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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 FIFTEENTH INTERIM REPORT
FOR THE PERIOD APRIL 29, 2016 THROUGH OCTOBER 31, 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:

Administration of the LBI estate is substantially complete, though several material matters remain prior to the closing of this, the largest broker-dealer failure in history. Namely, out of the more than one hundred and thirty-four thousand claims administered in this proceeding, some four hundred and twenty-seven disputed customer, secured, priority, and general creditor claims, capped in an aggregate amount of \$589 million, are subject to resolution before this and appellate courts.

While all of these disputes are in advanced stages of litigation, and the Trustee is committed to resolving them as promptly as practicable, it is apparent, based on the nature of the claims and the litigation positions that have been asserted, that the judicial process will take considerable time to resolve to final conclusion. In the meantime, the Trustee and his professionals will continue to do everything possible to further wind down and close the estate so as to effect further and final distributions.

Toward that end, during the Report Period, the Trustee resolved general creditor claims asserted in an aggregate amount of \$64 million and resolved the final three customer claims arising out of repurchase agreements, concluding that multi-year litigation. Furthermore, the Trustee marshalled more than \$60 million through three separate public auctions.

Buoyed by that progress, the Trustee obtained this Court's approval for a fourth interim distribution to general unsecured creditors of approximately six hundred and seventy-seven million dollars, equal to an additional three percent of the allowed value of general unsecured claims. This distribution brought the total unsecured

distribution to thirty-eight percent—far in excess of any reasonable expectation during the midst of Lehman’s collapse and the financial crisis of the Great Recession.

The Trustee’s goal remains to resolve all of the remaining claims as promptly as possible, while maintaining appropriate reserves for all disputed claims, so as to close the estate with a final distribution. The timetable for closure depends, primarily, on the schedule of the courts before which these disputed claims are pending. The Trustee will otherwise continue to pursue recoveries as they arise and reduce administrative expenses wherever possible.

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 estate professionals have acted in close consultation with SIPC, which, by statute, oversees all aspects of the liquidation; 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 the Securities Investor Protection Act (“SIPA”), 15 U.S.C. §§ 78aaa *et seq.*, trustee for the liquidation of Lehman Brothers Inc. (“LBI”) respectfully submits this Fifteenth 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 April 29, 2016 through October 31, 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 achieved a 100 percent distribution of customer property, the Trustee has now effected four interim distributions of over \$8.579 billion to general unsecured creditors.

5. On May 18, 2016, the Trustee sought the Court’s authority to make a fourth interim distribution equivalent to three percent of the allowed amount of general unsecured creditor claims. (ECF No. 13642.) On June 9, 2016, the Court entered the Fourth Interim Distribution Order (ECF No. 13683), and, in late June, the Trustee distributed substantially all of the fourth interim distribution funds to LBI’s general unsecured creditors holding allowed claims.

6. This fourth interim distribution was made possible largely through the release of customer reserves upon the resolution of the litigation regarding the customer status of repurchase agreement counterparties and through a significant reduction of administrative expenses and a corresponding reduction of the administrative reserve.

7. 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. No additional distributions are expected in 2016.

8. Through the four interim distributions, the Trustee has distributed approximately \$8.579 billion to LBI’s general unsecured creditors with allowed claims, representing a distribution of 38 percent of the allowed amounts. The Trustee has also distributed approximately \$253 million to LBI’s allowed secured, administrative, and priority creditors, substantially completing 100 percent distributions to those with allowed claims. The Trustee will continue to make any appropriate distributions to claimants with claims pending before the Court as those claims are resolved.

9. To assure that claimants with disputed and unresolved claims are not prejudiced, the Trustee maintains reserves equal to 38 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, 2016 (the “Liquidation Balance Sheet”), filed concurrently with this Report, note 7.

