"*Default Market Value*" means -

(a) with respect to any cash on any date, the Market Value of such cash at the Default Valuation Time, and

(b) with respect to any securities on any date -

(i) in the case of securities to be delivered to the Defaulting Party, the Market Value of such securities at the Default Valuation Time, adjusted for the market impact of such default by the Prime Broker acting in its absolute discretion, less all costs, fees and expenses that would be incurred in connection with a sale by the Prime Broker of such securities as determined by the Prime Broker; and

(ii) in the case of securities to be delivered by the Defaulting party, the amount it would cost to buy such securities at the Default Valuation Time at the best available offer price therefore on the most appropriate market, adjusted for the market impact of such default by the Prime Broker acting in its absolute discretion, together with all costs, fees and expenses that would be incurred in connection therewith in each case as determined by the Prime Broker;

"*Default Notice*" means a written notice served by the Non-Defaulting Party on the Defaulting Party stating that an event specified in Clause 11 shall be treated as an Event of Default for the purposes of this Agreement;

"*Default Valuation Time*" means, with respect to any cash or securities -

(a) if the relevant Event of Default occurs during normal business hours on a dealing day in the most appropriate market for the relevant cash and securities recorded in the Cash Accounts and Securities Accounts (as determined by the Prime Broker), the close of business in that market on the following dealing day; and

(b) in any other case, at such time as determined by the Prime Broker but in any event no later than the close of business on the second dealing day in that market after the day on which the relevant Event of Default occurs;

"*Defaulting Party*" has the meaning in Clause 12.1;

"*ERISA*" means the U.S. Employment Retirement Income Security Act of 1974 as amended;

"*ERISA plan*" means an employee benefit plan as defined in Section 3(3) of ERISA, subject to Title I of ERISA or Section 4975 of the US Internal Revenue Code of 1986, as amended;

"*Equivalent Securities*" means with respect to any security, securities of the same issuer, issue and of an identical type, nominal value and description as such security and shall include the certificates and other documents of or evidencing title and transfer in respect of the foregoing (as appropriate). If and to the extent that the relevant securities are partly-paid or have been converted, subdivided, consolidated, redeemed, made the subject

of a takeover, capitalisation issue or rights issue, or any event similar to the foregoing, Equivalent Securities shall have the following meaning -

(a) in the case of conversion, sub-division or consolidation, securities equivalent to the securities into which the relevant securities has been converted, subdivided or consolidated;

(b) in the case of redemption, a sum of money equivalent to the proceeds of the redemption;

(c) in the case of a takeover, a sum of money or securities equivalent to the money or securities which was or were the consideration or alternative consideration;

(d) in the case of a call on partly paid securities, securities equivalent to the relevant securities after such call has been paid up provided that the Counterparty has paid to the Prime Broker an amount of money equal to the sum due in respect of the call;

(e) in the case of a capitalisation issue, securities equivalent to the relevant securities together with securities equivalent to the securities allotted by way of a bonus on securities of that kind;

(f) in the case of a rights issue, securities equivalent to the relevant securities, together with the securities equivalent to securities allotted thereon, provided that the Counterparty has paid to the Prime Broker all sums due in respect thereof;

(g) if a payment of interest, dividends or other distributions is made in respect of the relevant securities in the form of securities or a certificate which may at a future date be exchanged for securities, securities equivalent to the relevant securities, together with securities or a certificate equivalent to those allotted;

(h) in the case of any event similar to any of the foregoing, securities equivalent to the relevant securities, together with or replaced by a sum of money or securities equivalent to that received in respect of the relevant securities resulting from such event;

and "*equivalent to*" shall be construed accordingly.

"*Event of Default*" has the meaning in Clause 12.1;

"*FSA*" means the Financial Services Authority;

"*Fund*" means, where the Counterparty is the trustee of a fund, that fund, as specified on page 1 of this Agreement;

"*Indemnitees*" has the meaning in Clause 14.1;

"*Instructions*" has the meaning in Clause 24.1;

"*Liabilities*" has the meaning in Clause 10.2;

"*Lehman Company*" means any Affiliate which is party to a Customer Agreement;

"*Loan*" means any loan made or treated as made under Clause 4.1;

"*Losses*" means all Taxes, fees, expenses, claims, actions, liabilities, damages, costs, losses, proceedings or other analogous matters;

"*Margin Call*" means a notification by the Prime Broker to the Counterparty of its obligation to deliver margin in order to eliminate a Margin Deficit;

"*Margin Deficit*" means the amount by which the Net Equity is less than the Margin Requirement as determined by the Prime Broker in its absolute discretion on a trade date or settlement date basis;

"*Margin Excess*" means the amount by which the Net Equity is greater than the Margin Requirement as determined by the Prime Broker in its absolute discretion on a trade date or settlement date basis;

"*Margin Requirement*" means the amount calculated by the Prime Broker in its sole and absolute discretion by reference to the Net Equity and notified by the Prime Broker to the Counterparty from time to time as the Margin Requirement including, without limitation, any initial and subsequent Margin Requirement notified to the Counterparty in such manner as Prime Broker considers appropriate including, without limitation, by means of any Terms;

"*Market Value*" means -

(a) with respect to cash, the amount of such cash (converted, if necessary, into Base Currency at a spot rate obtained from a source selected by the Prime Broker in its sole and absolute discretion); and

(b) with respect to securities, the price for such securities obtained from a source selected by the Prime Broker in its sole and absolute discretion; provided that, (A) if prices for such securities are available on an exchange, the price shall be the closing price on such exchange and (B) the price of securities that are suspended, or in respect of which there is no source or a discontinuous source, shall be determined by Prime Broker in its sole and absolute discretion. Market Value is determined by the Prime Broker solely for the purposes of determining Margin Requirements and should not be relied on by the Counterparty for any other purposes.

"*Market Value Equivalent*" means, in respect of cash or securities as of any time on any day as determined by the Prime Broker in its absolute discretion, an amount equal to the Market Value of such cash or securities;

"*Net Default Amount*" in respect of any Customer Agreement, means the amount if any payable by one party to the other following the operation of the close-out and netting provisions of that Customer Agreement, as determined in accordance with that agreement;

"*Net Equity*" has the meaning in Clause 6.1;

"*Novated Third Party Contract*" means a Third Party Transaction which the Prime Broker and the Counterparty have agreed to be novated on terms that the rights and obligations of

the Counterparty in respect of the Third Party Transaction shall be assumed by the Prime Broker;

"Payment Authorised Persons" has the meaning in Clause 24.2;

"Potential Event of Default" means an event which with the service of notice or passage of time, or both, would be or would in the opinion of the Prime Broker be likely to be an Event of Default;

"Principal Transaction" means a Transaction specified in a Principal Transaction Request;

"Principal Transaction Request" means the form of request submitted by the Counterparty to the Prime Broker from time to time for the purpose of Paragraph 2.1 of Schedule 1;

"Rules" means the rules of the Financial Services Authority;

"Securities Account" means an account for the deliveries of securities made and received (or deemed to have been made and received) pursuant to this Agreement and all Transactions relating thereto;

"Securities Depositary" means any securities depositary, settlement system, dematerialised book entry system, clearance system or similar system;

"Security" means the security created by or pursuant to this Agreement;

"Spot Rate" means the spot rate of exchange quoted by Lehman Brothers Inc. for the sale by it of the relevant currency against the purchase of the Base Currency;

"Stock Lending Agreement" means the stock lending agreement entered into between the Prime Broker and the Counterparty in the form of the Overseas Securities Lender's Agreement or the Global Master Securities Lending Agreement published by the International Securities Lenders Association;

"Sub-Custodian" means any person appointed by the Prime Broker as sub-custodian in accordance with Paragraph 7.1 of Schedule 2;

"Taxes" for this purpose means any present or future tax, applicable VAT, duty, stamp duty, stamp duty reserve tax, transfer tax, levy, impost or charge of a similar nature payable to or imposed by any supra-national or national government, federal state, provincial, local, municipal taxing authority, body or official, of any jurisdiction (together with any related penalties, damages, fines, interest, surcharges and similar charges);

"Termination Date" has the meaning in Clause 13.1;

"Terms" means any terms notified by the Prime Broker to the Counterparty setting out the fees, interest rates and Margin Requirement, which the Prime Broker in its absolute discretion intends to apply to the Transactions, as amended from time to time, and if more than one, the last terms provided by the Prime Broker to the Counterparty;

"*Third Party Transaction*" means a Transaction established between the Counterparty and a third party;

"*Third Party Transaction Request*" has the meaning in Paragraph 1.1 of Schedule 1;

"*Transaction*" has the meaning in Clause 2.1 and, for the purposes of Clause 14, includes a loan of Hong Kong securities made under the Stock Loan Agreement.

SCHEDULE 4

AUTHORISED PERSONS

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__________ 2008

LEHMAN BROTHERS INTERNATIONAL (EUROPE)

[COUNTERPARTY]

[AGENT]

INTERNATIONAL PRIME BROKERAGE AGREEMENT

FRESHFIELDS BRUCKHAUS DERINGER

P54

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek advice immediately from your own professional adviser.

If you have sold or otherwise transferred all of your interests as an Eligible Offeree (as defined in the proposed Claim Resolution Agreement contained in Part III of this document (the "Agreement")), please forward this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, this document should not be forwarded or transmitted in or into any jurisdiction outside the United Kingdom if to do so would constitute a violation of the relevant laws in such jurisdiction.

The information in this document does not constitute nor does it form part of any offer to sell or to purchase or to subscribe for, or the solicitation of an offer to sell or purchase or subscribe for, any securities in any jurisdiction or territory.

Certain of the securities which are the subject of the Agreement may have been issued by Affiliates of the Company (the "Affiliate Securities"). No offer or sale of Affiliate Securities may have been registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Any Affiliate Securities that may be delivered under the Agreement may not be offered or sold to other investors except as part of a transaction that is registered under the Securities Act or that is exempt from registration.

This document should be read in conjunction with the accompanying Form of Acceptance which sets out the procedure for acceptance of the Offer. The information used by or relied upon by the Company for the purpose of determining the level of acceptances in relation to the Offer is not determinative of any rights or claims of any person and should not be used or relied upon for this or any other purpose. This information is not an indication of any allocation or distribution of assets or calculation of claims or liabilities that a person may receive or have under the Agreement. Please refer to the Agreement for further information regarding allocations and distributions of assets and calculations of claims and liabilities.

Further copies of this document may be downloaded from the PricewaterhouseCoopers website at *http://www.pwc.co.uk/eng/issues/lehman_updates.html.*

Circular in relation to a proposed

CLAIM RESOLUTION AGREEMENT

between

LEHMAN BROTHERS INTERNATIONAL (EUROPE)
(in administration)

and

ELIGIBLE OFFEREES

Your attention is drawn to the Letter from the Administrators which is set out in Part I on pages I-1 to I-30 of this document and to the Important Notices set out on page 2 of this document.

