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Lehman Brothers Inc.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

LEHMAN BROTHERS INC.,

Debtor.

Case No. 08-01420 (SCC) SIPA

**TRUSTEE'S THIRTEENTH INTERIM REPORT
FOR THE PERIOD MAY 1, 2015 THROUGH OCTOBER 30, 2015
AND QUARTERLY REPORT ON THE GENERAL CREDITOR CLAIMS PROCESS**

All information in this Report is based on information available to the Trustee at this time, but this information may be incomplete and should not be relied upon. This Report is not meant to be relied upon by investors or others as a complete description of the LBI estate, its condition (financial or otherwise), prospects, assets, or liabilities. The information in this Report will be updated, including corrections, if any, in future reports to the Court. The information in this Report is not prepared in accordance with U.S. generally accepted accounting principles. The realized value of certain assets may be zero or different from the estimates on which this Report is based. Selected balances and information contained herein have not and will not be subject to audit or review by external accountants. The Trustee reserves all rights to revise this Report.

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TO THE HONORABLE SHELLEY C. CHAPMAN,
UNITED STATES BANKRUPTCY JUDGE:

The Report Period saw further progress toward the wind-down and closure of the LBI estate. Notably, the Trustee resolved 337 general creditor claims with an aggregate asserted amount capped at approximately \$1.015 billion in an allowed amount of approximately \$88 million, and resolved 85 disputed customer claims which allowed for the release of approximately \$175 million of customer reserves to the general estate. Additionally, during the Report Period the Trustee reached a Court-approved global settlement with Barclays resolving all ongoing and potential litigation, concluded efforts to reduce all estate assets to cash, reduced staffing, and closed his administrative office. Together, this progress helped effectuate a third interim distribution of more than \$1.75 billion to general unsecured creditors.

Because of these and other efforts over the course of the liquidation, customers have received more than one hundred and six billion dollars, fully satisfying over ninety-nine percent of the one hundred eleven thousand customer claims. Secured, priority, and administrative creditors have received one hundred percent distributions, exceeding two hundred fifty million dollars. General unsecured creditors have received approximately thirty-five percent of the allowed value of their claims, amounting to more than seven billion six hundred and seventy-eight million dollars, with the potential for further distributions in the future.

At this phase in the liquidation, the Trustee's focus remains on the resolution of disputed claims so as to release reserves and effect further, and final, unsecured creditor distributions. Of the more than fifteen thousand general creditor claims into the LBI estate, all but five hundred and thirty one have been finally resolved.

Of those remaining, all are now before this Court or are subject to appeals. The Trustee will attempt to resolve all litigation before this Court and appellate courts as quickly as possible, and will maintain appropriate reserves in the meantime.

Throughout the case the estate has endeavored to keep all parties in interest fully informed on the progress of the liquidation. At all points the Trustee and his professionals have acted in close consultation with SIPC, which by statute oversees all aspects of the liquidation, and have regularly consulted with 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, and have routinely updated Congressional Committees.

1. James W. Giddens (the “Trustee”), as trustee for the liquidation of Lehman Brothers Inc. (“LBI”) under the Securities Investor Protection Act (“SIPA”), 15 U.S.C. §§ 78aaa *et seq.*,¹ respectfully submits this Thirteenth Interim Report and Quarterly Report on the General Creditor Claims Process (this “Report”) in accordance with the terms of the Orders of the Court entered on November 7, 2008 (ECF No. 241) and April 8, 2015 (ECF No. 11741), and pursuant to SIPA § 78fff-1(c).

2. This Report covers the period from May 1, 2015 through October 30, 2015 (the “Report Period”).

3. All Interim Reports, along with a complete docket, regular progress updates, Quarterly Reports on General Creditor Claims Process, and substantial other information about this liquidation, may be downloaded from the Trustee’s website, www.lehmantrustee.com.

I. GENERAL CREDITOR RESERVES AND DISTRIBUTIONS

4. Having already achieved a 100 percent distribution of customer property, the Trustee has now effected three interim distributions of over seven billion dollars to general unsecured creditors. Such distributions could not have been anticipated when this proceeding began.

5. On July 15, 2015 the Trustee requested the Court’s authorization to make a third interim distribution to general unsecured creditors (ECF No. 12478) and, on August 4, the Court granted the motion (ECF No. 12579). The Court deemed the third interim distribution “an extraordinary accomplishment in most any case, and it’s an incredibly extraordinary accomplishment in this case.”²

6. Accordingly, the Trustee established a Third Interim Distribution Fund of approximately \$1.887 billion for the purposes of making a third interim distribution to general unsecured creditors and maintaining sufficient pro rata reserves for unresolved claims. The Trustee commenced the third interim distribution on September 10, and by September 30 had distributed approximately \$1.757 billion to holders of over 3,400 general unsecured claims.

7. In total, through three interim distributions, the Trustee has distributed approximately \$7.678 billion to LBI’s general unsecured creditors with allowed claims, representing a distribution of 35 percent of the allowed amounts. The Trustee has also distributed approximately \$252 million to LBI’s allowed secured, administrative, and priority creditors, substantially completing 100 percent distributions to those claimants.

