

28 October 2008

Our ref: AVL/SAP/LBIE/961
Lehman Regulatory Role reference:
Your User ID:
Your Password:

Dear Sir/Madam

Lehman Brothers International (Europe) - in Administration (“LBIE” or the “Company”)

This letter is addressed to all known counterparties who might be creditors of the Company and to whom notice of the appointment of Administrators to LBIE was sent.

Enclosed with this letter is a document entitled “Lehman Brothers International (Europe) - in Administration, Joint Administrators’ Proposals for Achieving the Purpose of Administration”. This document provides an account of the steps that have been taken in the Administration to date, together with the Administrators’ proposals, to be put to a meeting of creditors on 14 November 2008 and to give you formal notice of that meeting (Form 2.20B also enclosed).

The enclosed document provides an overview of the different workstreams that the Administrators have established and the progress made to date. At this stage we have not included any detailed financial information as work is still underway in preparing the directors’ Statement of Affairs and certain financial data is awaited from third parties. Any financial information risks being materially incomplete and, as a result, potentially misleading in gaining an understanding of the assets and liabilities of the Company.

We expect to be able to present certain summary financial information at the creditors’ meeting and will make this available on the PwC website (<http://www.pwc.co.uk>) immediately following the meeting, ensuring that any creditors who do not attend on the day have access to this information.

We are aware of the major impact that the Administration of LBIE has had on many of its clients and counterparties, especially with regard to the resulting uncertainty that it has caused. All the information necessary to estimate the value of a counterparty’s position with LBIE is not yet readily available to us, neither is all the information that would enable us to release client monies and securities. A number of significant, complex and unique issues arising from the bankruptcy filing of Lehman Brothers Holdings Inc. and the insolvency of LBIE and many of its fellow Lehman Group companies have given rise to this situation.

Some of the complexity of the Administration tasks include:

- Protecting and realising LBIE's economic interest in, and managing the risks arising from, the wide range of securities and derivative transactions LBIE was party to. This involves, inter alia, quantifying the impact of contractual terminations and failed trades.
- Requesting, receiving and reconciling the significant volume of data arising from hundreds of thousands of third party transactions. These transactions were originated from the wide range of business activities undertaken across multiple jurisdictions, and a number of different systems.
- Interpreting and determining the impact of multiple contractual arrangements on a client and counterparty specific basis. Due regard is also needed as to arrangements with Lehman Group companies as a whole.
- Understanding, quantifying and agreeing the impact of third party actions (including regulators, exchanges, clearing houses, custodians, agent banks, clients and counterparties) on asset realisation and creditor claims.
- Determining the impact of historical dealings with other Lehman group companies, a number of which are now subject to local insolvency proceedings, each subject to local rules and objectives.
- Identifying, locating, reconciling and administering potential trust property to client asset claims.

The combination of these and other tasks, together with the legal duties and responsibilities of the Administrators to maximise the realisations in the estate and avoid preferring any creditor or group of creditors, has inevitably led to a material delay in the Administrators being able to respond substantively to counterparty enquiries.

At the 14 November 2008 creditors' meeting we will provide further and fuller explanation of how the Administration generally, and these matters specifically, are being managed.

What steps should you be taking now?

All creditors will be bound by the Administrators' proposals if they are approved at the creditors' meeting by the requisite majority. It is therefore important that you read this document carefully. You may suggest modifications that you wish us to consider for incorporation into the proposals.

It is expected that a creditors' committee will be formed and that many creditors may wish to be a member of it, although the relevant UK legislation provides that a maximum of five members only can be appointed. The Administrators would be grateful to receive nominations well in advance of the meeting and in any event by 5 pm (GMT) on 11 November 2008. Creditors should make such nominations for membership by completing the appropriate part of the enclosed proxy form (Form 8.2 and guidance note on how to complete your proxy enclosed). Please return your proxy form to the above address or by facsimile on +44 (0) 20 7212 6598. Due to the complex nature of the claims, we do not expect to be able to determine the result of the voting for the membership of the creditors' committee on the day of the meeting, but creditors will be notified of the result in writing soon after the meeting.

