VanEps Kunneman VanDoorne

BANKRUPTCY REPORT

Bankruptcy report number **11** of the trustees of

Lehman Brothers Securities N.V.

31 August 2012

Company name	: Lehman Brothers Securities N.V. ("**LBS**")
Bankruptcy reference	: E.J.F. 2/2009
Bankruptcy date	: 30 January 2009 (the "**Bankruptcy Date**")
Trustees	: Mr. M.R.B. Gorsira and Mr. R.F. van Beemen (the "**Trustees**")
Supervisory judge	: Mr. A.J. Beukenhorst (the "**Supervisory Judge**")
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	: 15 May 2012 up to and including 28 August 2012
Hours spent in period under review	: 1.310,60
Total hours spent to date	: 12.121,50

Summary of key issues

- In this eleventh bankruptcy report the Trustees provide an update regarding the progress of the settlement of the bankruptcy of LBS over the last 3 months and a general overview of the settlement of the LBS bankruptcy and the current status (**§9**);

- The Trustees are a party to the Protocol and have participated in a meeting with the official representatives that are also parties to the Protocol on 27 June 2012 in New York;

- The Trustees have finalized the analysis and reconciliation of the Global Close Balance Sheet (**§4**);

- The re-valuation exercise regarding the LBS Securities (§7.4 of the tenth bankruptcy report) has been finalized. The list of revised valuations is attached to this bankruptcy report (**Annex 1**) and can also be found on the website (**§7.1**);

- In this reporting period the Trustees and the Provisional Creditors Committee have met several times. The next Provisional Creditors Committee meeting is scheduled for Friday 7 September 2012 in Amsterdam;

- No new date for a claims filing date and a claims admission meeting has yet been set (**§8**); and

- On 2 August 2012 the Trustees have submitted the first Interim Financial Report at the offices of the clerk of the Court in First Instance in Curacao for public inspection. The Interim Financial Report is attached to this bankruptcy report (**Annex 2**) and can also be found on the website (**§10**).

1. General

1.1 This is the eleventh bankruptcy report of the Trustees. The information provided in this report 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 Trustees will communicate with the creditors 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 website may (at any time) be subject to changes.

1.3 In this eleventh bankruptcy report the Trustees provide an update regarding the progress of the settlement of the bankruptcy of LBS over the last 3 months and a general overview of the LBS bankruptcy and the current status.

1.4 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.

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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.

LBS had its corporate seat at E-Commerce Park, Vredenberg in Curacao. 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 U.S. Bankruptcy Court 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 on 30 January 2009.

3. Cross-border insolvency protocol

The Protocol Parties met on 27 June 2012 in New York. A next Protocol meeting is scheduled for October 2012 either in London or New York.

4. Global Close Balance Sheet

In January 2009 the intercompany Global Close Balance Sheet of the Lehman Brothers Group entities was finalized. The Global Close was a full accounting close in line with pre-bankruptcy Lehman reporting standards and US GAAP, as of 14 September 2008. The Trustees were not actively involved in this process.

On 23 and 24 September 2009 a Global Close seminar was held in New York. The purpose of this seminar was to provide the administrators and bankruptcy trustees of the various Lehman Brothers Group entities an overview of the internal IT systems and controls that were in place at Lehman Brothers. The Global Close figures were the starting point for reconciling the intercompany claims amounts.

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In the last 3.5 years, the Trustees and their financial advisors have worked diligently on the reconciliation and analysis of the Global Close figures. The Trustees reported on the progress of the reconciliation and analysis of the Global Close figures and related topics frequently in the bankruptcy reports. In this reporting period the Trustees have finalized their work on the Global Close figures. Based on the analysis and reconciliation of the Global Close the Trustees have filed and settled the claims against respectively with the other Lehman Brothers Group entities as set out in paragraph 9.1 of this bankruptcy report.

5. Lehman Brothers International (Europe)

On 18 March 2010 the Trustees filed a claim with LBIE in respect of the Trust Assets (as defined in the Claim Resolution Agreement between LBIE and Eligible Offerees). In this reporting period LBIE and the Trustees have finalized the factual and legal analysis regarding the Trust Assets. The Trustees have concluded that LBIE does not hold any Trust Assets for and on behalf of LBS. Consequently, the Trustees have withdrawn the Trust Asset claim with LBIE.

6. Service Agreement between LBEL, LBI and LBS

In connection with the service agreement dated 30 November 2004 between Lehman Brothers Europe Limited ("**LBEL**"), Lehman Brothers, Inc. ("**LBI**") and LBS, the Trustees filed a claim in the amount of USD 6,959.21 with LBEL on 13 June 2012.