1. Subsequent references to SIPA throughout this Report will omit “15 U.S.C.”

2. Tr. of Hr’g., August 4, 2015 at 23:2-3, In re Lehman Bros. Inc., No. 08-01420 (SCC) (Bankr. S.D.N.Y.).

8. The Trustee will continue to make any appropriate distributions to claimants with claims pending before the Court as those claims are resolved. To assure that claimants with disputed and unresolved claims are not prejudiced, the Trustee maintains reserves equal to 35 percent of the capped amount of unresolved general unsecured creditor claims and 100 percent of unresolved secured, administrative, and priority claims. For details regarding these reserves, see the Lehman Brothers Inc. Liquidation Balance Sheet as of September 30, 2015 (the “Liquidation Balance Sheet”), filed concurrently with this Report, note 9.

Distribution Procedures Motion

9. The Trustee cannot make distributions to holders of allowed claims against the general estate who have not provided the Trustee with necessary forms and distribution information. The Trustee urges these claimants to provide this information, and the estate maintains sufficient reserves to pay them when they do. (See Liquidation Balance Sheet, note 9.)

10. To encourage all claimants to provide this distribution information, on October 13, 2015 the Trustee filed a motion to establish (i) December 15, 2015 as the deadline for submission of distribution information from specified claimants and (ii) distribution procedures pertaining to all claims against the general estate (the “Distribution Procedures Motion,” ECF 12886).

11. The Distribution Procedures Motion again informs holders of all claims into the general estate that they must provide the Trustee certain distribution information to receive distributions. Though the Trustee’s hope is that the Distributions Procedures Motion will lead to the distribution of further claims, the relief sought permits the Trustee to expunge claims and corresponding entitlements to distributions if legally required information is not provided.

II. GENERAL CREDITOR CLAIMS ADMINISTRATION

Overview

12. The Trustee’s ability to make general creditor distributions derives from the substantial effort to analyze and resolve more than 15,000 general creditor claims as well as success in marshalling assets.

13. During the Report Period, the Trustee allowed or settled some 277 general creditor claims with an aggregate asserted amount capped at approximately \$940 million in an allowed amount of approximately \$88 million. Pursuant to Court orders, the Trustee expunged 60 general creditor claims with an aggregate asserted amount of approximately \$75 million.

14. Cumulatively, as of September 30, 2015, the Trustee has allowed or settled 5,190 general creditor claims (secured, administrative, priority, and unsecured) with an aggregate asserted amount of \$69.7 billion in an allowed amount of \$22.5 billion. Pursuant to orders of the Court, the Trustee has expunged 9,199 general creditor claims

(secured, administrative, priority, and unsecured) with an aggregate asserted amount of \$58.5 billion.

15. As of September 30, 2015, all but 531 of the more than 15,000 general creditor claims into the LBI estate had been finally resolved, and of those, all are before this Court or are subject to appeals. These 531 claims have an aggregate asserted amount capped at approximately \$1.55 billion and are described below. Exhibit 1 shows information regarding the General Creditor Claims as of September 30, 2015.

The 531 Contested General Creditor Claims

LBHI Underwriter Claims

(20 remaining claims; approximately \$276 million claimed)

16. Twenty of the contested claims are indemnity or contribution claims by underwriters of Lehman Brothers Holdings Inc. (“LBHI”) securities involving settlements and defense costs of approximately \$276 million in aggregate. As previously reported, a subset of these claims were subordinated (*see* Mem. Op. Authorizing and Directing the Subordination of Claims of Claren Road Credit Master Fund Ltd. and Certain Underwriters, ECF No. 8127) and, on appeal, the District Court affirmed the Bankruptcy Court’s subordination orders. *In re Lehman Bros. Inc.*, Nos. 14-CV-01742 (SAS), 14-CV-02305 (SAS), 14-CV-01987 (SAS) (S.D.N.Y. Sept. 5, 2014). Ten of these underwriters appealed to the Second Circuit. *In re Lehman Bros., Inc.*, No. 14-3686. The other ten have agreed by stipulations to be bound by the result of the subordination appeal with respect to their claims. (ECF Nos. 9181, 9898, 10203.) After briefing, oral argument was held on August 26, 2015. This matter is *sub judice*.

ESEP Claims

(381 remaining claims; approximately \$271 million claimed)

17. Three hundred and eighty-one of the remaining contested claims are subject to a consolidated adversary proceeding before this Court; these claims were filed by former employees of LBI or its predecessors seeking deferred compensation pursuant to the Executive and Select Employee Deferred Compensation Plan (“ESEP”). The Trustee seeks to enforce the terms of the ESEP and subordinate the claims, which are capped at approximately \$271 million—of which more than \$255 million is asserted and fully reserved for as secured.

18. On September 30, 2015, the District Court affirmed the Bankruptcy Court’s denial of the claimants’ motion to compel arbitration (Case No. 14 Civ. 7643 (ER) (S.D.N.Y.), ECF No. 20), and they filed a notice of appeal on October 28, 2015.

19. The claimants’ motion to withdraw the reference from the Bankruptcy Court has been fully briefed since December 19, 2014, and is pending before the District Court. *344 Individuals, Identified in the Notices of Appearance of Bankruptcy Court ECF Dkt. Nos. 8234, 8905 and 9459 v. Giddens*, Case No. 14-cv-08825-ER (S.D.N.Y.).

20. On September 2, 2015, the Trustee filed two motions to reclassify those ESEP claims which assert secured or priority status (ECF Nos. 12655, 12656), and a hearing on those motions is scheduled for November 4, 2015.

