

BANKRUPTCY REPORT

Bankruptcy report number 1 of the bankruptcy trustee of

Lehman Brothers Treasury Co. B.V. ("LBT")

22 December 2008

The bankruptcy trustee of LBT communicates with holders of notes issued by LBT ("Noteholders") in two ways: (i) information the bankruptcy trustee is obliged to provide to Noteholders pursuant to the [Dutch] Bankruptcy Act, e.g. about the filing of claims, the date of the creditors' meeting and any distribution, is provided in "Notices to Noteholders". The bankruptcy trustee will send these notices through the electronic information channels of the clearing systems; (ii) information about the progress of the bankruptcy will be made public by the Bankruptcy Trustee by publishing quarterly public reports. Both the notices and the public reports are available on www.lehmanbrotherstreasury.com and www.houthoff.com.

Company Details	: Lehman Brothers Treasury Co. B.V.
Moratorium number	: 08.0036-S
Bankruptcy number	: 08.0494-F
Date of decision	: Moratorium: 19 September 2008 Bankruptcy: 8 October 2008
Administrator/bankruptcy trustee	: R.J. Schimmelpenninck
Supervisory judge	: W.A.H. Melissen
Company activities	: The objective of LBT in accordance with its articles of association is - briefly summarized - the financing of companies that were members of the Lehman Brothers Group (as defined below), including by borrowing, lending and raising monies and participating in all kinds of financial transactions, including the issuance of debt notes.
Turnover data	: Operating income according to the audited annual accounts 2007: US\$ 33,188,000.
Period covered by this Report	: Moratorium: 19 September - 7 October 2008 Bankruptcy: 8 October - 30 November 2008

Hours spent by Houthoff Buruma

in period under review	:	Moratorium:	595.90
		Bankruptcy:	1,191.70
Hours spent - total	:		1,787.60

0. Preliminary comments

- 0.1 This is the first report of LBT's bankruptcy trustee (the "**Bankruptcy Trustee**"). The report covers the period of the (provisionally granted) moratorium (*surséance van betaling*) (19 September 2008 - 7 October 2008) and the first period of the bankruptcy (8 October 2008 – 30 November 2008). The Bankruptcy Trustee emphasises that the information in this report - in particular the financial data - is subject to further investigation. This information may have to be substantially revised following this investigation. The Bankruptcy Trustee informed Noteholders and creditors before by means of two notices to creditors of 23 September 2008 and 8 October 2008. These notices are available at www.houthoff.com and www.lehmanbrotherstreasury.com.
- 0.2 The bankruptcy of LBT is legally complex and has many cross-border aspects. In this report the Bankruptcy Trustee represents the present state of affairs in a simplified manner in accordance with the guidelines for bankruptcy reporting applicable in the Netherlands.

1. Statement of affairs

1.1. Management and organisation

LBT was incorporated on 8 March 1995 and is a wholly-owned subsidiary of Lehman Brothers UK Holdings (Delaware) Inc, which company in turn is wholly-owned by 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**").

LBT has its corporate seat at Strawinskylaan 3105 (Atrium), in (1077 ZX) Amsterdam. Mr Fuller (from 11 September 1996), Mr Fischer (from 26 November 2007), Mr Kamphuijs (from 30 December 2005) and Mr Van Burg (from 2 September 2008) (the "**Board of Directors**") are listed in the Commercial Register as the managing directors of LBT. Any two directors are authorised to represent and bind LBT.

1.2. LBT's activities

LBT helped finance the business activities of the Lehman Brothers Group by issuing structured notes - through various parties acting as intermediaries - to both financial institutions and individuals. The characteristics of these notes are varied; from relatively simple to tailored to the wishes of specific and usually professional investors. Another important characteristic is that in many - if not most - cases the principal amount of the notes as well as the amount and payment of interest is linked to various derivative market elements such as the development of specific share prices or the prices of commodities such as gold and oil.

LBT hedged the risks related to these derivative market elements by entering into agreements ("swaps") - based on umbrella ISDA-agreements - with other members of the Lehman Brothers Group. These swaps were entered into by LBT for each individual series of notes, as a result of which in economic and accounting terms LBT did not run any market risk of value movements with respect to the notes it issued. According to the information obtained by the Bankruptcy Trustee, these other Lehman Brothers Group entities subsequently covered the risks that they had taken over in this manner from LBT, insofar as they deemed such necessary, by entering into *hedging*-agreements with external market players.

LBT lent the proceeds of the notes to LBHI.

1.3. Financial information

As a result of the multitude of outstanding notes and the inherent complexity of the valuation of derivative elements, the accounting of LBT is very complicated and operationally interwoven with the accounting of the Lehman Brothers Group.