Furthermore, since no services have been provided by LBS to LBI and LBEL under the service agreement since the insolvency of the parties, the Trustees have proposed the termination of the service agreement, effective as of 1 November 2012.

7. The Provisional Creditors Committee

On 11 May 2012 the Supervisory Judge appointed a provisional creditors committee, consisting of the following members: Lehman Brothers Finance S.A. (in liquidation); Davidson Kempner Capital Management LLC, in its capacity of investment manager for various beneficial holders of financial instruments issued by LBS; and Lehman Brothers OTC Derivatives Inc (the "**Provisional Creditors Committee**").[1]

[1] The order (*beschikking*) has been published on the website: www.ekvandoorne.com/bankruptcy-lehman-brothers-securities/38-general-information

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The Provisional Creditors Committee's main duty is to advise the Trustees regarding the further settlement of the bankruptcy of LBS.

In this reporting period the Trustees and the Provisional Creditors Committee have met several times; the parties have made good progress, especially regarding the outstanding issues between LBS and LBF (see also paragraph 6.3 of the tenth bankruptcy report). The next meeting is scheduled for 7 September 2012 in Amsterdam.

7.1 *Re-valuation sample LBS Securities*

As mentioned in paragraph 7.4 of the tenth bankruptcy report LBHI and LBF – in good and close cooperation with the Trustees – have revalued a sample of the LBS Securities. Only in connection with eleven ISINs a change was proposed and subsequently adopted by the Trustees. The revised valuation numbers are a consequence of especially new information that became available and/or errors in and the assessment of such errors in the final terms.

Please note that the valuation principles[2] have not been amended.

The revised list of valuations is attached to this bankruptcy report (**Annex 1**) and can also be found on the website.

8. Claim filing procedure

The Trustees have not requested the Supervisory Judge to set a new date for the claims filing date and the claims admission meeting yet. If and when the Trustees consider it appropriate they will request the Supervisory Judge to set a new date for the claims admission meeting. Contrary to former communications, the Trustees now aim to have a claims admission meeting in November or December 2012. However, this time frame is completely dependent on the progress the Trustees can make with the Provisional Creditors Committee.

As the Trustees have set out in their previous communication to the creditors, the creditors were requested **not** to file a claim with the Trustees regarding their holdings of LBS Securities to have their claim admitted. The Trustees intended (and still do) to make distributions of available monies on all admitted ISIN/CUSIP codes without the need for note holders to file claims with the Trustees. An advantage of this procedure, was that there was **no** need to

[2] Bankruptcy report number 9, dated 20 April 2012, §8.

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'block' the LBS Securities with the clearing systems. However, if and when a creditor wished to (i) enter into direct communication with the Trustees in respect of the claim filing procedure; (ii) object to the valuation principles and/or the valuation numbers; and/or (iii) attend the claims admission meeting, the Trustees invited such creditors to make itself known to the Trustees. In order to allow such query and/or objection such creditor was requested to 'block' the LBS Securities in the books of the clearing systems, so the Trustees were able to verify the relevant holdings of such creditor. The clearing systems then confirmed the 'blocking' to the Trustees.

In order to file a claim, communicate directly with the Trustees, to discuss the valuation numbers of their respective holdings and/or to attend the claims admission meeting, some creditors blocked their positions.

For reasons mentioned under paragraph 7.2 of the tenth bankruptcy report, the claims admission meeting was canceled. Since the Trustees intend to have a claims admission meeting as soon as possible, they wish to advise the creditors who have blocked their position as follows.

If such creditor still wishes to have the ability to communicate directly with the Trustees, to discuss the valuation numbers of their respective holdings and/or to attend the claims admission meeting in due course, the Trustees advise such creditors to keep their blocked positions blocked. The Trustees wish to stress that it is possible to unblock the positions, however such creditor will <u>not</u> be able anymore to (i) enter into direct communication with the Trustees in respect of the claim filing procedure; (ii) object to the valuation principles and/or the valuation numbers; and/or (iii) attend that claims admission meeting.

In order to unblock the blocked LBS Securities the participant of the clearing systems should instruct the relevant clearing systems to unblock the LBS Securities. If a beneficial owner (not being a participant of the clearing systems) wishes to unblock its position such creditor should instruct its custodian bank (the participant) and the participant for his part should instruct the relevant clearing system. The clearing systems instructed by the participant will then inform the Trustees about the intention and the reason to unblock the position held by the requesting creditor. The Trustees will then give their approval for the unblocking-request.