The procedure for acceptance of the Offer is set out in Schedule 1 to the Agreement in Part III on pages III-159 to III-169 of this document and in the accompanying Form of Acceptance.

If you wish to accept the Offer to enter into the Agreement, you must complete, sign and submit your Form of Acceptance to the Company by sending a scanned copy by email to claimresolutionagreement@lbia-eu.com or by faxing a copy to +44 (0)20 7067 8542 as soon as possible and in any event so as to be received by the Company no later than **5.00 p.m. (London time) on Tuesday 29 December 2009**.

After you submit your Form of Acceptance by email or facsimile, you must send the original as soon as possible by pre-paid post or air mail to: Lehman Brothers International (Europe) (in administration), Trust Property 24th Floor, PO Box 62492, London E14 1JX, United Kingdom or by courier only to: Lehman Brothers International (Europe) (in administration), Trust Property 24th Floor, 25 Bank Street, Canary Wharf, London E14 5LE, United Kingdom (marked for the attention of E. Levy).

Important Notices

This document has been prepared solely in connection with the Agreement.

The information contained in this document has been prepared by the Company and the Administrators based upon information available to them.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and delivery or service of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date or that the information in this document is correct as at any time subsequent to such date.

Nothing contained in this document shall constitute any admission of any fact or liability on the part of the Company or the Administrators with respect to any asset to which it, they or any person may be entitled or any claim against it, them or any person.

The summary of the principal provisions and effect of the Agreement set out in Part II of this document and the information and explanations set out in Part I of this document are qualified in their entirety by reference to the Agreement, the full text of which is set out at Part III of this document. In the event of any discrepancy or inconsistency between the provisions of the Agreement and any information or statement set out elsewhere in this document, the provisions of the Agreement shall prevail. Each recipient of this document is advised to read and consider carefully the text of the Agreement and to make its own independent decision in relation to the Agreement. Nothing in this document should be relied upon or treated as a recommendation or an inducement to enter into the Agreement.

This document has been prepared solely to assist Eligible Offerees in relation to the proposal of the Agreement. Nothing in this document should be relied upon for any purpose, including, without limitation, for the purchase or in connection with the purchase of any asset or liability of the Company.

No person has been authorised by the Company or any of the Administrators to make any representations or give any information other than the statements contained herein, and, if given or made, such representations or information must not be relied upon as having been authorised by the Company or any of the Administrators.

The Administrators are acting as agents for and on behalf of the Company and none of the Administrators, their firm, partners, employees, agents, advisers or representatives shall incur any personal liability whatever in respect of any of the obligations undertaken or assumed by the Company or in respect of any failure on the part of the Company in relation to the Agreement. The exclusion of liability set out in this paragraph shall arise and continue notwithstanding the termination of the agency of the Administrators and shall operate as a waiver of any claims in tort as well as under the laws of contract. The Administrators, their firm, partners, employees, agents, advisers or representatives shall be entitled to rely on, enforce and enjoy the benefit of this paragraph as if they were a party to this document.

Recipients of this document should not construe the contents of this document as legal, tax or financial advice. Recipients of this document should consider consulting their own professional advisers as to legal, tax, financial or other relevant matters before taking any action in connection with the Agreement.

Capitalised terms used in this document have the meanings ascribed to them in the section in which they appear or in Part 18 of the Agreement which is set out at Part III of this document.

NEITHER THIS CIRCULAR NOR THE CLAIM RESOLUTION AGREEMENT NOR ANY OTHER DOCUMENT RELATING TO THE CLAIM RESOLUTION AGREEMENT HAS BEEN PREPARED FOR THE PURPOSES OF ANY SOLICITATION OR OFFER TO THE PUBLIC IN ANY JURISDICTION OR TERRITORY AND THIS CIRCULAR AND SUCH OTHER DOCUMENTS MAY NOT BE DISTRIBUTED OR MADE AVAILABLE FOR SUCH PURPOSE. NONE OF THIS CIRCULAR, THE CLAIM RESOLUTION AGREEMENT AND ANY OTHER DOCUMENT RELATING TO THE CLAIM RESOLUTION AGREEMENT HAS BEEN SUBMITTED FOR CLEARANCE TO ANY REGULATORY AUTHORITY.

IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

Dated 24 November 2009

Administrators of the Company:

Mr. Anthony Victor Lomas
PricewaterhouseCoopers LLP
Plumtree Court
London EC4A 4HT

Mr. Steven Anthony Pearson
PricewaterhouseCoopers LLP
Plumtree Court
London EC4A 4HT

Mr. Dan Yoram Schwarzmann
PricewaterhouseCoopers LLP
Plumtree Court
London EC4A 4HT

Mr. Michael John Andrew Jervis
PricewaterhouseCoopers LLP
Plumtree Court
London EC4A 4HT

Legal Advisers to the Company and the Administrators:

Linklaters LLP
One Silk Street
London EC2Y 8HQ

IF YOU WISH TO ACCEPT THE OFFER

If you wish to accept the Offer to enter into the Agreement with the Company, you must complete and sign a Form of Acceptance and submit it to the Company:

- by sending a scanned copy by email to **claimresolutionagreement@lbia-eu.com**

or

- by faxing a copy to **+44 (0)20 7067 8542**

as soon as possible and so as to be received by the Company no later than

5.00 p.m. (London time) on Tuesday 29 December 2009.

After you submit your Form of Acceptance by email or facsimile, you must send the original to the Company as soon as possible:

by pre-paid post or air mail to:
Lehman Brothers International (Europe)
(in administration)
Trust Property 24th Floor, PO Box 62492
London E14 1JX
United Kingdom

or by courier only to:
Lehman Brothers International (Europe)
(in administration)
Trust Property 24th Floor, 25 Bank Street
London E14 5LE
United Kingdom
(marked for the attention of E. Levy)

Detailed instructions on how to complete the Form of Acceptance are set out in the notes on page 4 of the Form of Acceptance (also found on page III-173 of this document).

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PART I
LETTER FROM THE ADMINISTRATORS

Lehman Brothers International (Europe) (in administration)

Lehman Brothers International (Europe) (in administration)
25 Bank Street
London
E14 5LE

To: The Eligible Offerees

Date: 24 November 2009

Dear Sirs,

The Claim Resolution Agreement (the "Agreement") and the return of Assets

1 Introduction

The purpose of this letter is to introduce and provide a brief explanation of the Administrators' proposals contained within the Circular (of which this letter forms part) for the basis of returning segregated trust assets held by Lehman Brothers International (Europe) (in administration) (the "**Company**") to its clients.

The Company is making an offer, subject to certain terms and conditions, to certain persons (referred to in the Agreement as "**Eligible Offerees**") to enter into and be bound by the Agreement set out at Part III of the Circular (the "**Offer**"). The Agreement is proposed by the Company for the determination of ownership claims to certain assets and other non-proprietary claims against and liabilities to the Company, as applicable, in accordance with certain contractual mechanisms. These contractual mechanisms are set out in the Agreement at Part III of the Circular. You are advised to read the Agreement in full, including the terms and conditions of the Offer at Schedule 1 to the Agreement, as only those with full particulars of their position are likely to be able to assess the full impact of accepting the Offer.

Further background history on the effect of the Company's entry into administration on segregated trust assets held by the Company can be found at Schedule 1 to this letter. A brief "readers' guide" to the Offer and the Agreement is set out at Schedule 2 to this letter. Part II of the Circular contains a more detailed summary of the key terms of the Agreement.

Unless the context requires otherwise, capitalised terms used in this letter have the same meaning as given to them in the Agreement and any descriptions of such capitalised terms in this letter are merely summaries of these terms.

In order to benefit from the terms of the Agreement it is essential that you submit a duly completed Form of Acceptance. Failure to submit a Form of Acceptance will mean you will not be treated in accordance with the terms of the Agreement.

2 Why is the Offer being made?

On 15 September 2008 the Company was placed into administration and, according to its records, over US$35 billion of assets belonging to clients were held by the Company in various sub-custodians and depots. Since that date the Administrators have been seeking

to return property to clients, but have faced numerous challenges and issues. The proposed arrangements seek to address these challenges.

The process of returning assets has been slow and costly and is not attractive to clients, as it requires clients to provide indemnification and credit support to the Company in exchange for the return of assets. In many cases, it is not possible to return assets held on trust to clients for whom they are being held due to, amongst other things, uncertainty over competing claims or counterparties being unwilling or unable to comply with the indemnification requirements.

One of the primary objectives of the Administrators has been to develop a standard methodology to expedite the return of trust property held by the Company to its rightful owners. The Administrators initially proposed to launch a scheme of arrangement under Part 26 of the Companies Act 2006 to assist with this. However, the Court of Appeal ruled that the English courts do not have jurisdiction to sanction a scheme of arrangement which varies proprietary rights in the manner proposed by the Company.

The Administrators have worked with a sub-committee of the Creditors' Committee of the Company (referred to as the "**Claim Resolution Agreement Working Group**") to develop an approach, which incorporates a number of key provisions in order to return assets to clients. This approach is set out in the Agreement and, subject to certain acceptance thresholds, will bind those clients who pro-actively elect to sign up to its terms by accepting the Offer.

The Administrators believe that, for those clients who become party to the Agreement, the Agreement establishes the most efficient available method of determining the return of segregated client assets which the Company holds on trust.

3 Are you eligible for the Offer?

The Offer is being made to all Eligible Offerees. There are two categories of Eligible Offerees.

The first category (referred to in the Agreement as "**TA Offerees**") are clients of the Company who, as at the date of the Circular, have ownership claims to assets which were recorded in the books and records of the Company and the relevant sub-custodian or depot as being held in a segregated manner for clients, separately from the Company's own assets, as at the time the Company entered into administration.

The second category (referred to in the Agreement as "**NTA Offerees**") are clients of the Company who do not have ownership claims to segregated assets but who, at the date of the Circular, are party to Financial Contracts with the Company as at the time the Company entered into administration. The term "**Financial Contract**" encompasses any bilateral or multilateral contract entered into before 15 September 2008 (whether evidenced in writing or not) relating to one or more transactions or positions of a financial nature, including contracts for the delivery and/or custody of Assets, entered into with the Company. Contracts which are purely administrative or service contracts do not constitute Financial Contracts.

4 What does the Agreement do?

The objective of the Agreement is to establish standard methods for the termination and valuation of Financial Contracts and to expedite the process of asset distribution in order to bring finality to Signatories in respect of these positions.

4.1 Signatories

If it becomes effective, the Agreement will be made between the Company and Eligible Offerees who agree to be bound by it (referred to in the Agreement as "**Signatories**").