Post-Filing Date Bonus & Contractual Wages Claims

(11 contested claims; approximately \$162 million claimed)

21. Eleven of the contested claims are for post-September 19, 2008 (the “Filing Date”) bonuses and contractual wages claimed by former employees who transferred to Barclays Capital Inc. (“Barclays”) following its acquisition of most of the assets of LBI’s North American broker-dealer business and investment banking operations and agreement to make 2008 bonus payments. (ECF Nos. 9013, 9478, 10097, 10194.) The Trustee seeks to expunge claims for bonuses that were paid by Barclays and subordinate the portions of claims for bonuses that were due to be paid in conditional equity awards.

22. The Trustee is litigating four test-case claims—asserting approximately \$152 million—that are representative of the eleven contested claims. (ECF No. 10685.) On April 22-24, 2015, the Court conducted a merits hearing on the four test-case claims, and on October 8, 2015, issued its Post-Trial Memorandum Decision Granting in Part and Denying in Part Trustee’s Amended Objection to the General Creditor Proofs of Claim Filed by Certain Former Employees of Lehman Brothers Inc. (ECF No. 12862). In the decision, the Court agreed with the Trustee’s position that the claimants were seeking a double recovery, and therefore disallowed the claims to the extent that they were seeking 2008 bonus amounts that had already been paid by Barclays. However, with respect to bonus amounts that had not been paid by Barclays, the Court concluded that no portion should be subordinated.

23. Two of the test-case claimants have appealed the Court’s ruling to the District Court, and one of the claimants has filed a motion for reconsideration. The time for filing appeals and cross-appeals of this Court’s decision has not yet run. The Trustee anticipates that a ruling on the claimants’ appeals will provide a sound basis for categorically addressing the Trustee’s objections to the remaining contested claims in this category.

Credencial Claims

(1 remaining claim; approximately \$160 million claimed)

24. Credencial S.A. (“Credencial”) and certain related parties filed three proofs of claim against LBI seeking payment of approximately \$170 million in alleged damages based upon an alleged breach by LBI of a document, the “Work Plan” relating to a potential strategic transaction that was never achieved. The claims have since been consolidated into one claim and the portion of the claim that sought post-petition interest totaling approximately \$10 million has been disallowed, leaving a total remaining claim seeking approximately \$160 million. Following a sufficiency hearing and mediation, the parties continued settlement negotiations, but have not been able to consensually resolve the claim. The parties agreed to a scheduling order to complete discovery on liability

issues by the end of 2015 (ECF No. 12241) and have exchanged initial disclosure and document discovery. The Scheduling Order provides for summary judgment briefing in early 2016.

Options Clearing Corporation (“OCC”) Letter of Credit Claims

(3 remaining claims; approximately \$148 million claimed)

25. Three contested claims relate to letters of credit that the Options Clearing Corporation (“OCC”) drew down on September 19, 2008. Pursuant to the Trustee’s settlement with Barclays, the Trustee will allow, in an amount subject to reconciliation, two claims filed by the letter of credit issuers. The OCC filed an indemnification claim for any potential liability it may face. The Trustee is engaged in active discussions with the letter of credit issuers and the OCC, with the aim of reaching a consensual resolution of these three claims.

ACATS Claims

(10 remaining claims; approximately \$118 million claimed)

26. Ten contested claims relate to account transfers allegedly requested by former LBI customers immediately before the Filing Date through the Automated Customer Account Transfer Service (“ACATS”). The Trustee objected to the ACATS claims as part of the Two Hundred Sixtieth Omnibus Objection, which was heard by the Court in February 2015. At the hearing, the Court requested additional briefing, which was completed in April 2015. This matter is *sub judice*.

Expatriate Tax Claims

(34 remaining claims; approximately \$29 million claimed; all but one resolved in Report Period)

27. Thirty-four contested claims were filed by former expatriate employees of Lehman entities related to taxation associated with their expatriate employment. All but one of these claimants transferred to Nomura Holdings Inc. or its affiliates (“Nomura”) after the Filing Date, and the claims filed by these claimants are owned or beneficially owned by Nomura. Through omnibus objections, the Trustee contended that the claimants were not employed by LBI at the relevant times or were never employed by LBI, and that there was no obligation, contractual or otherwise, for LBI to pay the amounts at issue. The Trustee entered into stipulations with Nomura as to its thirty-three claims, and filed a 9019 motion for approval of the settlement with Nomura on September 16, 2015, pursuant to which Nomura received an allowed unsecured general creditor claim in the amount of \$12 million. (ECF No. 12783.) The motion was outstanding as of September 30, 2015; the order approving the settlement was entered on October 8, 2015, and the settlement has become final. One expatriate tax claim claiming approximately \$680k remains outstanding, subject to the Trustee’s objection.

Equity Awards Claims

(35 remaining claims; approximately \$24 million claimed)

28. Thirty-five of the contested claims totaling approximately \$24 million are related to equity awards (including restricted stock units, contingent stock awards, contingent equity awards, stock options, and/or other equity-related compensation). These claims are subject to an appeal to the District Court of this Court's decision subordinating the claims which has been docketed as No. 15-cv-01819 (AT). As of September 30, 2015, this appeal was fully briefed and pending before the District Court.

General Creditor Claims Resolved in Principle

(11 claims; approximately \$206 million claimed)

29. Eleven contested claims totaling approximately \$206 million claimed based on various theories of recovery, including financial products contracts, were settled in principle as of or after September 30, 2015, and are expected to be allowed in an aggregate amount of approximately \$84 million. The settlement of one of those claims, the claim of Jeffries & Co., Inc. (Claim No. 1977), allowed in the amount of approximately \$12.6 million, was approved by the Court on October 9, 2015.

