In re Lehman Brothers Inc.

A Securities Investor Protection Act (SIPA) Liquidation

James W. Giddens, Trustee

August 5 and 7, 2009

Confidential – Not for Distribution

The numbers and figures contained herein are approximations and remain subject to revision.

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LBIE MFA/AIMA Update

- LBI Estate administered pursuant to SIPA statute under the auspices of the U.S. Bankruptcy Court
- PIM, PAM, and LBI PB "account transfers" pursuant to statute and court orders
- Currently in separate "net equity" phase
- Innovative process to expedite resolution of LBIE customer claims

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A SIPA Liquidation

- Comparable to a Chapter 7 bankruptcy liquidation with special provisions relating to "customers"
- Principal Duties:
  - Marshal assets for the benefit of customers and general creditors
  - Distribute customer property as promptly as possible and otherwise satisfy customer net equity claims
- All claims administered through the Bankruptcy Court

LBI SIPA Liquidation

"Account Transfer" Phase

September 19, 2008	Trustee appointed
September 19, 2008	PIM/PAM transfers begin
October 14, 2008	LBI PB Protocol
January 30, 2009	Last day to participate in LBI PB Protocol

"Net Equity" Phase

December 1, 2008	Notice to potential claimants
January 30, 2009	Filing date for maximum SIPA protection
June 1, 2009	Bar date for all claims
August, 2009	Allocation motion
Ongoing	Resolution of disputed claims

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Account Transfers

- Authorized by "account transfer" provisions of SIPA, Order of Appointment, and court-approved APA
- PIM, PAM, LBI PB account transfers – 110,000 accounts, $92.2 billion
- LBI PB account transfers
  - Voluntary protocol to effect regulatory intent and representations to Court
  - Significant amounts withheld due to cross-entity exposure
  - Collaborative process allowing for "clawback" of delivered assets, if necessary

Claims Processing

Claims Summary

- 905,000 potential claimants noticed December 1, 2008; bar date for all claims June 1, 2009
  - 12,018 customer claims asserted on behalf of 86,493 accounts
  - 7,556 general creditor claims asserted

Customer Claims Process

1. Determination of allowed claims
2. Allocation of Customer Property and General Estate
3. Establishment of reserves for disputed claims

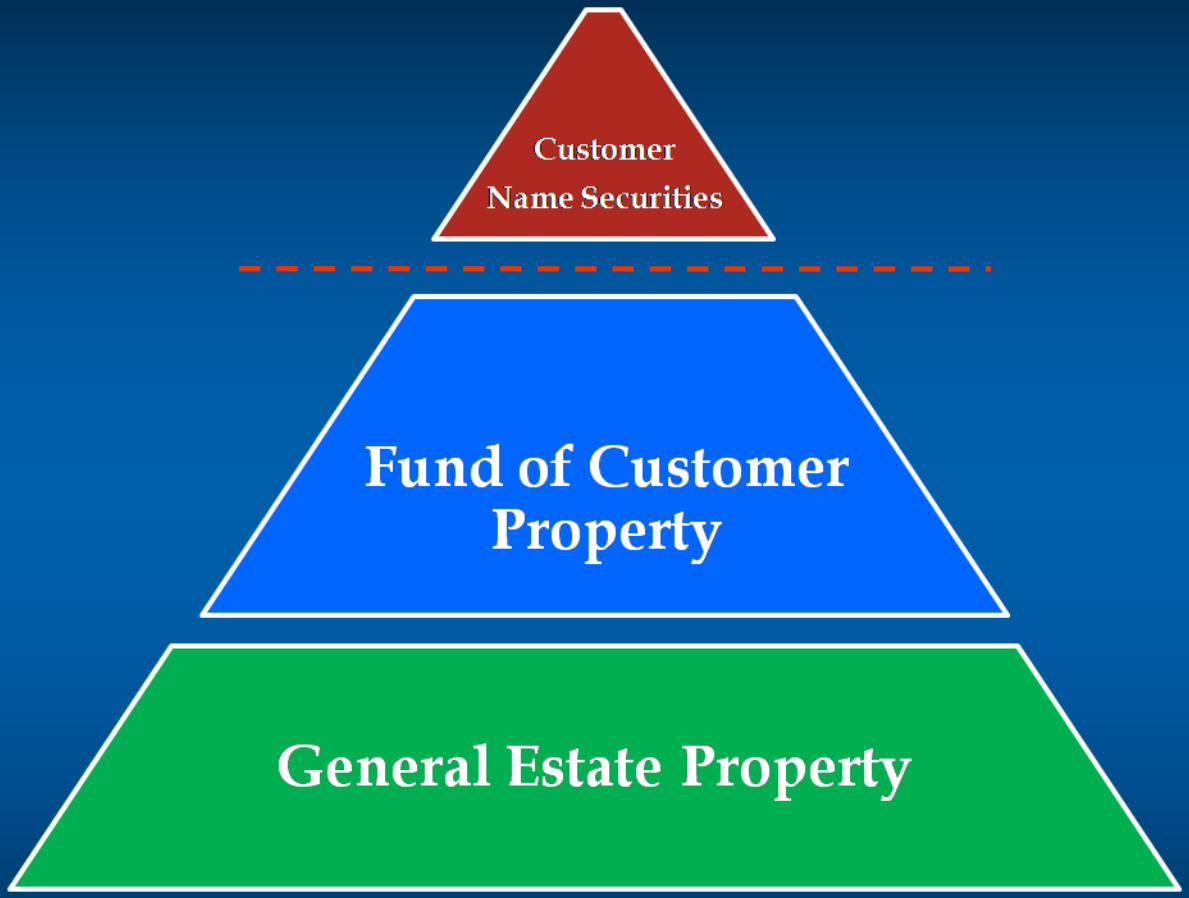
Customer Claims

- Claims are to the comingled "fund of customer property," not to segregated securities and cash.
- Customers are entitled to a pro rata share of the "fund of customer property" based on their respective "net equity" – the filing date value of a customer's non-customer name securities plus any cash balance, less any indebtedness.