There are two types of Signatories, referred to in the Agreement as "**TA Signatories**" and "**NTA Signatories**". TA Signatories are those Signatories who assert, or who the Company believes have, an "**Asset Claim**" as at the time the Company entered into administration. In summary, an Asset Claim is an ownership claim to "**Trust Assets**", which include assets held in a segregated manner for clients separately from the Company's own securities and assets derived from them, such as dividends and coupons. TA Signatories may also have non-proprietary claims against the Company pursuant to Financial Contracts. NTA Signatories are those Signatories who do not have or assert Asset Claims but who are party to Financial Contracts with the Company as at the time the Company entered into administration. Due to the conditionality of the Offer, the Agreement is likely to become effective for NTA Signatories at a later date than for TA Signatories. You are referred to Schedule 1 to the Agreement for further details.

4.2 Asset Claims

The Agreement establishes methods to assist the Company in determining TA Signatories' Asset Claims. In particular, TA Signatories are requested to submit their Asset Claims by the "**Bar Date**", which is 26 February 2010 or such later date as the Company may notify to Signatories. If a Signatory fails to submit an Asset Claim before the Bar Date, the Company will determine that Signatory's entitlement to Trust Assets on the basis of the information available to the Company at the time it makes the determination.

Under the Agreement, each Signatory will be released by all other Signatories from all Asset Claims to Trust Assets distributed to it in accordance with the Agreement. This will lessen the risk of competing claims being brought against a Signatory who receives Trust Assets from the Company and means that TA Signatories will not be required to provide the form of indemnity currently required upon the distribution of Trust Assets.

The Agreement does not compromise Signatories' proprietary rights, if any, to Securities which the Company rehypothecated but which remain identifiable within the accounts of the Company that hold the Company's own Securities because the Company did not complete the transfer or other disposal of those Securities.

The Agreement sets out structured procedures for the return of Trust Assets. In some circumstances, these procedures may compromise certain contractual rights of Signatories; for example, rights to potential consequential losses (if any). It is not possible to predict how the application of these procedures may affect individual Signatories at this stage because of the highly fact-dependent nature of an individual's circumstances. It is within this context that the Administrators believe the Agreement is in the overall interests of creditors as a whole.

The Agreement cannot bind people who do not sign up to the Agreement (referred to in the Agreement as "**Non-Signatories**") and so, if the Agreement method of allocation or distribution of Trust Assets is subject to challenge by a Non-Signatory, court directions or other court determination may be necessary before distribution of those Trust Assets. The Agreement also cannot give TA Signatories protection from any ownership claims which Non-Signatories may seek to assert against Trust Assets in the hands of TA Signatories.

4.3 Other claims under Financial Contracts

The Agreement establishes a mechanism for the termination and close-out of all Financial Contracts between a Signatory and the Company. The claims or liabilities under each such contract are netted off under the Agreement to determine a single net claim against or liability to the Company. In the event that the net figure is a claim against the Company, this will be an ascertained unsecured claim against the Company for the purposes of any future distribution from the general estate of the Company.

In respect of TA Signatories, any such net liabilities due to the Company will be applied against a TA Signatory's entitlement to available Trust Assets, thereby establishing an amount of Trust Assets to be distributed to that TA Signatory after taking into account such TA Signatory's net liabilities to the Company.

TA Signatories may be able to reduce the amount of Trust Assets appropriated by the Company in satisfaction of their net liabilities by requesting that these liabilities are applied first against any shortfall claims they may have in respect of Trust Assets. The Agreement also contains a mechanism whereby Signatories are able to collateralise their net financial liabilities under the Agreement with their admitted claims to Pre-Administration Client Money, thereby enabling Signatories to gain the full value of their admitted claims to Pre-Administration Client Money at the earliest opportunity.

5 Advantages of accepting the Offer

The Administrators have worked closely with the Claim Resolution Agreement Working Group to develop the Agreement in a form that balances the requirement to return certain Assets held on trust by the Company to their rightful owners quickly and efficiently with the need to ensure that the unsecured estate is not disadvantaged. The Claim Resolution Agreement Working Group includes both unsecured creditors and clients of the Company who have Asset Claims to Trust Assets.

In the Administrators' view, the Agreement provides the most efficient solution for the return of Trust Assets, in terms of both time and cost to the Company and its clients. In particular, the Administrators are of the view that the Agreement will benefit Signatories and should be implemented on the basis that it is expected to:

(i) expedite the return of Trust Assets to Signatories;

(ii) provide finality and certainty regarding the financial position between Signatories and the Company;

(iii) reduce costs and mitigate risks of competing claims to Trust Assets to which the Company and TA Signatories might otherwise be exposed; and

(iv) expedite the release of Assets which are not held on trust and enable subsequent distributions to clients of the Company, on the basis that the Agreement will not only deal with claims to Trust Assets but also establish Signatories' unsecured claims, if any, against the Company.

In seeking to achieve an effective multilateral solution to the determination of Signatories' positions, the implementation of the Agreement will progress the Administration of the Company, enabling further advances to be made in the management of the unsecured estate. For this and other reasons outlined in this letter, the Administrators are also of the opinion that the Agreement is in the best interests of the creditors of the Company as a whole.

In particular, the Administrators also believe that the Agreement will benefit the unsecured clients of the Company since it is expected to:

(i) speed up the agreement of unsecured claims because all unsecured claims of Signatories are determined by operation of the Agreement as described in (ii) above;

(ii) expedite the distribution process for unsecured clients on the basis that the unsecured claims can be determined more quickly; and

(iii) reduce the level of unsecured claims as certain claims of Signatories for consequential and indirect losses are compromised by the Agreement.

6 Position of Eligible Offerees who do not accept the Offer

Eligible Offerees who do not become party to the Agreement will be Non-Signatories and will not have the right to have their claims against the Company determined in accordance with the terms of the Agreement.

Non-Signatories' claims are likely to take longer to finalise outside the processes and mechanisms to be put in place by the Agreement. For Non-Signatories who have ownership claims to Trust Assets, this may delay the return of those Assets as no Trust Assets can be returned to a client before its net financial position has been calculated and an appropriate amount of Trust Assets have been retained to satisfy that client's liabilities to the Company.

The concessions and compromises contained in the Agreement which operate to the benefit of Signatories are unlikely to be available to clients of the Company who choose not to accept the Offer and who attempt to negotiate bilateral arrangements for the return of Assets held on trust by the Company.

Under the Agreement, each Signatory will release all other Signatories from all Asset Claims to Trust Assets distributed to those other Signatories in accordance with the Agreement. Non-Signatories will not benefit from such mutual releases and so they may face a greater risk of challenge by claimants with competing claims to any Assets returned to them by the Company.

In addition, Non-Signatories are likely to be subject to higher costs than Signatories in respect of the return of Trust Assets. The level of costs charged on the return of Trust Assets under the Agreement has been set on the basis that, in general, determining clients' claims to Trust Assets and distributing Trust Assets in accordance with the Agreement should be more efficient than doing so on a bilateral basis. The Administrators' experience to date has identified that significant time and effort is required to determine a Non-Signatory's claim to Trust Assets outside the framework of the Agreement and that the costs borne by a Non-Signatory for the return of Trust Assets are likely, therefore, to be higher.

7 Consequences of failure to fulfil the conditions to the Offer

The Agreement will only become effective if certain conditions to the Offer are met, including the condition that the Offer must be accepted by at least 90 per cent. of TA Offerees with ownership claims to Trust Assets within the control of the Company subject only to limited exceptions. If the conditions to the Offer are not met or waived and the Offer lapses, the Administrators will continue to distribute Trust Assets on a case-by-case basis in accordance with the prioritisation principles set out in the Trust Property Order. There

are certain disadvantages to this method of return compared to the distribution mechanisms under the Agreement:

(i) the mutual releases of Asset Claims to Trust Assets contained in the Agreement will not come into effect and therefore clients may be more vulnerable to claims from other clients in respect of Trust Assets returned to them by the Company on a bilateral basis;

(ii) In the immediate term, clients will be required to give indemnities, in most cases backed by third-party credit support, to protect the Company and clients who have received distributions of Trust Assets against the risk of later competing claims to the Trust Assets which were distributed to those clients. These indemnity and credit support requirements will be onerous;

(iii) clients' net unsecured claims against or liabilities to the Company may not be determined at the time of return of the Trust Assets, leaving clients facing uncertainty as to the value of their unsecured claims, if any; and

(iv) the Administrators expect that distributions of Trust Assets will be more complex, potentially requiring numerous court applications, and will therefore take much longer to complete on a bilateral basis than if the Agreement were effective to govern Asset Claims of Signatories.

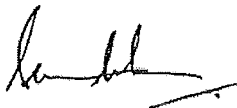
8 Conclusion

The Administrators are of the opinion that the Agreement represents the most efficient method of returning Trust Assets to those clients with ownership claims to them for the reasons set out in this letter. The members of the Claim Resolution Agreement Working Group have also expressed their unanimous support for the Agreement.

You are strongly advised to review and consider carefully the Agreement and the Offer. You are reminded that failure to gain sufficient support for the Agreement before 5.00 p.m. (London time) on 29 December 2009 will result in the Offer lapsing and the bilateral return process will remain the primary mechanism for the return of Trust Assets to clients of the Company.

By supporting the Agreement and Offer you will help ensure that the threshold condition is met and maximise the prospect of recovering your Trust Assets held by the Company in the shortest timeframe. The Joint Administrators look forward to receiving your Form of Acceptance.

Yours faithfully,



SA Pearson

Joint Administrator
Lehman Brothers International (Europe) (in administration)
as agent and without personal liability

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.
Lehman Brothers International (Europe) registered in England and Wales with registered no. 02538254.
VAT registration no. 446 9315 28

SCHEDULE 1
BACKGROUND HISTORY

1 Introduction

The Administrators were appointed on 15 September 2008 pursuant to an order of the Court dated 15 September 2008 made under Paragraph 12 of Schedule B1 of the Insolvency Act under which the Administrators were appointed joint administrators of the Company.

The Administration Order was made to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).

This Schedule 1 contains background information on the Administration of the Company as it relates to the management of Trust Assets. Creditors of the Company can find further details of the Administration to date in the progress reports produced by the Administrators and sent to all known creditors and counterparties of the Company. The first progress report covers the period from 15 September 2008 to 14 March 2009 and the second progress report covers the period from 15 March 2009 to 14 September 2009.

2 Corporate history

2.1 Business activities

Investment banking was at the core of the business of the Lehman group. Until its collapse, the Lehman group was one of the four biggest investment banks in the United States. It provided financial services to corporations, governments and municipalities, institutional clients and high-net-worth individuals. The Company was the Lehman group's main European broker-dealer. It provided investment banking services to clients (including corporate clients, institutions, governments, hedge funds and private clients) on a global basis.