Distribution Procedures Motion

10. On November 5, 2015, the Court entered the Distributions Procedures Order. (ECF No. 13039.) The Distribution Procedures Order furthers the Trustee’s goal of swiftly winding down the LBI estate by preventing delay in the estate’s closure resulting from claimants that do not collect their distributions or otherwise comply with the Distribution Procedures Order. Pursuant to the Distribution Procedures Order, 34 claims with an allowed value of approximately \$2 million were expunged during the Report Period. (See the First, Second, Third, Fourth, and Fifth Notices of Claims Expunged Pursuant to the Distribution Procedures Order; ECF Nos. 13291, 13399, 13479, 13568, and 13675.)

II. GENERAL CREDITOR CLAIMS ADMINISTRATION

Overview

11. 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. During the Report Period, the Trustee allowed or settled 10 general creditor claims with an aggregate asserted amount capped at approximately \$61 million in an allowed amount of approximately \$39 million. Pursuant to Court orders, the Trustee expunged two general creditor claims with an aggregate asserted amount of approximately \$3 million.

12. During the Report Period, the Trustee made significant strides in his efforts to resolve the remaining contested claims, all of which are pending before various courts as discussed in more detail below. The Trustee’s position was sustained in one appeal to the United States Court of Appeals for the Second Circuit and also sustained in two appeals to the United States District Court for the Southern District of New York.

13. Cumulatively, as of September 30, 2016, the Trustee has allowed or settled 4,839 general creditor claims (secured, administrative, priority, and unsecured) with an aggregate asserted amount of \$70 billion for an allowed amount of \$22.864 billion. Pursuant to orders of the Court, the Trustee has expunged 9,791 general creditor claims (secured, administrative, priority, and unsecured) with an aggregate asserted amount of \$59 billion.

14. As of September 30, 2016, all but 429 of the more than 15,000 general creditor claims in the LBI estate had been finally resolved. These remaining contested claims have an aggregate asserted amount capped at approximately \$538 million and are described below. Exhibit 1 shows information regarding the General Creditor Claims as

of September 30, 2016. The headline figures below are as of September 30, 2016 and correspond with Exhibit 1.

The 429 Contested General Creditor Claims

ESEP Claims

(381 remaining claims; approximately \$271 million capped amount)

15. Three hundred and eighty-one of the remaining contested claims are subject to a single 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. The Second Circuit sustained the Trustee’s opposition to the claimants’ motion to compel arbitration of the adversary proceeding. As previously reported, the District Court affirmed this Court’s denial of the claimants’ motion. *See 344 Individuals v. Giddens*, Case No. 14-cv-7643 (ER) (S.D.N.Y. Sept. 30, 2015) (ECF No. 20). On further appeal by the claimants, the Second Circuit affirmed this Court’s denial of the ESEP claimants’ motion to compel arbitration on October 6, 2016. *See 344 Individuals v. Giddens*, Case No. 15-3480 (2d Cir.). The time for the claimants to petition for a writ of certiorari expires on January 4, 2017.

17. As previously reported, the claimants’ motion to withdraw the reference from this 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. As previously reported, on November 12, 2015, this Court granted the Trustee’s motions to reclassify those ESEP claims that assert secured or priority status. The claimants’ appeal has been fully briefed since February 22, 2016, and is pending before the District Court. *See 344 Individuals v. Giddens*, Case No. 15-cv-09670 (PGG) (S.D.N.Y.).

Post-Filing Date Bonus & Contractual Wages Claims

(3 contested claims; approximately \$87 million capped amount)

19. Three 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. following its acquisition of most of the assets of LBI’s North American broker-dealer business and investment banking operations and its agreement to make 2008 bonus payments. (*See* ECF Nos. 9013, 9478.) 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.

20. As previously reported, the Trustee is litigating two of the claims. Following a merits hearing, this 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.

21. On appeal, the District Court sustained the Trustee's position on the two claims. 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 District Court affirmed this Court's disallowance of the claims to the extent that they sought 2008 bonus amounts that had already been paid by Barclays, and the District Court further found that one of the claims should be disallowed as to a claimed \$7.7 million 2007 bonus. *In re Lehman Bros. Inc.*, Case No. 15-cv-08903 (LGS) (S.D.N.Y. July 6, 2016) (ECF No. 29).

