

Lehman Brothers Inc. Trustee Releases Preliminary Realization Report

Liquidation at the Point of Substantial Completion; Efforts Continue to Minimize General Estate Losses

New York, February 23, 2015 – James W. Giddens, Trustee for the liquidation of Lehman Brothers Inc. (LBI) under the Securities Investor Protection Act (SIPA) and chair of the Hughes Hubbard and Reed Corporate Reorganization and Bankruptcy Group, today filed a Preliminary Realization Report with the Bankruptcy Court that represents a milestone in winding-down the estate and substantially concludes the Trustee's SIPA-mandated investigative duties.

The report assesses what assets were available for customers and creditors on September 19, 2008 (the Filing Date) versus the assets realized by the Trustee during the course of the liquidation. The report details the progress made in administering the LBI estate, including paying customers in full and making substantial distributions to general creditors. The report also explains why allowed unsecured creditor claims exceed available assets and will not be fully satisfied.

"This report signifies that winding-down the estate continues in earnest and that the liquidation is at a point of substantial completion," Giddens said. "Over the course of this liquidation, we have pursued every legal avenue to recover assets that we believe belong to the estate. While efforts continue to marshal assets, unsecured losses have resulted from factors specific to the historic failure of the Lehman enterprise and Barclays' acquisition of some but not all parts of LBI's business and select customer accounts."

By marshaling assets owed to the LBI estate through litigation, settlements and a careful process of securities sales, the Trustee has decreased the potential amount of unsecured losses. General estate assets are at least \$15.2 billion less than the assets available as of the Filing Date, and, pending certain litigation outcomes, the loss may increase.

The largest cause of existing and potential losses was the emergency transaction with Barclays negotiated in the days and hours before the liquidation whereby Barclays acquired a select group of high-value brokerage accounts and certain parts of the LBI business. Assets already paid to Barclays and additional assets potentially owed have significantly diminished amounts available for additional distributions to unsecured general creditors. In addition to the Barclays transaction, two additional factors have contributed to the unsecured losses:

1. On the Filing Date, LBI's valuation of assets exceeded their realizable market position. These losses from book values were exacerbated by forced liquidation of firm positions during the historically turbulent market of late 2008 when counterparties availed themselves of the Safe Harbor provisions of the Bankruptcy Code.
2. Prior to bankruptcy, LBI was a hub among the 2,600 affiliates of the worldwide Lehman enterprise. With nearly all affiliates in bankruptcy or similar proceedings around the world, the realized value of all investments in affiliates and affiliate receivables became substantially less than book value. At the same time, claims from affiliates, with both customer and general unsecured status, have proven to be far in excess of the anticipated book value as of the filing date.

As explained in the Report, the Trustee and his team have reconciled 140,000 claims and administered more than \$121.7 billion dollars. Approximately \$117 billion – nearly all of the assets administered – have been or are in the process of being distributed. Customer, secured, priority and administrative claims have been 100 percent satisfied.

On February 19, 2015, the Bankruptcy Court approved a second interim distribution of \$2.2 billion to unsecured general creditors that will bring total distributions to 27 percent for these claimants. Together, the customer and general creditor distributions represent the largest distributions across the worldwide Lehman insolvency proceedings and far exceed the expected recoveries at the outset of the liquidation.

“When this liquidation began, the possibility of a general estate was in doubt, and the fact that general creditors now stand to receive 27 percent of their allowed claims is a significant achievement,” added Giddens.

The results in this liquidation could not have been achieved without the oversight of the Court, Judges Peck and Chapman, and the Securities Investor Protection Corporation, as well as the advice and support of the United States Securities and Exchange Commission, the Federal Reserve Bank of New York, the Commodity Futures Trading Commission, and the Financial Industry Regulatory Authority.

Realization Reports are often published at the end of a liquidation. With substantial progress in winding-down the estate, the Trustee determined a report at this time would be informative to the Court, creditors, regulators and policy makers.

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