Customer Claims

- Claimants may object to any determination in whole or in part; dispute must be resolved or submitted for Court determination.
- Resolution of disputes may take considerable time.
- The Trustee will reserve for disputed claims until resolution becomes final.

Allocation of Estate Assets



Allocation between customer property and general estate subject to Court approval

Net Equity Distributions

Distributions to pay allowed customer claims will be made when there is clarity for reasonable estimates of both the amount of customer property available for distribution and the total net equity of all allowed customer claims, and distributions may be in stages.

$$\text{Pro rata distributions to customers} = \frac{\text{Total value of customer property available for distribution}}{\text{Total net equity of all allowed customer claims}}$$

Innovative Process for LBIE Customer Claims

1. Filing

Special agreement to facilitate the timely filing of claims in LBI's proceeding on behalf of LBIE and its customers

2. Reconciliation

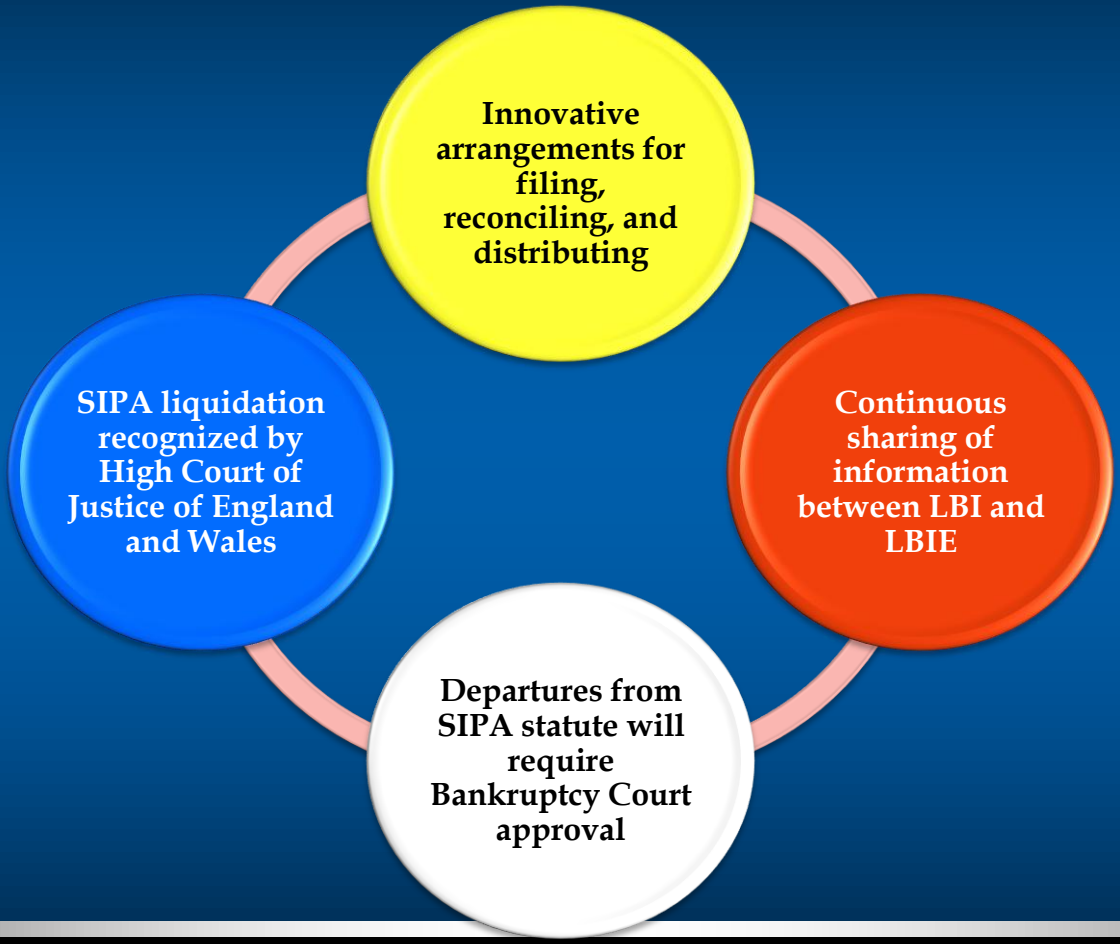
Dedicated teams of professionals at LBI and LBIE (Deloitte and PwC) working around the clock

3. Distribution

Trustee's proposal for distributing assets to LBIE customers, allowing LBIE to act as agent, will require Court approval

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Innovative Process for LBIE Customer Claims



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Additional Information

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www.sipc.org

US: (866) 841-7868

Non-US: (503) 597-7690

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