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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 FOURTEENTH INTERIM REPORT
FOR THE PERIOD OCTOBER 31, 2015 THROUGH APRIL 28, 2016
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 LBI estate has entered a phase of substantial completion. The only material matters involve a discrete set of claimants disputing the Trustee's claims determinations before this and appellate courts. All of these disputes are in advanced stages of litigation, and the Trustee is committed to resolving them, consensually or otherwise, as promptly as practical.

Toward that end, during this Report Period the Trustee made significant strides in his efforts to wind-down the LBI estate and maximize distributions to creditors. Namely, the Trustee resolved 673 general creditor claims asserted in an aggregate amount of \$1.037 billion by allowing 151 claims for an aggregate amount of \$176 million and expunging or subordinating the rest pursuant to Orders of this Court. The Trustee also resolved nine customer claims arising out of repurchase agreements, allowing him to release approximately \$107 million in customer reserves.

Accordingly, the Trustee plans to seek Court approval for a fourth interim distribution to general unsecured creditors next month that, if approved, will allow for further unsecured distributions in July. Although the exact amount of the distribution is not yet final, the Trustee anticipates that it will be an additional three percent of the allowed value of general unsecured claims, bringing the total unsecured distribution from the LBI estate to 38 percent, with the prospect of further distributions in the future—an outcome no one foresaw at the commencement of this proceeding. The distributions in this proceeding have far exceeded any reasonable expectation during the midst of Lehman's collapse and the financial crisis of the Great Recession, and the Trustee agrees

that these distributions are “an extraordinary accomplishment in most any case, and . . . an incredibly extraordinary accomplishment in this case.”¹

The Trustee will continue to assess the possibility of further distributions approximately every six months, with the goal of resolving all remaining claims and closing the estate with a final distribution as promptly as possible. At this point, 444 claims capped in an aggregate amount of \$857 million remain. Nearly all of these claims fall into a handful of categories and appeals pending before various courts, with 86 percent of them falling into a single consolidated adversary proceeding. The Trustee will make every effort to conclude these litigations, while maintaining appropriate reserves for all disputed claims, pursuing new recoveries as they arise, and reducing administrative expenses wherever possible. However, the outcome of the unresolved claims is uncertain, and based on progress to date the Trustee expects they will take months to finally resolve.

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 other 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. Tr. of Hr’g., Aug. 4, 2015 at 23:1-3, *In re Lehman Bros. Inc.*, Case No. 08-01420 (SCC) (Bankr. S.D.N.Y.).

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.*,² respectfully submits this Fourteenth 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 October 31, 2015 through April 28, 2016 (the “Report Period”).

3. All Interim Reports, along with a complete docket, regular progress updates, Quarterly Reports on the General Creditor Claims Process, and substantial other information about this liquidation, are available on 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 nearly \$8 billion to general unsecured creditors. The Trustee anticipates seeking the Court’s authority to make a fourth interim distribution to general unsecured creditors in July and will file a Notice of Record Date concurrently herewith proposing May 15, 2016 as the record date for the next contemplated distribution.

5. While the exact amount of the distribution is not yet final, the Trustee anticipates that the distribution will be an additional three percent of the allowed value of general unsecured claims, bringing the cumulative distribution rate to 38 percent for LBI’s general unsecured creditors. Such distributions could not have been anticipated when this proceeding began. As with his other interim distributions, the Trustee will make a motion before the Bankruptcy Court prior to proceeding. Thereafter, the Trustee will continue to assess the possibility of additional distributions approximately every six months, with the goal of concluding the proceeding with a final distribution as promptly as possible.

6. Through the three previous interim distributions, the Trustee has distributed approximately \$7.8 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 \$252.8 million to LBI’s allowed secured, administrative, and priority creditors, substantially completing 100 percent distributions to those with allowed claims.

7. 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

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

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 March 31, 2016 (the "Liquidation Balance Sheet"), filed concurrently with this Report, note 8.

