

## BANKRUPTCY REPORT

Bankruptcy report number 1 of the trustee of

**Lehman Brothers Securities N.V. ("LBS")**

**12 March 2009**

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Company name	: Lehman Brothers Securities N.V. (" <b>LBS</b> ")
Bankruptcy reference	: E.J.F. 2/2009
Date of decision	: 30 January 2009
Trustee	: Mr. M.R.B. Gorsira (the " <b>Trustee</b> ")
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	: 30 January up to and including 12 March 2009
Hours spent in period under review	: mr. M.R.B. Gorsira      31.9 mr. M. Hendriks        30.3 mr. R.F. van Beemen <u>54.6</u> Total                    116.8

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### 1. General

- 1.1 This is the first bankruptcy report of the trustee of the bankruptcy of LBS. The information provided in this report – especially the financial information – is 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](http://www.ekvandoorne.com/bankruptcylbs).

## 2. **Lehman Brothers Securities N.V.**

- 2.1 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 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**").
- 2.2 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**").

## 3. **Cause of bankruptcy**

On 15 September 2008 LBHI was declared bankrupt by the United States Bankruptcy Court for the Southern District of New York. The Lehman Brothers Group is closing 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.

## 4. **Activities LBS**

- 4.1 LBS issued notes, warrants and certificates (the "**Securities**") to institutional and private investors (the "**Product Holders**") 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. Most of the Securities were linked to derivative instruments. The Securities have probably all been issued under guarantee of LBHI. The proceeds of the Securities were used to finance LBHI and its group companies. The derivatives linked to the Securities have probably been hedged with other Lehman Brothers entities.

## 5. **Assets**

- 5.1 The Trustee has an amount of USD 490 on the account of estate. Furthermore, LBS has a brokerage account with Lehman Brothers Inc. ("**LBI**") according to which LBS has a claim in the amount of USD 10,912,699.83 with LBI. As LBI is also in Chapter 11 proceedings, the Trustee has filed said claim with LBI.

- 5.2 As far as presently known, any other potential assets will probably consist of intercompany receivables. The receivable against LBHI is probably LBS' largest asset. The exact value thereof cannot be determined at this time. Furthermore, it seems that there are two guarantees: i) a certain guarantee issued by LBHI for the benefit of LBS; and ii) the guarantee issued by LBHI to the Product Holders. The admissibility and ranking of the claims based on the intercompany receivable and said guarantees is subject to further investigation.
- 5.3 There may also be some value in LBS' hedge agreements with other Lehman entities. The exact value of these agreements is also subject to further investigation.

## 6. Liabilities

- 6.1 Bankruptcy estates : e.g. salary of the Trustee, costs relating to the website and moving service.  
 Preferential debt of the tax authorities : NAF 5,888.00  
 Preferential debt of SVB : unknown
- 6.2 The intercompany payables to respectively Lehman Brothers Finance S.A. ("**LBF**") and LBI are the largest payables of LBS. In connection to the issuance of the Securities, LBS has also a considerable debt to the Product Holders. As the valuation of the Securities is very complicated, the total amount of this debt cannot be determined yet.
- 6.3 LBS' financial position is fully dependant on the developments within the Lehman Brothers Group and, more specifically on the Chapter 11 proceedings of LBHI, so therefore at this time no assessment can be made as to the prospects for LBS' creditors.

## 7. Continuation

- 7.1 Considering the nature of the activities of LBS as well as the extent of dependence on the Lehman Brothers Group, a relaunch or, as the case may be, the continuation of LBS in moratorium or in bankruptcy was not an option.

## 8. Accounting obligation

LBS kept its books primarily in electronic form and are (still) available as such on the computer systems of the Lehman Brothers Group. The (hard copy) books and records of mainly consist of bank statements, tax records, correspondence, various agreements and documentation with respect to the Programs and have been moved to the office of the Trustee.

**9. Auditor's unqualified audit report**

The annual accounts of LBS for 2007 have been provided with a qualified auditors' report of Ernst & Young Accountants.

**10. Improper management**

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

**11. Fraudulent acts in respect of creditors**

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

**12. Cross-border insolvency protocol (the "Protocol")**

As mentioned under paragraph 3, the Lehman Brothers Group is globally closing all its subsidiaries. Given the integrated and global nature of the bankruptcy of the Lehman Brothers Group, the trustee of LBHI has drafted the Protocol. The purpose of the Protocol is to facilitate the coordination of the activities of the trustees and to enable the trustees to operate efficiently and effectively in the interests of the creditors. The Protocol is subject to further discussion between the trustees of the various Lehman Brothers' entities.

A copy of the draft version of the Protocol, dated 10 February 2009, can be found on [www.lehmanbrothersestate.com](http://www.lehmanbrothersestate.com).

**13. Miscellaneous**

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

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

Or by email to:

[bankruptcy\\_lbs@ekvandoorne.com](mailto:bankruptcy_lbs@ekvandoorne.com)

**14. Plan of action**

At this stage the Trustee has three priorities:

- i) The Trustee will gather information (e.g. name, contact information and amount of claim) of the creditors of LBS;
- ii) The Trustee has insufficient funds to finance the required duties to settle this bankruptcy in a satisfactory manner, therefore the Trustee will seek financing with other parties (e.g. within the Lehman Brothers Group and/or creditors);
- iii) With regard to the Protocol (paragraph 12) and in order to achieve the objectives as mentioned under i) and ii) the trustees of the other Lehman Brothers entities have to cooperate. Therefore, the Trustee will contact and keep close contact with the trustees of the various Lehman Brothers entities.

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