22. Both claimants filed notices of appeal to the Second Circuit, and the Second Circuit scheduled a mandatory mediation session, which occurred on October 14, 2016. All parties attended the mediation, but a settlement was not reached. See *1EE LLC v. Giddens (In re Lehman Bros. Inc.)*, Case No. 16-2737 (2d Cir.); *Judkins v. Giddens (In re Lehman Bros. Inc.)*, Case No. 16-2788 (2d Cir.). Claimants' opening appellate briefs are due by November 18, 2016.

23. The remaining contested claim in this category, capped at \$657,115, was settled for an allowed general unsecured claim in the amount of \$515,000 as of October 6, 2016, but is reflected as unresolved in Exhibit 1, which shows information regarding the General Creditor Claims as of September 30, 2016.

ACATS Claims

(5 remaining claims; approximately \$71 million capped amount)

24. As previously reported, five unresolved, 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*. The aggregate capped amount of the ACATS claims is approximately \$71 million. (See ECF No. 13359.)

Deutsche Bank AG Claim

(1 claim; approximately \$56 million capped amount)

25. As previously reported, the Trustee objected to Deutsche Bank AG's claim based on a foreign exchange swap transaction, seeking to reduce the claim from an asserted amount of \$56 million to an allowed amount of \$21.8 million. (ECF No. 8483.)

Deutsche Bank disagreed with the Trustee's determination and opposed the objection. The parties engaged in settlement discussions that were unsuccessful and proceeded with litigation of the claim dispute pursuant to a scheduling order that the Court approved on April 19, 2016. (ECF No. 13492.) During the Report Period, the parties completed document production, and fact discovery is expected to conclude in November 2016. Settlement negotiations are ongoing.

Equity Awards Claims

(35 remaining claims; approximately \$24 million capped amount)

26. 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. The District Court affirmed this Court's order granting the Trustee's request to subordinate these claims on September 29, 2016. *See Acerra v. Giddens*, Case No. 15-cv-01819 (AT) (S.D.N.Y. Sept. 29, 2016) (ECF No. 23). The claimants filed a notice of appeal to the Second Circuit on October 28, 2016.

Dr. Madelyn Antoncic

(1 claim; approximately \$14 million capped amount)

27. Former LBI employee Dr. Madelyn Antoncic asserted an unsecured claim for \$13.9 million for a bonus, equity awards, healthcare benefits, and indemnification. As previously reported, this Court granted the Trustee's objection and disallowed and expunged the claim for bonus compensation, indemnification, and benefits and subordinated Dr. Antoncic's equity awards claim in its entirety. (See ECF No. 12489.) On appeal, the District Court affirmed this Court's determination as to Dr. Antoncic's claim for equity awards but 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 bonus claim. *See Antoncic v. Giddens (In re Lehman Brothers Inc.)*, Case No. 15-cv-6829 (LAK) (S.D.N.Y. Jan. 26, 2016). During the Report Period, the parties have engaged in document production. Discovery will conclude in February 2017.

Goldman Sachs & Co.

(2 claims; approximately \$12 million capped amount)

28. Goldman Sachs & Co. asserted two unsecured claims aggregating \$12,054,346.05 seeking contribution toward settlement amounts and attorney's fees that it claims to have paid in connection with securities fraud cases arising out of offerings in which they and LBI were co-underwriters. As previously reported, this Court held that further litigation was necessary on the Trustee's objection to the claims following a sufficiency hearing. The claims are now resolved by settlement as general unsecured claims in the respective amounts of \$501,260.08 and \$5,398,739.92, subject to approval of the Court. These claims are reflected as unresolved in Exhibit 1, which shows information regarding the General Creditor Claims as of September 30, 2016.

Internal Revenue Service

(1 claim; \$2.5 million priority reserved amount)

29. The Internal Revenue Service asserted a priority claim for payment of alleged pre-petition tax obligations totaling approximately \$394.5 million. Approximately \$4.6 million relates to non-consolidated tax liabilities of LBI for an unpaid withholding tax, and the remainder relates to alleged consolidated income tax liabilities for which LBHI has agreed to be responsible. The IRS is holding overpayments made by LBI totaling approximately \$2 million. After the anticipated exercise of the IRS's asserted setoff rights against LBI with respect to those overpayments, the maximum portion of the claim that is solely attributable to LBI and is not indemnified and reserved for by LBHI totals approximately \$2.5 million. The Trustee established a reserve in this amount pursuant to Court Order and is in the process of finalizing a resolution of the claim with the IRS.

