

LEHMAN BANKRUPTCY

In re: Lehman Brothers Holdings, Inc., et al., No. 08-13555

This update regarding the Lehman bankruptcy case was prepared by Patterson attorneys Dan Lowenthal, David Dykhouse and Brian Guiney.

Approval of the Disclosure Statement

On August 30, 2011, the United States Bankruptcy Court for the Southern District of New York approved the Disclosure Statement for the Revised Second Amended Joint Chapter 11 Plan of Lehman Brothers Holdings, Inc. and its affiliated debtors (collectively, the "Debtors"). The Bankruptcy Court's approval of the Disclosure Statement will permit the Debtors to begin soliciting votes to accept the Plan and is a significant step forward in the Debtors' efforts to achieve resolution of the nation's largest-ever bankruptcy. Approval of the Disclosure Statement does not, however, constitute the Bankruptcy Court's endorsement of the Plan. Rather, it signals that the Bankruptcy Court has concluded that the Disclosure Statement contains "adequate information" about the Plan, sufficient to permit a hypothetical investor to make an informed judgment about how to vote on the Plan. See Bankruptcy Code § 1125.

(Due to the size of the Disclosure Statement and its accompanying exhibits, we have not distributed a copy with this Alert. If you would like to receive a copy, please contact us.)

Substantive Consolidation and the Plan Settlement

The Disclosure Statement provides a detailed history of the Debtors' cases, a summary of the Plan and certain financial information and projections related to the Debtors. The Plan is the culmination of months of negotiations among the Debtors and many large creditor constituencies regarding, among other things, whether or not each individual Debtor should be "substantively consolidated" (i.e., whether the assets and liabilities of each Debtor should be combined for purposes of the Plan).

The Plan does not provide for substantive consolidation. However, in light of the risk that the Bankruptcy Court would order substantive consolidation if it had been asked to do so, the Plan provides for some value to be reallocated to the creditors that would have benefitted from substantive consolidation. According to the Disclosure Statement, this settlement framework has generated considerable support for the Plan among creditors. In addition to the Official Creditors' Committee, several large creditor factions (including factions that had previously proposed their own competing plans) now support the Plan. The Debtors have executed plan support agreements with over 30 significant parties in interest, which agreements require those parties to vote in favor of the Plan. And the Disclosure Statement estimates that creditors holding aggregate claims in excess of \$100 billion support the Plan.

Given the size, complexity and scope of the Debtors' cases (and related foreign insolvency proceedings around the globe), the current level of support for the Plan is noteworthy. In fact, only 18 objections (and three joinders) were

filed in opposition to the Disclosure Statement. However, despite the widespread support for the Plan, there are significant parties in interest that oppose the Plan. While the Debtors have created considerable momentum for the Plan, it is not certain that the Plan will be confirmed by the Bankruptcy Court.

Projected Recoveries

The Disclosure Statement also contains projected dividends for different kinds of creditors of each of the Debtors. These projections vary widely, with some creditors of certain Debtors expected to realize a full recovery on their claims and others expected to recover nothing at all on account of their claims. General unsecured creditors of Lehman Brothers Holdings, Inc., the parent Debtor, are projected to receive a 19.9% recovery on their claims. We encourage you to contact us if you have specific questions about how the provisions of the Plan relate to your claim.

Next Steps; Upcoming Dates and Deadlines

The Bankruptcy Court's order approving the Disclosure Statement fixed certain dates related to the Plan confirmation process:

- Deadline for Objections to Claims for Voting Purposes: September 16.
- Anticipated date for initial distribution of solicitation packages: September 23.
- Voting Deadline: November 4.
- Plan Supplement: to be filed 10 days before the Voting Deadline (October 25).
- Deadline for Objections/Responses to Confirmation of the Plan: November 4.
- Confirmation Hearing: December 6.

We will continue to monitor the progress of these cases closely. If you have any questions about the Plan, the Disclosure Statement or any other aspect of the Debtors' cases, please do not hesitate to let us know.

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This updated summary is just one of a series of updates that we have released regarding the Lehman Bankruptcy. If you have received this update, but not the previous summary that it pertains to, you may obtain it by contacting Dina Longo at 212.336.2756 or dlongo@pbwt.com.

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