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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

LEHMAN BROTHERS INC. LIQUIDATION BALANCE SHEET
AS OF MARCH 31, 2018

All information in the Liquidation Balance Sheet is based on information available to the Trustee at this time, but this information may be incomplete and should not be relied upon. The Liquidation Balance Sheet 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 the Liquidation Balance Sheet will be updated, including corrections, if any, in future reports to the Court. The information in the Liquidation Balance Sheet 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 the Liquidation Balance Sheet are 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 the Liquidation Balance Sheet.

Lehman Brothers Inc., in Liquidation
Liquidation Balance Sheet as of March 31, 2018
(Unaudited – *Must Be Read with Accompanying Notes*)

In Millions

Assets	
Cash and Cash Equivalents	$547
Securities	$0
Total Assets	$547
Liabilities	
General Creditor Claims:	
Secured*	$256
Priority*	$6
Administrative*	$1
Unsecured*	$13,812
Administrative Expense Reserve	$129
Total Liabilities	$14,204

*Net of amounts distributed. For example, the $13.812 billion of unsecured liabilities is net of the $8.837 billion distributed to general unsecured claimants as of March 31, 2018 (*see* note 9). The total (gross) general unsecured claim liabilities were $22.646 billion as of March 31, 2018.

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.

General Notes

Note 1 – Basis of Presentation

The Trustee and his professionals have prepared this Lehman Brothers Inc. ("LBI") Liquidation Balance Sheet based on the information available to the Trustee at this time; however, such information may be incomplete and may be materially deficient. The Liquidation Balance Sheet is not meant to be relied upon as a complete description of LBI, its business, condition (financial or otherwise), results of operations, prospects, assets, or liabilities. The Trustee reserves all rights to revise the Liquidation Balance Sheet.

This Liquidation Balance Sheet should be read in conjunction with previous Interim Reports and Quarterly Reports filed with the Bankruptcy Court and included on the Trustee's website, www.lehmantrustee.com. The Liquidation Balance Sheet is not prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), and the numbers are unaudited. The Liquidation Balance Sheet does not reflect normal period-end adjustments, including accruals that were generally recorded by LBI prior to the filing of the Securities Investor Protection Act ("SIPA") proceeding in Bankruptcy Court. The Liquidation Balance Sheet does not include explanatory footnotes and other disclosures required under GAAP and is not presented in a GAAP-based SEC reporting format. Certain items presented in the Liquidation Balance Sheet remain under continuing review by the Trustee and may be accounted for differently in a future liquidation balance sheet. Accordingly, the financial information herein is subject to change, and any such change may be material.

The Liquidation Balance Sheet is not audited and will not be subject to audit or review by external auditors at any time in the future. The Liquidation Balance Sheet is prepared on a cash basis and therefore does not reflect accruals or other amounts that would be found if prepared under an accrual basis format.

Note 2 – Use of Estimates

To the extent necessary, the Liquidation Balance Sheet includes estimates. Estimates are unaudited and subject to revision, and they should not be relied upon.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and interest-bearing deposits with banks.

Note 4 – Financial Systems and Control Environment

The Trustee has professionals who monitor and maintain the financial systems and control environment of the estate. Procedures, controls, and resources used to create the Liquidation Balance Sheet were modified, including a drastic reduction in resources in comparison to what was available to LBI prior to the SIPA proceeding. The Trustee's professionals rely on established controls for the payment and journaling of all expenses, which include recording

payment instructions and supporting documentation, reviewing time-entry diaries, and assessing the reasonableness of rates and bills for services performed. The Trustee and his professionals are continuously reviewing the estate's accounts, and, as a result, modifications, errors, and potential misstatements might be identified. Consequently, the Trustee and his professionals may record adjustments, which may be material, in a future liquidation balance sheet.

Notes Regarding Assets

Note 5 – Asset Allocation

All assets on the Liquidation Balance Sheet are currently under the Trustee's control. Following closure of the customer estate in December 2017, all assets are now allocated to the general estate (*see* note 6). Future recoveries and the release of any reserves will accrete to the general estate.

Note 6 – Fund of Customer Property

In consultation with the Securities Investor Protection Corporation, the Trustee closed the customer estate in December 2017 pursuant to the Court's entry of the Order Authorizing the Allocation and Transfer of the Remaining Customer Reserve to the General Estate, Closing of the Customer Estate, and Related Relief. (ECF No. 14467.) Total allocations of excess customer property to the general estate in this SIPA proceeding were $3.112 billion.