Distribution Procedures Motion

8. On November 5, 2015, the Court entered the Distributions Procedures Order, which, among other things, established a deadline for specified general estate claimants to submit required distribution information. (ECF No. 13039.) Through the Distribution Procedures Order, the Trustee was able to achieve the goals of requiring dilatory claimants to provide necessary information by a certain final date so that property could be returned to them, and preventing the estate from being delayed and burdened by a small number of totally unresponsive claimants.

9. Subsequent to the Trustee's motion for entry of the Distribution Procedures Order, nearly 700 claimants returned distribution information, and the Trustee has made distributions on those allowed claims. Distribution information was not returned for other claims as required by Court order, with corresponding reductions in estate liabilities totaling approximately \$22.9 million. (See the First, Second, and Third Notices of Claims Expunged Pursuant to the Distribution Procedures Order; ECF Nos. 13291, 13399, and 13479.)

II. GENERAL CREDITOR CLAIMS ADMINISTRATION

Overview

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

11. During the Report Period, the Trustee allowed or settled some 151 general creditor claims with an aggregate asserted amount capped at approximately \$833 million in an allowed amount of approximately \$176 million. Pursuant to Court orders, the Trustee expunged 8 general creditor claims with an aggregate asserted amount of approximately \$163 million. Additionally, as noted above in paragraph 8, claimants waived allowed claims asserted in the aggregate amount of \$41.4 million and allowed in the aggregate amount of \$22.9 million pursuant to the Distribution Procedures Order.

12. During the Report Period, the Trustee resolved a number of significant claims, including two victories before the United States Court of Appeals for the Second Circuit. First, the Trustee prevailed on a claim asserted by underwriters of Lehman Brothers Holdings Inc. ("LBHI") securities. As previously reported, these underwriters asserted claims for indemnity or contribution for settlements and defense costs of approximately \$276 million in aggregate. Addressing a subset of the claims, the Bankruptcy Court granted the Trustee's motion to subordinate the claims, and that determination was affirmed by the District Court. *In re Lehman Bros. Inc.*, 503 B.R. 778

(Bankr. S.D.N.Y. 2014), *aff'd*, 519 B.R. 434 (S.D.N.Y. 2014). On further appeal by the underwriters, the Second Circuit affirmed the subordination decision, 808 F.3d 942 (2d Cir. 2015). The decision became final in March 2016. Accordingly, the claims subject to the appeal and the balance of the claims that had stipulated to follow the outcome of the appeal, have been subordinated and the associated general creditor claim reserves released. Second, the Trustee prevailed on claim number 4546 filed by Mary A. Ortegon for a compensatory bonus, despite having never begun employment at LBI. The Bankruptcy Court's denial of the Ortegon claim was affirmed by the United States Court of Appeals for the Second Circuit on February 11, 2016, and the time for Ms. Ortegon to petition for a writ of certiorari expires on May 11, 2016.

13. Cumulatively, as of March 31, 2016, the Trustee has allowed or settled 4,808 general creditor claims (secured, administrative, priority, and unsecured) with an aggregate asserted amount of \$70 billion in an allowed amount of \$23 billion. Pursuant to orders of the Court, the Trustee has expunged 9,756 general creditor claims (secured, administrative, priority, and unsecured) with an aggregate asserted amount of \$59 billion.

14. As of March 31, 2016, all but 444 of the more than 15,000 general creditor claims into the LBI estate had been finally resolved. The vast majority of the remaining claims fall into a handful of pending litigations or appeals. These claims have an aggregate asserted amount capped at approximately \$857 million and are described below. Exhibit 1 shows information regarding the General Creditor Claims as of March 31, 2016. The paragraphs below outline the remaining contested general creditor claims. The headline figures are as of March 31, 2016 and correspond with Exhibit 1.

The 444 Contested General Creditor Claims

ESEP Claims

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

15. 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.

16. On September 30, 2015, the District Court affirmed the Bankruptcy Court's denial of the claimants' motion to compel arbitration. *See 344 Individuals v. Giddens*, Case No. 14-cv-7643 (ER) (S.D.N.Y.) (ECF No. 20). Claimants then filed a notice of appeal to the United States Court of Appeals for the Second Circuit on October 28, 2015. As of April 15, 2016, this appeal was fully briefed and pending before the Second Circuit. *See 344 Individuals v. Giddens*, Case No. 15-3480 (2d Cir.).

