

LIQUIDATION REPORT

report number 7 of

Lehman Brothers Treasury Co. B.V. *in liquidation* ("LBT")

24 January 2019

LBT communicates in two ways with holders of notes and certificates issued by LBT (jointly: "Noteholders"): (i) important information with respect to the distributions are provided in "Notices to Noteholders". LBT distributes these notices through the electronic communication channels of the clearing systems to the UBO; (ii) information about the progress of the liquidation will be made public by issuing liquidation reports. Both the notices and the liquidation reports are available on www.lehmanbrotherstreasury.com (the "LBT Website").

Introductory remarks

- On 14 December 2018, LBT published a press release regarding its plans for a partial wind-down of the estate.¹ This interim report provides a brief summary of the partial wind-down process. The partial-wind down is further described in the Information Notice on the LBT Website. Noteholders and Other Ordinary Creditors are advised to read the Information Notice.
- Except as explicitly provided otherwise, definitions and abbreviations in this report are used in the same manner as in the previous bankruptcy reports and liquidation reports (together: the "**Previous Reports**") and in the Composition Plan.²

Intended plans for partial wind-down

- LBT is planning a final cash distribution to its creditors. To fund this final cash distribution, LBT will sell part of its allowed class 4A intercompany receivable against LBHI (the "**LBHI Receivable**").
- "Qualified Noteholders" that hold "Eligible Notes" will have the option to retain their note investment by electing to receive a substitute instrument ("**Substitute Notes**") denominated in US Dollars (Qualified Noteholders that elect to exercise this option are referred to as "**Retaining Noteholders**"). Such election shall take place through a solicitation process.³

¹ https://lehmanbrotherstreasury.com/pdf/english/Press%20Release%2014%20December_format%20website.PDF

² <https://www.lehmanbrotherstreasury.com/pdf/english/CompositionPlan.pdf>

³ Whether or not a Noteholder is qualified is dependent on applicable law in the relevant jurisdictions. The definitions of Qualified Noteholder and Eligible Notes are set forth in the Information Notice that will be distributed to Noteholders through the applicable clearing systems and published on the LBT Website.

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- As a consequence, LBT will be able to reduce the number of outstanding series of notes from more than 3,700 to a single series.

Overview of distributions

- The following tables provide an overview of the distributions made (i) from LBHI to LBT on the LBHI Receivable; and (ii) from LBT on the Outstanding Series of Notes and on Acknowledged Other Ordinary Claims (collectively referred to as "**Acknowledged Claims**"). These tables should be read in conjunction with the Distribution Agreement as discussed in paragraph 4.2. of the third liquidation report.

(Gross) distributions from LBHI to LBT on the LBHI Receivable

No	Date	Amount	percentage⁴
1	2012/04/17	USD 1,596,483,438.69	4.6%
2	2012/10/01	USD 1,076,240,312.44	3.1%
3	2013/04/04	USD 1,358,358,934.96	3.9%
4	2013/10/03	USD 1,611,299,027.64	4.7%
5	2014/04/03	USD 1,749,359,054.28	5.1%
6	2014/10/02	USD 1,335,515,471.88	3.9%
7	2015/04/02	USD 895,892,517.36	2.6%
8	2015/10/01	USD 683,524,579.44	1.9%
9	2016/03/31	USD 189,567,639.84	0.6%
10	2016/06/16	USD 282,435,427.68	0.8%
11	2016/10/06	USD 496,529,383.68	1.4%
12	2017/04/06	USD 378,205,593.00	1.1%
13	2017/10/05	USD 241,950,008.00	0.7%
14	2017/12/07	USD 344,316,769.00	1.0%
15	2018/04/05	USD 138,957,929.00	0.4%
16	2018/10/04	USD 214,805,299.36	0.6%
Total		USD 12,593,441,386.25	36.4%

⁴ The distribution percentage is based on LBT's allowed class 4A intercompany claim against LBHI of USD 34,548,000,000.

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(Gross) distributions from LBT on the Acknowledged Claims

No	Date	Amount	percentage⁵
1	2013/05/08	USD 3,947,176,931.43	12.1%
2	2013/10/24	USD 1,611,127,815.78	4.8%
3	2014/04/28	USD 1,735,103,503.28	5.1%
4	2014/10/28	USD 1,328,877,952.67	4.0%
5	2015/04/27	USD 906,764,649.52	3.4%
6	2015/10/29	USD 690,080,299.42	2.5%
7	2016/04/28	USD 192,801,698.50	0.7%
8	2016/07/14	USD 282,048,653.61	1.0%
9	2016/11/29	USD 497,864,660.44	1.8%
10	2017/05/04	USD 377,963,485.48	1.4%
11	2017/10/23	USD 241,820,707.25	0.8%
12	2018/01/16	USD 343,989,891.12	1.2%
13	2018/05/02	USD 132,466,569.55	0.4%
14	2018/10/23	USD 214,074,413.13	0.7%
Total		USD 12,502,161,231.18	39.9%

⁵ Distributions by LBT are made in US dollars while the Acknowledged Claims are denominated in Euros. The percentage distributed is based on the distribution translated into Euros at the time of distribution divided by the Acknowledged Claim amount at the date of distribution.

