Hughes Hubbard & Reed

SIPC
SECURITIES INVESTOR PROTECTION CORPORATION

Lehman Brothers Inc.

Case No. 08-01420 (SCC) SIPA
The Honorable Shelley C. Chapman, Presiding

James W. Giddens, Trustee

State of the Estate
August 17, 2017

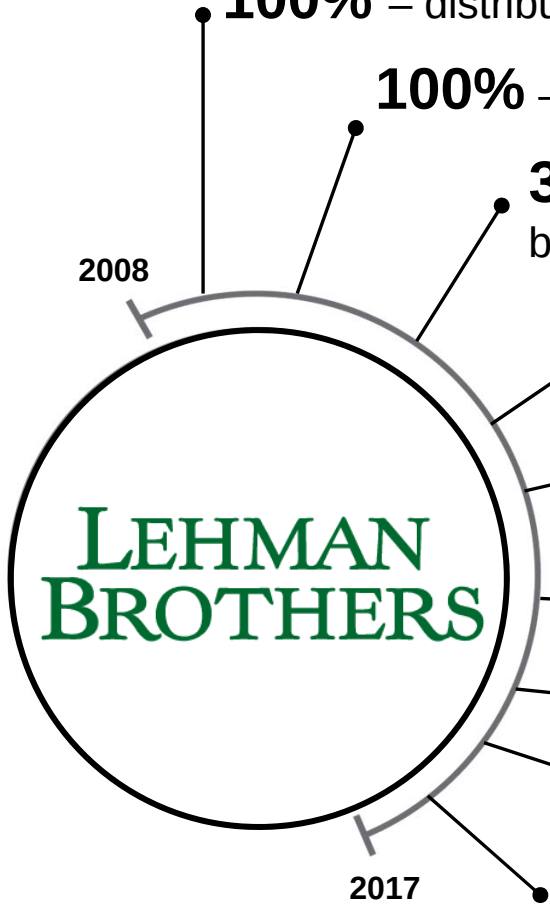
DISCLAIMER

This State of the Estate Presentation is intended to be read in conjunction with the Trustee's Sixteenth Interim Report, filed on April 28, 2017, and the LBI Liquidation Balance Sheet as of June 30, 2017, filed on July 24, 2017, available at *www.lehmantrustee.com.*

The information herein is based on the information available to the Trustee at this time, but this information may be incomplete and should not be relied upon. This presentation was prepared for purposes of presenting the Court with a status of the LBI liquidation proceeding as of the date of the presentation and is not meant to be relied upon by investors or others as a complete description of the LBI Estate's condition (financial or otherwise), prospects, assets, or liabilities. The information in this presentation will be updated, including any corrections, in connection with future Interim Reports, Balance Sheets, and presentations to the Court. The information in this presentation 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 presentation is based. Selected balances and information presented herein have not and will not be subject to audit or review by external accountants. The Trustee reserves all rights to revise this presentation.

The LBI Estate Today

Since September 19, 2008, the Trustee has made extensive progress in the administration of the LBI Estate, including:



- **100%** – distributions to over 111,000 customers ($106 billion)
- **100%** – distributions to secured and priority creditors ($253 million)
- **39%** – interim distributions to 4,800 unsecured creditors ($8.8 billion)
- **76** – Lehman proceedings around the world; affiliate claims well in excess of $100 billion settled
- **$130 billion** to **$23 billion** – general creditor claims exposure
- **$123 billion** – administered assets
- **$559 million** – assets on hand
- **0** – remaining claims pending before the Bankruptcy Court
- **$0** – no cost to SIPC for customer or administrative advances

Substantial Completion

Although the LBI liquidation has now entered a phase of substantial completion, the proceeding still remains a "mega-case":

- Over $559 million in assets on hand, subject to reserves and internal controls.
- 1 remaining customer claim, fully reserved for at $63 million; the Trustee's and SIPC's position was upheld by the Second Circuit, and now awaits expiration of the *certiorari* period in September.
- 423 general creditor claims on appeal to the District and Circuit Courts for which the Trustee maintains reserves of $265 million for secured claims and $71 million for unsecured claims.
- Continued subpoena responses and advisory updates to domestic and foreign regulators.
- Maintenance of systems, databases, and depositories containing hundreds of terabytes of data and information, and tens of thousands of paper documents.
- The effectuation of further and final distributions to general unsecured creditors pending resolution of remaining claims litigations.