17. 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. *See 344 Individuals v. Giddens*, Case No. 14-cv-08825 (ER) (S.D.N.Y.).

18. On September 2, 2015, the Trustee filed two motions to reclassify those ESEP claims that assert secured or priority status. (ECF Nos. 12655, 12656.) On November 12, 2015, the Bankruptcy Court granted the Trustee's motion for reclassification, and the claimants filed a notice of appeal on November 24, 2015. As of February 22, 2016, this appeal was fully briefed and pending before the District Court. *See 344 Individuals v. Giddens*, Case No. 15-cv-09670 (PGG) (S.D.N.Y.).

ACATS Claims

(5 remaining claims; approximately \$71 million claimed)

19. A significant set of unresolved, contested claims relates to account transfers allegedly requested by former LBI customers immediately before the Filing Date through the Automated Customer Account Transfer Service ("ACATS"). Five claimants filed claims based on such requests, seeking damages of approximately \$71 million. 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*. Since the Trustee's Thirteenth Interim Report for the period ending October 31, 2015, the claimants withdrew five claims that had been amended and superseded by the five remaining contested claims, resulting in a reduction of the aggregate capped amount of the claims from approximately \$118 million to the current aggregate capped amount of approximately \$71 million. (*See* ECF No. 13359.)

Credencial Claim

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

20. 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 were consolidated into one unsecured general creditor claim. After a sufficiency hearing, the Court denied without prejudice the Trustee's objection (except to disallow post-petition interest totaling approximately \$10 million), leaving a single remaining claim seeking approximately \$160 million. The parties engaged in mediation, but were not able to resolve the claim consensually. In a Scheduling Order approved by the Court, the parties agreed to expedited discovery focused on liability issues to be followed by summary judgment briefing in early 2016. (*See* ECF No. 12241, as amended by ECF No. 13084.) After extensive written discovery, document productions, and nine depositions, the parties resumed settlement discussions, ultimately reaching agreement on a settlement for an allowed general creditor claim of \$10 million, with a further provision that the Trustee could pay a portion of the distributions using Argentine pesos from LBI accounts in Argentina. The settlement stipulation was presented March 28, 2016, and approved without objection by the Court on April 5, 2016. (ECF No. 13466.) Accordingly,

although the Credencial claim has been fully resolved as of the filing of this Report, it is reflected as unresolved in Exhibit 1, which shows information regarding the General Creditor Claims as of March 31, 2016.

Post-Filing Date Bonus & Contractual Wages Claims

(4 contested claims; approximately \$87.8 million claimed)

21. Four 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. (See 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 test-case claims that are representative of the contested claims. (See ECF No. 10685.) On April 22-24, 2015, the Court conducted a merits hearing, 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, while allowing \$7.7 million for one 2007 bonus. 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 claims—asserting approximately \$86.7 million—are on appeal before the District Court. As of April 22, 2016, the appeal was fully briefed. See *1EE LLC v. Giddens (In re Lehman Bros. Inc.)*, Case No. 15-cv-08903 (LGS) (S.D.N.Y.); *Judkins v. Giddens (In re Lehman Bros. Inc.)*, Case No. 15-cv-08989 (LGS) (S.D.N.Y.). The Trustee anticipates that a ruling on the claimants’ appeals will provide a sound basis for categorically addressing the Trustee’s objections to the two other remaining contested claims in this category.

Equity Awards Claims

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

24. 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 other equity-related compensation) of which approximately \$3.6 million is asserted and fully reserved for as secured. On February 10, 2015, the Bankruptcy Court granted the Trustee’s request to subordinate these claims, and the claimants filed a notice of appeal on February 23, 2015. As of July 29, 2015, this appeal was fully briefed and pending before the District Court. See *Acerra et al. v. Giddens*, Case No. 15-cv-01819 (AT) (S.D.N.Y.).