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Creditors who submitted a claim with the Trustees regarding certain LBS Securities and wish to pursue that claim are strongly advised to keep their position blocked.

The Trustees will keep the creditors informed about the progress of the claim filing procedure, and a new date for the claims admission meeting via the bankruptcy reports and notices.

9. General overview

In this paragraph the Trustees will provide the creditors with a general overview of the settlement of the LBS bankruptcy regarding the claims filed with other Lehman entities, disputes (if any) and/or other issues that have been settled or that are still outstanding and other topics.

9.1 *Claims*

As part of the settlement of the bankruptcy of LBS, the Trustees have filed multiple claims into the estates of various Lehman Brothers Group entities. The nature of these claims varies from claims that are based on the Global Close Balance sheet[3] to claims that arise from contractual obligations. The claims that have been submitted by the Trustees with the Lehman debtors and the status of the settlement of those claims have been included in the table below.

Debtor[4]	**Claim Description**	**Amount**	**Status**	**Settlement**
LBHI	Intercompany Loan	USD 6,050,451,467.79	USD 5,174 billion - Allowed	Settlement Agreement, 19 October 2011
LBCC	Derivatives	USD 1,203,462	Allowed	Settlement Agreement, 19 October 2011
LBSF	Intercompany Receivable	USD 74,628,511.67	Allowed	Settlement Agreement, 19 October 2011
LBHI	LBT Notes	USD 11,286,793	Disallowed	Settlement Agreement, 19 October 2011
LBHI	Swap Guarantee	USD 100,589,377.71	Disallowed	Settlement Agreement, 19 October 2011
LBHI	Board Resolution Guarantee	USD 272,026,097.82	Disallowed	Settlement Agreement, 19 October 2011
LBF	Derivatives	USD 78,423,278.27	Claim filed on 4 April 2011	Under review and subject to further discussion

[3] Bankruptcy report number 3, §4.1, dated 24 November 2009

[4] Lehman Brothers Holdings Inc. ("**LBHI**"); Lehman Brothers Commercial Corporation ("**LBCC**"); Lehman Brothers Special Financing Inc. ("**LBSF**"); Lehman Brothers Finance SA ("**LBF**"); Lehman Brothers Finance SA, Netherlands Antilles branch ("**LBFNA**"); Lehman Brothers International (Europe) ("**LBIE**"); Lehman Brothers Inc. ("**LBI**"); Lehman Brothers Securities Asia Limited ("**LBSAL**"); Lehman Brothers Futures Asia Limited ("**LBFAL**"); Lehman Brothers Commercial Corporation Asia Limited ("**LBCCA**"); Lehman Brothers Asia Limited ("**LBAL**"); Lehman Brothers Nominees (H.K.) Limited ("**LBN**")
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Debtor[5]	Claim Description	Amount	Status	Settlement
LBFNA	Derivatives	USD 20,222,342.40	Claim filed on 4 April 2011	Under review and subject to further discussion
LBF/LBFNA	Derivatives	USD 12,076,021,652	Claim filed on 1 October 2010	Under review and subject to further discussion
LBIE	LBT notes	USD 12,555,119	Claim filed on 23 April 2012	Under review and subject to further discussion
LBIE	Intercompany	USD 96,808,208	Claim filed on 23 April 2012	Under review and subject to further discussion
LBIE	LBS notes	USD 12,076,021,652	Claim withdrawn by the Trustees	Deeds of Settlement, dated 22 December 2011 and 27 February 2012
LBIE	Trust assets	Un-liquidated	Claim withdrawn by the Trustees	Letter of 15 August 2012
LBEL	Intercompany claim under service agreement	USD 6,959.21	Claim filed on 13 June 2012	Under review and subject to further discussion
LBI	Brokerage account	USD 10,912,699.83	Claim filed on 16 February 2009	Under review and subject to further discussion
LBSAL; LBFAL, LBCCA, LBAL; and LBN	Trust assets	Un-liquidated	Claim filed on 9 December 2010	Under review and subject to further discussion

9.2 *Other (legal) issues*

With regard to the settlement the LBS bankruptcy, the Trustees have entered into various (settlement) agreements. Furthermore, the Trustees submitted a request with the FINMA[6] regarding the recognition of the LBS' bankruptcy decree with FINMA in Switzerland.

Counterparty	Issue	(Settlement) Agreement / Request	Summary
LBHI	Access to LBS data	Confidentiality agreement, dated 14 July 2010	LBS requires access to data that is owned by LBS but in the custody, possession or control of LBHI in order to carry out its duties and for the orderly administration and wind down of the estate.

