

Frequently Asked Questions

Below are frequently asked questions (“**FAQs**”) and answers in relation to the announcement made on 4 May 2012 regarding:

1. The court order of 2 May 2012 that the last date for proving be brought forward to 31 July 2012 (“**Bar Date**”);
2. The Joint Administrators’ intention to pay a first interim dividend to unsecured creditors within five months of the Bar Date (the “**First Interim Dividend**”); and
3. The Joint Administrators’ intention to offer creditors the opportunity to receive a single payment as full and final settlement of their claim (the “**Small Claims Settlement Offer**”).

Eligible creditors will have a choice between participating in (a) the First Interim Dividend as well as any subsequent distributions made over the life of the Administration or (b) the Small Claims Settlement Offer.

These FAQs are intended as general guidance only. The Joint Administrators will continue to update these FAQs as they receive further questions.

FAQs relating to the First Interim Dividend

1. What is the First Interim Dividend?

Answer: The First Interim Dividend is the first unsecured dividend payment which will be made by the Joint Administrators.

2. What is the bar date by which an unsecured creditor’s proof of debt must be submitted?

Answer: On 2 May 2012, the UK High Court granted the Joint Administrators’ request to bring forward the last date for proving to 31 July 2012 (the “**Bar Date**”).

3. When will the First Interim Dividend be paid?

Answer: On 2 May 2012, the UK High Court granted the Joint Administrators’ requests to (i) extend the period during which payment of the First Interim Dividend must be paid from two months from the Bar Date to within five months of the Bar Date, and (ii) extend the period during which the Joint Administrators are required to admit, reject or make provision for proofs of debt submitted by unsecured creditors from a period of 7 days from the Bar Date, to three months from the Bar Date. Accordingly, it is the Joint Administrators’ intention to pay the First Interim Dividend by the end of 2012.

Further dividends will be paid during the period of the administration.

4. What is the rate of the First Interim Dividend?

Answer: The rate of the First Interim Dividend has not yet been determined. Once the Joint Administrators are in receipt of all valid proofs of debt (each, a “**PoD**”) and have assessed the most appropriate level of reserves which should be made, the amount of the First Interim Dividend can be determined.

The amount of the First Interim Dividend will be impacted by a number of factors including:

- any and all further recoveries made by the Administration’s House Estate;
- the outcome of the most significant inbound Affiliate claims which remain pending;
- the proportion of unsecured creditors filing valid proofs of debt prior to the Bar Date, and consequently, the Joint Administrators’ ability to review and ascertain the validity of such proofs of debt ahead of declaring the dividend; and
- the number of unsecured creditors who have executed a claims determination deed (“**CDD**”) (or similar agreement).

Please refer to the Joint Administrators’ seventh progress report dated 12 April 2012, for the current indicative financial outcome of the Administration. This sets out the Administration’s current indicative range of outcomes and should be read in conjunction with the various notes and caveats in the report.

5. How do I get my claim admitted?

Answer: The first step towards getting a claim admitted is to submit a valid PoD on the LBIE Client Information Portal (“**CIP**”). Unsecured creditors wishing to participate in the First Interim Dividend process should submit a valid PoD as soon as possible and no later than the Bar Date.

Once a PoD has been submitted, it will be assessed by the Joint Administrators. Valid unsecured creditor claims will be determined and admitted via a claims determination deed.

Please note that submission of a valid PoD by the Bar Date does not guarantee that the claim will be capable of agreement prior to the First Interim Dividend, so creditors are encouraged to submit their PoDs without delay.

6. What is the process for participating in the First Interim Dividend?

Answer: To be considered eligible to participate in the First Interim Dividend, to the extent they have not already done so, creditors must:

- a) submit a PoD via the CIP by the Bar Date;
- b) have their claim assessed by LBIE;
- c) execute a claims determination deed (“**CDD**”) (or similar agreement) issued by LBIE and any ancillary documentation, as determined by the Joint Administrators; and
- d) provide their standard settlement instructions (“**SSIs**”) for a GBP bank account.

7. What happens if I do not submit my PoD by the Bar Date?

Answer: Unsecured creditors who do not submit their PoD by the Bar Date will not be eligible to participate in the First Interim Dividend.