Other General Creditor Claims Resolved in Principle

(9 claims; approximately \$108 million claimed)

25. In addition to the Credencial claim discussed above in paragraph 19, nine other contested claims asserted in an aggregate amount of approximately \$108 million and based on various theories of recovery were resolved in principle as of or after March 31, 2016. The claim numbers of the claims included in this category are 9002698, 9002690, 6808, 8002419, 8002425, 6386, 4546, 6105, and 8002263. The vast majority of the \$108 million is attributable to five claims relating to repurchase agreements that have been allowed since March 31, 2016 or will be allowed, in the aggregate amount of \$101.3 million. These formerly disputed customer claims were reclassified following the conclusion of test case litigation in February 2016, in which the Trustee's determination that repurchase claims are not entitled to customer status was confirmed. (See Repurchase Transactions, paragraphs 43-46.)

Other Contested General Creditor Claims

(9 remaining claims; approximately \$136 million claimed)

26. Nine contested claims, capped at approximately \$136 million, based on various theories of recovery—including financial products and employment-related claims—are in active litigation. The claim numbers of the claims included in this category are 2159, 4921, 5635, 9001915, 9001262, 8002147, 5719, 5769, and 9006078. Since March 31, 2016, claim numbers 2159, 4921, and 5635 have been resolved.

27. The majority of the \$136 million is attributable to claims asserted by Deutsche Bank AG, Barclays Global Investors Ltd., Goldman Sachs, and Dr. Madelyn Antoncic, which the Trustee has been actively disputing.

28. *Deutsche Bank AG Claim.* On March 14, 2014, the Trustee filed his Two Hundred Eighteenth Omnibus Objection Seeking to Allow Certain Filed Proofs of Claim in Reduced Amounts and with Proper Classification as Unsecured General Creditor Claims (FX Claims) (ECF No. 8483), which sought, among other things, to reduce unsecured general creditor claim number 9001915 of Deutsche Bank AG from an asserted amount of \$56 million to an allowed amount of \$21.8 million. The parties have engaged in settlement discussions that to date have not succeeded. Accordingly, the parties agreed to a scheduling order that the Court approved on April 19, 2016. (ECF No. 13492.) Fact discovery is expected to conclude in September 2016. The disputed issues include measure of damages and mitigation obligations.

29. *Barclays Global Investors Ltd. Claim.* On January 16, 2009, Barclays Global Investors Ltd. ("BGI") filed a customer claim for \$31 million on account of a shortfall in collateral, unpaid fees and expenses, and dividends and corporate actions. On April 28, 2010, the Trustee issued a Notice of Determination that reclassified the filed claim to unsecured general creditor claim number 9001262 (the "BGI Claim"). BGI did not object to the reclassification. On December 22, 2014, the Trustee included the claim on his Two Hundred Seventy-Third Omnibus Objection to General Creditor Claims (ECF No. 10723), seeking to reduce the claim to under \$3 million. Since then, BGI has

provided additional information, and the parties have engaged in settlement discussions, which are ongoing. The parties dispute whether the claim is duplicative in part of a prior allowed claim or has already been partially satisfied.

30. *Goldman Sachs & Co. Claim.* Goldman Sachs and Co. (“Goldman”) asserted unsecured claim numbers 5719 and 5769 for just over \$12 million seeking contribution toward settlement amounts and attorney’s fees that they claim to have paid in connection with securities fraud cases arising out of offerings in which they and LBI were co-underwriters. The Trustee objected based on certain release language, and the Bankruptcy Court held that further litigation was necessary following a sufficiency hearing. The Trustee has also identified other grounds for contesting the claims in whole or in part, which require discovery concerning the underlying lawsuits, fees, and allocation to LBI. The parties have engaged in settlement discussions that have not succeeded, and therefore the Trustee plans to promptly resume litigation.