Administrative Claims

30. To further progress the administration of the estate, on October 14, 2016, the Trustee filed a motion to establish an administrative bar date to allow the Trustee to fix the amount of administrative priority claims—claims arising under sections 365(d)(3), 365(d)(5), or 503(b)(1) through (8) of the Bankruptcy Code—incurred by the LBI estate from September 1, 2013 through October 31, 2016 (ECF No. 13884). On October 20, 2016, the Court entered an order establishing November 30, 2016, as the bar date for asserting such administrative claims against the LBI estate. (ECF No. 13926.)

III. FINANCIAL CONDITION OF ESTATE

31. For information relating to the LBI estate's assets, liabilities, and reserves, see the Liquidation Balance Sheet as of September 30, 2016, filed concurrently herewith. This financial information reflects cash and cash equivalents in the amount of approximately \$831 million and *de minimis* securities as of September 30, 2016.¹ All of these assets are currently under the Trustee's control.

IV. LEHMAN BROTHERS AFFILIATES

32. During the Report Period, to further his goals of simplifying and winding down the administration of the liquidation, the Trustee successfully concluded two auctions to sell certain claims against former Lehman affiliates that are potentially eligible for future distributions. Distribution and collection efforts related to these assets may take years and are contingent upon a number of factors. Reducing the claims to immediate cash and terminating the related professional work streams were in the best interests of the estate and brought the LBI estate one step closer to its goal of closure.

1. 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.

Aside from the claim sales, the Trustee's other efforts with respect to former Lehman affiliates during the Reporting Period primarily concerned collecting additional distributions on previously allowed claims.²

Auction of the Lehman Brothers Europe Limited Claim

33. As previously reported, LBI had an allowed claim of approximately GBP 62.8 million against Lehman Brothers Europe Limited ("LBEL"), for which the Trustee had received the full principal amount. Creditors of the LBEL estate may be entitled to post-petition interest and currency conversion loss distributions, subject to the outcome of various litigations currently pending in the United Kingdom.

34. To monetize the claim, the Trustee's professionals, together with Banc of America Credit Products Inc., implemented a Court-approved auction of the LBEL claim. Following a two-week auction in which fourteen interested parties participated, the Trustee sold the LBEL claim to the highest and best bidder pursuant to this Court's order dated June 17, 2016 (ECF No. 13688), resulting in proceeds of approximately GBP 34.7 million. The Trustee's professionals expedited the closing of the sale transaction to maximize recovery to the LBI estate with respect to currency exchange fluctuations at that time.

Auction of Other Lehman Affiliate Claims

35. The Trustee also held claims on behalf of the LBI estate for eleven Lehman affiliates based in insolvency proceedings in the United States, the United Kingdom, Hong Kong, Singapore, and the Netherlands. The Trustee had received, and was continuing to receive, distributions on many of these affiliate claims. However, due to the potentially extended timetable for receiving distributions from the affiliate estates—and in light of the Trustee's goal of concluding this liquidation as promptly as possible—the Trustee determined that near-term monetization of the claims at an appropriate value would be in the best interest of the LBI estate and its creditors.

36. The Trustee obtained Court approval to conduct an open auction of the eleven former Lehman affiliate bankruptcy claims on August 11, 2016. (ECF No.

2. 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; (v) Lehman Brothers Treasury Co. B.V. (Netherlands), Lehman Brothers Securities Taiwan Limited, see the Thirteenth Interim Report, paragraphs 38 and 41; and (vi) Aurora Bank f/k/a Lehman Brothers Bank, see the Fourteenth Interim Report, paragraph 34.

13780.) Following a five-week auction in which three interested parties participated, the Trustee sold the claims for an aggregate price of \$5.5 million.³ (ECF No. 13850.)