2.2 Prime services and custody

One of the Company's major business areas was prime services, which related to the Company acting as prime broker to institutional clients, mostly hedge funds. As prime broker, the Company provided a broad range of services, including execution of securities and derivatives trades, clearing and settlement of trades (whether executed by the Company or by other executing brokers), custody, financing, foreign exchange, stocklending, and valuation and reporting for the client's portfolio. The Company's clients would often actively trade in securities and derivatives on many markets globally, taking both long and short positions, and would also require stock borrowing, financing facilities and foreign exchange services.

Entering into a relationship with the Company as prime broker enabled a client to engage in active trading on markets worldwide, to take long and short positions for arbitrage or other purposes, and to trade on a leveraged basis (through financing provided by the Company and through derivatives transactions). It also enabled the client to operate its business without itself having membership of exchanges, clearing systems etc., and without having substantial back-office systems and personnel.

Other persons with interests in Trust Assets include clients who placed securities with the Company by way of safe custody, private individuals whose accounts were dealt with by

the Company's private investment management division, market counterparties who posted collateral with the Company pursuant to derivatives trades otherwise than on a total title transfer basis (such as other investment banks) and the Company's Affiliates within the Lehman group.

3 Effect of the Administration on Trust Assets

The control and management of Trust Assets has been a key focus for the Administrators since the Company entered administration. Some of the issues facing the Administrators in dealing with Trust Assets are described below.

3.1 Intermediaries and Sub-Intermediaries

The Company did not generally hold assets itself but did so through depositories, exchanges, clearing systems and sub-custodians (referred to in the Agreement as "**Intermediaries**", being the entities with whom the Company had a direct contractual or fiduciary relationship, and "**Sub-Intermediaries**", being such entities below that level). The method used depended on the types of assets being held, the jurisdictions and markets in which they were held, the systems through which they were traded, the currencies involved and applicable regulatory requirements. The Company operated 42 custodian relationships through 80 markets operating 738 real-world securities accounts.

Following their appointment, the Administrators identified and contacted the network of these Intermediaries and Sub-Intermediaries in order to bring Trust Assets under the direct and unfettered control of the Administrators. A summary of the status of Trust Assets is set out below (figures as at 30 September 2009):

Status	US$ billion
Trust Assets at 15 September 2008	35.0
Trust Assets returned (value as at 15 September 2008)	13.3
Trust Assets excluding Derived Assets	9.4
Trust Assets yet to be in the control of the Administrators (including LBI, LBJ and closed depots)	7.5
Balance (including mark to market movement from 15 September 2008 to 30 September 2009 (gross of redemptions))	4.8
Total	35.0
Derived Assets under the Administrators' control	2.0

3.2 Affiliates as Intermediaries

In some jurisdictions, the Intermediaries holding Trust Assets on behalf of the Company are Affiliates. Some of these Affiliates are now in insolvency proceedings themselves and the Administrators are working with the insolvency office holders of those Affiliates to obtain control over Trust Assets held by those Affiliates. Where necessary, the Administrators have filed claims in the estates of these Affiliates for the return of Trust Assets.

3.3 Affiliate lien claims over Trust Assets

In many cases, the agreements under which Trust Assets are held by the Company for a client purport to create security interests, liens and/or set-off rights over those Trust Assets in respect of the liabilities owed by the client to the Company and any of its Affiliates. Potential claims by Affiliates pursuant to such security arrangements cannot be established from the Books and Records of the Company and the Company can only definitively establish these if and when Affiliates assert these claims. In the meantime, the Company cannot safely return Trust Assets to clients without incurring a liability where there is a possibility that an Affiliate may have a security interest or similar interest in those Trust Assets.

The Administrators have written to certain key Affiliates requesting details of any claims these Affiliates have against Trust Assets belonging to clients of the Company for indebtedness owed to them by the client of the Company and inviting them to participate in mutual arrangements for the confidential exchange of information in relation to such indebtedness and such Trust Assets. Not all Affiliates have responded to these letters. A lack of response from an Affiliate as at the date of the Circular does not mean that an Affiliate has relinquished any claim for indebtedness against a client of the Company. TA Signatories are required either to warrant that they do not have any indebtedness to any Affiliate or to disclose details of such indebtedness as part of the process prescribed by the Agreement for submitting claims.

3.4 Failed trades

Upon the appointment of the Administrators, the Company failed to settle trades with certain counterparties, clearing systems and exchanges. The Administrators have undertaken very considerable work to ascertain the population of failed trades across depots under the Administrators' control and to establish their impact, including in relation to Trust Assets. Under this workstream, the Administrators are reconciling the Company's Books and Records to revise book entries to reflect real-world settlements so far as they are able. However, a significant proportion of these failed trades impacted stock lines held in depots over which the Company currently does not have control, including stock lines held by the Company through LBI.

3.5 Stock Shortfalls

The Administrators have reconciled the Company's Books and Records against those depots under its control on a stock line-by-stock line basis. This reconciliation has identified a small amount of shortfalls (approximately US$300m). This reconciliation exercise has not been possible for Trust Assets held through Intermediaries in depots which are not under the Administrators' control, including stock lines held by the Company through LBI and certain other Affiliates, as the necessary information is still in the process of being provided to the Administrators.

4 Identifying claims to Trust Assets

The Administrators have written to account holders thought potentially to have claims against the Company for the return of, or in respect of, Trust Assets, in order to obtain from them full details of such claims, rights or other interests which the clients purport to have in relation to Trust Assets. The Administrators also issued a notice on the Website inviting those clients and counterparties to whom such letters were not sent, but who nonetheless believe that they might have such interests, to supply details of claims, rights or interests

which they believe they have in relation to Trust Assets. However, the Administrators have not received responses to these letters from all clients or counterparties.

5 Difficulties in returning Trust Assets

In many cases, it has not been possible to return Trust Assets as requested due to the complexities and difficulties in establishing a client's entitlement to Trust Assets and actual and potential competing client claims to such assets.

First, the Administrators have to try to establish, based on the information available to them, whether any other person could assert a claim to the same Trust Assets. The removal of such uncertainty depends upon the Administrators having the necessary degree of assurance that the Books and Records of the Company are complete and accurate. However, the Administrators cannot rely entirely on the accuracy of the Books and Records of the Company and they have not yet received all the information requested from Intermediaries and Sub-Intermediaries, in particular from Affiliates who are Intermediaries or Sub-Intermediaries. Also, as described in section 4 (*Identifying claims to Trust Assets*), the Administrators have not received responses from all clients to the enquiries they have made.

Secondly, there is a degree of uncertainty as to potential claims by Affiliates in respect of Trust Assets. Potential claims by Affiliates pursuant to security arrangements cannot be established from the Books and Records of the Company and the Company can only definitively establish these if and when Affiliates assert the claims, as described in section 3.3 (*Affiliate lien claims over Trust Assets*).

In addition, there are a number of client-specific issues that the Administrators have to determine on a case-by-case basis before returning Trust Assets to a client. An examination of the contractual documentation with that client needs to be performed to determine whether the client has a proprietary claim to the Trust Assets in question. The Administrators also have to address the termination of open contracts to crystallise a client's overall financial position with the Company, and agree valuations for derivatives and other financial transactions before determining, *inter alia*, how set-off is applied in any given case. Each client's liabilities (if any) to the Company must be calculated and it must be determined whether they should be deducted from the Trust Assets that the Company holds for that client. The Administrators must also confirm whether Trust Assets are available to them for distribution.

The Administrators recognised the difficulties faced by clients as a result of uncertainty regarding whether and when they would receive their property and a process for implementing the return of Trust Assets was established as described in section 6 (*Return of Trust Assets so far*).

6 Return of Trust Assets so far

Pursuant to an order of the Court dated 7 October 2008, the Administrators are authorised to implement and/or give effect to certain processes regarding the management of proprietary claims to Trust Assets. A list of the processes approved by this order can be viewed on the Website at:

http://www.pwc.co.uk/eng/issues/lehman_client_money_assets_update_071008.html.

Pursuant to the terms of the order, a Hardship and Prioritisation Committee was set up by the Administrators to consider the return of Trust Assets to clients who have made requests

for such returns and whose claims are suitable for prioritisation in accordance with the principles set out in the order.

In this manner, the Company has returned an estimated US$13.3 billion of Trust Assets to some 81 clients since the Administration Date. However, due to the complexities and difficulties in returning Trust Assets described in sections 3 (*Effect of the Administration on Trust Assets*) and 5 (*Difficulties in returning Trust Assets*), an asset can only be returned by the Administrators in limited circumstances and in many cases the conditions associated with returning Trust Assets, including requiring undertakings and indemnities from clients are unacceptably onerous for the vast majority of clients.

7 Development of the Agreement and the Offer

7.1 The "bar date" concept

Given the drawbacks of returning Trust Assets to clients as described in section 6 (*Return of Trust Assets so far*), the Administrators considered seeking to establish a final claims submission date, or "bar date", for claims to Trust Assets.

A bar date would serve to limit the information to which the Administrators would be required to have regard when determining claims to Trust Assets and would therefore assist the Company in making distributions of Trust Assets with protection from the risks of subsequent competing claims and without the need for continuing undertakings from clients who received distributions of Trust Assets.

The English administration procedure itself does not provide for the setting of a bar date for such claims. Therefore, the Administrators explored the possibilities of setting a bar date in respect of claims to Trust Assets either through a scheme of arrangement under Part 26 of the Companies Act or through an application to the Court to set a bar date through the Court's inherent jurisdiction to give directions in respect of the execution and administration of trusts.

7.2 Development of a proposed scheme of arrangement

The Administrators initially proposed to launch a scheme of arrangement under Part 26 of the Companies Act to assist with the distribution of Trust Assets and the determination of affected clients' financial positions in respect of the Company. However, the Court of Appeal upheld the first instance ruling that the English courts do not have jurisdiction to sanction a scheme of arrangement which varies proprietary rights in the manner proposed by the Company.

7.3 Development of the Agreement

In order to avoid unnecessary delay to the return of Trust Assets to clients of the Company, the Administrators have developed the Agreement and the Offer in parallel with the appeal process regarding the scheme of arrangement described in section 7.2 (*Development of a proposed scheme of arrangement*).

Further detail on the terms of the Offer and the provisions of the Agreement can be found in the "readers' guide" at Schedule 2 to the Letter from the Administrators and at Part II of the Circular.

The Administrators have worked closely with the Claim Resolution Working Group to establish the terms of the Agreement and the members of the Claim Resolution Working Group have expressed their unanimous support for the Agreement. In addition,

representatives of the FSA have been invited to the various meetings and conference calls between the Administrators and the Claim Resolution Agreement Working Group in relation to the development of the Agreement. The FSA has been kept fully informed at each stage of the evolution of the Offer and has been provided with a copy of the Circular.

8 Lehman Brothers Holdings Inc. as guarantor of certain obligations of the Company

On 15 September 2008, Lehman Brothers Holdings Inc. ("**LBHI**") filed a petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of the United States Bankruptcy Code.