As a creditor you can attend the creditors' meeting either in person or by submitting a proxy. In order to vote (either in person or by proxy) we request that written details of your claim be

submitted to us by no later than midnight (GMT) on 12 November 2008 via the LBIE creditors' website - <https://dm.pwc.com/LBIECreditors>.

You are not obliged to attend the meeting, or submit a proxy if you do not wish to vote, and you will not prejudice your claim and entitlement to a dividend, should there be one, if you do not attend or vote. If you do not attend, you will be able to access any financial information that is provided to the meeting immediately thereafter, on the PwC website (<http://www.pwc.co.uk>).

Registration for attendees will begin at 10am on the day of the meeting. The meeting will start promptly at 11am, so please ensure that you allow sufficient time to register.

Submission of your claim

Instructions on how to submit your claim on the LBIE Counterparty web site are enclosed. You are required to enter the User ID and password information given in the heading of this letter onto the website in order to lodge your claim. A further user guide is available on the website to assist you.

We understand that due to the complexities detailed earlier in this letter that you may not know your net position at this stage. Please note that submitting your unsecured claim on the website at this stage is for voting purposes at the creditors' meeting only and we would therefore ask that you submit your claim based on the information that you have available and list your assumptions in the space provided. As a creditors you will have further opportunity to review your claim in due course once you are fully furnished with the information to assist you in completing your claim. Should you have any further information after the meeting regarding your claim against LBIE, please contact us through the website email address and we will either update your claim or allow you further access to update and resubmit your claim.

Yours faithfully
For and on behalf of the Company



AV Lomas
Joint Administrator


Enclosures:

Joint Administrators' proposals for achieving the purpose of the Administration
Form 2.20B (notification of initial creditors' meeting)
Instructions for counterparty claim submission
Form 8.2 (proxy form)
Form 8.2(a) (information on how to complete your proxy)

AV Lomas, SA Pearson, DY Schwarzmann and MJA Jervis were appointed as Joint Administrators of Lehman Brothers International (Europe) on 15 September 2008 to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DY Schwarzmann and MJA Jervis are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Notice of a meeting of creditors

Name of Company Lehman Brothers International (Europe)	Company Number 02538254
In the High Court of Justice, Chancery Division, Companies Court (full name of court)	Court case number 7942 of 2008

- (a) Insert full name(s) and address(es) of the administrator(s)
- Notice is hereby given by (a) AV Lomas, SA Pearson, DY Schwarzmann and MJA Jervis of
 PricewaterhouseCoopers LLP
 Plumtree Court
 London
 EC4A 4HT
- (b) Insert full name and address of registered office of the company
- that a meeting of the creditors of (b) Lehman Brothers International (Europe) of 25 Bank Street, London E14 5LE
- (c) Insert details of place of meeting
- is to be held at (c) IndigO2, The O2, Peninsular Square, London SE10 0DX
- (d) Insert date and time of meeting
- on (d) 14 November 2008 at 11.00 am
- The meeting is:
- *Delete as applicable
- an initial creditors' meeting under paragraph 51 of Schedule B1 to the Insolvency Act 1986 ("the Schedule");
- I invite you to attend the above meeting.
- A proxy form is enclosed which should be completed and returned to me by the date of the meeting if you cannot attend and wish to be represented.
- In order to be entitled to vote under Rule 2.38 at the meeting you must give to me, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.
- Signed 
- AV Lomas
 Joint Administrator
- Dated 28th October 2008
- * Delete as applicable
- A copy of the * proposals is attached

Lehman Brothers International (Europe) – in Administration ("LBIE" or the "Company")

Instructions for counterparty claim submission

As explained in the covering letter to the Administrators Proposals document, it is intended that counterparty unsecured creditor claims against LBIE will be submitted to the Administrators by inputting data into a web based collection database.

This site will be launched on or before Monday 3 November 2008 following which date you will be able to submit your claim, which we request be done by no later than midnight on Wednesday 12 November 2008.

