

## BANKRUPTCY REPORT

Bankruptcy report number 2 of the bankruptcy trustee of  
**Lehman Brothers Treasury Co. B.V. (“LBT”)**

16 April 2009

*The Bankruptcy Trustee communicates in two ways with holders of notes and certificates issued by LBT (jointly: “Noteholders”): (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 to Noteholders through the electronic information channels of the clearing systems and the banks; (ii) information about the progress of the bankruptcy will be made public by the Bankruptcy Trustee by issuing quarterly public reports. Both the notices and the public reports are available on [www.lehmanbrotherstresury.com](http://www.lehmanbrotherstresury.com).*

---

### Summary of key items

- The Amsterdam district court has not set a date for submitting claims.
- In consultation, with LBHI the Bankruptcy Trustee looks into the possibilities of coordinating the procedures to file claims. As soon as a date has been set for the filing of claims in the bankruptcy of LBT or in the Chapter 11 proceedings of LBHI, the Bankruptcy Trustee will inform Noteholders by means of a *Notice to Noteholders*.
- The Bankruptcy Trustee has not received the information relating to the books and records of LBT from LBIE.
- The analysis of the legal aspects of the recognition and valuation of the claims of the Noteholders makes progress. This investigation is complex because of the multiplicity of issued notes and the concurrence of different legal systems involved.
- The Bankruptcy Trustee supports in principle a *Cross-Border Insolvency Protocol* proposed by LBHI to the various bankruptcy trustees/liquidators of the Lehman Brothers Group. The purpose of such protocol is to facilitate the cooperation between the various bankruptcy trustees/liquidators appointed to represent the various insolvency estates of the Lehman Brothers Group, in the interest of all the creditors of these estates.

---

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 belonged to the Lehman Brothers Group, including by borrowing, lending and raising monies and participating in all kinds of financial transactions, including the issuance of financial instruments.
Turnover data	: Operating income according to the audited annual accounts 2007: USD 33,188,000.
Period under review	: 1 December 2008 - 31 March 2009
Hours spent in period under review:	2,369.6
Hours spent - total	: 4,157.2

---

## 0. Preliminary comments

- 0.1 This is the second report of LBT's bankruptcy trustee (the "**Bankruptcy Trustee**"). The report covers the period of 1 December 2008 through 31 March 2009. The Bankruptcy Trustee emphasises that the information in this report - in particular the financial data - is subject of further investigation. It may turn out at a later stage that a major part of this information should be adjusted. This report should be read in conjunction with the first report of 22 December 2008.
- 0.2 The Bankruptcy Trustee informed Noteholders and creditors before by means of three notices dated 23 September 2008, 8 October 2008 and 22 December 2008, respectively. These notices are available, with other documents of importance for the creditors of LBT, on the website [www.lehmanbrotherstresury.com](http://www.lehmanbrotherstresury.com). German, French and Spanish translations of

the last-mentioned notice have also been made available on this website. The Bankruptcy Trustee will also publish German, French and Spanish versions of subsequent notices on the website.

- 0.3 The bankruptcy of LBT is legally complex and has the usual 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 fully owned by Lehman Brothers Holdings Inc. (“**LBHI**”). LBHI has its corporate seat in Delaware in the United States and is the holding company of the worldwide operating Lehman Brothers group (the “**Lehman Brothers Group**”). LBT had its office at Strawinskylaan 3105 (Atrium), in (NL-1077 ZX) Amsterdam, the Netherlands and any two of its four managing directors were entitled to represent LBT.

### 1.2. Activities LBT

LBT was incorporated for the financing of the business activities of the Lehman Brothers Group by issuing - through various parties acting as intermediaries - financial instruments, in particular “**(structured) notes**”, to institutional and private investors. The characteristics of these notes are varied; from relatively simple to very complex and are often tailored to the specific wishes of usually professional investors. Another important characteristic is that in most cases – if not in all – the principal of the loan as well as the interest amount were linked to various (derivative) market elements such as the price developments of specific shares, baskets of shares or commodities etcetera.

The risks related to these derivative market elements were hedged by LBT by entering into swap agreements under ISDA master agreements with other entities 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 - in principle - did not run any market risk of value movements with respect to the notes it had issued.

According to the information obtained by the Bankruptcy Trustee, those other Lehman Brothers Group entities subsequently hedged the risks that they had

assumed from LBT by entering into hedging agreements with - external or Lehman Brothers Group - parties.

LBT lent the revenues of the structured notes on to LBHI.