LBHI issued various forms of guarantees relating to, amongst others, contracts and financing transactions, derivative contracts and other performance guarantees entered into by various members of the Lehman group.

In particular, the executive committee of the board of directors of LBHI issued a unanimous written consent on 9 June 2005 in which the executive committee resolved that LBHI thereby fully guaranteed the payment of all liabilities, obligations and commitments of certain subsidiaries of LBHI, including those of the Company.

LBHI has its own procedure for filing proofs of claim against LBHI (including those claims based on guarantees and other promises made by LBHI), which included a bar date of 22 September 2009 for the filing of proofs of guarantee claims against LBHI and a deadline of 22 October 2009 for the provision of supporting evidence.

The Agreement does not purport to affect the effectiveness of any guarantee between LBHI and a Signatory.

No representations, whether express or implied, are made in the Circular as to the nature or effectiveness of any guarantee or other obligation of LBHI. Neither the Administrators nor the Company express any view as to whether any creditor of the Company does or may have a claim against LBHI on this basis and creditors should take their own legal advice on this matter.

9 CAPCO as insurer of certain obligations of the Company

CAPCO is an insurance company licensed by the state of Vermont. It was established by a number of securities investment firms, including the Company, who were seeking to provide net equity excess account protection over the protection limits currently provided by the Securities Investor Protection Corporation in the United States and the FSA in the United Kingdom.

The excess protection is provided to the securities affiliates of the participants in the form of bonding coverage. This protection is triggered only in the event of the financial failure and liquidation of a participating securities affiliate. The protection is intended only to cover lost assets and it will not meet any other types of claims, for example, claims for negligence. The protection is also not triggered unless the client's account exceeds the limits of account protection provided by the FSA. Other restrictions apply as contained in the relevant bond.

No representations, whether express or implied, are made in the Circular as to the nature or effectiveness of any guarantee or other obligation of CAPCO. In particular, not every Signatory may be eligible for insurance protection by CAPCO and not every element of a

creditor's claim against the Company (including claims of Signatories within the Agreement) may be covered by the surety bond issued by CAPCO.

The Agreement does not purport to affect the effectiveness of any surety bond issued by CAPCO of which a Signatory has the benefit. The Agreement provides that the Company may disclose information regarding a Signatory to CAPCO to the extent that CAPCO requests or requires such information.

No representations, whether express or implied, are made in the Circular as to the nature or effectiveness of any surety bond issued by CAPCO in respect of the Company's liabilities. Neither the Administrators nor the Company express any view as to whether any creditor of the Company does or may have a claim against CAPCO on this basis and creditors should take their own legal advice on this matter.

SCHEDULE 2
READER'S GUIDE TO THE CLAIM RESOLUTION AGREEMENT

1 Introduction

This guide provides a "plain English" summary of the Claim Resolution Agreement (the "**Agreement**") provided to you by the Administrators of Lehman Brothers International (Europe) (in Administration) (the "**Company**").

The Agreement represents a proposed contractual arrangement between the Administrators and those parties that agree to be bound by it (referred to as "**Signatories**").

The purpose of the Agreement is to allow the Company and Signatories to compromise and agree on the treatment of all of the Signatories' claims relating to trust assets (i.e. securities) and financial contracts. While the principal focus of the Agreement is to facilitate the return of trust assets to those Signatories with ownership claims ("**TA Signatories**"), it also contains mechanisms to determine the claims of those Signatories with purely unsecured financial claims (for example, those with derivative positions or repurchase agreements) ("**NTA Signatories**"). Because of the complex issues that are being dealt with under the Agreement, it is, by necessity, a very complicated document.

The purpose of this guide is to provide you with an easier to read, easier to understand summary of the material provisions in the Agreement as well as some of the commercial rationale for those provisions. A more technical, detailed description of the Agreement can be found at Part II of the Circular and a copy of the Agreement itself is included at Part III of the Circular.

Before making your decision, you should review the actual Agreement and remaining parts of the Circular in consultation with your legal advisers. It is the Agreement and not this summary that will govern the disposition of your claims against the Company.

The Agreement includes a number of notices that are to be provided by the Company to the Signatory and by the Signatory to the Company. The Company has set up an internet portal to which all potential TA Signatories should now have access. TA Signatories will be able to receive and provide information in relation to their trust asset claims through the portal.

As the Administrators have discussed with trust creditors on numerous occasions, the issues relating to the assets that were held by the Company at Lehman Brothers Inc. ("**LBI**") are particularly complex. The return of assets held at LBI will work differently than the return of assets that are within the Company's control. Accordingly, this summary contains a separate section (see section 5 (*Lehman Brothers Inc.*)) that deals specifically with LBI and how the Agreement will affect trust creditors with securities that were held by the Company at LBI.

2 Overview of the Agreement

The Agreement has been structured to determine the following with respect to each Signatory:

2.1 Trust Assets

The Company will determine, based on its books and records and other relevant information it receives from each Signatory, the trust assets it holds (or are shown to be

held in the books and records) on behalf of that Signatory. Under the Agreement, trust assets also include assets subsequently derived from those segregated assets (e.g. dividends and coupons received post-administration) but rehypothecated securities and certain other assets have been excluded.

Signatories will also be requested to submit information related to their trust asset claims against the Company prior to a "bar date" which is expected to be 26 February 2010. If a Signatory does not submit a claim before the bar date, the Company will be free to distribute assets after that date based on the information available to it at that time of distribution which may result in the Signatory receiving fewer assets than would otherwise be the case.

The Company is, in general, going to be returning trust assets on a stock line by stock line basis. To the extent there is a shortfall in the amount of a particular stock line available to be returned to a Signatory, that Signatory would have an unsecured claim against the Company for the deficiency (referred to as an "**Asset Shortfall Claim**"). This Asset Shortfall Claim, if used to offset liabilities owed to the Company as described below, would be based on the value of that stock line at the time the assets then held by the Company are returned to clients (which would include assets derived from such stock line up to such time). If the Asset Shortfall Claim is to be used as part of the Signatory's general unsecured claim against the Company, it will be valued based on the value of the relevant stock line as of the last business day prior to the date of administration (i.e., 12 September 2008).

2.2 Unsecured Claims

The Company will determine the value of any unsecured claims each Signatory has against the Company (which claims will principally arise from: (i) the value of the Signatory's rehypothecated long positions; (ii) the Signatory's cash balances (for those clients that were not entitled to client money protection under FSA rules); and (iii) amounts owed to the Signatory under financial contracts, such as derivatives). The Agreement provides for rehypothecated long positions to be valued as of the last business day prior to the date of administration (i.e., 12 September 2008) (based on the rationale that the Company used the value of the rehypothecated long positions to obtain financing that was then provided to clients as margin debt). Financial contracts that have been closed out will be valued based on the close-out amounts determined in the manner set out in the contracts. Open financial contracts will be automatically closed out on the last business day of the month in which the Signatory enters into the Agreement. The Agreement sets out different methodologies to be used in determining the value of the close-out amounts under these financial contracts.

2.3 Liabilities

The Company will determine the amount of any liabilities that the Signatory owes to the Company (which liabilities will principally arise from: (i) the value of the Signatory's short positions; (ii) the Signatory's margin debt balances; and (iii) amounts owed by the Signatory to the Company under financial contracts). The Agreement provides for short positions to be valued as of the last business day prior to the date of administration (i.e., 12 September 2008). Financial contracts will be valued as described above.

2.4 Net Contractual Position

All unsecured claims and liabilities of each Signatory arising out of the close-out amounts of their financial contracts with the Company (which, for the avoidance of doubt, includes the rehypothecated longs, shorts and cash balances other than client money) will be netted against each other to determine that Signatory's net contractual position. If the Signatory has more claims than liabilities, it will have a net financial claim against the Company (that will ultimately entitle the Signatory to a portion of the dividend to be paid by the Company to its unsecured creditors). If the Signatory has more liabilities than claims, it will owe a net financial liability to the Company. The Company will only distribute trust assets to a Signatory once that Signatory has satisfied any net financial liability owed to the Company.

The Agreement describes the various methods a Signatory will have to satisfy its net financial liability, some of which are described below. In addition to making sure a Signatory's net financial liability has been satisfied, the Company also intends to appropriate assets that would otherwise be distributable to a Signatory if a third party (which, in most instances, will be an affiliate of the Company) has a lien interest in the assets of that Signatory (these were common for clients who had cross margin and netting agreements in place with various Lehman entities). All assets appropriated in this respect will be subsequently liquidated, though the relevant Signatory will first be given the option to purchase such assets. Any proceeds received by the Company for these appropriated assets which have not been used to settle the Signatory's indebtedness to the third party will be released to the Signatory once the lien has been released or the indebtedness to the third party has been satisfied.

2.5 Pre-Administration Client Money

The Company will determine the amount of any pre-administration client money (for those clients who were entitled to client money protection under FSA rules) owed to the Signatory. This amount is referred to as a Signatory's "**Pre-Administration Admitted Client Money Claim**". While distributions of pre-administration client money will not be made under the Agreement, to the extent there is a shortfall in the amount of money that is returned to the Signatory (which could occur, for example, in the event the Company does not receive back all or a portion of the cash that the Company had on deposit with Lehman Brothers Bankhaus AG), that Signatory would have an unsecured claim for the amount of the deficiency.

2.6 Collateralisation Elections

The timing of the resolution of outstanding legal issues surrounding pre-administration client money claims is uncertain but it appears unlikely they will be resolved until some time after the Company is ready to make a substantial distribution of trust assets. As discussed above in section 2.4 (*Net Contractual Position*), the Company will not be able to distribute trust assets to a Signatory without that Signatory satisfying its net financial liability to the Company. The Company understands, however, that Signatories will want to use claims against the Company as a set off for any liabilities owed and, depending on their particular circumstance, may want to determine which claims should be used for purposes of set off and which claims should be used for the basis of recovery against the Company (whether through the unsecured dividend or through a return of assets or pre-administration client money).

The Agreement includes a mechanism which the Company believes provides TA Signatories with the greatest amount of flexibility in terms of using their set off rights without delaying the return of trust assets. A TA Signatory may decide to make one or more

of the Collateralisation Elections available under the Agreement. By making such election(s), a TA Signatory will collateralise its net financial liability owed to the Company with: (i) its Pre-Administration Client Money; (ii) a cash amount (which the TA Signatory will need to provide itself) equivalent to the value of any of its trust assets that would otherwise have been appropriated by the Company in respect of such net financial liability; and/or (iii) its Affected Intermediary Admitted Claim Amount (as described in section 5.3 (*Collateralisation Election*)). To the extent that a net financial liability owed to the Company is collateralised, the TA Signatory will effectively be able to suspend the set-off between such amount of the net financial liability and any assets allocated to the TA Signatory. When the amount of: (x) any shortfall claim for a Pre-Administration Admitted Client Money Amount or (y) any Asset Shortfall Claim is ascertained, the shortfall will first be set-off against the then remaining net financial liability before the posted collateral is set-off against any remaining net financial liability.