31. *Dr. Madelyn Antoncic.* Former LBI employee, Dr. Madelyn Antoncic, asserted unsecured claim number 8002147 for \$13.9 million that included a bonus, equity awards, healthcare benefits, and indemnification. The Trustee objected, seeking, *inter alia*, to disallow and expunge Dr. Antoncic’s claims for bonus compensation, indemnification, and benefits, and to subordinate or reclassify as equity Dr. Antoncic’s equity awards claim. Dr. Antoncic responded and simultaneously moved to amend her claim to add a claim for legal expenses. The Trustee opposed this motion to amend. After a sufficiency hearing, the Bankruptcy Court granted the Trustee’s objection and denied Dr. Antoncic’s motion to amend. (See ECF No. 12489.) Dr. Antoncic appealed to the District Court the determination as to the alleged bonus and the motion to amend. The District Court affirmed the denial of Dr. Antoncic’s motion to amend her claim and reversed and remanded the disallowance of Dr. Antoncic’s bonus claim, finding that the evidence that the court could properly consider during a sufficiency hearing was insufficient to disallow and expunge the claim. *See Antoncic v. Giddens (In re Lehman Brothers Inc.)*, Case No. 15-cv-6829 (S.D.N.Y.) (LAK). The parties will confer on a scheduling order for the bonus claim dispute.

III. FINANCIAL CONDITION OF ESTATE

32. For information relating to the LBI estate’s assets, liabilities, and reserves, see the Liquidation Balance Sheet as of March 31, 2016, filed concurrently herewith. This financial information reflects cash, cash equivalents, and other short-term liquid assets in the amount of approximately \$1.474 billion and *de minimis* securities as of March 31, 2016.³ 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 the *de minimis* securities still held by the Trustee, which is currently zero, 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. LEHMAN BROTHERS AFFILIATES

33. 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")

34. In the course of analyzing a general creditor claim filed by LBB for approximately \$13 million, the Trustee concluded that LBB owed a net payable to LBI on account of intercompany balances and transaction settlements. The Trustee and LBB reached an agreement regarding the claim, pursuant to which LBB paid approximately \$11 million to the LBI estate and withdrew its claim.

Lehman Brothers Hong Kong Affiliates

35. The Court approved the Trustee's settlement with the liquidators of the Hong Kong-based Lehman affiliates on July 30, 2014. (See ECF No. 9519.) The settlement became effective on September 25, 2014, and the Trustee has received a full distribution and interest on his allowed claim from Lehman Brothers Securities Asia Limited ("LBSAL"). On March 23, 2016, the Trustee received notice from LBSAL that the LBSAL liquidators were preparing to submit to the Hong Kong court a Scheme that would include provision for losses arising from converting foreign currency debts to HKD on allowed claims during the liquidation process. The Trustee is evaluating a potential claim. The Trustee is not aware of the timing or magnitude of any additional interest payments that LBSAL may make hereafter.

Lehman Brothers Europe Limited ("LBEL")

36. The Trustee has an allowed claim of approximately GBP 62.8 million against LBEL, which the Trustee has received. The Trustee may be entitled to significant interest and currency conversion loss distributions on account of this claim, subject to the outcome of various litigations currently pending in the United Kingdom. The Trustee previously reported that LBEL's liquidators reversed their prior stated intention to make distributions of interest in 2015 and, accordingly, the Trustee did not receive the

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 or Lehman Brothers Singapore Affiliates, see the Eleventh Interim Report paragraphs 41, 42, 44 and 45; (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; and (v) Lehman Brothers Treasury Co. B.V. (Netherlands), Lehman Brothers Securities Taiwan Limited, see the Thirteenth Interim Report, paragraphs 38 and 41.

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”)

37. The Trustee previously reported that he filed a claim against LBL for approximately GBP 360,000. As of the date of this report, LBL has not determined the Trustee’s claim. The quantum and timing of any distribution on the Trustee’s claim against LBL appear dependent on the outcome of litigation commenced by the administrators of Lehman Brothers International (Europe) (In Administration) in the U.K. courts.

V. ADDITIONAL RECOVERY EFFORTS

38. The Trustee previously reported that he is pursuing the recovery of approximately KRW 10 billion from Samsung Futures Inc. in South Korea and that, 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.