Lehman Brothers International (Europe) ("**LBIE**") and Lehman Brothers Limited ("**LBL**") both members of the Lehman Brothers Group, have their corporate seat in London and are under administration. PwC has been appointed administrator for both companies. LBIE, along with LBL's assistance, acted as arranger, dealer and calculation agent with respect to an important part of the programs for the issuance of notes referred to in paragraph 7 below. In these capacities LBIE structured the issuances, took care of the underlying documentation and coordinated the sale and purchase of the notes.

LBIE also calculated the value of the notes. For the implementation of these activities, LBIE engaged employees of the Lehman Brothers Group from other cities (in particular New York and Tokyo). Many of these employees left the

Lehman Brothers Group, including by entry into the employ of Nomura or Barclays, which companies worldwide took over a large part of the activities of the Lehman Brothers Group. As a result the number of employees with operational and accounting knowledge about LBT was drastically reduced, which makes the production of up-to-date figures and valuations quite difficult.

The consequence of all this is that it is difficult in many cases to determine the values of the notes issued by LBT and of the corresponding financial positions under the *swaps*. Another aspect is that various clauses ("*events of default*") in the note documentation and the hedging agreements have become effective as a result of LBHI's Chapter 11 filing, the moratorium and the bankruptcy of LBT, which is of major influence on the balance sheet position of LBT. Nevertheless, the currently available financial information is attached as annexes to this report. The Bankruptcy Trustee explicitly refers to the conditional character of these data. This applies in particular to the receivables from and debts to group companies; due to the high volatility of underlying values it may even turn out at any moment that receivables are debts and vice versa.

The Lehman Brothers Group drew up an internal balance sheet for LBT at the end of every month. The balance sheet of LBT was prepared according to both Dutch and American accounting standards (NL GAAP and US GAAP, respectively), although the NL GAAP balance sheet – as opposed to the US GAAP balance sheet – was not drawn up every month, but twice every (financial) year (upon the year-end close on 30 November and the half year-end close on 31 May).

The most recently published and audited annual accounts of LBT according to NL GAAP, for the financial year ending on 30 November 2007, are available on www.lehmanbrotherstreasury.com. The most recent unpublished and unaudited semi-annual accounts of LBT for the half year ending on 31 May 2008 (according to NL GAAP) dates from 13 August 2008 and is also available on this website.

The balance sheet most recently generated (internally) by Lehman Brothers Group - not audited or published - dates from 31 August 2008 (NL GAAP and US GAAP) and has been attached as **Annex I**. In the right-hand column of this balance sheet (on US GAAP or *mark to market* basis) the '*Intercompany Receivables*' and '*Intercompany Payables*' as at 31 August 2008 have been valued. The Bankruptcy Trustee is not able to validate these valuations. To the extent underlying indices have declined in value (and have caused the value of the notes to decline), the value of the corresponding swaps has similarly decreased. The market value of the notes on this balance sheet, moreover, has

been adjusted with a “credit spread adjustment” of US\$ 3,024,721,623 in view of the relatively low creditworthiness of the Lehman Brothers Group on that date.

The Lehman Brothers Group is presently engaged in a “*global close*” of the books as at 12 September 2008, end of the trading day, being the last trading day before LBHI filed a Chapter 11 petition on 15 September 2008. The Bankruptcy Trustee will post the US GAAP balance sheet of LBT on the aforementioned website once it becomes available.

The assets and liabilities of LBT according to NL GAAP as at 7 October 2008, being the last trading day before the bankruptcy date, are shown by the provisional balance sheet attached to this report as **Annex II**. The Bankruptcy Trustee observes that this balance sheet originates from the records of the Lehman Brothers Group and that – unlike as regards the balance sheet as at 31 August 2008 referred to above – no audit procedures have taken place in respect of this balance sheet as was usually done at the end of every month. The intercompany positions (receivables/debts from/to group companies) included in this balance sheet have not been confirmed by the other parties concerned. The Bankruptcy Trustee will post a US GAAP balance sheet of LBT as at 7 October 2008 if and when it becomes available. Due to LBHI’s Chapter 11 filing and the turmoil in the financial markets, market data for making internal valuations of the financial positions within the Lehman Brothers Group, have no longer been updated, or only partially, as from 15 September 2008.

1.4. Profits and loss

According to the audited and approved annual accounts 2007 according to NL GAAP, the profits of LBT after taxation for 2007 were US\$ 27,116,000.

1.5. Balance sheet total

According to the audited and approved annual accounts for 2007 according to NL GAAP, the balance sheet total of LBT at 30 November 2007 was US\$ 34,438,150,000.

1.6. Pending proceedings

As far as the Bankruptcy Trustee is aware, LBT is not involved in any legal proceedings.