PoDs which are received after 31 July 2012 will be assessed in the normal course of the Administration.

The Joint Administrators intend to pay a “catch up dividend” payment (prior to any further interim distribution) to unsecured creditors whose claims are admitted after the First Interim Dividend. Any such payment will be at the same dividend rate as the First Interim Dividend, and will be contingent on there being sufficient funds remaining in the Administration.

8. What happens if I submit my PoD by the Bar Date and it is not agreed by the Joint Administrators by 31 October, 2012?

Answer: The Joint Administrators are required to admit, reject or make provision for PoDs by 31 October, 2012. Accordingly, if you have submitted your claim by the Bar Date but it is not admitted or rejected by 31 October, 2012, the Joint Administrators will reserve an appropriate amount of your claim until such time as your claim is determined.

9. I have a Client Money and/or Trust Asset element to my claim; how does this affect my participation in the First Interim Dividend?

Answer: Creditors who have a proprietary claim (e.g. a client money or trust asset claim) and believe that this may give rise to a contingent unsecured claim should submit a PoD by the Bar Date for their contingent unsecured claim.

10. What is the difference between payment under the First Interim Dividend and the Small Claims Settlement Offer?

Answer: Under both options, PoDs must be submitted by 31 July 2012 and payment will be made within five months of that date.

All creditors who either (a) have claims of up to £150,000 or (b) agree to cap their claim at £150,000 will be entitled to settle their claim and receive a single payment equal to 90% of their claim under the Small Claims Settlement Offer. Thus, the maximum payment to an eligible creditor under the Small Claims Settlement Offer will be £135,000.

Eligible unsecured creditors who choose not to participate in the Small Claims Settlement Offer will participate in the First Interim Dividend process as well as any subsequent dividends made by the Administration. The rate of the First Interim Dividend has not yet been determined.

FAQs relating to the Small Claims Settlement Offer

11. What is the Small Claims Settlement Offer?

Answer: The Joint Administrators are offering to make a full and final settlement to all creditors whose claims do not exceed £150,000 via a single payment of 90% of their agreed claim amount. Any creditor whose agreed claim amount exceeds £150,000 may also participate, but the maximum payment made will be 90% of £150,000 (i.e. a payment of £135,000). The First Interim Dividend will be materially lower than 90%.

12. Is 90% the Joint Administrators' view of the aggregate dividend payable to creditors over the life of the Administration?

Answer: No. The payment percentage in respect of the Small Claims Settlement Offer is **not** intended to reflect the Joint Administrators' view of the aggregate dividend for creditors who choose not to participate in the Small Claims Settlement Offer. The final aggregate dividend to unsecured creditors could be either higher or lower than the 90% being offered under the Small Claims Settlement Offer.

13. Why is the Small Claims Settlement Offer being made?

Answer: The Joint Administrators are making the Small Claims Settlement Offer because it will bring considerable benefits to creditors generally by providing the most efficient solution for settling the claims of creditors. This offer is expected to be advantageous particularly to creditors with small claim amounts and, assuming it is taken up by the majority of these, it will remove the need for the Administrators to deal further with many hundreds of counterparties, thereby saving the LBIE estate the costs and resources that this would otherwise consume.

In particular, by accepting the Small Claims Settlement Offer, creditors could potentially benefit from the following:

- rapid resolution of their agreed and admitted claim against LBIE; and
- certainty of their recovery and finality to their relationship with LBIE, thereby also reducing the administrative burden on LBIE in dealing with such creditor claims throughout a conventional dividend process over the life of the Administration.

14. Who is eligible to be considered for a payment under the Small Claims Settlement Offer?

Answer: This offer is available to all creditors, including those with contingent client money claims and/or client asset claims, as well as LBIE's Affiliates, who comply with the eligibility requirements set out in Question 15 below.