V. ADDITIONAL RECOVERY EFFORTS AND AUCTIONS

37. The Trustee successfully negotiated the return of LBI's assets held by Samsung Futures Inc. in South Korea ("Samsung"). Pursuant to a Stipulation And Order Regarding Release And Transfer Agreement Among Lehman Brothers Inc., Barclays Capital Inc., Barclays Bank PLC, and Samsung Futures Inc. (ECF No. 13664), the Trustee received a payment of approximately \$8.9 million from Samsung, of which \$4.8 million was paid to Barclays pursuant to previous Court orders approving the Trustee's settlement with Barclays.

38. At the outset of the Report Period, The Depository Trust Company ("DTC") held approximately \$9.4 million in security proceeds and over \$2 million in LBI funds. On June 27, 2016, the Trustee and DTC entered into an agreement pursuant to which DTC returned \$8.4 million of the security proceeds and agreed to return the remaining \$1 million provided that no third party claims relating to the proceeds are asserted against DTC as of February 28, 2017. On September 29, 2016, the Trustee and DTC reached an agreement under which DTC returned \$1.45 million of LBI's funds that were in its possession and retained the rest of the funds to pay certain allowable costs that were incurred by DTC.

39. During the Report Period, with the securities sales process substantially complete, the Trustee sought by motion dated April 19, 2016 (ECF No. 13494), Court approval to monetize certain cross-collateralized, highly subordinated bonds (the "Debt Instruments") that had been issued during the course of the liquidation. On May 6, 2016, a competitive auction was conducted by the Trustee's professionals for the sale of the Debt Instruments. The Trustee sold the Debt Instruments to Merrill Lynch for \$4.7 million, the highest and best bid. (ECF No. 13598.)

40. The Trustee has filed, on behalf of the LBI estate, over 220 claims in securities class action settlements and has recovered over \$33 million, at minimal cost, over the past eight years. Currently, there are 23 outstanding claims with respect to the diminished pool of securities the Trustee has held over the course of the estate's administration. The estate will continue to monitor these claims and, as appropriate, file additional class action recovery claims. The Trustee may also consider a public auction of these interests as part of the ongoing wind down and closure of the estate.

3 The claims sold were LBI's claims against the following Lehman affiliates: Lehman Brothers Holdings Plc, Mable Commercial Funding Limited, Storm Funding Limited, BNC Mortgage LLC, Lehman Brothers Treasury Co. B.V., Lehman Brothers Netherlands Horizons BV, LBQ Hong Kong Funding Limited, Lehman Brothers Nominees (H.K.) Limited, Lehman Brothers Investment Consulting (Shanghai) Co., Ltd., Lehman Brothers Limited, and Lehman Brothers Securities Asia Limited.

VI. THE CUSTOMER ESTATE

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 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. Only one customer claim, recently appealed by the claimant to the Second Circuit, remains to be resolved.

Repurchase Transactions

(Resolved)

42. In previous test-case litigation, the Bankruptcy Court had held that claims arising out of repurchase (“repo”) agreements entered into with LBI did not warrant customer protection, and the Bankruptcy Court’s decision had subsequently been 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).

43. The Supreme Court has denied a petition for certiorari, *CarVal UK Ltd. v. Giddens*, Case No. 15-372, 2016 WL 763253 (U.S. Feb. 29, 2016).

44. Three related claimants who did not participate in the test case litigation opposed the Trustee’s motion to reclassify their claims following the courts’ rulings. The matter was fully briefed before the Bankruptcy Court in the prior report period. (See Fourteenth Interim Report, paragraph 47.) Following a hearing on May 10, 2016, the Bankruptcy Court confirmed the Trustee’s position that these three final repo-related claims were not entitled to customer protection. (ECF No. 13650.) The order became final without appeal, and the claims were subsequently reclassified as general unsecured claims. (ECF No. 13730.) During the Report Period, the Trustee allocated \$1.2 million from the customer estate to the general estate for distribution on these allowed general unsecured claims.