39. The Depository Trust Company (the “DTC”) held approximately \$22.5 million in security proceeds as to which LBHI claimed an interest. On March 3, 2016, the Trustee reached a settlement with LBHI pursuant to which approximately \$20.7 million of the proceeds will remit to LBHI and approximately \$1.8 million will remit to the LBI estate. The Trustee has collected 80 percent of LBI’s share of the proceeds; he will receive the other 20 percent once the remaining proceeds have been released by DTC.

40. In addition, the Trustee continues to work cooperatively with DTC and Barclays to obtain the release of another \$9.4 million in security proceeds held by DTC. The Trustee also continues to work with DTC to collect \$2.9 million, less allowable expenses, from DTC by the end of the year, pursuant to an agreement reached in 2014. (See Eleventh Interim Report paragraph 56.)

VI. CUSTOMER CLAIMS DISTRIBUTIONS

41. The Trustee has completed distributions on all allowed customer claims, distributing more than \$106 billion to over 111,000 customers. This is by far the largest distribution of customer property ever and among the largest distributions of any kind in history. It includes approximately \$13.471 billion distributed through the customer claim process in full satisfaction of all of the allowed customer claims. The Trustee continues to maintain a customer reserve with respect to the FirstBank claim and certain claims arising out of repurchase agreements. (See paragraphs 43-47, *infra*.)

VII. RESOLVING THE REMAINING DISPUTED CUSTOMER CLAIMS

42. All but four 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. During the Report Period, the Trustee allocated \$150 million from the customer estate to the general estate, primarily due to the final resolution of nine customer claims arising out of repurchase agreements with over \$100 million in customer reserves. For information on the Trustee's claims adjudication procedures, see the Fourth Interim Report paragraphs 43-46.

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

Repurchase Transactions

(3 remaining claims; approximately \$2.7 million claimed)

44. 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 reclassified as claims against the general estate of LBI.

45. Currently, there are three objections pending, claiming approximately \$2.7 million in total value, which were filed by repo counterparties objecting to the Trustee's determination. All of these claims arose from repo transactions that were "open" as of the Filing Date.

46. The Trustee and three test case claimants with the largest claims by dollar amount (the "Test Case Claimants") originally litigated the question of whether repo claims are entitled to customer status. The Bankruptcy Court upheld the Trustee's determination that these repo claims did not warrant customer protection, and the Bankruptcy Court's decision was subsequently affirmed by two higher courts on appeal. *In re Lehman Bros. Inc.*, 492 B.R. 379 (Bankr. S.D.N.Y. 2013) (ECF No. 6594), *aff'd*, 506 B.R. 346 (S.D.N.Y. 2014), *aff'd*, 791 F.3d 277 (2d Cir. 2015). The Supreme Court denied a petition for certiorari, *CarVal UK Ltd. v. Giddens*, Case No. 15-372, 2016 WL 763253 (U.S. Feb. 29, 2016), and the sole remaining Test Case Claimant's repo claim was reclassified as a general unsecured claim.

47. 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 entered into separate stipulations with most of the Non-Participating Claimants, which, among other things, provided that these Non-Participating Claimants would not seek to distinguish their repo claims from the Test Case Claimants' claims and would accept general creditor claims in the event that the Supreme Court denied the Test Case Claimant's certiorari petition. (ECF Nos. 4623,

4735, 12530.) However, three related Non-Participating Claimants filed a joint opposition to the motion on April 1, 2016. (ECF Nos. 13460, 13461, 13462.) The Trustee filed a reply on April 22, 2016. (ECF Nos. 13539, 13540.) The matter is noticed for hearing on May 10, 2016. (ECF No. 13541.)

FirstBank Puerto Rico

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

48. As previously reported, the Trustee filed a motion to expunge a claim asserted in the amount of approximately \$63 million by FirstBank Puerto Rico (“FirstBank”) 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. On November 23, 2015, the Court issued its decision granting the Trustee’s motion for an order expunging FirstBank’s claim and denying FirstBank’s cross-motion for summary judgment. (ECF Nos. 13085, 13109.) FirstBank appealed to the District Court, which has received briefing and heard oral argument by the parties on March 31, 2016. See *FirstBank Puerto Rico v. Giddens*, Case No. 16-cv-00069 (JSR) (S.D.N.Y.). The appeal is now *sub judice*.

