to the *Cross-Border Insolvency Protocol* (the "**Protocol**") and has participated in meetings with the official representatives that are also party to this Protocol (the "**Official Representatives**" or the "**Protocol Parties**") on 15 September 2010 in Zurich and on 2 November 2010 in New York. The primary topics for the discussions during these meetings were the Plan of Reorganization (the "**Plan**"), the Disclosure Statement and the respective settlement proposals (the "**Settlement Proposals**" and each a "**Settlement Proposal**") to the Protocol Parties filed by LBHI;
- In relation to certain unfunded issuances held by LBIE (as a legal holder), the Trustee has filed a claim against LBIE in the amount of USD 12 billion;

- In relation to the unfunded issuances held by LBIE (as a legal holder), the Trustee filed a back-to-back claim under the Equity Hedging Agreement against LBF and LBF (Netherlands Antilles branch) in the amount of USD 12 billion;
- In respect to the unfunded issuances and the related back-to-back hedge the Trustee and his legal and financial advisors have had several meetings with representatives of LBHI, LBIE and LBF;
- The former supervisory judge, mr. P. de Kort has resigned and mr. A.J. Beukenhorst has been appointed as the new supervisory judge as of October 2010; and
- Neither a claims filing date nor a date for the claim admission meeting have been set. The Trustee does not expect to set a bar date before the end of this year.

1. General

- 1.1 This is the sixth 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 such further investigation.
- 1.2 With regard to the progress of the bankruptcy, the Trustee 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 sixth bankruptcy report the Trustee provides an update regarding the progress of the settlement of the bankruptcy of LBS over the last 4 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, 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 *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 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. **Settlement bankruptcy**

With regard to the ongoing process of sharing information between LBS and LBHI, the parties entered into a confidentiality agreement ("**NDA**") as part of the delivery of most of LBS' financial- and trade data by LBHI to the Trustee.

The Trustee has made significant progress with the investigation and analysis and will continue with this reconciliation process.

4. **Cross-border insolvency protocol and the Plan of Reorganization**

4.1 *Protocol Meetings*

The Protocol Parties met on 15 September 2010 in Zurich and on 2 November 2010 in New York City. The Plan, the Disclosure Statement and the Settlement Proposals were the main topics of the discussions between the Protocol Parties. The Trustee and LBHI had also some bilateral meetings in which meetings parties discussed the Settlement Proposal.

The negotiations between LBHI and the Protocol Parties (including the Trustee) still continue, both within the Protocol Meetings as well as on a bilateral basis. Also the Settlement Proposal is still subject to further discussions and negotiations with LBHI, which remain confidential.

The Trustee notes that any settlement with LBHI regarding the treatment of the intercompany claim is subject to the approval of the supervisory judge. If and when the Trustee intends to enter into a settlement with LBHI and thus request the supervisory judge for approval, such

intent will be communicated to the Security Holders via a notification on the website and by means of an email notification to those included on the mailing list.

In this reporting period the Trustee has met with Security Holders. He highly values these informal meetings and he wishes to continue receiving their views on the Plan and the Disclosure Statement.

5. Debtors

Introduction

From the date that LBS was adjudicated bankrupt (30 January 2009), the Trustee and his team put lots of efforts to identify and list the outstanding Securities. In this reporting period the Trustee has made significant progress with the investigation and analysis of the outstanding Securities.

Lehman Brothers International (Europe)

In that respect the Trustee notes that LBS apparently has issued Securities for a total amount of approximately USD 12 billion. Essentially, these Securities were issued by LBS to LBIE for zero value. LBIE sold (part of) the Securities through to investors (such as financial institutions) for which the investors paid cash. Pursuant to the Global Close Balance Sheet LBS has an outstanding debt to the Security Holders (or the *street side investors*) of approximately USD 900 million (the "**Funded Securities**"). The Securities that were not sold through to investors (and thus no cash was paid for) was kept off-balance by LBIE and represents a nominal value of approximately USD 11 billion (the "**Unfunded Securities**").

In the LBHI proceedings LBIE filed a claim under the guarantee (see also paragraph 7.2 of the the second bankruptcy report, dated 29 July 2009) in relation to the Unfunded Securities held by LBIE. Further investigation and analysis learned the Trustee that (part of) the Unfunded Securities might have been used by LBIE as collateral for intercompany transactions, the so-called RASCALS.

Lehman Brother Finance S.A.

Pursuant to the Equity Hedging Agreement and/or the ISDA Agreement (see also paragraph 3.3 of the fourth bankruptcy report, dated 13 April 2010) and other documentation available to the Trustee, LBF and/or LBFNA had to hedge all LBS issues on a one-to-one basis. Since LBS apparently issued for approximately USD 12 billion, the Trustee also filed a back-to-back hedge claim against LBF and LBFNA for the same amount as filed against LBIE.

IMPORTANT

The Trustee notes that the two claims he filed against respectively i) LBIE; and ii) LBF and LBFNA, in relation to the Unfunded Securities, respectively the related back-to-back hedge claim, is subject to further discussions and reconciliation. The Trustee, LBIE and LBF/LBFNA are investigating and reconciling the claims in good cooperation. Depending on the outcome of the joint investigations and (legal) analysis's, the Trustee might cancel and/or amend (part of) the claim filing regarding the Unfunded Securities, respectively the related back-to-back hedge claim.

6. Creditors

The Trustee has not set a bar date yet, but he expects to set a bar date in the first or second quarter of 2011.

7. Improper management

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

8. Fraudulent acts in respect of creditors

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

9. Miscellaneous

9.1 As to the timing, the Trustee notes that the winding-up of the bankruptcy of LBS largely depends on the completion of the Chapter 11 proceedings of LBHI.

9.2 This sixth 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 Curacao.

- 9.3 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
Julianaplein 22
P.O. Box 504, Curacao
Dutch Caribbean

or by e-mail to:

beemen@ekvandoorne.com

10. Plan of action

- i) Continuing the (bilateral) negotiations with LBHI with regard to the Plan of Reorganization, the Disclosure Statement and the Settlement Proposal;
- ii) Continuing the analysis of the Program, legal, financial and trade documentation;
- iii) Continuing the analysis of the ISDA-agreements and outstanding hedge positions, including, but not limited to, the (valuation of the) hedge positions with LBF; and
- iv) Assuming the valuation principles that need to be applied in respect of claims based on the Securities.