FirstBank Puerto Rico

(1 claim; approximately \$63 million reserved)

45. As previously reported, the Trustee filed a motion to expunge the 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.)

46. FirstBank appealed to the District Court, which 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.). On July 7, 2016, the District Court issued its decision affirming this Court’s decision. *See FirstBank Puerto Rico v. Giddens*

(*In re Lehman Brothers Inc.*), No. 16 Civ. 00069, 2016 WL 3742314 (S.D.N.Y. July 7, 2016).

47. On July 22, 2016, FirstBank filed a notice of appeal to the United States Court of Appeals for the Second Circuit. Briefing on the appeal is underway and will be completed by the first quarter of 2017. The Trustee maintains a customer reserve of approximately \$63 million with respect to this claim.

VII. REDUCTION OF ADMINISTRATIVE EXPENSES

48. During the Report Period, the Trustee took further measures to reduce administrative expenses and wind down estate administration. The Trustee and his professionals continued to implement a program to evaluate the pre and post-Filing Date documents and data maintained by the LBI estate to determine whether such documents and data are necessary to effectuate the remaining estate workstreams.

49. The Court granted the Trustee's second data and document abandonment motion by order dated May 12, 2016 and authorized the Trustee to abandon and destroy more than seventeen terabytes of electronic data, as well as unnecessary backup tapes, hard copy documents, and operational materials utilized in the administration of the Trustee's administrative office. (ECF No. 13599.) That order has been fully effectuated and will save the estate over \$1 million annually.

50. As further progress was made in the liquidation, on September 29, 2016, the Trustee filed his third data abandonment motion seeking the Court's authority to abandon and destroy four additional electronic databases relating to discovery conducted in now fully-resolved litigations or investigations, as well as certain duplicative brokerage and back-office data. (ECF No. 13852.) The Court approved the third abandonment motion on October 20, 2016. (ECF No. 13927.) This abandonment will result in another \$1 million of annual savings to the estate.

51. 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"), during the Report Period, BNYM returned an additional approximately \$250,000 to the LBI estate that was maintained in a reserve account while the Trustee utilized BNYM's custodial services. BNYM had previously returned \$49.75 million of the reserve account.

52. The Trustee also continued to take steps to further reduce expenses wherever possible and streamline remaining workstreams as the estate entered its wind down phase. For example, Bancroft PLLC completed providing advice to the Trustee. (ECF No. 13901.)

53. At the request of, and in consultation with SIPC, nearly all of the 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.

54. Through September 30, 2016, the estate had incurred administrative expenses for calendar year 2016 of approximately \$27 million. At the same juncture in 2015, the estate had incurred administrative expenditures of approximately \$52 million. This nearly one-half reduction in administrative costs reflects the cost-saving efforts described herein.

55. The Trustee has been paying administrative expenses in accordance with this Court's orders, the Bankruptcy Code, and SIPA. Through September 30, 2016, approximately \$9 million in administrative expenses remain accrued but unpaid. For the period of April 1, 2016 through September 30, 2016, administrative expenses disbursed total \$17.6 million. Overall, administrative expenses disbursed as of September 2016 total \$1,315,741,482. Professional and consulting fees since the Filing Date in 2008 total \$1,162,627,661 including \$691,941,271 for Deloitte & Touche LLP and \$384,669,162 for Hughes Hubbard & Reed LLP. Transitional services total \$84,971,424 paid to Barclays and LBHI. The LBHI transition services agreement terminated under its terms on June 2, 2012. Rent, data storage, and other operational costs total \$68,142,397.

VIII. CONTINUING ADMINISTRATIVE MATTERS

Banking Matters

56. 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. Remaining balances are not material.

Government and Third Party Investigations

57. The Trustee continues to coordinate regularly with regulators, including in particular with the Securities and Exchange Commission, and to respond to a reduced—though ongoing—flow of document requests or subpoenas as necessary. In total, over the course of the liquidation, the Trustee has made over 1,015 document productions in response to approximately 1,868 governmental and civil litigation requests.

Internal Controls, Bookkeeping, and Data Management

58. 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

59. 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.