As a result, in exchange of posting the relevant collateral, a TA Signatory will be able to:

(i) obtain full value (by way of set-off) for any shortfall claim for pre-administration client money, any Asset Shortfall Claim and/or Affected Intermediary Admitted Claim Amount up to the amount of its net financial liability as opposed to having an unsecured claim against the Company for the same amount; and

(ii) reduce the amount of assets appropriated by the Company.

An NTA Signatory may also decide to collateralise its net financial liability with its Pre-Administration Client Money Claim. If it does so, it will also be able to obtain full value (by way of set-off) for any shortfall claim for pre-administration client money up to the amount of its net financial liability, as opposed to having an unsecured claim against the Company for the same amount.

2.7 Position Statement

Concurrently with the distribution of the Circular (including the Agreement), the Company is providing potential TA Signatories with an updated position and balance statement through the internet portal. The statement is an update to the positions statement provided in early September 2009 and contains the following information regarding your account at the Company:

(i) list of rehypothecated securities and their value as of the date prior to administration as determined by the Company;

(ii) list of non-hypothecated long positions and their value as of 30 September 2009 (this is the date being used for purposes of determining whether the conditions under the Agreement have been satisfied);

(iii) list of short positions and their value as of the date prior to administration as determined by the Company;

(iv) summary of cash balances and margin debt;

(v) close-out amounts with respect to financial contracts to the extent the financial contracts have been closed out and fair market value of open financial contracts as determined by the Company; and

(vi) value of the positions held at LBI based on their value as of 19 September 2008.

The statement should provide an indication of what may be received under the Agreement and the amount of any residual unsecured claim against the Company but it is not final and

binding. TA Signatories are invited to submit any further information or proposed revisions to the Company through the portal in order to ultimately agree on the final position with the Company.

3 The Offer

3.1 How do you accept?

The offer is open for acceptance until **5.00 p.m. (London time) on 29 December 2009.**

If you wish to accept and become a Signatory, you should complete, sign and submit a Form of Acceptance by this date.

The Company may, but is not obliged to, extend the offer period beyond 29 December 2009 or keep the offer open for acceptance. If extended, anyone who submits a form during the extended period will be subject to higher costs.

Full details of the action required to accept the Offer are set out in Schedules 1 and 2 to the Agreement at Part III of the Circular.

3.2 Conditions of the Offer

The Agreement will only become effective once all the conditions have been satisfied or waived. These conditions are:

3.2.1 holders of at least 90 per cent. (by value) of trust assets now under the Company's control (i.e. excluding those assets held by LBI) signing up to the Agreement. In Schedule I to the Agreement, this is referred to as the "**Acceptance Condition**";

3.2.2 the Company obtaining an acceptable court order regarding the distribution of trust assets (see section 4.2 (*Part 2 – Asset Claims and Bar Date*) for further details); and

3.2.3 no regulator or court makes a ruling making the Agreement unenforceable, illegal or difficult to implement.

The Offer will lapse if:

(i) the Acceptance Condition is not satisfied or waived by 29 December 2009 (unless the Company chooses to extend the initial offer period); or

(ii) all the other conditions are not satisfied or waived by 30 June 2010.

For NTA Signatories, the Offer is also conditional on the Company not promoting, or there not being effective, a scheme of arrangement under the Companies Act or a company voluntary arrangement under the Insolvency Act for the purpose of dealing with the claims of general unsecured creditors.

3.3 Agreement becomes effective

Once effective, the Company will notify you by email and confirm whether or not you are a Signatory. The Company will then determine the date or dates on which distributions of trust assets will be made. A Signatory's aggregate distributions will be made in full and final settlement of that Signatory's claims to trust assets.

If the Company determines a Signatory has an unsecured claim against it, that claim will be an ascertained unsecured claim in the winding-up of the Company or in any other distribution of assets to unsecured clients.

3.4 Modifications

While the Company will have the ability to make minor or technical changes it thinks are not prejudicial to Signatories, material changes to the Agreement (including a change to or waiver of the Acceptance Condition) will require the approval of a substantial majority of Signatories.

4 Summary of Agreement

4.1 Part 1 – General Provisions

This part contains some of the general provisions relating to the Agreement. These provisions cover the following:

(i) the Agreement will become effective once the conditions have been satisfied or waived (as outlined above);

(ii) if a creditor is acting as an agent, custodian or trustee on behalf of its clients, this must be disclosed in the form of acceptance. These creditors will also need to enter into a bilateral arrangement to tailor the terms of the Agreement to their circumstances;

(iii) the Company will have the unilateral right to exclude a party from the Agreement. As a practical matter, the Company only intends to use this right in very limited circumstances where permitting a party to sign the Agreement would, in the Company's view, be detrimental to the estate of the Company. If Signatories suffer a loss as a result of anyone being excluded, they will be compensated;

(iv) the Company has entered a number of bilateral arrangements with certain trust creditors. Those trust creditors will still be given the opportunity to sign up to the Agreement. The Company may need to amend or vary the terms of the Agreement as it applies to such Signatories but will only do so to ensure consistency with those arrangements;

(v) one of the main purposes of the Agreement from the Company's perspective is to obtain a release from the Signatories to claims they might otherwise have against the Company and the Administrators, including any claims for consequential damages. The Agreement includes this release, but also includes a release whereby each Signatory will release all other Signatories from any ownership claims to assets distributed under the Agreement. The Signatories will not, however, release any claims it may have against Lehman Brothers Holdings Inc. ("**LBHI**"), LBI or CAPCO in respect of any claims (including, but not limited to, guarantee or insurance claims). In exchange for the release being provided by the Signatories, the Signatories receive new claims against the Company;

(vi) the Agreement also provides that the Company will, subject to certain exceptions, release claims it may have against Signatories under financial contracts. In exchange for the release provided by the Company, the Company receives the right to determine claims in accordance with the Agreement;

(vii) in order to protect the Company's ability to return any cash received post-administration that is entitled to client money protection, the Agreement contemplates an assignment of those claims to an independent third party to be nominated by the Company for the purpose of holding client money claims so that such claims do not become a part of the Company's estate;

(viii) the Agreement does not restrict any Signatory from transferring their entire position to another Signatory; the transferee will then be treated as a Signatory for the purposes of the transferred position. However, once a Signatory agrees to be bound by the Agreement, it will not be able to transfer its position to a non-Signatory unless the non-Signatory agrees to be bound by the Agreement. The Agreement does restrict the benefit of set off arising from pre-Agreement transfers; a Signatory cannot set off liabilities and assets transferred to it against its original position or liabilities and assets transferred to it by different people;

(ix) the Agreement does not restrict the transfer of assets to the Company for value as agreed between the relevant Signatory and the Company;

(x) the Agreement includes a general provision that provides that a Signatory can not recover more than once with respect to the same asset claims (other than recoveries made under a guarantee);

(xi) a moratorium will be imposed on the ability of Signatories to bring claims against the Company, the creditors' committee and the Administrators unless in accordance with the Agreement; and

(xii) the Agreement allows the Company to first deal with the claims and disputes of TA Signatories before dealing with the claims and disputes of NTA Signatories. While the Company will have discretion in terms of the order in which it returns assets to clients, its actions in this regard and with respect to all other actions under the Agreement must be taken in good faith.

4.2 Part 2 – Asset Claims and Bar Date

The Administrators intend to apply to the court for directions that a bar date be set for the submission of all claims to trust assets (whether by Signatories or others). This bar date is expected to be around 26 February 2010 and will be communicated to trust creditors. Trust creditors will be requested to submit information about their claims to the Company before the bar date.

The Company has set up a portal (as noted in section 1 (*Introduction*) above) that is available on the internet. TA Signatories will be able to submit their claims via this internet portal. As described in section 2.7 (*Position Statement*), concurrently with the distribution of the Agreement, the Company has distributed to you statements that show the information in the Company's books and records regarding your claims.

If you do not provide information by the bar date, the Company will be entitled to distribute assets using the information then available to it with respect to your claims.

4.3 Part 3 – Relevant Information

The Company is going to use all relevant information available to it in order to evaluate your claims.

The Company's books and records recorded some trades as having settled even though they did not actually settle. These are referred to as "**Failed Trade Entries**". The Company intends, in general, to reverse Failed Trade Entries and adjust its books and records to reflect known settlements. The Company will credit or debit each Signatory for an amount equal to the difference in value that would have resulted had the trades settled on the relevant settlement date.

The Company will keep information regarding each client's positions confidential and will not disclose this information unless it is required to do so by law or legal process. If the Company must disclose information regarding a client's positions, it will, subject to certain exceptions, do so without specifically identifying the relevant client by name.

To the extent a trust creditor has incomplete documentation regarding its relationship with the Company, the Company will do its best to take into account all relevant information available to it and, if insufficient information is available, it will apply the Company's standard terms of the applicable agreements.

4.4 Part 4 – Management of Assets Prior to Distribution

The Company's ability to process corporate actions was seriously impaired following the insolvency and the sale of LBI's operations to Barclays Capital Inc. However, the Administrators have now set up procedures for dealing with corporate actions with respect to securities it is holding on behalf of the trust creditors and, where possible, will generally try to accommodate the requests of the trust creditors with respect to corporate actions. The Company will charge a modest fee (US$3,000) to effect corporate actions, will require it is indemnified for any actions taken and will not take action with respect to de minimis corporate actions. The Company generally will not take any action if a payment is required. The Company will, however, act commercially and, if a corporate action that the Company is aware of is clearly in the interests of the Company or the trust creditor, the Company is likely to take it.

In this part, the Company reiterates that it will act in accordance with the standard of care imposed on a fiduciary in respect of the trust assets and the trust creditors. The Company also agrees not to appropriate any trust assets claimed by Signatories for the estate except as specifically set forth in the Agreement.

4.5 Part 5 – Asset Valuation Methodology

The Agreement includes a detailed process for valuing assets. Generally speaking, the Company will seek to use market prices to value assets. If market prices are not available, the Company will look to other observable prices in order to value the assets. To the extent pricing information is not available, the Company will take into account other relevant information in order to determine the value of the assets. The Company will also take into account the size of the assets being valued when determining their values. Values will be determined in US dollars.

