

ALERTS

Lehman Claims Update: LBI and LBIE Announce Agreement in Principle to Resolve All Claims

October 5, 2012

The SIPC Trustee for Lehman Brothers Inc. (“LBI”) and the Joint Administrator of Lehman Brothers International (Europe) (“LBIE”) today announced an agreement in principle to resolve all claims, approximately \$38 billion in the aggregate, between their respective entities.

The proposed settlement is subject to approval by the bankruptcy court in the United States and the English High Court. According to the LBI Trustee, if approved, “the agreement sets the stage for distributions that will provide 100 percent recovery of customer property.”

Terms of the proposed settlement were announced by the LBI Trustee on its website. The principal terms are:

- LBIE’s Omnibus customer claim against LBI of \$15.1 billion will be allowed in an amount of approximately \$7.5 billion (valued as of September 19, 2008) in securities and cash. This claim will be augmented by post-filing income estimated to be approximately \$600 million.
- LBIE’s House customer claim against LBI of \$8.9 billion will be replaced by an allowed cash net equity customer claim of \$500 million.
- LBI will stipulate to an LBIE general property claim in the amount of \$4.0 billion, and LBI’s unsecured claim against LBIE of \$13.8 billion will be eliminated.

- LBI's Client Money claim against LBIE will be assigned to LBIE's nominee.
- The parties have agreed to suspend scheduled litigation activity until mid-December 2012 to allow work to proceed in finalizing this agreement.
- The agreement limits the amount of the maximum recoveries that each would make into the other's estate from the claims asserted, so that planning for distributions in their respective estates can continue.

For questions concerning this *Alert*, please contact David J. Karp or your attorney at Schulte Roth & Zabel.

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