Other Contested General Creditor Claims

(25 remaining claims; approximately \$159 million claimed)

30. Twenty-five contested claims totaling approximately \$159 million based on various theories of recovery—including securities issued by LBHI, claims of fraud or unsuitability, financial products, and employment-related claims—are in active litigation. Two of these claims are on appeal. The claim of Mary A. Ortegon (Claim No. 4546) is on appeal to the Second Circuit, and as of September 30, 2015, was fully briefed with oral argument requested. The claim of Dr. Madelyn Antoncic (Claim No. 8002147) is on appeal to the District Court, and the Trustee's Appellee Brief was filed on October 28, 2015.

III. FINANCIAL CONDITION OF ESTATE

31. For information relating to the LBI estate's assets, liabilities and reserves, see the Liquidation Balance Sheet. This financial information reflects cash, cash equivalents, and other short-term liquid assets in the amount of approximately \$1.622 billion and securities in the amount of approximately \$2 million, as of September 30, 2015.³ All of these assets are currently under the Trustee's control.

3. The financial information is based on a reasonable approximation of the current market value of securities held by the Trustee using nationally recognized pricing services. As with all other financial information in this Report, the value of the securities is only an estimate, is unaudited, is subject to revision, and should not be relied upon.

IV. BARCLAYS CAPITAL INC.

32. On June 5, 2015, the Trustee and Barclays agreed to a global settlement (the “Barclays Settlement”) that resolved all ongoing and potential litigation between them. That same day, the Trustee filed a motion to approve the Barclays Settlement with the Court. (ECF No. 12215.) On June 29, the Court held a hearing on the Trustee’s motion and entered an Order approving the Barclays Settlement later that day. (ECF No. 12379.)

33. Pursuant to the Barclays Settlement, the Trustee paid Barclays approximately \$1.3 billion in margin assets that Barclays was entitled to under rulings issued by the District Court and Second Circuit during the parties’ six-year litigation, and the Trustee released \$583 million from the Barclays litigation reserve to LBI’s general estate. The Trustee and Barclays also exchanged a complete, global general release of any claims they might have had against one another. The certainty and finality achieved by the Barclays Settlement removed one of the principal obstacles to the Trustee’s ability to wind down the LBI liquidation.

34. The Trustee is working cooperatively with the Depository Trust Company (the “DTC”) and Barclays to obtain the release of approximately \$32 million in security proceeds currently held by the DTC. Based on due diligence of the information provided by the DTC, the Trustee understands that LBHI has a claim to some of these proceeds. Subject to final reconciliation and documentation, the Trustee and LBHI have reached a tentative agreement that approximately \$20.7 million of the security proceeds will remit to LBHI upon their release from the DTC.

V. LEHMAN BROTHERS AFFILIATES

35. Due to the significant progress to date, the Trustee’s remaining efforts with respect to former Lehman affiliates primarily concern collecting distributions on allowed claims.⁴ Except for the possibility that some affiliates will pay interest on fully satisfied general unsecured claims, the Trustee does not anticipate material additional recoveries from former Lehman affiliates.

Aurora Bank, f/k/a Lehman Brothers Bank, FSB (“LBB”)

36. In the course analyzing a general creditor claim filed by LBB for approximately \$13 million, the Trustee concluded that LBB owed a net payable to LBI

4. For information regarding the Trustee’s resolution of claims in prior report periods with: (i) Lehman Brothers International (Europe) or LBHI, see the Ninth Interim Report sections II and III; (ii) Lehman Brothers Luxembourg S.A., Lehman Brothers (Luxembourg) Equity Finance S.A., or Lehman Brothers N.V. (Netherlands Antilles (Curaçao)), see the Tenth Interim Report paragraphs 64-66; (iii) Lehman Brothers Australia Securities Pty Limited, Lehman Brothers Capital GmbH (Germany), Lehman Brothers Japan (“LBJ”) or Lehman Brothers Singapore Affiliates, see the Eleventh Interim Report paragraphs 41, 42, 44 and 45; and (iv) Lehman Brothers Bankhaus AG, Lehman Brothers (India) Affiliates, Lehman Re, or LB UK Re Holdings Limited, see the Twelfth Interim Report, paragraphs 44, 46, 49 and 50.

on account of intercompany balances and transaction settlements. Subject to final reconciliation and documentation, the Trustee and LBB have reached a tentative agreement that LBB will pay approximately \$11 million to the LBI estate and withdraw its claim.

Lehman Brothers Hong Kong Affiliates

37. The Court approved the Trustee's settlement with the liquidators of the Hong Kong-based Lehman affiliates on July 30, 2014. (ECF No. 9519.) The settlement became effective on September 25, 2014. During the report period, the Trustee received an additional distribution from Lehman Brothers Securities Asia Limited ("LBSAL") of approximately HKD 28 million, representing a payment of interest on the Trustee's allowed claim. The Trustee is not aware of the timing or magnitude of any additional interest payments that LBSAL may make hereafter.

Lehman Brothers Treasury Co. B.V. (Netherlands)

38. On November 17, 2014, Lehman Brothers Treasury Co. B.V. ("LBT") withdrew its claim against the Trustee with prejudice. (ECF No. 10447.) During the report period, LBT made distributions to the Trustee of approximately \$530k. The Trustee understands that LBT expects to make additional distributions in respect of his claims as LBT receives additional funds from LBHI.