15. What is the process for participating in the Small Claims Settlement Offer?

Answer: To the extent they have not already done so, creditors must:

- a) submit a PoD via the CIP by 31 July 2012;
- b) have their claim assessed by LBIE;
- c) execute a claims determination deed (“**CDD**”) (or similar agreement) issued by LBIE and any ancillary documentation, as determined by the Joint Administrators, including a further agreement with LBIE, accepting the Small Claims Settlement Offer as full and final settlement of all claims under the relevant agreement and where relevant, an agreement assigning any Client Money claim; and
- d) provide their Standard Settlement Instructions (“**SSIs**”) for a GBP bank account.

Each of the above requirements must be completed by no later than 31 October 2012 in order to be considered eligible for the Small Claims Settlement Offer.

16. I have a Trust Asset claim, how does this affect my participation in the Small Claims Settlement Offer?

Answer: Trust Asset claimants who have executed a CDD (or similar agreement) can participate in the Small Claims Settlement Offer with respect to the unsecured claim represented by such CDD (or similar agreement) without affecting their Trust Asset Claim.

17. I have a Client Money element to my claim, how does this affect my participation in the Small Claims Settlement Offer?

Answer: Creditors who wish to preserve a claim for Client Money will not have their claim admitted for an unsecured dividend and as a consequence will not be entitled to participate in the Small Claims Settlement Offer until either they relinquish the Client Money claim by waiving it or assigning it to a nominee of LBIE.

18. I have an agreed claim amount in excess of the £150,000 threshold; is it possible for my claim to be included as part of the Small Claims Settlement process?

Answer: Any creditor whose agreed claim amount exceeds £150,000 may also participate, but the maximum payment made will be 90% of £150,000 (i.e. a payment of £135,000). In doing so, the claimant agrees to waive any admitted claim amount in excess of £150,000 and will not receive a dividend in respect of any such excess.

19. Can I partially assign or split my claim in order to increase my eligibility for the Small Claims Settlement Offer?

Answer: No. Splitting of claims and/or partial assignments will not be allowed as a way of increasing eligibility for this Small Claims Settlement Offer. The eligibility of claims that have been partially assigned or split prior to 4 May 2012 to participate in the Small Claims Settlement Offer will be considered by the Joint Administrators on a case by case basis.

20. I have an admitted unsecured claim which is below the £150,000 threshold of the Small Claims Settlement Offer. What happens if I don't participate in the Small Claims Settlement Offer?

Answer: Eligible creditors with an admitted claim below £150,000 who do not participate in the Small Claims Settlement Offer will participate in the First Interim Dividend payment.

21. How do I participate in the Small Claims Settlement Offer?

Answer: Creditors who wish to participate in the Small Claims Settlement Offer should log onto the Client Information Portal (https://dm.pwc.com/lbie_cip) and register their interest.

Please note that registration does not automatically guarantee a creditor's participation in the Small Claims Settlement Offer.

22. If I miss the deadlines for the First Interim Dividend and the Small Claims Settlement Offer, will I be eligible for any future small claims settlement offer?

Answer: There are no plans to extend the deadline or repeat the Small Claims Settlement Offer.

23. I have a guarantee from Lehman Brothers Holdings Inc ("LBHI"); how will my claim into LBHI be affected if I choose to participate in the Small Claims Settlement Offer?

Answer: Please contact LBHI directly. LBHI is aware of the Joint Administrators' Small Claims Settlement Offer.

General Questions

24. How do I access the Client Information Portal?

Answer: The CIP is accessible on https://dm.pwc.com/lbie_cip, using the unique username and password previously provided to counterparties for filing their proof of debt. If you are unable to access the CIP or if you require log on credentials, please email logons@lbia-eu.com.

25. I am having trouble submitting my PoD on the Client Information Portal. How can I get help?

Answer: Please email unsecuredcreditors@lbia-eu.com providing your contact details (full client name, GAC (if known) and contact details). A member of the Claims Submission Team will contact you and help guide you through the claim submission process.

26. I have a question which has not been addressed by these FAQs, who can I contact?

Answer: For further questions relating to the Joint Administrators announcement of 4 May 2012, please contact your LBIE contact or the Counterparty Communications and Management team at unsecuredcreditors@lbia-eu.com with details of your query, referencing you full client name, GAC (if known) and contact details. The Joint Administrators will continue to update these FAQs as they receive further questions.