4.6 Part 6 – Overview of Distribution

In order for the Company to make distributions to the trust creditors, it must first determine the following items with respect to each trust creditor:

(i) Net Contractual Position – this is described above in section 2.4 (*Net Contractual Position*) and below in section 4.7 (*Part 7 – Net Contractual Position*) in more detail;

(ii) Retention Amount – any amount that the Company must retain in order to reserve against claims that third parties may be able to assert with respect to a trust creditor's assets by virtue of a lien. The most common example of this would be claims that an affiliate of the Company might have to a trust creditor's assets because of a cross margin and netting agreement entered into by the trust creditor;

(iii) Ascertained Non-Financial Contract Liabilities – these would be liabilities not related to financial contracts that a trust creditor might have to the Company. In general, these are liabilities that would arise outside of the ordinary course of business (primarily relating to actions taken in violation of UK insolvency laws) and are unlikely to be an issue for most trust creditors who had a typical prime brokerage relationship with LBIE; and

(iv) Distributable Trust Assets and Asset Shortfalls – the Company will only be able to return to clients trust property that is within its control. Ultimately, the Company will need to determine how much of a shortfall exists with respect to the return of a specific asset (i.e., stock line) once it has identified all of the assets that are likely to be available within a specific stock line.

The Company will determine the above amounts on a trust creditor by trust creditor basis and, except with respect to assets held by LBI or any other intermediaries that return trust creditors' assets to the Company on a similar basis as LBI (which mechanisms are discussed below in section 5 (*Lehman Brothers Inc.*), assets will be returned on a stock line-by-stock line basis.

To the extent a trust creditor has a liability to the Company, it will have several options (described below) for satisfying those obligations.

4.7 Part 7 – Net Contractual Position

In general, a trust creditor's net contractual position will be determined by netting the unsecured claims that client has against the Company against the liabilities owed by that trust creditor to the Company arising out of the close-out amount of each of the financial contracts. In order to determine the net contractual position, the Company needs to be able to value each of the trust creditor's claims against and liabilities to the Company under its financial contracts with the Company.

Under the Agreement, all open financial contracts (for example, derivatives, repurchase agreements, etc.) will have to be terminated in order for the Company to determine that client's net contractual position. The Company will have the right to treat any seemingly defective termination notices with respect to open financial contracts as effective terminations of the financial contract. In addition, any remaining open financial contracts will be deemed terminated as of the last business day of the month in which the Signatory enters into the Agreement.

The close-out amounts under the terminated open financial contracts will be determined in accordance with the financial contract valuation methodology described in this part of the Agreement. The principal goal is to have the valuation methodology set forth in the financial contract determine the close-out amount subject to certain overriding valuation principles, including that the value of rehypothecated securities and short positions is to be valued as at the date prior to administration.

If the open contracts cannot be valued in accordance with the contract valuation methodology or the Company determines that it is not reasonably practicable to do so, the Agreement sets forth other mechanisms for valuing the open financial contracts. If the trust creditor is the party that is supposed to determine the close-out amount under the financial contract, then the trust creditor will be required to submit a valuation statement to the Company setting forth the close-out amount calculated by it under the financial contract.

Close-out amounts will all be converted to US dollars as at the date of administration.

In accordance with standard insolvency rules, trust creditors will not be entitled to any interest in respect of their claims against the Company, including with respect to close-out amounts under open financial contracts.

The Company will notify a Signatory of its net contractual position once all positions have been closed out. If the net amount is positive, the Signatory will have a net financial claim against the Company. If the net amount is negative, the Signatory will have a net financial liability to the Company.

Signatories will be responsible for paying interest to the Company from the date of administration at Libor + 100 basis points with respect to their net financial liability (i.e., the net amount after setting off all unsecured claims against the Company, including the value of rehypothecated longs, cash and close-out amounts against all liabilities owed to the Company, including debit balances, short positions and close-out amounts). Signatories will be able to reduce their net financial liabilities (and, accordingly, the accrual of this interest) by making Collateralisation Elections as described in section 4.11 (*Part 11 – Appropriation and Distribution*).

The amount of interest to be attributed to a net financial liability will be determined on each date that a Signatory's distributions and appropriations are valued, and is the amount of interest described above which has accrued over the period since the previous such date (or if none, since the date of administration). If the value of the net financial liability has changed, and not as a result of interest accrual since that time (for example, because the Company has admitted a greater liability for pre-administration client money that has been collateralised than previously), then a balancing adjustment shall be made to recognise that the previous reduction for an appropriation was made for a greater amount of interest than is now the case. To the extent this implies a negative interest value, the net financial liability shall be reduced accordingly. Interest on the net financial liability is calculated as a simple (not compounded) amount. When a Signatory chooses to collateralise, the interest bearing portion of the net financial liability shall first be attributed to the uncollateralised portion of the Signatory's net financial liability.

4.8 Part 8 – Retention Amount

Because many Signatories will also have relationships with affiliates of the Company who may be able to assert liens or other security interests over those Signatories' assets held at the Company, the Company will need to take these security interests into account before being able to distribute assets to any particular Signatory.

The Agreement includes various mechanisms for the Company to determine the amount that must be appropriated with respect to any Signatory for these security interests. In due course, the Company may establish a bar date for affiliates to claim a security interest in the assets held at the Company for the benefit of the Signatories.

Once sufficient assets have been appropriated by the Company to cover those claims (even if those claims have not been resolved), the Company will proceed to make distributions to the Signatory in accordance with the terms of the Agreement.

4.9 Part 9 – Non-Financial Contract Liabilities

The Company will have to determine whether a Signatory has any non-financial contract liabilities to the Company. These could include, for example, preference claims relating to actions that occurred in the period of time right before the administration. To the extent a Signatory has a non-financial contract liability, the liability must be satisfied by the

Signatory before the Company can make a distribution to them. As discussed above in section 4.6 (*Part 6 – Overview of Distribution*), this is unlikely to be an issue for most trust creditors who had a typical prime brokerage relationship with the Company.

4.10 Part 10 – Allocation of Assets and Asset Shortfall Claim

This part of the Agreement deals with how the Company will allocate trust assets that are under its control. At the date of this Circular, this principally relates to European and some Asian securities that are now held by a new custodian on behalf of the Company but excludes the US securities that were held at LBI as these have not been returned to the Company.

The Company will determine allocations of these trust assets on a stock line by stock line basis. What this means is that the Company will look at how much of a particular stock they are holding and compare that to the total amount of client claims with respect to that specific stock line and will make distributions pro rata on that basis. Determining how much each Signatory owns with respect to a specific stock line will be determined based on all of the relevant information available to the Company. If a Signatory alleges that they are entitled to a different amount of an asset compared to what is in the Company's records, no distribution of that asset will be made to that Signatory until the dispute is resolved.

If a Signatory receives a distribution of assets from another intermediary, the Signatory will be required to notify the Company of this distribution so that the Company can take that into account when making future distributions to that Signatory and others.

Once the Company has received all of the individual claims to a particular stock line (including those claims of non-Signatories) and compared it to the amount of that stock line that the Company controls, the Company will determine whether there is a shortfall in that particular stock line. The Company is entitled to disregard a claim made by non-Signatories: (i) if it determines the claim to be false; or (ii) to the extent it determines it is overstated.

If a stock line does not have a potential shortfall, Signatories who have a claim to that stock line will be allocated an amount equal to the agreed claim amount for that stock line.

If there is a shortfall with respect to a particular stock line, the Company will further divide the claims with respect to that stock line into four asset pools. The first two pools are for: (i) claims which constitute custody securities (meaning that these securities were credited to a specifically designated custody account according to the books and records of the Company); and (ii) claims which constitute non-custody securities (this will include most of the traditional prime broker clients). The remaining two pools are for claims over assets which constitute part of the affected asset pool (which essentially relates to a pool where an intermediary such as LBI will return assets on an aggregate rather than stock line by stock line basis); these assets will fall into either: (i) a group of single customer pools; or (ii) a multiple stock line pool. These pools are explained in section 5.2 (*Pooling*) below.

Under the Agreement, the Company will allocate assets in each pool independently from any allocation of assets in respect of another pool, even if the assets are from the same stock line.

Shortfalls will be applied pro rata among each separate asset pool based on the claim amount of the individual Signatory in the relevant asset pool compared to the total claim amounts of all Signatories in that respective asset pool. The Company will reserve an amount of assets from each asset pool to be used to satisfy the claims of parties that have not signed the Agreement.

Amounts of assets that are not set aside will be allocated to Signatories pro rata to their claims, but no amounts will be allocated to non-Signatories unless: (i) Signatories and non-Signatories agree how the shortfall should be allocated; or (ii) a court has approved or directed how the shortfall should be allocated.

The Company will only determine the Asset Shortfall Claims of Signatories once it has resolved all disputes with both Signatories and non-Signatories relating to their claim amounts. Signatories will be able to use Asset Shortfall Claims: (i) to offset other liabilities to the Company; or (ii) as the basis of an unsecured claim against the Company.

4.11 Part 11 – Appropriation and Distribution

When the Company is ready to make distributions of assets to the Signatories, it will be entitled to recover from those assets an amount sufficient to satisfy any liabilities the trust creditor owes to the Company.

At this point in time, there are several categories of potential distribution assets. These include:

(i) the Signatory's allocation of long positions that are under the Company's control;

(ii) any amounts previously retained by the Company in respect of the security claims of third parties (which, for the most part, would be lien claims of affiliates of the Company who had contractual relationships with the Signatory) but which have not been used to settle the relevant trust creditor's indebtedness to such third parties;

(iii) amounts of collateral whether actually posted by the Signatory or deemed posted by the Signatory by virtue of: (a) the collateral assignment of pre-administration client money claims to the Company; (b) the making of what is referred to as an appropriation deferral election by depositing cash collateral with the Company in an amount equal to the lesser of (x) the value of trust assets proposed to be returned to that Signatory (that might otherwise be appropriated by the Company to satisfy liabilities owed to it by that Signatory) or (y) that Signatory's net financial liability; or (c) the collateral assignment of the Affected Intermediary Admitted Claim Amount (as described in section 5.3 (*Collateralisation Election*));

(iv) any pre-administration client money shortfall claim that a Signatory may have;

(v) any shortfall claim arising with respect to an Affected Intermediary Admitted Claim Amount (as described in section 5.3 (*Collateralisation Election*));

(vi) the net financial claim of a Signatory that results after offsetting all of that Signatory's claims and liabilities; and

(vii) any Asset Shortfall Claim that a Signatory may have.

There are also several categories of distribution liabilities. These include:

(i) costs relating to the Agreement that are going to be charged to each Signatory;

(ii) non-financial contract liabilities of a Signatory;

(iii) any amounts that are required to be retained by the Company in respect of the security claims of third parties; and

(iv) the net financial liability of a Signatory that results after offsetting all of that Signatory's close-out amounts of each of the financial contracts with the Company.

This liability will include both the collateralised and uncollateralised portion of the liability.

