



Sandie Arnott

TREASURER - TAX COLLECTOR

TREASURER - TAX COLLECTOR - REVENUE SERVICES

Charles M. Tovstein
ASSISTANT TREASURER

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September 22, 2011

Dear Pool Participants,

I am writing to inform you of an important development in our united effort to recover as much of our losses as possible in the Lehman bankruptcy.

The Lehman estate, the Ad Hoc Creditors Group to which we belong, and the formal creditors group led by Goldman Sachs, have arrived at a compromise plan that would pay San Mateo County 21.1 cents on the dollar or higher. The compromise represents a far better outcome than we might face in a lengthy and costly dispute. We arrived at this agreement three difficult years after Lehman declared bankruptcy in September, 2008. The agreement now allows us to work with the other creditors to maximize the size of the estate to be liquidated.

As you may recall, the original plan proposed by the Lehman estate called for claims like ours to be paid at roughly 17 cents on the dollar. San Mateo County rejected that amount and other proposals. Frustrated with the progress of negotiations, we teamed up with other creditors to form an ad hoc group that represented our interests, not those of the very same major Wall Street firms that helped to cause the 2008 financial collapse. I believe our work with the ad hoc group paid off with a higher proposed recovery. It will not satisfy everyone but the proposal has been accepted by principal creditors.

San Mateo County, along with other significant creditors in our ad hoc group including CALPERS, recently executed a Plan Support Agreement. That agreement is essentially a promise not to oppose the proposed settlement plan as long as it is not modified or breached by the creditor. Other major creditors are also signing Plan Support Agreements.

The next step is for other major creditors to strike Plan Support Agreements, then for the liquidation plan to be presented to the bankruptcy court. The court will have final say. If approved as expected, Lehman creditors may receive payment starting in early 2012.

This has been a long and difficult process that has satisfied no one, but I believe this resolution is in our best interests.

Update on County Lawsuit Against Lehman Officers and Directors:

You may have read or heard about a settlement in the litigation against the Lehman Officers and Directors. That litigation is separate and apart from the bankruptcy; it is seeking recovery from the individual officers and directors of Lehman, and their accountants and advisors. That pending settlement involves the class action portion of the claims against the Lehman officers and directors only, and would appear to be leading toward a recovery of less than a penny on the dollar for each participating class member. We have separate independent claims and are not a member of the settling class. We are continuing to vigorously pursue that litigation, while seeking opportunities to resolve this matter, but only if advantageous to the pool members.

Best regards,

Sandie Arnott
Treasurer-Tax Collector

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