VIII. CONTINUING ADMINISTRATIVE MATTERS

Banking Matters

49. 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 remaining balances are not material.

Government and Third Party Investigations

50. The Trustee continues to meet and coordinate regularly with regulators, including in particular with the Securities and Exchange Commission, and to respond to a reduced flow of document requests or subpoenas as necessary.

51. In total, over the course of the liquidation, the Trustee has made a total of over 980 document productions in response to approximately 1,836 governmental and non-party requests.

Return of Misdirected Wires

52. As of March 31, 2016, the Trustee has returned 958 individual wires, aggregating approximately \$617 million, including \$491,000 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

53. 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.

IX. TAX MATTERS

54. 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

55. 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. On November 20, 2013, LBI ceased to be a member of the Lehman Consolidated Group.

56. 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 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.

Remaining Tax Issues

57. *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

58. 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.

59. The Trustee's tax professionals filed final income, franchise, or gross receipts returns in most state and local jurisdictions and filed a request for final determination of tax under Bankruptcy Code Section 505(b) in these jurisdictions. For these jurisdictions, the 60-day period within which the state and local tax authorities have an opportunity to audit post-petition returns has lapsed or will soon lapse absent further inquiries from the tax authorities.

X. PROFESSIONAL RETENTION AND ADMINISTRATIVE EXPENSES

60. During the Report Period, the Trustee took further measures to wind-down and close the estate.

61. The Trustee continued to terminate LBI custodial and vendor agreements, resulting in further cost-savings to the LBI estate. In connection with the termination of the custody agreement with Bank of New York Mellon ("BNYM"), on April 8, 2016, BNYM returned approximately \$49.75 million to the LBI estate that was maintained in a reserve account while the Trustee utilized BNYM's custodial services.

62. On April 19, 2016, the Trustee filed a motion seeking Court authority to abandon and destroy electronic databases, backup tapes, document boxes, and other wind-down materials, including over seventeen terabytes of electronic data and numerous boxes of physical documents and media. (ECF No. 13493.) Their abandonment, another necessary step toward closing the estate, would also facilitate administrative ease and save the estate over \$1 million during the final phase of the liquidation. The Trustee's motion is scheduled to be heard by the Court on May 10, 2016.

63. The Trustee also continued to take steps to further reduce expenses wherever possible and streamline remaining workstreams as the estate enters its wind down phase. As of April 1, 2016, the two remaining employees assisting the Trustee and his professionals in the wind-down efforts completed their terms of employment and ceased working for the estate.

64. The Trustee requested the assistance of certain estate professionals to wind down and prepare to close the estate. 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 or more 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.

65. Administrative expenses disbursed as of March 31, 2016 comprise approximately \$684,311,475 for Deloitte & Touche LLP, \$377,160,351 for Hughes Hubbard & Reed LLP, transitional services of \$84,911,820 paid to Barclays and LBHI, payments to other counsel and consultants of \$85,956,391, and rent, data storage, noticing and claims agent work, and other operational costs of \$65,810,255.

XI. CONCLUSION

The foregoing report represents a summary of the status of this proceeding and the material events that have occurred from October 31, 2015 through April 28, 2016. It will be supplemented and updated by further interim reports.

Dated: New York, New York
April 28, 2016

Respectfully submitted,

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Lehman Brothers Inc.

EXHIBIT 1

Unaudited (USD in millions)	Secured		Admin		Priority		Unsecured		Total ⁽²⁾	
	No. of Claims	Amount	No. of Claims	Amount	No. of Claims	Amount	No. of Claims	Amount	No. of Claims	Amount
Claims as Asserted	1,207	\$ 8,749.1	123	\$ 277.9	1,402	\$ 4,250.7	10,434	\$ 116,530.1	15,100	\$ 129,621.8
Resolved Claims ⁽³⁾	858	8,493.2	122	277.8	1,371	4,239.4	10,355	115,940.1	14,656	128,764.4
Unresolved Claims Subject to Objections and Settlements Pending Before the Court ⁽⁴⁾	349	255.9	1	0.1	31	11.3	79	590.0	444	857.4
Claims Exposure:										
Claims Allowed or Settled ⁽⁵⁾	2	\$ 0.0	48	\$ 10.5	216	\$ 242.4	4,523	\$ 22,449.0	4,808	\$ 22,701.8
Unresolved Claims Subject to Objections and Settlements Pending Before the Court ⁽⁴⁾	349	255.9	1	0.1	31	11.3	79	590.0	444	857.4
Total	351	\$ 255.9	49	\$ 10.6	247	\$ 253.7	4,602	\$ 23,039.0	5,252	\$ 23,559.2