Lehman Brothers Europe Limited ("LBEL")

39. The Trustee has an allowed claim of approximately GBP62.8 million against LBEL, which the Trustee has received. In August 2015, LBEL's liquidators announced that they had reversed their previously stated intention to make distributions of interest during June 2015. Accordingly, the Trustee did not receive the anticipated interest distribution from LBEL. The Trustee is not aware of the timing or magnitude of interest payments that LBEL may make hereafter in respect of his allowed claim.

Lehman Brothers Limited ("LBL")

40. LBL filed a general unsecured claim seeking approximately \$9k. LBL's claim has been capped at zero. (See ECF No. 9520.) The Trustee filed a claim against LBL for approximately GBP 360k. As of the date of this report, LBL has not determined the Trustee's claim.

Lehman Brothers Securities Taiwan Limited ("LBSTL")

41. The Trustee holds an allowed claim of approximately \$189k against LBSTL, a Singaporean affiliate, and received approximately \$150k (net of withholding taxes) during the Report Period.

VI. ADDITIONAL RECOVERY EFFORTS

42. The Trustee previously reported that he is pursuing the recovery of approximately KRW 10 billion from Samsung Futures Inc. in South Korea. Pursuant to the settlement with Barclays, the Trustee's share of that potential recovery is now approximately KRW 4.8 billion. The Trustee continues to negotiate with Samsung for the return of LBI's property.

43. Pursuant to the Barclays Settlement, the Trustee is no longer pursuing the claim against Yuanta Futures Co.

44. The Court approved the Trustee's settlement with Kenanga Deutsche Futures SDN BHD ("Kenanga") in Malaysia on June 29, 2015 (ECF No. 12374), and Kenanga paid the LBI estate approximately \$7.3 million.

45. The Trustee has finalized a number of disputed claims with Wells Fargo Bank, N.A. ("Wells Fargo"). In one such matter involving the valuation of a terminated swaps transaction, Wells Fargo asserted that it was entitled to a general creditor claim in the amount of approximately \$24 million. After an investigation by the Trustee and efforts to reach a consensual resolution, the Trustee commenced an adversary proceeding (Adv. Pro. No. 14-02441) (SCC) against Wells Fargo, objecting to its asserted claim and, in turn, seeking the return of estate property. Following additional settlement discussions and a mediation, the Trustee and Wells Fargo reached a settlement pursuant to which Wells Fargo received an allowed general unsecured creditor claim of \$3.25 million and dismissal of the adversary proceeding. The Court so-ordered the stipulation dismissing the adversary proceeding on May 21, 2015. (Adv. Proc. ECF No. 12.)

46. The Trustee continues to work with the DTC to collect \$2.9 million, less allowable expenses, from the DTC by the end of the year, pursuant to an agreement reached in 2014.

Asset Realization

47. Virtually all assets held by the Trustee are cash or cash equivalents. (See Liquidation Balance Sheet.) As previously reported, the Trustee retained Miller Buckfire & Co., LLC ("Miller Buckfire") in 2013 to help sell or otherwise dispose of the remaining general estate and customer excess securities (*i.e.*, those securities in the fund of customer property that were not being distributed in-kind to customers). Miller Buckfire has now concluded its efforts, resulting in total cash proceeds of approximately \$455 million over the course of the engagement. For further information regarding the Trustee's liquidation of securities generally, see the Twelfth Interim Report paragraphs 61-64.

VII. CUSTOMER CLAIMS DISTRIBUTIONS

48. The Trustee has substantially completed customer claims distributions, distributing more than \$106 billion to over 111,000 customers, by far the largest distribution of customer property ever and among the largest distributions of any kind in

history. This includes approximately \$13.471 billion distributed through the customer claim process in full satisfaction of more than ninety-nine percent (all but four) of the allowed customer claims.

VIII. RESOLVING THE REMAINING NON-AFFILIATE DISPUTED CUSTOMER CLAIMS

49. Nearly all non-affiliate disputed customer claims have been finally resolved. The Trustee has established reserves for those that remain, which the Trustee monitors and adjusts as claims are litigated or otherwise resolved. For information on the Trustee's claims adjudication procedures, see the Fourth Interim Report paragraphs 43-46.

50. During the Report Period, the Trustee reduced the disputed non-affiliate customer claim reserves by approximately \$181 million. Among other things, the Trustee expunged customer claims related to certain claimants' swap agreements with other Lehman entities (ECF No. 12155) and the bulk account transfers to Barclays (ECF No. 12455). The Trustee also resolved all foreign currency transactions claims.

51. The Trustee also resolved 46 claim remaining objections based on unperformed forward contracts for the future purchase or sale of "to-be-announced" U.S. agency debt obligations ("TBA Contracts") or damages arising from unperformed forward contracts for the future purchase or sale of U.S. Treasury instruments ("Treasury Forwards"). These claims were all reclassified as allowed general creditor claims in the total amount of approximately \$11 million. (See ECF No. 12645.)

52. The remaining two categories of non-affiliate disputed customer claims are described below.

Repurchase Transactions

(12 remaining claims; approximately \$109 million claimed)

67. As detailed in prior reports, the Trustee has denied customer treatment to claims arising out of repurchase ("repo") agreements entered into with LBI. Repos are contractual financing arrangements and these claims are for breach damages, rather than claims arising out of customer relationships. The claims have been re-classified as claims against the general estate of LBI.