### 1.3. Financial information

#### *Accounting*

As a result of the multitude – and diversity - of financial products issued, as well as the complexity of the valuation processes related to these products, 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 belonging to the Lehman Brothers Group, have their corporate seat in London and are in *administration*, an insolvency procedure under English law, since 15 September 2008. Four partners of PricewaterhouseCoopers (“**PwC UK**”) have been appointed as joint administrators for the two companies (the “**Joint Administrators**”) and are assisted by PwC UK and Linklaters in the performance of their duties.

Within the Lehman Brothers Group, LBL performed the role of servicing company and in that capacity it in particular made staff available to LBIE. LBIE acted, among other matters, as arranger, dealer and calculation agent with respect to the majority of the programs for the issuance of notes by various companies of the Lehman Brothers Group, including LBT. In these capacities LBIE structured the issuances, prepared the underlying legal documentation and coordinated the issuances to intermediaries who eventually offered the notes to private and institutional investors. LBIE also purchased notes. In its capacity as calculation agent, LBIE made the calculations of the value of the notes.

LBIE also carried out the main administrative duties for LBT. In the period from late September 2008 until late January 2009 the Bankruptcy Trustee engaged seven employees (about 3.0 FTE) of LBIE/LBL with the consent of the Joint Administrators to perform services for the estate of LBT.

These employees also collected information that forms part of the books and records of LBT, including program documentation (“*Final Terms*”) of an important part of the issued series of the Notes. The Joint Administrators, however, did not allow the employees concerned to hand over these collected records and information to the Bankruptcy Trustee as long as no written agreement on this matter has been concluded. On 28 January 2009 the Bankruptcy Trustee sent a

draft agreement to the Joint Administrators providing for the conditions for making this information available. In addition, this draft agreement also deals with the conditions on which the provision of services by the employees concerned can continue. The Joint Administrators were not prepared to sign this agreement. Late January 2009, furthermore, they instructed the employees concerned to refrain from performing work for LBT until further notice. The reason given for this was that these employees had to perform work for the estates of LBIE and LBL. The Bankruptcy Trustee in principle was prepared to consider alternative arrangements with respect to the availability of the employees in question, but also takes the position that the Joint Administrators are to hand over the administrative data regarding LBT to the Bankruptcy Trustee.

After weekly reminders from the Bankruptcy Trustee to the Joint Administrators to hand over the requested information, on 27 March 2009 a new draft agreement was proposed by the Joint Administrators with conditions regarding the handing over of the collected records. This draft agreement, however, includes restrictions for the use of the administrative data that are unacceptable to the Bankruptcy Trustee. On 9 April 2009 the Bankruptcy Trustee therefore sent – after a meeting with one of the Joint Administrators on 31 March 2009 - a new proposal for an agreement about which at present no agreement has been reached (yet).

The Bankruptcy Trustee considers it to be his core task to obtain the requested documents, that belong to the estate of LBT. Considering the importance of the matter, the Bankruptcy Trustee strives to come to a solution in the very near future, about which he regularly consults with the supervisory judge.

#### *Available financial information*

The *global close* of the accounts of the Lehman Brothers Group as at 12 September 2008 (as set out in § 1.3 of the first report) was finalised in January 2009. As part of this process an interim and provisional balance sheet of LBT as at 12 September 2008 was drawn up (in accordance with US GAAP).

Unlike as stated by the Bankruptcy Trustee in the previous report, these figures will - at this stage - not be published on the website. The reason for this is that the way in which the financial data has been produced for the purpose of the *global close* has not been confirmed by PwC UK or another party. The complex IT and internal control systems of the Lehman Brothers Group were not designed to draw up interim balance sheets, except for the end of each month. In addition, the production of data was made difficult by the partial disintegration of the organisation of the Lehman Brothers Group as a result of the various insolvency

proceedings. In order to still accomplish this *global close*, adjustments were made in the administrative systems of the Lehman Brothers Group. However, there is no insight in the scope and background of these adjustments.

#### *Notes*

With reference to the above, the Bankruptcy Trustee observes that he does not yet have all the relevant documentation with respect to the (series of) notes issued by LBT. The Bankruptcy Trustee, however, does have the nearly complete EMTN-program documentation at his disposal as from the year 1999. The Bankruptcy Trustee will shortly make this documentation available on the website, with the proviso that the Bankruptcy Trustee cannot verify whether the documents that belong to this documentation are the finale versions.