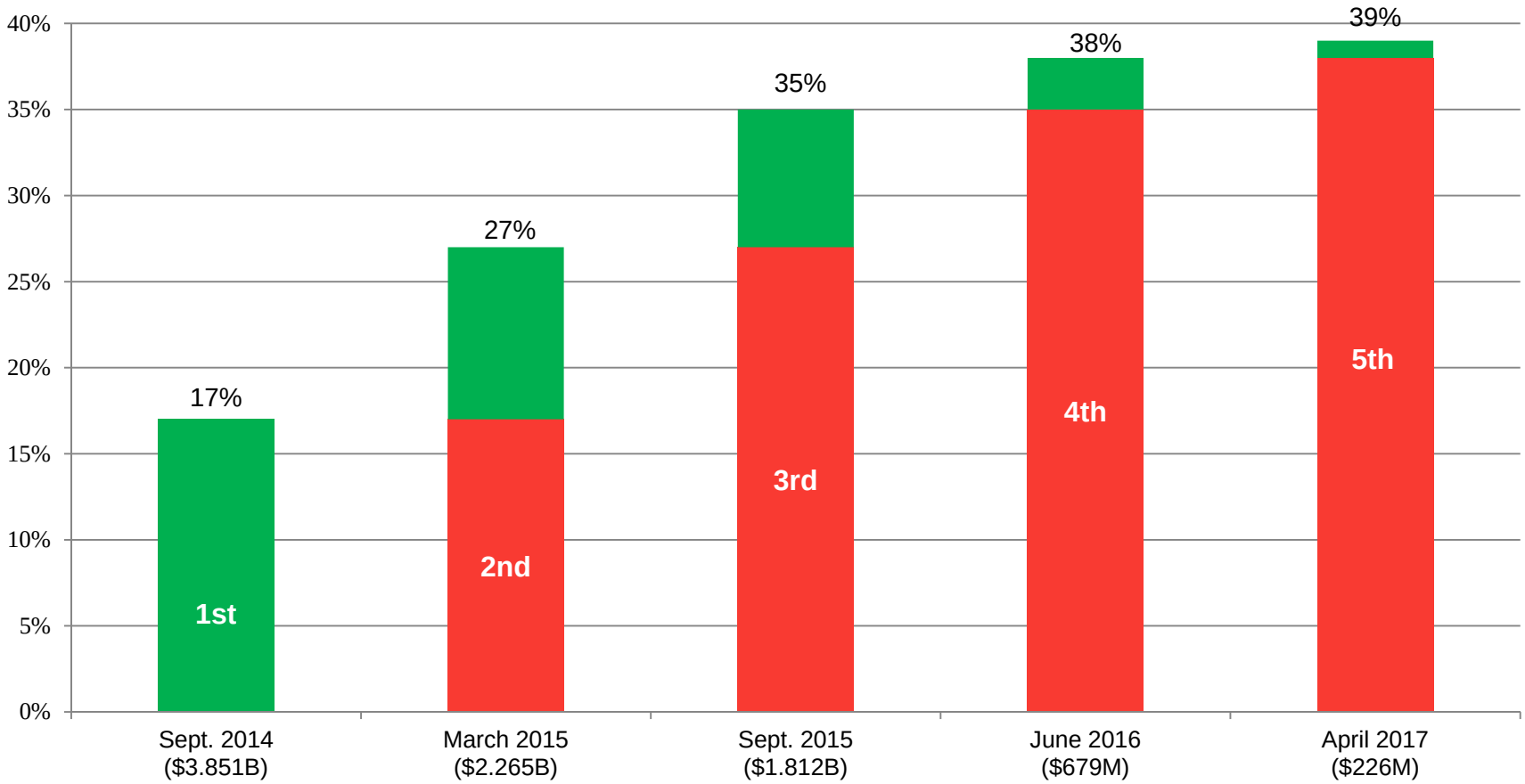
Progress Before Bankruptcy, District, and Circuit Courts Since August 2016