These liabilities will have to be satisfied before the Company can make a net distribution of assets to a Signatory. The costs to be assessed under the Agreement will be based on the value of trust assets returned and will be 75 basis points with respect to pure custody clients and 100 basis points with respect to other trust creditors. A higher cost amount will apply to trust creditors who enter into the Agreement after the end of the initial offer period. The Administrators' experience to date is that considerable time and effort is required to determine a non-Signatory's claims to assets under bilateral arrangements; costs borne by non-Signatories are therefore expected to be significantly higher.

A Signatory's liabilities to the Company can be settled in several ways, including:

(i) the Company may use assets that would otherwise be distributed to the Signatory to reduce the liabilities;

(ii) Signatories will be permitted to make payments to the Company to pay the amount of any liabilities (so that the Signatory can receive the assets back in full rather than have a portion kept by the Company);

(iii) if an intermediary has retained assets belonging to a Signatory in respect of claims against that Signatory and subsequently transfers those assets to the Company; and

(iv) the application towards satisfaction of its liabilities to the Company of any collateral amount posted by a Signatory with respect to: (a) their pre-administration client money claims; (b) an appropriation deferral election; or (c) their Affected Intermediary Admitted Claim Amount (as described in section 5.3 (*Collateralisation Election*)).

The Company will be able to make distributions and appropriations with respect to a Signatory once the following conditions have been satisfied:

(i) the Signatory's net contractual position has been determined and all disputes relating to the net contractual position have been resolved;

(ii) the Company is satisfied that it does not expect to identify any further security claims to that Signatory's trust assets or the relevant deadline has passed for third parties with security claims to assert claims over the assets that would otherwise be distributable to the Signatory; and

(iii) any of the non-financial contract liabilities required to be ascertained before distribution and appropriation have been ascertained.

Once the above conditions have been satisfied, the Company will be in a position to make distributions to Signatories. The Company will make distributions on a stock line by stock line basis and will be able to determine in its sole discretion the order of distributions, though as with all other provisions in the Agreement, the Company has agreed to act in good faith.

Distributions and appropriations by the Company will be determined using the value of the relevant assets and liabilities as of a day falling on the twenty-fifth business day prior to the latest date on which the Company intends to give instructions for distribution of the relevant assets.

A Signatory's net financial liabilities to the Company will have to either be satisfied or collateralised (as described in more detail below) in order for the Company to distribute assets to that Signatory.

Under the Agreement, Signatories will be entitled to use the value of their pre-administration client money claims, any Asset Shortfall Claims and any Affected Intermediary Admitted Claim Amounts (described in section 5.3 (*Collateralisation Election*)) to offset any financial liabilities to the Company. However, the amount of these claims for a particular Signatory may not be determined until after the Company is otherwise ready to make a distribution of assets to that Signatory. Because the Company can only make distributions of assets once it has provided for any liabilities owed to it by the Signatory, a Signatory will be allowed to collateralise its net financial liability owed to the Company with: (i) its pre-administration client money claim; (ii) cash in an amount equal to the value of assets that would otherwise be appropriated by the Company (instead of being returned to the Signatory) by making an appropriation deferral election; and/or (iii) any Affected Intermediary Admitted Claim Amount (described in section 5.3 (*Collateralisation Election*)). Assuming these claims exceed the amount of the Signatory's net financial liability, the assets would be distributed to the Signatory by the Company in lieu of the Company appropriating those assets to satisfy the net financial liability to the Company. The remaining net financial liability will ultimately have to be satisfied, but the Signatory will be able to satisfy that net financial liability either by: (i) applying part of the collateral amount to the Company (or effectively making a payment to the Company); or (ii) using its pre-administration client money claim, Asset Shortfall Claim or Affected Intermediary Admitted Claim Amount once each are determined to offset the net financial liability. By collateralising the net financial liability, a Signatory will, in addition to receiving asset distributions earlier than would otherwise have been the case, reduce the accrual of interest payable to the Company with respect to those net financial liabilities.

The mechanisms described above are intended to give the Signatory flexibility in determining the order in which its assets (including its pre-administration client money claims and shortfall claims) are applied to reduce its liabilities to the Company and should allow the Signatory to do so in a way to maximise its recovery against the Company.

Asset Shortfall Claims will, to the extent they are used to reduce net financial liabilities, be valued as at the date of distribution of the other assets in that stock line. Once a Signatory has reduced its net financial liabilities to zero (whether by using Asset Shortfall Claims to reduce net financial liabilities or by using other claims against the Company to reduce net financial liabilities), the excess Asset Shortfall Claims will be valued as of the date before administration (or 12 September 2008).

4.12 Part 12 – Delivery of Distributions

This part covers the manner in which assets will be distributed to the Signatories. A Signatory who fails to claim a distribution within 12 months of being provided with notice of the distribution will waive its rights to that distribution. Any surplus assets relating to a particular stock line will belong to the estate of the Company (except where they relate to excess assets distributed for any Signatories by LBI).

4.13 Part 13 – Closing

Under this part the Company agrees to deliver closing statements to the Signatories; those with trust claims will receive this statement at the time of their final distribution and/or appropriation.

4.14 Part 14 – Representations and Warranties, and certain Undertakings by a Signatory

Signatories will be required to provide the Company with a standard set of representations and warranties and to agree to notify the Company when it receives any distribution from an intermediary.

4.15 Part 15 – Tax

This part provides the Company with the right to withhold any tax payable or required to be withheld in connection with a distribution to a Signatory and allows the Company to make any disclosures required by any tax authority.

4.16 Part 16 – Dispute Resolution Mechanism

The Agreement includes a dispute resolution mechanism to resolve disputes relating to:

(i) the net contractual position;

(ii) a claim amount;

(iii) the value of an intermediary distribution; or

(iv) distributions and appropriations by the Company.

If the issue cannot be resolved between the relevant Signatory and the Company, the Company will determine whether the issue should be referred to a valuation expert, adjudicator or the court. If the Signatory disagrees with the Company's decision, the issue will be referred to the court. The valuation expert or adjudicator will apportion the costs of resolving the dispute between the Company and the Signatory.

4.17 Part 17 – Other Provisions

This part includes other miscellaneous provisions.

In particular, this part sets out the powers of the Company to modify the Agreement. Substantive amendments will require the approval of a substantial majority of the Signatories.

This part also includes a provision that reiterates that all actions and determinations by the Company under the Agreement will be made in good faith.

4.18 Part 18 – Definitions and Interpretations

This part includes a listing of all of the capitalised terms used throughout the Agreement and the definitions for those terms.

5 Lehman Brothers Inc.

5.1 SIPA

LBI is the subject of a liquidation proceeding under the Securities Investor Protection Act of 1970 ("**SIPA**"). SIPA includes a specific set of rules governing the return of assets to customers. While these are US and not UK laws, the Company generally understands that under SIPA all securities held by customers are considered "customer property" and in the SIPA proceeding the trustee will seek to make a pro rata distribution to all customers based on total assets that are in an omnibus fund of customer property. This means that LBI is not required to return assets on a stock line by stock line basis and is not expected to do

so. Rather, there will be one pool of property which will be used to satisfy all customer claims (which will include the claims of the Company on behalf of its clients). Further, we understand that under SIPA the obligation is to return either the securities held by the customer at the time of the commencement of the SIPA proceeding or the net equity of the customer as of the date of the commencement of the SIPA proceeding (in our case, 19 September 2008). Therefore, to determine the value of allocation of assets held by LBI and the value of any shortfall claims, that date will be used. In addition, before returning customers' assets, the Company understands that LBI may first deduct liabilities of those customers to LBI. The value of the asset claims less these liabilities is referred to as a customer's net equity.

5.2 Pooling

Under the Agreement, if the Company has enough information to identify all the Signatories to which all the assets returned, or to be returned, by LBI relate, those assets will fall into a single pool for each such Signatory. The Company will then pass through distributions to each such Signatory (subject to making provision for any liabilities owed to the Company). If the Company does not have enough information, all of the assets returned, or to be returned, from LBI will fall into a multiple stock line pool to be liquidated for cash and shared between all affected Signatories according to their net equity claims against LBI.

5.3 Collateralisation Election

Signatories will be entitled, at their option, to collateralise their net financial liabilities with the value of the lesser of: (i) their aggregate claim against the Company for assets custodied at LBI (based on their value as of 19 September 2008); and (ii) the value of their net equity claim to "customer property" as described in section 5.1 (*SIPA*) above (again based on the value as of 19 September 2008). This amount is referred to as the "**Affected Intermediary Admitted Claim Amount**". If a Signatory elects to make this collateralisation election, that Signatory will have to give up its right to receive any of the derived assets received with respect to that Signatory's assets held by LBI for the period after 19 September 2008. As a Signatory would obtain a full set off by effectively using its assets to pay its liabilities as of 19 September 2008, the Company does not think it is appropriate for the Signatory to receive derived assets that relate to the period after 19 September 2008.

The collateralisation will operate under the Agreement in a similar way to the pre-administration client money election described in section 2.6 (*Collateralisation Elections*), except that when assets are delivered by LBI to the Company, the Company will appropriate them against collateralised net financial liabilities; under the pre-administration client money election, only surplus cash may be appropriated and/or distributed.

5.4 Shortfalls

In addition, the Company will agree to be responsible for any shortfalls in the return of assets by LBI to the Company in respect of customer claims, but deficiencies will only be considered "shortfalls" if they would be viewed as shortfalls under SIPA (because as a matter of fairness to the Company's unsecured creditors, the Company cannot agree to give Signatories claims against the Company's estate for matters where the Company does not have a corresponding claim against LBI).

If Signatories do not collateralise their net financial liability, they may therefore be entitled to a shortfall claim as well as to allocations of assets returned by LBI in accordance with the Agreement. This Asset Shortfall Claim would be an amount equal to the lesser of: (i)

the amount admitted by LBI as the shortfall between the Signatory's net equity "customer claim" and the amount actually delivered to the Signatory in respect of its LBI positions; and (ii) the amount by which the claim against the Company for the value of the Signatory's assets at LBI (valued as of 19 September 2008) exceeds the value of the assets returned by LBI (again valued as of 19 September 2008).

If a Signatory collateralises its net financial liability as described in section 5.3 (*Collateralisation Election*), once LBI has finally distributed all assets to customers, the Signatory will be entitled to an Asset Shortfall Claim (for set off purposes only) equal to the amount by which the value of the assets returned to that Signatory (valued as at each delivery and/or appropriation date) is less than the Affected Intermediary Admitted Claim Amount. This ensures a Signatory making the Collateralisation Election described in section 5.3 (*Collateralisation Election*) receives the full value for set off purposes of the Affected Intermediary Admitted Claim Amount. To the extent that this asset shortfall exceeds the net financial liability of the Signatory, the Signatory will be entitled to a residual asset shortfall claim equal to the amount (if any) by which the net financial liability set off against the asset shortfall claim following collateralisation is less than the asset shortfall claim that would have arisen if the Signatory had chosen to collateralise its Affected Intermediary Admitted Claim Amount.