

# Lehman Brothers International (Europe) (in administration)

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

26 June 2009

[Client]  
[Address]

Our Client **GAC Code**:

Dear Sirs

## **Lehman Brothers International (Europe) (in administration) (“LBIE”): Scheme of Arrangement**

The return of client assets is a core objective of the Joint Administrators of LBIE and our priority is to return these assets as expeditiously as possible.

As stated in the LBIE Joint Administrators Progress Report dated 14 April 2009 [http://www.pwc.co.uk/eng/issues/lehmans\\_joint\\_administrators\\_progress\\_report\\_140409.html](http://www.pwc.co.uk/eng/issues/lehmans_joint_administrators_progress_report_140409.html), the current mechanism in place to return client assets by individual bilateral negotiation is a lengthy process, is onerous on clients and is failing to bring finality to dealings between them and LBIE.

The Joint Administrators therefore propose to implement an arrangement for the return of your client assets through a Scheme of Arrangement (the “Scheme”) pursuant to section 895 of the Companies Act 2006. The implementation of this proposal is currently subject to obtaining certain necessary creditor and court approvals.

Client assets in this context refer to assets which LBIE holds for its clients which are recorded in LBIE’s books and records and those of its direct custodians/clearing systems as being held in client segregated accounts separately from other general accounts together with certain money received after LBIE’s entry into administration which is derived from those assets.

Not all creditors will be Scheme creditors but if you believe you have a claim to client assets, you are likely to be a Scheme creditor. By receipt of this letter, however, the Joint Administrators are not making any representation or warranty that any recipient of further information is in fact entitled to make any such claim, or that they will be a Scheme creditor, or, if so, what amount of client assets (if any) they will ultimately receive.

### **Purpose of the Scheme**

Whilst we continue to return certain client assets under current mechanisms which involve indemnities and client credit support, broadly speaking, the objective of the proposed Scheme will be to increase the speed of the return of certain client assets through, among other things, the imposition of a “bar date” for submitting final claims.

The proposed Scheme has been designed to provide the following benefits:

- achieve finality of the population of claimants to client assets;
- identify and resolve competing claims to stock lines;
- define Scheme creditors’ trust and unsecured claims;

*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*

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- define rules for dealing with asset shortfalls;
- allow distributions without the need for recipients to give indemnities;
- ensure finality of asset distributions;
- ensure no future claims may be made against LBIE for assets distributed under the Scheme;
- allow the controlled termination of open contracts;
- apply a consistent set of rules for a number of issues, including valuation methodology, allocation of client assets and dispute resolution;
- allow the valuation of all positions once they have been terminated and the application of unsecured claims and/or assets in satisfaction of any resulting net liabilities to LBIE; and
- allocate and make provision for the costs of implementing the Scheme and distributing assets pursuant to the Scheme.

## Implementing the Scheme

The Joint Administrators, within the next few months, intend to apply to the English court for permission to hold meetings of the Scheme creditors to consider, and if thought appropriate, to approve the proposed Scheme. If approved by the required majorities, the Joint Administrators would return to court to apply for court sanction of the Scheme. If the court sanctions the Scheme, all Scheme creditors would be bound by the terms of the Scheme.

## Valuation for Voting Purposes

In due course, the Joint Administrators intend to provide more detailed information about the Scheme and the procedures for voting at meetings to creditors who, according to LBIE's records, may be entitled to participate in the Scheme as Scheme Creditors because they have a claim against LBIE to client assets.

**In the meantime, it is important for all potential Scheme creditors to note that the Joint Administrators propose that for the purpose of calculating a Scheme creditor's voting rights only, 30 June 2009 will be used as the valuation date for all assets and all open positions held by Scheme creditors, subject to court approval.**

Accordingly, it is important that we are in the best position to make an assessment of the value of relevant derivatives and financing positions as at 30 June 2009. This may require further action from certain creditors.

