

**LEHMAN BROTHERS HOLDINGS AND CERTAIN OF ITS EUROPEAN
SUBSIDIARIES FILE FOR BANKRUPTCY PROTECTION**

As has been widely reported by the press, on September 15, 2008, Lehman Brothers Holdings, Inc. (“Lehman Holdings”) filed for bankruptcy protection under chapter 11 of the United States Bankruptcy Code. The case is being heard by Judge James M. Peck of the United States Bankruptcy Court for the Southern District of New York, and is docketed under Case No. 08-13555. Subsequent to the chapter 11 filing, UK regulators placed several of Lehman Holdings’ UK subsidiaries, including Lehman Brothers International (Europe), Lehman Holdings’ principal European broker-dealer (“LBI Europe”), in administration (the rough equivalent of chapter 11 bankruptcy). It has been reported that the UK subsidiaries will be liquidated.

The U.S. subsidiaries of Lehman Holdings, including Lehman Brothers, Inc., Lehman Holdings’ principal U.S. broker-dealer (“LBI New York”), and Neuberger Berman Holdings, LLC, its asset management subsidiary, have not, at this point, joined in the filing. Lehman Holdings has declared in a press release that, “Customers of Lehman Brothers, including customers of its wholly owned subsidiary, Neuberger Berman Holdings, LLC, may continue to trade or take other actions with respect to their accounts.”

Notwithstanding these assurances, clients have reported that trading by LBI Europe has been suspended by its administrators and that LBI New York, the U.S. broker-dealer, is not processing securities trades (including swap novations) this morning. We have not received any such reports with respect to Neuberger Berman Holdings, LLC.

Given the size and breadth of Lehman’s businesses, clients may be affected in a number of ways, raising issues across multiple disciplines. To address these wide-ranging issues, Willkie Farr & Gallagher LLP has assembled a task force of attorneys from various areas of expertise (including UK insolvency professionals from our strategic ally Dickson Minto W.S.) to respond to client questions and provide targeted advice in connection with the Lehman Holdings insolvency. Some common situations in which clients may find themselves, and with respect to which the task force has already advised clients, are as follows:

- A. ***Prime Brokerage Arrangements with Lehman Holdings Subsidiaries.*** Clients that rely on Lehman as a prime broker face questions related to whether they should move their holdings from Lehman, whether their securities held with Lehman would be frozen if LBI New York also filed for bankruptcy (which, in accordance with U.S. broker-dealer regulations, would be under chapter 7 of the Bankruptcy Code, resulting in a liquidation of LBI New York) and whether securities hypothecated by Lehman Holdings and its subsidiaries as collateral for their own loans might be lost to Lehman Holdings’ creditors.

- B. ***Lehman Holdings Subsidiaries Serving as Lenders or Administrative Agents Under Credit Facilities.*** Clients that have a lending relationship with Lehman should consider whether the insolvency proceedings will disrupt administration of their credit facilities (e.g., issuing letters of credit, obtaining waivers and amendments) and whether the relevant Lehman Holdings subsidiary's obligation to lend will be enforceable should such lending subsidiary follow Lehman Holdings into bankruptcy.
- C. ***Lehman Holdings Subsidiaries as Swap Counterparties.*** Clients with outstanding swaps with Lehman entities will want to consider whether it is appropriate to novate or terminate their swaps, even if the counterparties are otherwise solvent. Existing guarantees from Lehman Holdings will have little to no value, given the filing.
- D. ***Lehman Securitizations, Participations and Repurchase Agreements.*** Clients that are investors in Lehman-sponsored securitizations and clients party to participation and repurchase agreements should consider whether the bankruptcy proceedings have the potential to disrupt the orderly administration of their arrangements and whether such arrangements should be modified in response.

As the situation develops, we will continue to provide legal updates on the proceedings.

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If you have any questions about this memorandum, please contact any of the members of the Willkie Farr & Gallagher LLP Lehman Insolvency Task Force listed below or the attorney with whom you regularly work.

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