- Resolved 7 general creditor claims asserted in the amount of $116 million.
- Secured victories before the Bankruptcy, District, and Circuit courts in remaining claims litigations.
- Resolved all administrative expense claims filed before the November 30, 2016 bar date.
- Distributed $226 million to holders of allowed general unsecured claims, comprising a 1% distribution, bringing the total recovery to 39 cents on the dollar.
- Marshalled assets totaling $11.1 million.
- Received Court approval for two data abandonment motions resulting in savings of more than $1.25 million annually to the estate.

Bankruptcy and Appellate Court Decisions Since August 2016

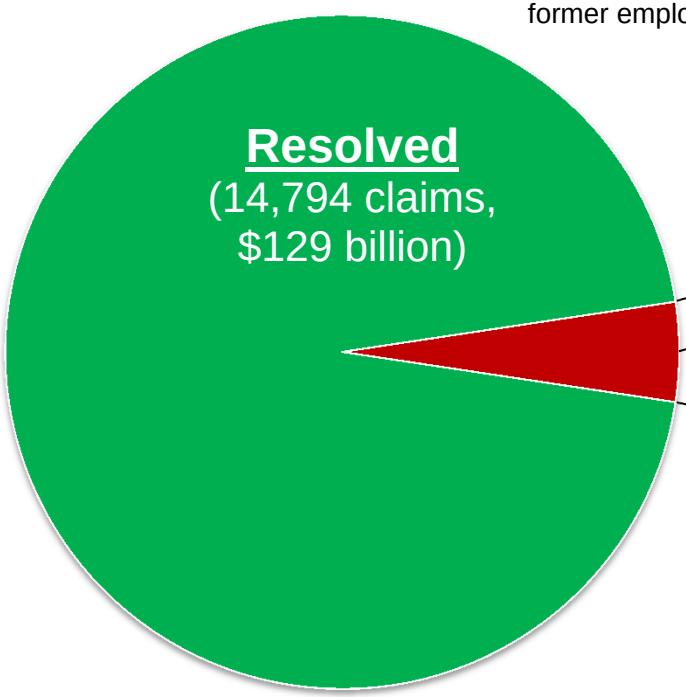
- Second Circuit affirmance disallowing claims for 2008 bonuses that were already paid by Barclays, *1EE LLC v. Giddens*, No. 16-2737; *Judkins v. Giddens*, No. 16-2788 (2d Cir. July 27, 2017)
- Second Circuit affirmance granting Trustee's objection to expunge FirstBank claim, *FirstBank Puerto Rico v. Giddens*, No. 16-2547 (2d Cir. April 26, 2017)
- Second Circuit affirmance denying ESEP Claimants' motion to compel arbitration, *344 Individuals v. Giddens*, Case No. 15-3480 (2d Cir. Oct. 6, 2016)
- District Court denial of ESEP Claimants' motion to withdraw the reference, *344 Individuals v. Giddens*, Case No. 14-08825 (S.D.N.Y. Dec. 1, 2016)
- District Court affirmance granting Trustee's request to subordinate Equity Award/RSU claims, *Acerra v. Giddens*, Case No. 15-01819 (S.D.N.Y. Sept. 29, 2016)
- Bankruptcy Court grant of Trustee's motion for summary judgment to reclassify as subordinated the ESEP claims, *Giddens v. 344 Individuals (In re Lehman Brothers Inc.)*, Case No. 08-01420 (Bankr. S.D.N.Y. July 13, 2017)
- Bankruptcy Court grant of Trustee's objection to expunge ACATS claims, *In re Lehman Brothers Inc.*, Case No. 08-01420 (Bankr. S.D.N.Y. April 19, 2017)

