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Bankruptcy & Restructuring **ALERT**

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Lehman Brothers Holdings' Bankruptcy Has International Ramifications

As you are undoubtedly aware, the September 15 Chapter 11 bankruptcy filing in New York by Lehman Brothers Holdings, Inc. (LBHI) represents the single largest insolvency proceeding in US history. With assets and liabilities of more than US\$639 billion, the LBHI filing dwarfs the previously largest US bankruptcies. The filing comes at a time of significant destabilization in US capital markets and has global ramifications. In an effort to keep our clients abreast of the LBHI situation, we are providing the following general update of significant events in the proceedings:

Proceedings in the United States

Asset Sale

- On September 17, LBHI announced a US\$1.75 billion bid by Barclays Capital, Inc. for the bulk of LBHI's North American operations including LBHI's subsidiary, Lehman Brothers, Inc. (LBI), a registered broker-dealer. In addition to the sellers' investment banking and capital markets and brokerage operations, Barclays agreed to buy the New York headquarters at 745 Seventh Avenue and two data centers located in New Jersey.
- The US Bankruptcy Court held a hearing and approved the sale on September 19.
- The transaction closed on September 22 with a purchase price of about US\$1.3 billion after a reevaluation of asset values.

SIPA Liquidation

- On September 19, the US District Court in New

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York ordered a liquidation of LBI under the Securities Investor Protection Act of 1970 (SIPA). The court appointed a trustee for LBI (note that there is no trustee for LBHI, which continues to administer its affairs as a debtor-in-possession) and transferred the SIPA liquidation proceeding to the bankruptcy court.

- The purpose of the SIPA liquidation action was to facilitate the orderly transfer of LBI customer accounts to Barclays or another trading platform. The effect of this is that approximately 630,000 customers now have or soon will have restored access to their securities accounts.

Assumption and Rejection of Contracts

- As part of the sale process, certain contracts are being assigned to Barclays.
- Parties to assigned contracts have until October 3 to object to the "cure" amount – that which LBHI believes is required to bring current its payment obligations to counterparties.
- Barclays has 60 days from closing to decide whether, on a contract-by-contract basis, to pay the cure amount and assume the contract, or decline to pay the cure amount and "reject" the contract.

Operations in Europe and Asia

- Concurrently with the bankruptcy filing in the United States, the debtor's trading company in Europe, Lehman Brothers International (Europe), was placed into administration, along with Lehman Brothers Ltd, LB Holdings PLC and LB UK Real Estate Holdings Ltd. PricewaterhouseCoopers LLP (PWC) was appointed as administrator.
- As administrator, PWC has initiated an investigation into approximately US\$8 billion in cash and securities that may have been transferred from the European operations to the United States just prior to the bankruptcy filing.
- Lehman's main operations in Japan, Lehman Brothers Japan, Inc. and Lehman Brothers Holdings Japan, Inc., filed for bankruptcy protection in Tokyo on September 16.
- On September 22, Nomura Holdings, Inc., Japan's largest investment bank, agreed to buy Lehman's Asia-Pacific investment banking operations. Nomura is also considering bidding on Lehman's European operations.

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wide variety of matters regarding US and cross-border restructurings, corporate finance, capital markets and regulatory capital matters. For more information about these developments and their implications for your company, please contact the lawyer you usually work with at Squire Sanders, or any contact linked to this alert.

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