68. Currently, there are 12 objections pending, claiming approximately \$109.4 million in total value, that were filed by repo counterparties objecting to the Trustee's determination. Of these, 9 claims totaling approximately \$108.6 million arose from repo and reverse repo transactions that were "open" as of the Filing Date.

69. The Trustee and three test case claimants with the largest claims by dollar amount (the "Test Case Claimants") originally litigated the question whether repo claims are entitled to customer status. Currently only one of the Test Case Claimants (with two claims) continues to assert that its repo claims warrant customer protection. On June 29, 2015, the United States Court of Appeals for the Second Circuit issued a decision (the

“Second Circuit Decision”) affirming the Bankruptcy Court and District Court decisions denying the Test Case Claimants customer status. (*CarVal UK Ltd. v. Giddens (In re Lehman Bros. Inc.)*, 791 F.3d 277 (2d Cir. 2015)). On September 25, 2015, the remaining Test Case Claimant petitioned the United States Supreme Court to grant a writ of certiorari. (Case No. 15-372.) The petition is pending.

70. On June 3, 2015, the Trustee filed a motion with the Bankruptcy Court seeking to confirm his determination that other claims arising out of repo agreements, held by claimants who have filed objections but are not participating in the litigation with the Test Case Claimants (the “Non-Participating Claimants”), are not customer claims under SIPA. The Trustee has entered into separate stipulations with most of the Non-Participating Claimants, which, subject to certain exceptions, provide that these Non-Participating Claimants will accept general creditor claims in the event that the Supreme Court denies the Repo Test Case Claimant’s certiorari petition or affirms the Second Circuit Decision on the merits. (ECF Nos. 4623, 4735, 12530.) One claimant opposed the Trustee’s motion (ECF No. 12584), and on September 8, 2015, the claimant and the Trustee entered into a stipulation providing for limited discovery prior to further briefing in the Bankruptcy Court. (ECF No. 12758.)

FirstBank Puerto Rico

(1 remaining claim; approximately \$63 million claimed)

71. As previously reported, the Trustee filed a motion to expunge a claim asserted in the amount of approximately \$63 million by FirstBank Puerto Rico (“First-Bank”) arising from the financial institution’s swap agreement with another Lehman Entity. (See Eleventh Interim Report paragraph 71.) The Court heard arguments by the parties on December 2, 2014. The Trustee’s motion and First-Bank’s cross-motion are *sub judice*.

IX. CONTINUING ADMINISTRATIVE MATTERS

Banking Matters

72. Except for certain accounts that remain open for administrative or related reasons, the few remaining legacy LBI bank accounts (including accounts in foreign jurisdictions) are in the process of being closed out following the transfer of any cash balances or securities to the Trustee. Any such remaining balances are not material.

Government and Third Party Investigations

73. The Trustee continues to meet and coordinate regularly with regulators, including in particular with the Securities and Exchange Commission.

74. The flow of other requests to the Trustee for historical LBI information from dozens of federal, state, and local government agencies continues. Cooperation with investigations by these agencies is of paramount importance to the Trustee and SIPC. In addition, the Trustee has received and is responding in due course to a number of nonparty subpoenas issued in connection with various litigations and arbitrations

around the United States. In total, the Trustee has made a total of over 969 document productions in response to approximately 1,825 governmental and non-party requests.

Return of Misdirected Wires

75. As of September 30, 2015, the Trustee has returned 957 individual wires, aggregating approximately \$616 million, including \$68,000 returned in the Report Period. For information regarding Court-authorized procedures implemented by the Trustee relating to the misdirected funds return process, see the Sixth Interim Report paragraph 138.

Internal Controls, Bookkeeping, and Data Management

76. The Trustee employs administrative professionals who monitor estate assets and who have established daily, monthly and ad hoc processes for this purpose. These professionals rely on established controls for the payment and journaling of all expenses, including recording payment instructions and supporting documentation, reviewing time-entry diaries, assessing the reasonableness of rates and bills for services performed, and other accounting functions. For more information on this topic, see the Eighth Interim Report, paragraphs 93-97.

X. TAX MATTERS

77. The Trustee's professionals continue to (i) monitor federal, state, and local tax audits, assessments and claims, (ii) respond to tax-related information requests from international, federal, state, and local authorities, and (iii) coordinate all tax reporting requirements with respect to LBI and the Trustee.

The Lehman Consolidated and Combined Groups

78. Prior to the Filing Date, and until November 20, 2013, LBI was included in the consolidated federal income tax returns filed by the affiliated group of which LBHI is the common parent (the "Lehman Consolidated Group") and in similar combined groups for New York State and City and Florida.

79. Under the terms of the LBI-LBHI Settlement Agreement, LBHI will indemnify LBI against all consolidated and combined tax ("Group Tax") liabilities for any periods (past, current, or future) during which LBI is a member of a combined or consolidated group with LBHI and/or any of its related Debtors. LBHI will continue to be responsible for filing Group Tax returns, and will also be responsible for managing any audits or disputes with respect to such taxes, and for any costs associated with such audits or disputes. Finally, LBHI will be entitled to any refunds or credits relating to Group Tax filings. As contemplated under the LBI-LBHI Settlement Agreement, on November 20, 2013, LBI ceased to be a member of the Lehman Consolidated Group.

Remaining Tax Issues

80. *State and local: tax liens.* Research by the Trustee's tax professionals disclosed the existence of a number of purported tax liens against LBI from fifteen jurisdictions totaling over \$2.5 million. After further research, analysis, and communication with tax authorities, the Trustee's professionals were able to reduce the number of liens to two jurisdictions and to a total aggregate asserted amount of \$146,342. The Trustee's professionals continue to work to reduce such liens or to have them withdrawn.