1.7. Insurance

As far as we are aware there are no insurance policies in the name of LBT. The Bankruptcy Trustee is aware, however, of a “Directors’ and Officers Liability Insurance”, which has been taken out by LBHI and which also seems to cover the Directors & Officers of Lehman Brothers Group entities, extending perhaps

to the managing directors of LBT as well. The Bankruptcy Trustee will further examine this policy.

1.8. Rent

As far as the Bankruptcy Trustee is aware, LBT is not a party to any lease agreement.

1.9. Cause of provisional moratorium and bankruptcy

On 15 September 2008 LBHI filed its petition under Chapter 11 of the US Bankruptcy Code in the Bankruptcy Court for the Southern District of New York. On 19 September 2008 LBT filed a petition with the Amsterdam District Court for the granting of a provisional moratorium. The District Court granted this petition on the same date and appointed Ms W.A.H. Melissen as supervisory judge (*rechter-commissaris*) and the Bankruptcy Trustee as administrator (*bewindvoerder*).

Immediately after his appointment the administrator consulted with the Board of Directors in order to investigate the (financial) position and the possibility that LBT would eventually be able pay its creditors in whole or in part. The administrator concluded, after consultations with the Board of Directors and representatives of LBIE and the administrators of LBIE in Amsterdam and London, and on the basis of administrative documents made available to him, that there was no real prospect of LBT being able to satisfy its creditors in the foreseeable future. An important factor for these findings was the lack of clarity about the major asset of the company (the receivable from LBHI) and the extent to which this asset - considering the Chapter 11 proceeding of LBHI - might be realised. In view of the provisions in article 242 paragraph 1 under 5° of the Dutch Bankruptcy Act, the administrator asked the Amsterdam District Court on 1 October 2008 to withdraw the provisionally granted moratorium and to simultaneously order the bankruptcy.

At the hearing the Board of Directors opposed this request for withdrawal. After granting an initial week's suspension in order for the administrator and the Board of Directors to provide some additional information, the Amsterdam District Court granted the request of the administrator to withdraw the moratorium while ordering the bankruptcy on 8 October 2008, declared LBT bankrupt, found that LBT's centre of main interests ('COMI') was in the Netherlands, and appointed Ms W.A.H. Melissen as supervisory judge and the administrator as Bankruptcy Trustee. In accordance with article 23 of the Dutch Bankruptcy Act the bankruptcy of LBT became effective with retroactive effect on 8 October 2008 at 0:00 hours.

2. Assets

- 2.1. Because LBT only functioned as a financing company (see in this respect also § 1.2) it has – relatively limited - liquid assets at its disposal. At the time of the moratorium an amount of €38,657.97 was in the bank account(s) held in the Netherlands. This amount was transferred to the bankruptcy account with Kas Bank N.V. At the time of the moratorium LBT also held credit balances in various currencies in bank accounts with JPMorgan Chase Bank N.A. On the instructions of the Board of Directors and the administrator the total credit balance in these accounts (€5,506,541.10) was transferred to an account with ING Bank N.V. in the period of the moratorium. This account is currently at the disposal of the estate.
- 2.2. LBT's assets consist primarily of receivables due from Group companies, including the receivable due from LBHI arising from the on-lending of income from notes. In this respect the Bankruptcy Trustee refers to § 3.1.

3. Accounts receivable

- 3.1. Because both the debt to note holders and the (more or less) corresponding intercompany derivative receivables/payables are based on valuations of so-called underlying values, which may rise or fall on a daily basis, the receivables and liabilities of LBT also change on a daily basis. There is also the effect, moreover, of different currencies used upon the issuance of structured notes and the corresponding swaps (hedges). Because the underlying values and currencies have changed from day to day after 31 August 2008, at present nothing can be said yet with certainty about the volume of receivables from and/or debts to LBT. The receivable due from LBHI is based on a loan agreement between LBT and LBHI dated 26 May 2000 (**Annex III**) and amounts to US\$ 34,782,418,198 according to the balance sheet per 31 August 2008 NL GAAP and to US\$ 32,604,207,177 according to the balance sheet as at 7 October 2008 NL GAAP. The differences are mainly caused by movements of the underlying currencies.

According to article 3 of an "Independent Guarantee" dated 16 September 1997 (**Annex IV**), LBHI guaranteed its obligations under the aforementioned loan agreement with LBT and also guaranteed that LBT will yearly earn at least a margin of 0.125% (percent) of the amount of the notes. The Independent Guarantee refers to a "tax ruling" dated 2 March 1995. This tax ruling as well as some supporting correspondence has been attached to this report as **Annex V**. The Bankruptcy Trustee will further investigate the legal aspects of this Independent Guarantee.

As far as we are aware no further security or guarantees have been provided for the benefit of LBT for receivables due from third parties or from other companies belonging to the Lehman Brothers Group.