General Creditor Distributions Overview

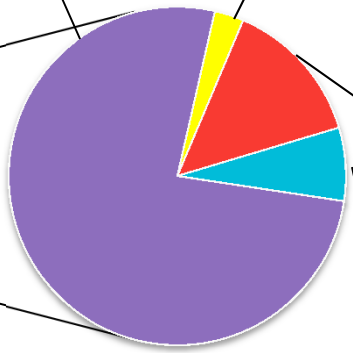


- The Trustee has made more than **$9 billion** in distributions to general estate creditors, which includes a $253 million distribution in July 2014 to Secured, Administrative, and Priority claim holders.
- Future general unsecured creditor distributions are principally contingent on the outcome of pending litigations.

Remaining General Creditor Claims



Unresolved Claims
(423 claims, $453 million)



Deferred Compensation
(381 claims, $271 million):
The "ESEP" claims are subject to a consolidated adversary proceeding before this Court, as well as the Trustee's motion to reclassify these claims from secured to unsecured status on appeal in the District Court. These claims were filed by former employees of LBI seeking payment of deferred compensation.

Bonus & Wage
(2 claims, $87 million):
On July 27, 2017, the Second Circuit issued its decision affirming the Bankruptcy Court's decision disallowing claims for 2008 bonuses that were already paid by Barclays. The deadline for the claimants to petition for *certiorari* is October 25, 2017.

Equity Awards/RSUs
(35 claims, $24 million):
Thirty-five claims are related to unpaid equity awards, including restricted stock units, stock options, and other equity-related compensation.

Market Loss
(5 claims, $71 million):
The "ACATS" claims relate to alleged market loss damages suffered as a result of delayed account transfers requested by former LBI customers immediately before September 19, 2008.

Closure of the estate is largely dependent upon the Courts' calendars for appeals.

Remaining General Creditor Claims
(Defending Appeals in Four Cases)

Deferred Compensation ("ESEP")

- On July 13, 2017, the Bankruptcy Court entered its decision granting the Trustee's motion for summary judgment seeking to reclassify as subordinated the ESEP claims, *Giddens v. 344 Individuals*, Case No. 08-01420 (Bankr. S.D.N.Y.). The Claimants have appealed.
- Claimants' appeal of the Bankruptcy Court's order granting the Trustee's motion to reclassify claims has been fully briefed since February 22, 2016 and is pending before the District Court, *344 Individuals v. Giddens*, Case No. 15-09670 (S.D.N.Y.).

Bonus and Wage

- On July 27, 2017, the Second Circuit issued its decision affirming the Bankruptcy Court's decision disallowing claims for 2008 bonuses that were already paid by Barclays, *1EE LLC v. Giddens*, No. 16-2737; *Judkins v. Giddens*, Case No. 16-2788 (2d Cir.). The deadline for the claimants to petition the Supreme Court for a writ of *certiorari* is October 25, 2017.

Equity Awards/RSUs

- Claimants appealed the District Court's order affirming subordination of the claims. Briefing in the Second Circuit was complete as of May 17, 2017 and oral argument has been proposed for the week of September 18, 2017, *Acerra v. Giddens (In re Lehman Brothers Inc.)*, Case No. 16-3666 (2d Cir.).

Market Loss ("ACATS")

- Claimants appealed the Bankruptcy Court's decision granting the Trustee's objection to expunge the claims. Appellate briefing is expected to be complete by September 25, 2017 and oral argument is scheduled before the District Court for October 20, 2017, *In re Lehman Brothers Inc.*, Case No. 17-3762 (S.D.N.Y.) and *In re Lehman Brothers Inc.*, Case No. 17-3785 (S.D.N.Y).