If you have provided a termination notice to LBIE with regard to any of your derivatives and financing positions and have not provided LBIE with a valuation statement, you should provide your valuation statement as soon as possible in a form which complies with the terms and conditions of your contract. You should be aware that if we do not receive such valuation statement by 14<sup>th</sup> of July, LBIE will use its own valuation of your terminated positions as of the date upon which the contract was terminated or the nominated termination date within each contract. Please be aware that any client position response previously submitted following LBIE's earlier request for information may not meet the form of valuation statement legally required by the terms and conditions of your derivatives and/or financing contracts.

Please therefore send any valuation statements in respect of your terminated positions in the form required in your contract to [uk.terminationnoticesqueries@lbia-eu.com](mailto:uk.terminationnoticesqueries@lbia-eu.com) or by hard copy for the attention of:

# Lehman Brothers International (Europe) (in administration)

Huw Merriman  
Lehman Brothers International (Europe)  
25 Bank Street  
London E14 5LE  
England UK

In any correspondence to us relating to derivatives and financing valuation statements, please ensure you quote the following reference: 'LBIA/Scheme/VSRrequest'.

With regard to any open positions that have not been terminated, no action regarding valuations is required at this stage as LBIE will undertake its own estimation of the value of such positions for voting purposes only as at 30 June 2009. You will be advised of such valuations and further details of the voting process in due course.

For further information please review the FAQ's on the PwC website at [http://www.pwc.co.uk/eng/issues/lehman\\_master\\_agreement\\_faq.html](http://www.pwc.co.uk/eng/issues/lehman_master_agreement_faq.html).

Please note, 30 June 2009 is not a bar date for submission of claims to client assets and you will not be prejudiced in establishing your ultimate claim by any valuation taken at this date. If the necessary creditors' meetings approve the Scheme and the court sanctions it, you will be provided with notification of the actual bar date after the court sanctions the Scheme. The bar date will not be before 31 December 2009 in any event. We emphasise that the calculation of your voting entitlement is without prejudice to your ability to submit a final claim before the bar date.

## Communications

So that we can continue to communicate with you efficiently and ensure that you receive all necessary documentation regarding the proposed Scheme, it is important that we have an up to date and accurate record of your contact details. We therefore request that you email any amendments to your **legal client name and contact details, including preferred postal address (if different from this letter) and e-mail address to: [schemeofarrangement@lbia-eu.com](mailto:schemeofarrangement@lbia-eu.com)**. Please quote the unique reference number (GAC code) noted at the top of the letter in all submissions or other correspondence.

The Joint Administrators thank you for continuing to provide updates of your contact information. Please be aware that if you do not update your contact details, we will continue to correspond to you using the details we currently have on our files. The Joint Administrators also wanted to give clients a further opportunity to designate a separate contact point for Scheme claims and thus have set up the [schemeofarrangement@lbia-eu.com](mailto:schemeofarrangement@lbia-eu.com) mailbox for this purpose.

## Questions and queries

The PwC Lehman Brothers International (Europe) (in administration) website

[http://www.pwc.co.uk/eng/issues/lehmans\\_stakeholder\\_client\\_money\\_assets.html](http://www.pwc.co.uk/eng/issues/lehmans_stakeholder_client_money_assets.html)

will remain the Joint Administrators' primary method of communicating with clients in general and thus providing contact information so that you may be advised of electronic updates is important to the efficiency of the ongoing Administration.

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**The Joint Administrators will continue to communicate with you through the website regarding the progress of the proposed Scheme and further postings are expected to be made over the course of the summer. Please continue to check the website for information on the Scheme and other relevant postings.**

The Joint Administrators are acting as agents for and on behalf of LBIE and neither they, their firm, or representatives shall incur any personal liability whatever in respect of any of the statements in this letter made by LBIE in this letter. The exclusion of liability set out in this paragraph shall arise and continue notwithstanding the termination of the agency of the Joint Administrators and shall operate as a waiver of any claims in tort as well as under the laws of contract. Each of the Joint Administrators, their firm and their representatives shall be entitled to rely on, enforce and enjoy the benefit of this paragraph as if they were a party to this notice.

Yours faithfully,

Ian Davis  
For S. A. Pearson  
Joint Administrator  
Lehman Brothers International (Europe) (in administration)

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