4. Bank / Security

4.1. Claims from bank(s)

It follows from the annual accounts 2007 of LBHI that LBT and Lehman Brothers Bankhaus AG (“**LB Bankhaus**”) had entered into a “*multi-currency unsecured revolving credit facility*” with a syndicate of banks, which was valid until April 2010. According to the annual accounts 2007 of LBHI as at 30 November 2007 no credit was drawn under this facility by LBT. The facility is not stated in the annual accounts 2007 of LBT. The facility is US\$ 2,500,000,000 and guaranteed by LBHI. It seems to follow from conversations that PwC had with some employees of the Lehman Brothers Group in London that on the bankruptcy date LBT had not drawn credit under this facility. The Bankruptcy Trustee will further investigate this matter in the next period under review.

5. Continuation

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

6. Investigations

6.1. Accounting obligation

The books of the company were primarily kept in electronic form and are (still) available as such on the computer systems of the Lehman Brothers Group. The (hard copy) books and records at LBT's Amsterdam office mainly consisted of bank statements, tax records, correspondence, various agreements and documentation with respect to the diverse note programs and have since been moved to the office of the Bankruptcy Trustee.

6.2. Filing of annual accounts

According to the Commercial Register the most recent annual accounts of LBT (2007) were filed on 30 May 2008 and therefore on time.

6.3. Auditor's unqualified audit report

The annual accounts of LBT for 2007 have been provided with an unqualified auditors' report.

6.4. Obligation of payment on shares

This will be subject of further investigation in the coming period under review.

6.5. Improper management

At a later stage the Bankruptcy Trustee will further investigate the way in which the Board of Directors fulfilled its duties.

6.6. Fraudulent acts in respect of creditors (*Paulianus handelen*)

The Bankruptcy Trustee will further investigate this at a later stage.

7. Creditors

- 7.1. LBT issued notes under four programs: (i) the *US\$ 100,000,000,000 Euro Medium Term Note Program* (the “**EMTN Program**”); (ii) the *US\$ 4,000,000,000 German Note Program*; (iii) the *Swiss Certificates Program* and (iv) the *Italian Inflation Linked Note Program*.

The majority of the outstanding notes (about US\$ 30.8 billion) has been issued under the EMTN Program, varying from relatively simple notes to complex products. As observed in § 1.3, at this moment it is not possible to establish the outstanding debt as at 12 September 2008 or as at the date of bankruptcy according to US GAAP rules. In most cases the note documentation gives Noteholders the right to immediately claim (to “accelerate”) receivables because specific *events of default* became operative, like the Chapter 11 petition of LBHI and the moratorium and the bankruptcy of LBT. At present the Bankruptcy Trustee does not take a position about the effects of invoked accelerations on the valuation of debts under the notes.

- 7.2. To the Bankruptcy Trustee’s knowledge, no security has been provided for any of LBT’s notes or other obligations.

8. Miscellaneous

8.1. Term of winding-up bankruptcy

The winding-up of the bankruptcy of LBT largely depends on the winding-up of the insolvency proceedings of LBHI.

8.2. Plan of action

In the first quarter of 2009 the Bankruptcy Trustee will attempt to finalise the analysis of the books and the note documentation. Because the majority of the agreements and the note documentation were not subject to Dutch law, the Bankruptcy Trustee will seek further advice from the English and American lawyers who were engaged in the past period under review. As soon as the

Bankruptcy Trustee can definitely adopt a position regarding the valuation of the claims, the Bankruptcy Trustee will start preparing the procedure for submission of the claims. To this end the Bankruptcy Trustee will continue the current consultations with the parties involved in the note issuances, including the various clearing institutions (including Clearstream Banking S.A. Luxembourg and Euroclear Banking Brussels S.A./N.V.). For these purposes the Bankruptcy Trustee will investigate what the possibilities are to coordinate the submission of claims with LBHI.

8.3. Provision of information

This first public report (as well as every subsequent public report) will also be available on www.lehmanbrotherstreasury.com and www.houthoff.com. In the event of any difference between the Dutch version and the English translation, the Dutch text prevails. The public reports are also available for inspection at the Amsterdam District Court. The District Court does not provide information for free.

8.4. Creditors who are holders of a note issued by LBT, which has been provided with an ISIN code *and* is also on the list of ISIN-codes belonging to the balance sheet of LBT of 31 August 2008 (Annex I), are requested to read the 'Third notice to creditors' of the Bankruptcy Trustee (dated 22 December 2008) and to wait for further information from the Bankruptcy Trustee about the submission of claims in the bankruptcy. A final date for the submission of claims has not been fixed yet.

8.5. Other creditors who believe that they have a claim against LBT are requested to submit those claims in writing, provided with underlying documents, to:

Houthoff Buruma N.V.

To the attention of Mr. F. Verhoeven

PO Box 75505

NL-1070 AM Amsterdam

Amsterdam, 22 December 2008

R.J. Schimmelpenninck, bankruptcy trustee