[5] Lehman Brothers Holdings Inc. ("**LBHI**"); Lehman Brothers Commercial Corporation ("**LBCC**"); Lehman Brothers Special Financing Inc. ("**LBSF**"); Lehman Brothers Finance SA ("**LBF**"); Lehman Brothers Finance SA, Netherlands Antilles branch ("**LBFNA**"); Lehman Brothers International (Europe) ("**LBIE**"); Lehman Brothers Inc. ("**LBI**"); Lehman Brothers Securities Asia Limited ("**LBSAL**"); Lehman Brothers Futures Asia Limited ("**LBFAL**"); Lehman Brothers Commercial Corporation Asia Limited ("**LBCCA**"); Lehman Brothers Asia Limited ("**LBAL**"); Lehman Brothers Nominees (H.K.) Limited ("**LBN**")

[6] The FINMA is the financial market supervisory authority in Switzerland

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Counterparty	Issue	(Settlement) Agreement / Request	Summary
U.S. Debtors	Full and final settlement	Settlement agreement + amendment to settlement agreement, dated 19 October 2011 respectively 23 March 2012	The settlement agreement provides LBS with (i) an allowed intercompany claim of USD5.174 billion against LBHI; (ii) an allowed intercompany claim of USD74.6 million against LBSF; and (iii) an allowed derivative claim of USD1.3 million against LBCC.
LBEL and LBI	Termination Service Agreement	Letter to the LBEL and LBI administrators, dated 31 July 2012	No services have been provided by LBS to LBI and LBEL since the insolvency of the parties, and the Trustees assume that, in the circumstances, no further services will be required. By letter of 31 July 2012 the Trustees proposed the termination of the service agreement.
LBIE	Custody LBS Securities	Custody agreement, dated 22 December 2011	The Unfunded Securities and the Repurchased Securities are still outstanding with the clearing systems and are held by LBIE (as custodian) for and on behalf of LBS.
LBIE	Calculation Agent	Deed of Termination and Settlement, dated 27 February 2012	Under certain programs under which LBS issued LBS Securities LBIE was the calculation agent. As per the deed of termination and settlement the appointment of LBIE as calculation agent is terminated; as a consequence of which LBS is the calculation agent.
FINMA	Legal standing in Switzerland	On 16 January 2012, the Trustees filed a request regarding the recognition of the LBS' bankruptcy decree with FINMA	Due to a lack of reciprocity regarding the recognition of bankruptcy decrees between Curacao and Switzerland the Trustees have no legal standing in Switzerland. On 16 January 2012, the Trustees filed a request regarding the recognition of the LBS' bankruptcy decree with FINMA. The FINMA has not rendered a decision yet.

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10. Financial interim report

On 2 August 2012 the Trustees have submitted the first interim financial report (the "**Interim Financial Report**") at the offices of the clerk of the Court in First Instance in Curacao for public inspection. The Interim Financial Report is attached to this bankruptcy report (**Annex 2**) and can also be found on the website.

The Interim Financial Report provides an overview of the financial position of LBS as per 30 June 2012. The key items are:

- USD 254.4 million (ANG 455.4 million) intercompany claim proceedings from LBHI, LBSF and LBCC. These funds are being held at an US dollar bank account with *Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.*, Rabobank Nederland, New York branch; and

- USD 16.6 million (ANG 29.8 million) handling costs bankruptcy proceedings.

11. Improper management

The Trustees will further investigate the manner in which the Managing Director and the Supervisory Board have fulfilled their duties.

12. Fraudulent acts in respect of creditors

The Trustees will further investigate whether fraudulent acts (*paulineus handelen*) have been committed.

13. Auditor

The Trustees are currently investigating the manner in which the auditor of LBS, Ernst & Young Curacao, has fulfilled its duty.

14. Miscellaneous

14.1 As to the timing, the Trustees note that the winding-up of the bankruptcy of LBS largely depends on the feasibility of setting a new date for a claims admission meeting.

14.2 This eleventh bankruptcy report (as well as every subsequent bankruptcy report) will be available on the website. The bankruptcy reports are also available for inspection at the Court of First Instance in Curacao.

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15. Plan of action / Time line

i) Finalize the discussions with the Provisional Creditors Committee and settle the (legal) disputes with LBF/LBFNA; and

ii) Request the Supervisory Judge to set a new date for the claims filing date and the claims admission meeting;

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Annex 1

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Annex 2

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