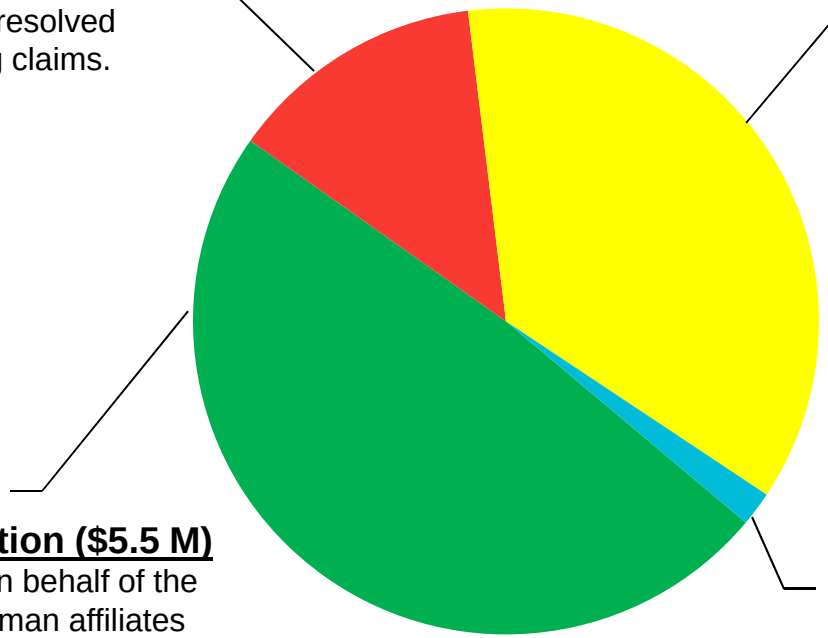
Court Calendars and Deadlines
(All Remaining Claims)

Caption	Claimant(s)	Deadlines
344 Individuals v. Giddens, Case No. 08-01420 (Bankr. S.D.N.Y)	Deferred Compensation ("ESEP")	August 22, 2017: Deadline for Trustee to file counter-designations for the appellate record before the District Court.
Firstbank Puerto Rico v. Giddens, Case No. 16-2547 (2d Cir.)	FirstBank Puerto Rico	September 18, 2017: Deadline for Claimant to file petition for *certiorari* to the Supreme Court.
In re Lehman Brothers Inc., Case No. 17-3762 (S.D.N.Y.) *In re Lehman Brothers Inc.*, Case No. 17-3785 (S.D.N.Y)	Market Loss ("ACATS")	August 18, 2017: Claimants' opening appellate briefs due. September 18, 2017: Trustee's and SIPC's opposition briefs due. October 2, 2017: Claimants' reply briefs due. October 20, 2017: Oral argument scheduled before the District Court.
Acerra v. Giddens, Case No. 16-3666 (2d Cir.)	Equity Awards/RSUs	September 18, 2017: Proposed week for oral argument before the Second Circuit.
1EE LLC v. Giddens, Case No. 16-2737 (2d Cir.) *Judkins LLC v. Giddens*,Case No. 16-2788 (2d Cir.)	Bonus and Wage	October 25, 2017: Deadline for Claimants to file petition for *certiorari* to the Supreme Court.

Assets Marshalled and Miscellaneous Recoveries Since August 2016

DTC Settlement ($1.45 M)
The Trustee and the Depository Trust Company ("DTC") reached an agreement which returned $1.45 million of LBI's funds and resolved all of the DTC's remaining claims.

Samsung Settlement ($4.1 M)
The Trustee negotiated the return of LBI's assets held by Samsung Futures Inc. in South Korea. The Trustee received payment of approximately $8.9 million, of which $4.8 million was paid to Barclays pursuant to previous Court orders.



Foreign Affiliates Auction ($5.5 M)
The Trustee held claims on behalf of the LBI estate for eleven Lehman affiliates based in insolvency proceedings around the world. The Trustee obtained Court approval to conduct an open auction of the affiliate claims and, following a five-week auction in which three interested parties participated, sold the claims for an aggregate price of $5.5 million.