To access this database you will need to go to <https://dm.pwc.com/LBIECreditors> and you will need to know the User ID and password of the legal entity for which you are claiming. This information, together with the relevant entity's Lehman Regulatory Role reference number, appears on the covering letter referenced above.

When you first enter the site, a logon screen will appear into which you should enter your User ID and password and press "Login".

This will take you to your claim "Summary Screen" which will contain your contact standing data and a summary of all the components of your unsecured claim against LBIE. If you have any difficulty in logging in, you should immediately send an email to: lbiCreditors.lehmanbrothers@uk.pwc.com. User demand may be high following the launch of the database; however we will endeavour to respond to queries sent to this email address within 24 hours.

Once in the "Summary Screen" only two fields are pre-populated, these being the full legal entity name of the counterparty and its unique Regulatory Role reference number. You cannot edit these fields. **YOU MUST QUOTE THESE DETAILS ON ANY COMMUNICATION YOU SEND TO THE ADMINISTRATORS OR TO LBIE CONCERNING YOUR CLAIM.**

You should insert the details of your preferred contact for dealing with your claim submission and then proceed to enter your claim data under the different types of claim heading listed on the "Summary Screen". This can be accomplished by pressing the relevant "Enter Values" button which will take you to a detailed screen for that category of claim. Once you have completed a page you should press "Save Changes" which will take you back to the "Summary Screen". This page automatically updates to show the part of the claim you have completed.

The Summary Screen has a "Save and Exit" button to enable you to complete your data entry in stages if necessary. All screens contain links to a "User Guide", which provides detailed guidance on how and where the different elements of your claim should be entered into the database. It also includes further general background information and an explanation as to the purpose of this database. Should you experience any problems in entering your data, there will be a link to an email address to which you should direct your queries. Please note that this is a separate mailbox to that which deals with Logon problems only (as referred to above).

You will need to complete all the data entry pages in full, and where you do not have any claim under a category you should enter 0 (zero). You will not be able to submit your claim as complete until all fields have been completed.

There is a free field box on all screens into which you may enter any explanatory comments that you consider to be relevant to your claim or any assumptions that you have made.

When all data entry screens have been completed the "Summary Screen" will show a summary of your total claim and its net balance will be shown towards the bottom of the screen. There is an opportunity to save your data and exit at that stage without submitting your claim, but once your claim details are complete and you wish to submit them, you should press the "Submit Data" button.

This will take you to the "Confirmation" screen where you will be shown a summary of your claim and be asked to confirm the accuracy of the information you have entered. Once you have made the declaration your claim will be fixed in the database for the purpose of voting at the creditors meeting to be held on 14 November 2008 and you will no longer be able to logon or edit your claim. There will be a final opportunity to print the details of your claim as submitted for your own records.

There are a few important points to which you should pay particular attention:-

- Claims should be calculated as at 07.56am 15 September 2008, the time of the Administration Order. Accordingly no claims for interest subsequent to this time should be made.
- This database is for the submission of your claims as against Lehman Brothers International (Europe) (in Administration) only. No claims against any other Lehman Brothers group company should be entered in this database. For these purposes no claims under any cross entity netting agreements should be submitted, but you should please note the existence of any such agreements to which you are a party in the comments fields.
- The value of the claim generated from the information input into this database will be used only for the purposes of calculating votes cast at the creditors meeting to be held on 14 November 2008 (in accordance with Insolvency Rule 2.38(4)). No acknowledgement as to the admissibility or validity of the claim for dividend purposes is given or implied and all rights with regard to the construction of the claim, including, without limitation, the applicability of any netting or rights of set-off or the treatment of collateral are fully reserved.
- Claims should be entered in the database only in US \$. The appropriate currency conversion table to be used for transactional data in other currencies is included in the User Guide in the database.
- Any claims you may have in respect of segregated trust assets should be made separately and should not be included in your unsecured claims that you enter in the database. If you want to make such a trust claim, please refer to http://www.pwc.co.uk/eng/issues/lehman_client_money_assets_151008.html for the appropriate claim documentation and contact details.
- If you do not have valuations or other definitive information on certain aspects of your claim it is acceptable for you to include estimated figures but you should please explain the basis of any estimates or assumptions in the comments fields.