At present the Bankruptcy Trustee is still investigating the process of validation of the various notes – or, as the case may be, the claims of holders of an economic interest in such notes – will take place. This investigation is challenging because of the multiplicity of notes that have been issued and the fact that not the complete documentation is available. The legal analysis, moreover, is complex: almost all the notes are governed by English law while the validation of the debt claims arising from the notes is to take place under Dutch bankruptcy law. In addition, the guarantees issued by LBHI for the obligations under the notes are governed by New York State law. In principle, the claims of Noteholders under these guarantees have to be calculated and filed in accordance with the bankruptcy law of the United States.

The Bankruptcy Trustee is consulting with the bankruptcy trustees/liquidators of other entities within the Lehman Brothers Group that issued similar instruments, such as Lehman Brothers Equity Finance S.A. (Luxemburg) (“**LBEF**”), Lehman Brothers Securities N.V. (Curaçao) (“**LBS**”), Lehman Brothers Bankhaus A.G. (“**LB Bankhaus**”) and LBHI, with the aim to come to a coordinated process of filing and valuating claims.

#### *Swaps*

As already stated above, LBT in principle covered the risks related to the derivative elements in the notes by means of entering into swap agreements (governed by ISDA master agreements) with other Lehman Brothers Group-entities.

Some of these ISDA agreements, including the agreement with Lehman Brothers Finance S.A. (“**LBF**”), have automatically terminated as a result of the occurrence of events of default, such as the moratorium granted to LBT.

In respect of the ISDA agreements that do not provide for an automatic early termination clause, the Bankruptcy Trustee received termination notices from a number of counter-parties. These notices intend to terminate the relevant agreements with effect from 10 December 2008. The outstanding position under this agreement needs to be calculated in accordance with the manner provided for in the ISDA agreement (*close out netting*). The legal validity of both the termination notices and the termination dates referred to in these notices will still be investigated in more detail and the Bankruptcy Trustee reserves all rights in respect of that, also because the Bankruptcy Trustee did not receive some of these notices until in January 2009.

In view of the disintegration of the organisation it is difficult for both the Bankruptcy Trustee as for the other counter-parties belonging to the Lehman Brothers Group to achieve a calculation of the outstanding positions under the various ISDA agreements. The Bankruptcy Trustee does not rule out that – in cooperation with the other parties in question – a practical solution will be aimed for. Consultations with representatives of the ISDA counterparties in the US about this issue have already begun.

#### *Protocol*

LBHI took the initiative to explore the possibility of coordination between the so-called "Official Representatives", who are responsible for the winding-up of the different insolvent entities of Lehman Brothers Group (like the Bankruptcy Trustee in respect of LBT). To this end LBHI published a first draft of the *Proposed Cross-Border Insolvency Protocol* dated 10 February 2009 on the website [www.lehmanbrothersestate.com](http://www.lehmanbrothersestate.com).

The purpose of this protocol is to facilitate the coordination between the various insolvency proceedings and to enable the Official Representatives and courts to operate efficiently in the interest of all the creditors. The protocol intends, among other matters, to simplify the exchange of information between the Official Representatives and to establish procedures to determine intercompany claims.

The Bankruptcy Trustee agrees with a number of other Official Representatives that such a protocol can in principle save the estate costs and time and that it is in the interest of the creditors of LBT. The Bankruptcy Trustee - in consultation with his lawyer in the United States - has commented on this protocol. A few other Official Representatives also made comments. The Bankruptcy Trustee expects that LBHI will make an amended version of the protocol available on its website. If the comments made by the Bankruptcy Trustee have been incorporated in this second version, the Bankruptcy Trustee will in principle agree to this second version. If LBHI decides to submit a final protocol to the

Bankruptcy Trustee, the Bankruptcy Trustee will publish the final protocol on the website [www.lehmanbrotherstreasury.com](http://www.lehmanbrotherstreasury.com) and give creditors of LBT the opportunity to express any comments within fourteen days after publication. Creditors who wish to receive notices about the publication of the eventual protocol on the website, are requested to send an e-mail to [info.lbtreasurybv@houthoff.com](mailto:info.lbtreasurybv@houthoff.com) stating "Protocol" in the subject field.

*Information about sales and purchase of Notes*

LBT is not aware of the identity of the ultimate holders of Notes issued by LBT nor of data regarding specific purchase or sales transactions. As stated above, LBIE acted as dealer and calculation agent. The Joint Administrators have already made it known that they do not wish to share with the Bankruptcy Trustee the administrative data that (also) concerns LBIE. The Bankruptcy Trustee has not reconciled to the Joint Administrator's position.