Class Action Recoveries
The Trustee has filed, on behalf of the LBI estate, over 220 claims in securities class actions and recovered over $33 million at minimal cost over the past eight years. The Trustee continues to monitor outstanding submissions and, as appropriate, file additional class action recovery claims.

LBI Liquidation Balance Sheet
(As of June 30, 2017)

In Millions	Fund of Customer Property	General Estate	Total
Assets			
Cash and Cash Equivalents	$69	$490	$559
Securities	$0	$0	$0
Total Assets	$69	$490	$559
Liabilities			
Customer Claims:			
Allowed Pending Distributions	$0		$0
Disputed Claims:	$63		$63
General Creditor Claims:			
Secured*		$256	$256
Priority*		$10	$10
Administrative*		$0	$0
Unsecured*		$14,005	$14,005
Administrative Expense Reserve		$141	$141
Total Liabilities	$63	$14,412	$14,475

*Net of amounts distributed. The total (gross) general unsecured liabilities were **$22.834 billion** as of June 30, 2017.

Unaudited – accompanying notes available at ECF No. 14346.

Regulatory and Industry Outreach

Information Requests: Over the course of the liquidation, the Trustee has made a total of over 1,038 document productions in response to approximately 1,891 governmental and non-party requests, representing over 2 million pages and 220 gigabytes of information.

Responsiveness to Claimants and the Public: Throughout the liquidation, the Trustee has maintained channels of communication with customers, creditors, and the public and has responded to over ten thousand unique inquiries from interested parties. Today, the Estate has a well concentrated creditor base, with the top twenty holders of allowed unsecured claims currently maintaining approximately 93 percent of the total allowed unsecured claims.

Misdirected Wires: Since the commencement of the liquidation proceeding, the Trustee has returned over 950 misdirected wires with an aggregate value of $617 million made pursuant to Court authorized procedures.

Closure of the Estate

At the appropriate time, the Trustee will take the following actions to close out the LBI proceeding:

- Obtain approval of final distribution motion and effectuation of final distribution.
- Complete data abandonment program and arrange for retention of certain documents and data required to be maintained under applicable laws and guidelines.
- Close remaining bank accounts and file final tax returns.
- Move to discharge the Trustee and close the estate.

The Trustee is committed to closing the estate as promptly as possible. Closure of the estate is largely dependent upon the courts' calendars for appeals.

SIPC Oversight

SIPC Oversees the Liquidation Proceeding:

- Through regular and periodic meetings, preparation of various forms, and otherwise, the Trustee is in virtually constant contact with SIPC.
- SIPC personnel routinely meet with the Trustee, his counsel, and staff to review the status of the liquidation and work on discrete projects.
- SIPC reviews all bills and expenses of the liquidation and provides its recommendation to the Court.

SIPC Reporting

SIPC reports regularly to the Securities and Exchange Commission, including:

- SIPA § 78ggg(c) – Examinations and Reports – The SEC oversees SIPC, through examination, inspections, and otherwise.
- As part of that process, "SIPC shall submit to the Commission a written report relative to the conduct of its business …."
- "The Commission shall transmit such report to the President and the Congress with such comment thereon as the Commission may deem appropriate."

SIPC reports regularly to Congress, including:

- U.S. Senate Committee on Banking, Housing and Urban Affairs.
- U.S. House Financial Services Committee.

Public Interest

- *Report of the Trustee's Investigation and Recommendations,* August 25, 2010, the authoritative analysis of the causes of LBI's collapse and lessons learned
- *Trustee's Realization Report,* February 23, 2015, summarizes Estate administration and explains unsecured creditor losses
- Regular updates to domestic and foreign regulators, industry groups, and congressional committees
- www.lehmantrustee.com updated regularly throughout the liquidation

Hughes Hubbard & Reed

SIPC
SECURITIES INVESTOR PROTECTION CORPORATION