Ongoing Compliance

81. The Trustee's professionals continue to work with LBHI's representatives to perform all required consolidated and combined tax filing requirements for periods ending on or before November 20, 2013. Deloitte Tax continues to assist the Trustee in complying with all income tax filing requirements in jurisdictions where LBI files separate returns, including federal income tax returns for periods ended after November 20, 2013, and with all other tax filing requirements, including but not limited to sales and rent tax, in all jurisdictions. Deloitte Tax and Epiq Systems continue to assist the Trustee in complying with all required information reporting, including any reporting that may be required with respect to distributions made by the Trustee.

82. The Trustee's tax professionals expect to file final income, franchise, or gross receipts returns for tax year 2014 in most state and local jurisdictions by the end of this year, and to file a request for final determination of tax under Bankruptcy Code Section 505(b) in these jurisdictions.

XI. PROFESSIONAL RETENTION AND ADMINISTRATIVE EXPENSES

83. During the Report Period, the Trustee continued to wind-down and close the LBI estate. In July 2015, the Trustee closed his administrative office in lower Manhattan and all matters related to the office, including the full return of the security deposit from the landlord, have been resolved. In connection with this closure, the Trustee also further reduced the handful of employees assisting him and his professionals in the wind-down efforts. In addition, the Trustee terminated a number of custodial and vendor agreements, resulting in further cost-savings to the LBI estate, as such agreements were unnecessary to facilitate distributions to general creditors and complete the resolution of the remaining contested general creditor claims before the Court. The Trustee continues to evaluate additional cost-savings measures and anticipates filing shortly another motion seeking Court authority to abandon and destroy certain LBI data and documents that was no longer necessary for administration of the liquidation (ECF No. 11046).

84. At the request of and in consultation with SIPC, nearly all of these professional firms and consultants retained by the Trustee have agreed to a voluntary public interest discount of at least ten percent from standard rates and have further agreed not to charge for a number of categories of expenses regularly paid to professionals in

large bankruptcy proceedings, including overtime meals and after-hour travel services. In keeping with the SIPA statute, the services and fees of all professionals were closely reviewed by SIPC and the Trustee throughout the Report Period. The Trustee also continued to take steps to further reduce professional fees wherever possible and streamline the administration of the estate as major workstreams were completed. For example, as a result of the final resolution of Barclays matters, Chien Yeh Law Offices and Schick & Associates LLC completed providing advice to the Trustee in June 2015. (ECF Nos. 12768, 12769.)

85. Administrative expenses disbursed as of September 30, 2015 comprise approximately \$671,274,000 for Deloitte & Touche LLP, \$368,178,000 for Hughes Hubbard & Reed LLP, transitional services of \$84,852,000 paid to Barclays and LBHI, payments to other counsel and consultants of \$85,546,000, and rent, data storage, noticing and claims agent work, and other operational costs of \$62,612,000.

XII. CONCLUSION

The foregoing report represents a summary of the status of this proceeding and the material events that have occurred from May 1, 2015 through October 30, 2015. It will be supplemented and updated with further interim reports.

Dated: New York, New York
October 30, 2015

Respectfully submitted,

HUGHES HUBBARD & REED LLP

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A member of the firm

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Attorneys for James W. Giddens,
Trustee for the SIPA Liquidation of
Lehman Brothers Inc.

Exhibit 1

LEHMAN BROTHERS INC.
General Creditor Claims Exposure⁽¹⁾
As of September 30, 2015

Unaudited (USD in millions)	Secured		Admin		Priority		Unsecured		Total	
	No. of Claims	Amount	No. of Claims	Amount	No. of Claims	Amount	No. of Claims	Amount	No. of Claims	Amount
Claims as Asserted	1,203	\$ 8,749.1	123	\$ 277.9	1,399	\$ 4,250.7	10,433	\$ 116,696.7	15,012	\$ 129,752.8
Resolved Claims ⁽²⁾	853	8,485.1	122	277.8	1,328	4,236.7	10,274	115,421.4	14,481	128,199.4
Unresolved Claims Subject to Objections and Settlements Pending Before the Court ⁽³⁾	350	264.0	1	0.1	71	14.0	159	1,275.3	531	1,553.4
Claims Exposure:										
Claims Allowed or Settled ⁽⁴⁾	2	\$ 0.0	48	\$ 10.5	248	\$ 242.5	4,880	\$ 22,263.6	5,190	\$ 22,516.5
Unresolved Claims Subject to Objections and Settlements Pending Before the Court ⁽³⁾	350	264.0	1	0.1	71	14.0	159	1,275.3	531	1,553.4
Total	352	\$ 264.0	49	\$ 10.6	319	\$ 256.5	5,039	\$ 23,538.9	5,721	\$ 24,069.9