60. 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, and the Trustee currently reserves \$291,219 for the remaining liens. The Trustee's professionals continue to work to reduce such liens or to have them withdrawn and expect to pay less than the reserved amount to settle the remaining liens. The Trustee maintains further tax-related reserves of \$6 million, as detailed in the Liquidation Balance Sheet, note 7.

61. 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.

62. 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.

X. CONCLUSION

The foregoing Report represents a summary of the status of this proceeding and the material events that have occurred from April 29, 2016 through October 31, 2016. It will be supplemented and updated by further interim reports.

Dated: New York, New York
October 31, 2016

Respectfully submitted,

HUGHES HUBBARD & REED LLP

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Trustee for the SIPA Liquidation of
Lehman Brothers Inc.

EXHIBIT 1

LEHMAN BROTHERS INC.
General Creditor Claims Exposure⁽¹⁾
As of September 30, 2016

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	10,441	\$ 116,535.2	15,151	\$ 129,626.9
Resolved Claims ⁽³⁾	858	8,493.2	122	277.8	1,373	4,239.4	10,377	116,264.3	14,722	129,088.7
Unresolved Claims Subject to Objections and Settlements Pending Before the Court ⁽⁴⁾	349	255.9	1	0.1	29	11.3	64	270.9	429	538.2
Claims Exposure:										
Claims Allowed or Settled ⁽⁵⁾	2	\$ 0.0	48	\$ 10.5	217	\$ 242.4	4,555	\$ 22,595.2	4,839	\$ 22,848.1
Unresolved Claims Subject to Objections and Settlements Pending Before the Court ⁽⁴⁾	349	255.9	1	0.1	29	11.3	64	270.9	429	538.2
Total	351	\$ 255.9	49	\$ 10.6	246	\$ 253.7	4,619	\$ 22,866.1	5,268	\$ 23,386.3

1. Includes both affiliate and non-affiliate claims. 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, 11358, 12579, and 13683, together the “Distribution Orders.”) Differences between this Report and the LBI Liquidation Balance Sheet and Quarterly Report on the General Creditor Claims Process as of June 30, 2016 (ECF No. 13765) are due to a number of factors, including partial transfers of claims and a late-filed general creditor claim that was both filed and expunged within the report period.
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 9,791 disallowed or expunged claims asserted in an aggregate amount of \$58.7 billion (as detailed on the next slide); 4,839 allowed or settled claims asserted in an aggregate amount of \$70.3 billion and ultimately allowed or settled in an aggregate amount of \$22.8 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 2 claims subject to objections before the Court seeking to allow the claims in reduced amounts and priorities.
5. Includes 1,252 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 Distribution 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, 13480, 13569, 13676, and 13730), 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 June 30, 2016 and September 30, 2016, 4 claims were allowed or settled under the Settlement Procedures Order (ECF No. 5847) that were asserted in an aggregate amount of \$33.8 million and allowed in an aggregate amount of \$15.9 million. All 4 claims are customer claims reclassified and converted to general creditor claims.

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 Quarter and Cumulatively⁽¹⁾

As of September 30, 2016

Unaudited (USD in millions)

Basis for Disallowance or Expungement	Cumulatively		Between June 30 and September 30, 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	3,940	\$ 7,187.6	1	\$ 2.3
JPMorgan Chase CDA Claim Subrogation ⁽³⁾	6	\$ 13,440.0	—	\$ —
Satisfied	386	\$ 591.8	—	\$ —
Distribution Procedures Order ⁽⁴⁾	547	\$ 42.7	—	\$ —
Withdrawn by Claimant	733	\$ 18,417.1	—	\$ 0.0
Total	9,791⁽⁵⁾	\$ 58,743.3	1	\$ 2.3

1. Does not include approximately 5,359 claims that the Trustee resolved through settlements, reclassified to equity interests per Court order, determined are not objectionable and should be deemed allowed pursuant to Bankruptcy Code section 502(a), or that are pending before the Court on objections, as of September 30, 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. 3,158 of the 9,791 claims are customer claims reclassified and converted to general creditor claims, asserted in the aggregate amount of \$12.8 billion.

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.