At this stage of the Administration we are seeking to establish a summary of creditors' total claims for the purposes of voting and the database is not currently designed to hold all the detailed data about your claim. Accordingly we are not at this stage seeking copies of supporting agreements or other documentation to validate your claim, so you need not send such information as this at this stage. However, there will be a second phase to the establishment of claims and it is intended that the database will in due course be reopened and expanded to collect more detailed data on your claim.

Finally, you are reminded that we request you submit details of your claim no later than midnight on 12 November 2008 and that you should quote your unique Regulatory Role reference number on every communication that you submit to the Administrators.

**Rule 8.1 Insolvency Act 1986
Proxy (Administration)**

Lehman Brothers International (Europe) – in Administration

Notes to help completion of the form

Please give full name and address for communication

Name of creditor.....

Address

.....

.....

Please insert name of person (who must be 18 or over) or the "chairman of the meeting" (see note below). If you wish to provide for alternative proxy-holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well

Name of proxy-holder

1.....

.....

2.....

.....

3.....

.....

Please delete words in brackets if the proxy-holder is only to vote as directed i.e. he has no discretion

I appoint the above person to be my / the creditor's proxy-holder at the meeting of creditors to be held on 14 November 2008, or at any adjournment of that meeting. The proxy-holder is to propose or vote as instructed below [and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion].

Please tick the appropriate boxes

Voting instructions for resolutions

	In Favour	Against
1. That the Joint Administrators' proposals for achieving the purpose of the Administration' dated 28 October 2008 be adopted.		
2. For the appointment of..... represented by as a member of the creditors' committee.		

This form must be signed

Signature **Date**

Name in CAPITAL LETTERS

Only to be completed if the creditor has not signed in person

Position with creditor or relationship to creditor or other authority for signature:

.....

.....

Lehman Regulatory Role Reference:

HOW TO COMPLETE YOUR PROXY

Important Information

Creditors wishing to vote at the meeting must complete and lodge the proxy with the Administrators, unless they are individuals attending the meeting personally or are companies authorising a representative under Section 375 of the Companies Act 1985.

All creditors who wish to vote at the meeting, whether in person, by proxy, or in some other way, must provide details of their claim against the company to PricewaterhouseCoopers LLP by 12 noon on the business day preceding the meeting.

You will find additional notes on the proxy form itself.

Name of Creditor

Insert the name of the person, company or other body owed money.

Address

Insert the creditor's full address (including postcode).

Name of Proxy Holder

If you, or another authorised representative of your company, are attending the meeting then please put your/his/her name in here.

If someone else is attending on your behalf (for example your solicitor), then please state his or her name here. If you wish you may list more than one proxy holder, in case your first choice is unable to attend.

If you are not attending the meeting or sending a representative you may still vote by appointing the chairman as your proxy holder. To do so insert the words "**chairman of the meeting**" in the space for the proxy holder's name. The chairman will be one of the Administrators, or an employee of the Administrators duly authorised to act as chairman.

Voting Instructions for Resolutions

You do not need to give any voting instructions if you are happy for your proxy holder to exercise his or her own discretion on the use of your vote.

Complete section 1 to instruct your proxy-holder how to vote on the acceptance or rejection of the Administrator's proposals. Only complete section 2 if you wish to vote for a specific creditor to be appointed to the creditors' committee, otherwise leave this section blank.

There may be other resolutions proposed at the meeting (eg. to modify the proposals or appoint other creditors to the committee). If you are content for your proxy holder to vote on any such resolution as he or she thinks fit, you need take no further action. If you do not wish your proxy holder to vote on any such resolutions you should delete the words in square brackets in the middle of the form. Please note that if you delete these words without completing section 1 or 2 your proxy holder will not be able to vote at all.

Signature

The proxy must be signed by a duly authorised representative of the creditor, usually a director in the case of a company, and his or her relationship to the creditor should be stated.