

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re:

Chapter 11 Case No.

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors.

FEBRUARY 2017 POST-EFFECTIVE OPERATING REPORT

FEBRUARY 1, 2017 – FEBRUARY 28, 2017
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: March 29, 2017

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SCHEDULE OF DEBTORS

The twenty three entities listed below (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. As of the date hereof, the following Debtors’ chapter 11 cases remain open:

	<u>Case No.</u>	<u>Date Filed (“Commencement Date”)</u>
Lehman Brothers Holdings Inc. (“LBHI”)	08-13555	9/15/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”)	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOTC”).....	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”)	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”).....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”)	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”)	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
BNC Mortgage LLC	09-10137	1/9/2009
LB Rose Ranch LLC	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009

The following Debtors’ chapter 11 cases were closed in 2016, pursuant to final decrees entered by the Bankruptcy Court (Docket No. 51920 and Docket No. 54163):

	<u>Case No.</u>	<u>Date Filed</u>	<u>Date Closed</u>
LB 745 LLC.....	08-13600	9/16/2008	1/28/2016
PAMI Statler Arms LLC.....	08-13664	9/23/2008	1/28/2016
CES Aviation LLC	08-13905	10/5/2008	1/28/2016
CES Aviation V LLC.....	08-13906	10/5/2008	1/28/2016
CES Aviation IX LLC	08-13907	10/5/2008	1/28/2016
LB 2080 Kalakaua Owners LLC	09-12516	4/23/2009	1/28/2016
LB Somerset LLC	09-17503	12/22/2009	1/28/2016
LB Preferred Somerset LLC	09-17505	12/22/2009	1/28/2016
East Dover Limited.....	08-13908	10/5/2008	12/15/2016
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009	12/15/2016
Merit LLC.....	09-17331	12/14/2009	12/15/2016

The Company has established an email address to receive questions from readers regarding its financial disclosures. The Company plans to review questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company shall endeavor to post a response (maintaining the anonymity of the originators of the questions). The Company assumes no obligation to respond to email inquiries.

Please email questions, with document references as relevant, to:

QUESTIONS@lehmanholdings.com

The Company’s previously posted responses can be found on the Epiq website maintained for the Company:

www.lehman-docket.com under the Key Documents tab and the Responses to Questions Submitted category

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES

**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FEBRUARY 1, 2017 – FEBRUARY 28, 2017**

The information and data included in this February 2017 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

Other items:

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
 - Cash posted as collateral for hedging activity; and
 - Cash held at real estate owned properties or at third party real estate managers.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities

Schedule of Cash Receipts and Disbursements

February 1, 2017 - February 28, 2017

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Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors				Total	Debtor-Controlled Entities Total	Total Debtors and Debtor-Controlled Entities
	LBHI	LBSF	LCPI	Other			
Beginning Free Cash and Investments (02/01/17)	\$ 152	\$ 70	\$ 69	\$ 319	\$ 610	\$ 241	\$ 851
Sources of Cash							
Commercial Real Estate	0	-	1	-	1	2	3
Loans (Corporate and Residential)	1	-	18	-	18	0	19
Private Equity / Principal Investing (a)	-	-	-	-	-	261	261
Derivatives	-	17	-	0	17	-	17
Receipts from Affiliates (b)	32	0	0	-	32	-	32
Other (c)	9	0	1	0	10	0	10
Total Sources of Cash	42	17	19	0	78	263	340
Uses of Cash							
Non-Operating							
Commercial Real Estate	-	-	1	-	1	(0)	1
Other (d)	(81)	-	-	-	(81)	(0)	(81)
Operating Expenses (e)							
Compensation and Benefits (f)	(3)	-	-	-	(3)	(1)	(4)
Professional Fees	(4)	-	-	-	(4)	(0)	(4)
Other	(1)	(0)	(0)	(0)	(1)	(1)	(2)
Total Uses of Cash	(89)	(0)	1	(0)	(88)	(2)	(90)
Total Cash From Operations	(47)	17	20	0	(10)	260	250
Post-Petition Inter-Company Receipts	-	-	257	3	259	3	262
Total Inter-Company Transfers Receipts (g)	-	-	257	3	259	3	262
Post-Petition Inter-Company Disbursements	(5)	-	-	-	(5)	(257)	(262)
Total Inter-Company Transfers Disbursements (g)	(5)	-	-	-	(5)	(257)	(262)
Plan Distributions (h)	(77)	-	-	-	(77)	-	(77)
Payments to Creditors - Other	(0)	-	-	-	(0)	-	(0)
Total Payments to Creditors	(78)	-	-	-	(78)	-	(78)
Other	(1)	(0)	(0)	(0)	(2)	0	(2)
Reclass from/(to) Restricted Cash to Free Cash	78	(1)	-	(0)	77	2	79
Net changes in Free Cash and Investments	(54)	16	277	3	242	8	250
Ending Free Cash and Investments (02/28/17)	98	86	346	322	852	249	1,101
Beginning Restricted Cash (02/01/17)	3,418	870	1	177	4,467	27	4,494
Distributions on Allowed Claims (not remitted) (h)	(77)	-	-	-	(77)	-	(77)
Citigroup	0	-	-	-	0	-	0
Other	(0)	1	-	0	0	(2)	(2)
Net Changes in Restricted Cash	(78)	1	-	0	(77)	(2)	(79)
Ending Restricted Cash (02/28/17)	3,341	871	1	177	4,390	25	4,415
Beginning Total Cash and Investments (02/01/17)	3,570	940	71	496	5,077	268	5,345
Net changes in Free Cash and Investments	(54)	16	277	3	242	8	250
Net changes in Restricted Cash	(78)	1	-	0	(77)	(2)	(79)
Ending Total Cash and Investments (02/28/17) (i)	\$ 3,439	\$ 956	\$ 347	\$ 499	\$ 5,242	\$ 274	\$ 5,516