- Includes both affiliate and non-affiliate claims. Disputed customer claims with unresolved objections may become part of the general creditor claims population and associated reserves part of the general estate upon final disposition of the claims; they are not included in these figures. For allowed, accepted as indicated, unresolved, and pending before the Court claims, this data is based on the Court-ordered reserve and cap amounts assigned to those claims. (See ECF Nos. 9273, 9520, and 11358, together the “Capping and Reserve Orders.”) Differences between this Report and the LBI Liquidation Balance Sheet and Quarterly Report on the General Creditor Claims Process as of June 30, 2015 (ECF No. 12565) are due to a number of factors, including partial transfers of claims and disputed customer claims that have been resolved and became general creditor claims. **Certain claims are asserted for some combination, all, or none of secured, priority, administrative, and unsecured status. Accordingly, total asserted amounts and claim counts may not foot to a sum of the individual columns listing secured, priority, administrative, and unsecured status.**
- Consists of 9,199 disallowed or expunged claims asserted in an aggregate amount of \$58.5 billion (as reflected on the next slide), 5,190 allowed or settled claims asserted in an aggregate amount of \$69.7 billion and ultimately allowed or settled in an aggregate amount of \$22.5 billion (as reflected in the Claims Exposure, above), and 92 claims asserted in an aggregate amount of \$17.4 million reclassified to equity interests that will not receive distributions.
- Includes 14 claims subject to objections before the Court seeking to allow the claims in reduced amounts and priorities.
- Includes 1,601 claims for which the Trustee has completed his analysis and has determined are not objectionable and should be deemed allowed pursuant to Bankruptcy Code section 502(a). The approximate aggregate amount of these claims is \$291 million. These claims were reflected as accepted as indicated in the Capping and Reserve Orders and the Supplemental Distribution Schedules filed with the Court (ECF Nos. 9647, 10090, 10386, 10882, 11258, 11436, 11748, 11982, 12218, 12450, 12581, and 12778), and have been reflected as allowed on the claims register. Does not include \$14.447 billion of allowed subordinated claims under the settlement agreement with Lehman Brothers Holdings Inc. (“LBHI”) and other claims that have been subordinated or reclassified to equity. The Trustee does not anticipate making any distributions on account of subordinated claims or equity. Between May 1, 2015 and September 30, 2015, 277 claims were allowed or settled under the Settlement Procedures Order (ECF No. 5847) that were asserted in an aggregate amount of \$940.2 million and allowed in an aggregate amount of \$87.7 million. Seventy-one of the 277 claims are customer claims reclassified and converted to general creditor claims asserted in an aggregate amount of \$639.7 million and allowed in an aggregate amount of \$52.0 million.

The information and data included herein are derived from sources available to the Trustee and his professionals at this time. All amounts are unaudited, subject to revision, and should not be relied upon.

LEHMAN BROTHERS INC.**General Creditor Claims Disallowed or Expunged in this Report Period and Cumulatively⁽¹⁾****As of September 30, 2015**

Unaudited (USD in millions)

Basis for Disallowance or Expungement	Cumulatively		Between May 1 and September 30, 2015	
	Number of Claims	Asserted Amount	Number of Claims	Asserted Amount
Duplicate or Amended and Superseded	3,233	\$ 12,880.0	—	\$ —
Insufficient or No Supporting Documentation	765	\$ 140.6	—	\$ —
Late-Filed	121	\$ 2,568.6	—	\$ —
Schedule 2.05 to LBIE Agreement ⁽²⁾	59	\$ 3,474.9	—	\$ —
No Liability	3,906	\$ 7,156.9	47	\$ 43.0
JPMorgan Chase CDA Claim Subrogation ⁽³⁾	6	\$ 13,440.0	—	\$ —
Satisfied	386	\$ 591.8	—	\$ —
Withdrawn by Claimant	723	\$ 18,249.2	13	\$ 32.2
Total	9,199⁽⁴⁾	\$ 58,502.0	60⁽⁵⁾	\$ 75.2

- Does not include approximately 5,812 claims that the Trustee resolved through settlements, reclassified to equity interests per Court order, are pending before the Court on objections, or that the Trustee has determined are not objectionable and should be deemed allowed pursuant to Bankruptcy Code section 502(a), as of June 30, 2015.
- Schedule 2.05 to the Lehman Brothers International (Europe) (“LBIE”) Settlement Agreement includes general creditor claims asserted against LBI by LBIE customers, or other claimants with a relationship with LBIE, with respect to activity conducted with or through LBIE, and which were expunged by the Court (ECF No. 6022).
- Pursuant to the Court-approved Collateral Disposition Agreement (the “CDA”) between LBHI and certain JPMorgan entities, LBHI became subrogated to the claims of the JPMorgan entities against LBI to the full extent of payments made by LBHI or applied from its property to such claims. Pursuant to the LBI-LBHI Settlement Agreement, the Trustee agreed to allow claims that LBHI acquired via subrogation pursuant to the CDA in the amount of \$1.5 billion. The LBI claims register was modified to reflect only the allowed general creditor claim amount contemplated by the LBI-LBHI Settlement Agreement, omitting claims that either were initially overstated or contingent claims that projected no actual liability to the LBI estate. The recording of this allowed claim on the LBI claims register is without prejudice to any rights of any other parties with respect to these claims, including but not limited to the rights established and preserved by the Court-approved Settlement Agreement dated as of April 20, 2011 among JPMorgan Chase Bank, N.A., JPMorgan Securities Inc., and JPMorgan Clearing Corp. and the Trustee (ECF No. 4356), and any rights established and preserved by the CDA.
- 2,891 of the 9,199 claims are customer claims reclassified and converted to general creditor claims, asserted in the aggregate amount of \$12.8 billion.
- Twenty-six of the 60 claims are customer claims reclassified and converted to general creditor claims, asserted in the aggregate amount of \$36.5 million.

The information and data included herein are derived from sources available to the Trustee and his professionals at this time. All amounts are unaudited, subject to revision, and should not be relied upon.