1.4. Profits and loss

According to the audited and approved annual accounts 2007 (according to Dutch GAAP) the profits of LBT after taxation for 2007 were USD 27,116,000.

1.5. Balance sheet total

According to the audited and approved annual accounts for 2007 (according to Dutch GAAP) the balance sheet total of LBT at 30 November 2007 was USD 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. Insurances

As far as the Bankruptcy Trustee is aware there are no insurances in the name of LBT. See also the previous report, § 1.7.

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

See the previous report, § 1.9.

**2. Assets**

2.1. See also the previous report, § 2.1. At present the Bankruptcy Trustee is consulting with the Tax Authorities about the settlement of the tax position.

2.2. The balance of LBT's estate account was EUR 4,271,026.48 on 31 March 2009.

### **3. Debtors**

3.1. See also above in § 1.3 and the previous report, § 3.1.

3.2. In view of the uncertainty that still exists about the (date of) termination of the ISDA agreements and the expected complications upon establishing and/or valuating the obligations arising from these agreements, at this moment it has not been established yet what the value is of the intercompany positions related to the swaps.

3.3. As reported in the first report, the receivable of LBT due from LBHI is based on a loan agreement between LBT and LBHI of 26 May 2000 (Annex III to the first public report) and amounts to USD 34,782,418,198 according to the balance sheet of 31 August 2008 and USD 32,604,207,177 according to the balance sheet of 7 October 2008.

### **4. Bank / Security**

#### **4.1. Claim from bank(s)**

See also the previous report, § 4.1. Until now the Bankruptcy Trustee has found no indications that at the time of the bankruptcy LBT had obligations under the "*multi-currency unsecured revolving credit facility*". A final conclusion will be drawn after further investigations in this matter.

### **5. Continuation of the company**

5.1. Considering the nature of the activities of LBT as well as the large extent of independence on the Lehman Brothers Group, a continuation of LBT's business in moratorium or in bankruptcy was not an option.

### **6. Investigations**

#### **6.1. Accounting obligation**

The Bankruptcy Trustee refers to the first report and additionally observes that an opinion about the accounts and the accounting obligation cannot be formed until after the administrative data have been made available to the Bankruptcy Trustee by LBIE.

#### **6.2. Filing of annual accounts**

According to the Commercial Register the most recent annual accounts of LBT (for 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 (*Paulianeus handelen*)  
The Bankruptcy Trustee will investigate this matter at a later stage.

## 7. Creditors

- 7.1. At present the Bankruptcy Trustee is investigating the way in which validation of the various notes – or, as the case may be, the claims of holders of an economic interest in such notes - should take place. This investigation also includes the question as to how the possibility of acceleration of claims by Noteholders should be dealt with, as laid down in the respective program documentation. The Bankruptcy Trustee intends, also for the purpose of the negotiations with respect to the protocol (see § 1.3), to coordinate the claim filing and valuation process with LBHI which guaranteed the claims of the Noteholders. The Bankruptcy Trustee will in this respect also consult the bankruptcy trustees/liquidators of; *inter alia*, LBS, LBEF, LB Bankhaus and LBEF, the companies that partially issued the same financial instruments.

## 8. Miscellaneous

- 8.1. Term of winding-up the bankruptcy  
The winding-up of the bankruptcy of LBT largely depends on the completion of the insolvency procedure of LBHI.
- 8.2. Plan of action  
The Bankruptcy Trustee hopes that he will have received the administrative data from LBIE in the second quarter of 2009. The other aim of the Bankruptcy Trustee is to make such progress in respect of the analysis of the economic and legal aspects of the acknowledgment and valuation of the claims under the Notes issued by LBT, that further information can be provided in the next report (which will be published in July 2009). On this matter further consultations are required with LBHI, LBIE and the other note issuers (see § 7.1) under the relevant programs as well as with the relevant clearing systems. The Bankruptcy

Trustee intends to coordinate the analysis and the plan of action as much as possible with these parties.

8.3. Provision of information

This public report (as well as every subsequent public report) will also be available on [www.lehmanbrotherstreasury.com](http://www.lehmanbrotherstreasury.com). An English translation is also available on this site. 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 free copies of the public reports.

Creditors who are holders of a note issued by LBT, which has been provided with an ISIN code *also* on the list of ISIN-codes belonging to the balance sheet of LBT of 31 August 2008 (Annex I to the first report), are requested to read the Bankruptcy Trustee's notice of 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.

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, The Netherlands**

Amsterdam, 16 April 2009

R.J. Schimmelpenninck, bankruptcy trustee