Note 7 – General Estate Assets

Total general estate assets are $547 million. The Trustee maintains the following general estate reserves:

(i) an administrative reserve in the amount of $129 million;

(ii) a First Interim Distribution Fund in the amount of $2 million (includes $0.00 attributable to holders of allowed general unsecured claims as to which payment is pending);

(iii) a Second Interim Distribution Fund in the amount of $1 million (includes $0.00 attributable to holders of allowed general unsecured claims as to which payment is pending);

(iv) a Third Interim Distribution Fund in the amount of $1 million (includes $0.00 attributable to holders of allowed general unsecured claims as to which payment is pending);

(v) a Fourth Interim Distribution Fund in the amount of $309,895 (includes $923 attributable to holders of allowed general unsecured claims as to which payment is pending);

(vi) a Fifth Interim Distribution Fund in the amount of $104,681 (includes $1,691 attributable to holders of allowed general unsecured claims as to which payment is pending);

(vii) a Secured, Administrative, and Priority Reserve in the amount of $262 million (includes $0.00 attributable to holders of allowed secured, administrative, and priority claims as to which payment is pending); and

(viii) a tax-related reserve of $4,449,546 consisting of: (a) $25,972 with respect to LBI's ongoing federal, state, and local income tax liabilities; (b) $666,862 with respect to LBI's portion of employment taxes (including Social Security, Medicare, and state unemployment and disability insurance taxes) on unresolved priority claims filed by former employees; and (c) $3,756,712 with respect to LBI's portion of employment taxes (including Social Security, Medicare, and state unemployment and disability insurance taxes) on unresolved general unsecured claims filed by former employees.

The Trustee has filed contemporaneously herewith his *Motion for Orders (I) Authorizing a Sixth Interim Distribution to Holders of Allowed General Unsecured Creditor Claims with a Record Date of June 30, 2018, (II) Approving the Procedures and Related Documents, and (III) Authorizing the Trustee to Effectuate the Accelerated Final Distribution Election*.

Notes Regarding Liabilities

Note 8 – Customer Claims

There are no remaining disputed customer claims. Distributions on allowed customer claims are complete. The customer estate is closed.

Note 9 – General Creditor Claims

Total general unsecured liabilities in the amount of $13.812 billion are net of the $8.837 billion distributed to general unsecured claimants as of March 31, 2018, and consist of: (i) $13.798 billion of allowed unsecured claims (*i.e.*, the remaining 61 percent on all allowed unsecured claims); (ii) $10 million of unresolved claims subject to objections and settlements pending before the Court; (iii) reserves totaling $2,614 for funds not yet distributed on allowed claims as described in note 7; and (iv) tax reserves of $4 million.

Since December 31, 2017, the Trustee resolved forty general creditor claims. In January 2018, the Second Circuit issued its decision affirming the lower courts' decisions and the Trustee's determination that thirty-five claims should be reclassified to equity interest. These thirty-five claims relate to unpaid equity awards, including restricted stock units and contingent stock awards, and were asserted in the amount of approximately $24 million. In March 2018, the District Court entered its decision affirming this Court's decision and the Trustee's determination that five claims should be expunged. These five claims relate to account transfers allegedly requested by former LBI customers immediately before the bankruptcy filing date through the

Automated Customer Account Transfer Service and were asserted in the amount of approximately $71 million.

In addition to the four administrative expense claims discussed in note 10, at this stage of the liquidation, a single consolidated adversary proceeding addressing 381 claims filed by former LBI employees seeking payment of deferred compensation is the only remaining unresolved general claims matter. The Trustee is appellee with respect to two appeals arising out of this adversary proceeding.

For additional information pertaining to the general creditor claims process, see the Trustee's Eighteenth Interim Report for the Period October 1, 2017 Through March 31, 2018 and Quarterly Report on the General Creditor Claims Process, filed contemporaneously herewith.

Note 10 – Administrative Expense Claims

To further progress the administration of the estate, the Trustee filed a motion to establish a second supplemental administrative expense bar date to allow the Trustee to fix the amount of administrative priority claims incurred by the LBI estate from November 1, 2016 through February 28, 2018. (ECF No. 14518.) On February 21, 2018, the Court entered an order establishing April 2, 2018 as the bar date for asserting such administrative expense claims against the LBI estate. (ECF No. 14523.)

Four administrative expense claims were filed against the LBI estate prior to the bar date, and three claims remained as of March 31, 2018 (one claim was promptly withdrawn). Reserves with respect to these remaining three claims totaling $794,629 were added to the SAP Distribution Fund to permit the Trustee to maintain sufficient reserves for these claims should they be deemed allowable.

On April 2, 2018, subsequent to the report period, one of the administrative expense claims was withdrawn. As of the date of this filing, two claims remain asserted in the aggregate amount of $788,392.

Note 11 – Bankruptcy Code Section 502(a) Claims

There are 1,125 claims that are deemed allowed pursuant to Bankruptcy Code section 502(a). The approximate aggregate amount of these claims is $271 million. These claims were reflected as accepted as indicated in the Distribution Orders (ECF Nos. 9273, 9520, 11358, 12579, 13683, and 14210) 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, 13730, 13955, 14073, 14163, 14319, 14342, and 14433), and they are reflected as allowed on the claims register.

Note 12 – Distribution Procedures Order

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.) Following entry of the Distribution Procedures Order, a significant number of claimants provided necessary information, and the Trustee has made distributions on those allowed claims. Other claimants have not returned distribution information as required by Court order or have failed to meet other distribution requirements. As a result, these claims have been expunged, with corresponding reductions in gross estate liabilities totaling approximately $63 million. (*See* First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, and Eleventh Notices of Claims Expunged Pursuant to the Distribution Procedures Order; ECF Nos. 13291, 13399, 13479, 13568, 13675, 13957, 14073, 14163, 14371, 14433, and 14541.)

Note 13 – Subordinated Claims/Equity

Amounts do not include $14.734 billion of allowed subordinated claims under the settlement agreement with Lehman Brothers Holdings Inc. 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.