1. 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 December 31, 2015 (ECF No. 13292) 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.
2. Certain claimants asserted more than one status (i.e., secured, administrative, priority, and unsecured) for the same claimed property (the “Multiple Status Claims”). Each of the Multiple Status Claims were recorded multiple times above—once in each asserted status category—in order to accurately reflect the claim as asserted. Other claimants asserted claims for which no status category could be determined upon receipt (the “No Status Claims”). The No Status Claims were reported in none of the status columns above, in order to accurately reflect the claims as asserted. In order to avoid double-counting the Multiple Status Claims and to avoid excluding the No Status Claims from the Trustee’s reserves, each Claim was counted once in the “Total” column above. As a result, the sum of the figures used in the “Secured,” “Administrative,” “Priority,” and “Unsecured” status columns above will not always foot to the sums listed in the “Total” column above.
3. Consists of 9,756 disallowed or expunged claims asserted in an aggregate amount of \$58.7 billion (as reflected on the next slide and that include 514 allowed claims asserted in the aggregate amount of \$41.4 million and allowed in the aggregate amount of \$22.9 million that were waived pursuant to the Distribution Procedures Order (ECF No. 13039) for failure to provide valid distribution information to the Trustee), 4,808 allowed or settled claims asserted in an aggregate amount of \$70.0 billion and ultimately allowed or settled in an aggregate amount of \$22.7 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.
4. Includes 6 claims subject to objections before the Court seeking to allow the claims in reduced amounts and priorities.
5. Includes 1,268 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 \$281.9 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, 12778, 12878, 13047, 13136, 13264, 13321, and 13480), and have been reflected as allowed on the claims register. Does not include \$14.734 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 January 1, 2016 and March 31, 2016, 46 claims were allowed or settled under the Settlement Procedures Order (ECF No. 5847) that were asserted in an aggregate amount of \$284.2 million and allowed in an aggregate amount of \$146.2 million. Eight of the 46 claims are customer claims reclassified and converted to general creditor claims asserted in an aggregate amount of \$87.7 million and allowed in an aggregate amount of \$30.3 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.

Basis for Disallowance or Expungement	Cumulatively		Between January 1 and March 31, 2016	
	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	766	\$ 140.6	—	\$ —
Late-Filed	121	\$ 2,568.6	—	\$ —
Schedule 2.05 to LBIE Agreement ⁽²⁾	59	\$ 3,474.9	—	\$ —
No Liability	3,938	\$ 7,184.8	—	\$ —
JPMorgan Chase CDA Claim Subrogation ⁽³⁾	6	\$ 13,440.0	—	\$ —
Satisfied	386	\$ 591.8	—	\$ —
Distribution Procedures Order ⁽⁴⁾	514	\$ 41.4	167	\$ 7.6
Withdrawn by Claimant	733	\$ 18,417.1	7	\$ 85.2
Total	9,756⁽⁵⁾	\$ 58,739.2	174⁽⁶⁾	\$ 92.8

1. Does not include approximately 5,338 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 March 31, 2016.

2. 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).

3. 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.

4. Pursuant to the Distribution Procedures Order (ECF No. 13039), a claimholder waives its allowed claim by failing to provide valid distribution information or perform other distribution-necessary activities by specified deadlines.

5. 3,142 of the 9,756 claims are customer claims reclassified and converted to general creditor claims, asserted in the aggregate amount of \$12.8 billion.

6. 85 of the 174 claims are customer claims reclassified and converted to general creditor claims, asserted in the aggregate amount of \$3.1 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.