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
February 1, 2017 - February 28, 2017

Unaudited (\$)

Notes:

- (a) Cash collections at Debtor-Controlled Entities primarily include receipts related to the sale of Formula One to Liberty Media Corporation (refer to the Quarterly Financial Report as of June 30, 2016 [Docket No. 53697] for additional information). The cash collected was subsequently transferred to LCPI as beneficial owner of the Formula One investment as reflected in Post-Petition Inter-Company transfers.
- (b) Receipts from Affiliates at LBHI primarily include (i) \$22 million from Lehman Brothers Holdings Japan Inc., and (ii) \$7 million from Lehman Brothers Australia Holdings Pty.
- (c) Other includes net variation margin of \$9 million received by the Company pursuant to the foreign currency hedging program related to various movements in the Euro, British Pound and Swiss Franc versus the US Dollar.
- (d) Other includes purchases of unsecured claims against Non-Controlled Affiliates from third parties.
- (e) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Debtors and Debtor-Controlled Entities.
- (f) Compensation and Benefits includes the Company's employee expenses as well as fees paid to Alvarez & Marsal (A&M).
- (g) Inter-Company Receipts and Disbursements include partial repayments on intercompany balances.
- (h) Plan Distributions include \$77 million of distributions previously held in restricted cash as "Distributions on Allowed Claims (not remitted)" that related to the Office of Foreign Assets Control. This \$77 million was released to free cash and paid in February.
- (i) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$9 million of cash balances at Debtor-Controlled Entities in Asia.

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES

**BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
FEBRUARY 1, 2017 – FEBRUARY 28, 2017**

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1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities
Schedule of Professional Fee and Expense Disbursements
February 2017 (a)

Unaudited (\$ in thousands)

		Feb-17	Year-to-date
Alvarez & Marsal LLC	Staff Resources	\$ 572	\$ 1,145
Professional Fees			
Allister Brown Group LLC	Document Review for Litigations	174	463
Curtis, Mallet-Provost, Colt & Mosle LLP	Litigation Counsel	-	276
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	179	315
F1 Technical Solutions, INC	Document Review for Litigations	14	538
Jones Day	Litigation Counsel	871	2,765
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	59	94
Quinn Emanuel Urquhart Oliver & Hedges, LLP	Litigation Counsel	-	1,576
Rollin Braswell Fisher LLC	Special Counsel - RMBS	567	1,178
SBCC Group, Inc	Legal Experts for Litigations	-	263
Turing Experts Ltd	Legal Experts for Litigations	196	196
Weil Gotshal & Manges	Lead Counsel - Debtors	518	2,635
Willkie Farr & Gallagher LLP	Special Counsel - RMBS	-	71
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives and RMBS	451	770
Other Professionals	Various	854 (b)	2,868
Sub-total Professional Fees		3,884	14,008
Total Professional Fees (including A&M)		\$ 4,456	\$ 15,154

Note: The above list includes vendors that have been paid over \$1 million on a trailing 12 month basis and vendors that were paid over \$150 thousand for the month reported.

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Other Professionals reflect disbursements to approximately 50 vendors.