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Partial wind-down process

1. Background

- 1.1. As reflected in the tables above, the distribution amounts from LBHI to LBT on the LBHI Receivable have decreased in recent years. As LBHI's chapter 11 case nears its conclusion, that trend is expected to continue. As a result, the relative costs of maintaining the existing note distribution structure (*i.e.* distributions on more than 3,700 series of notes in 21 different currencies through the clearing systems in 10 separate markets around the globe) will increase. Given the expected decrease in the amount of future distributions to LBT's creditors, it may no longer be economically feasible for Noteholders with small positions to maintain the securities accounts through which they hold their Notes.
- 1.2. As a result, LBT has determined that a simplification of the existing Note structure for certain Qualified Noteholders combined with a final distribution to other creditors, funded in large part by a sale of a *pro rata* portion of the LBHI Receivable, is appropriate and in the best interests of LBT's creditors.

2. Main elements

General

- 2.1. The partial wind-down process consists of four main elements:
 - a. a solicitation process that allows Qualified Noteholders to elect to receive Substitute Notes on account of all or a portion of their Eligible Notes;
 - b. a sales process for a *pro rata* portion of the LBHI Receivable and a last and final cash distribution to LBT's creditors (including Noteholders) that do not or cannot make an election to receive Substitute Notes;
 - c. a potential in-kind distribution option or alternative arrangement for LBT's former affiliates (including LBHI). This will allow these entities to receive their *pro-rata* entitlement to the LBHI Receivable or otherwise retain their economic interests in LBT; and
 - d. the cancellation of all outstanding Notes issued by LBT (with the exception of the Substitute Notes).

Solicitation process

- 2.2. Qualified Noteholders will have the option to replace their Eligible Notes with Substitute Notes issued by LBT through a solicitation process pursuant to which

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a Solicitation Memorandum will be made available to Qualified Noteholders.⁶ LBT will not determine whether a Noteholder is a Qualified Noteholder; the Noteholder is responsible for this assessment.

- 2.3. The solicitation process applies for Notes with the following ISIN prefixes only: XS, US, CH, DE and AU. These prefixes represent the vast majority of outstanding (series of) LBT notes. Qualified Noteholders that opt to receive Substitute Notes will not receive a last and final distribution. Retaining Noteholders will remain invested in LBT via the Substitute Notes. Upon receipt of Substitute Notes, their existing Notes will be cancelled.
- 2.4. The Substitute Notes will be denominated in US Dollars and future distributions on these instruments will be made in US Dollars only. Retaining Noteholders will continue to receive distributions from LBT as LBT receives distributions from LBHI. LBT's rights and obligations towards Retaining Noteholders will be governed by the terms and conditions of the Substitute Notes and the Composition Plan.

Final distribution

- 2.5. LBT will make a final distribution to its Ordinary Creditors (Noteholders and Other Ordinary Creditors) who do not or cannot opt to receive Substitute Notes. Such creditors receiving a final distribution at this time are referred to as 'Cash-Out Creditors'.
- 2.6. On completion of the solicitation process, LBT will determine what part of the LBHI Receivable will be sold. The sale will take place through a competitive auction process, and will be effected by a placement agent appointed by LBT.
- 2.7. The proceeds of the auction process, plus certain cash reserves that can be released, less certain costs, will be distributed to the Cash-Out Creditors. This distribution will be made in the Original Currency of the applicable Notes or Other Ordinary Claim and will be a final distribution. After this final distribution to Cash-Out Creditors is made, the existing Notes will be cancelled and LBT's obligations to Cash-Out Creditors, as set out in the Composition Plan, will have been fulfilled.
- 2.8. Certain Qualified Noteholders have already agreed to elect to receive Substitute Notes, when properly solicited to do so. On this basis, it is expected that no more than 57% of the LBHI Receivable will be available for sale. The actual

⁶ The Solicitation Memorandum is only relevant for Qualified Noteholders. The Information Notice as published on the LBT Website will set out the details for Qualified Noteholders on how to obtain the Solicitation Memorandum.

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amount of the LBHI Receivable available for sale may be less than that, after giving effect to the solicitation process and any alternative arrangements entered into with any of LBT's former affiliates.

Timing

- 2.9. LBT will communicate details around timing of the partial wind-down process via the Information Notice and subsequent notices if needed.
- 2.10. LBT intends to (i) start the consent process on 24 January 2019; (ii) sell the portion of the LBHI Receivable in March 2019; and (iii) make a final payment to the Cash-Out Creditors in April 2019.

3. Miscellaneous

- 3.1. LBT retains sole discretion to abandon or otherwise discontinue any solicitation or sale process at any time. Accordingly, there can be no assurances that either the solicitation or the sale process will be conducted or consummated, or if conducted or consummated, the timing thereof. There also can be no assurance as to the amount of cash distributions, if paid, now or in the future.

Amsterdam, 24 January 2019

Lehman Brothers Treasury Co B.V., in liquidation

Rutger J. Schimmelpenninck
liquidator

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liquidator

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