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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 SEPTEMBER 30, 2021

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 September 30, 2021
(Unaudited – *Must Be Read with Accompanying Notes*)

In Millions	
Assets	
Cash and Cash Equivalents	$324
Securities	$0
Total Assets	$324
Liabilities	
General Creditor Claims:	
Secured*†	-
Priority*†	-
Administrative*	$0
Unsecured*†	$13,521
Administrative Expense Reserve	$48
Total Liabilities	$13,569

*Net of amounts distributed. For example, the $13.521 billion of unsecured liabilities is net of the $9.096 billion distributed to general unsecured claimants as of September 30, 2021 (*see* Note 9). The total (gross) general unsecured claim liabilities were $22.617 billion as of September 30, 2021.

†Net of liabilities resolved by the ESEP Order (as defined in Note 9) and subject to the finality and non-appealability thereof.

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 (the "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.

Estate internal controls have been validated during the COVID-19 pandemic, as has the Trustee's data storage, back up, and all other estate administrative capability. There has been no interruption of, or slowdown in, the wind down of the liquidation as a consequence of the COVID-19 pandemic.

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 $324 million. The Trustee maintains the following general estate reserves:

(i) an administrative expense reserve in the amount of $48 million;

(ii) a First Interim Distribution Fund in the amount of $78,380 solely with respect to funds not yet distributed on allowed claims;

(iii) a Second Interim Distribution Fund in the amount of $46,106 solely with respect to funds not yet distributed on allowed claims;

(iv) a Third Interim Distribution Fund in the amount of $36,885 solely with respect to funds not yet distributed on allowed claims;

(v) a Fourth Interim Distribution Fund in the amount of $13,832 solely with respect to funds not yet distributed on allowed claims;

(vi) a Fifth Interim Distribution Fund in the amount of $4,611 solely with respect to funds not yet distributed on allowed claims;

(vii) a Sixth Interim Distribution Fund in the amount of $3,458 solely with respect to funds not yet distributed on allowed claims;

(viii) a Seventh Interim Distribution Fund in the amount of $6,870 solely with respect to funds not yet distributed on allowed claims

(ix) a Secured, Administrative, and Priority Reserve in the amount of $77,035 solely with respect to unresolved claims; and

(x) a tax-related reserve of approximately $20,000 with respect to LBI's ongoing federal, state, and local income tax liabilities and for other administrative tax liabilities that have been assessed against LBI.

By a motion filed concurrently with this Liquidation Balance Sheet, the Trustee seeks approval of an eighth and final distribution of at least $269 million, representing an incremental recovery of at least 1.1925%, by his *Motion for Orders (I) Authorizing a Final Distribution to Holders of Allowed General Unsecured Creditor Claims with a Record Date of November 30, 2021, and (II) Approving the Voluntary Supplemental Distribution and Related Procedures* (the "Final Distribution Motion"), which, among other things, seeks Court approval to make a final distribution if and when the ESEP Order becomes final and non-appealable. A hearing on the Final Distribution Motion is scheduled for November 29, 2021.

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 and ESEP Claims Matters

General unsecured liabilities in the amount of $13.521 billion are net of the $9.096 billion distributed to general unsecured claimants as of September 30, 2021, and consist of: (i) $13.521 billion of allowed unsecured claims (*i.e.*, the remaining 59.9395 percent on all allowed unsecured claims); and (ii) reserves totaling $190,140 for funds not yet distributed on allowed claims as described in Note 7.

The last remaining unresolved general claims matter pertains to claims (the "ESEP Claims") filed by former LBI executives (the "ESEP Claimants") who are seeking payment of deferred compensation.

On September 10, 2021, the Second Circuit issued a Summary Order (the "ESEP Order") affirming the Bankruptcy Court's decisions regarding the two remaining matters in the ESEP litigation. Specifically, the ESEP Order:

- Affirmed the Bankruptcy Court's order, and District Court's affirmance thereof, reclassifying as unsecured those ESEP claims that had been asserted with secured or priority status, *344 Individuals v. Giddens (In re LBI)*, Case No. 19-3245 (2d Cir.) (ECF No. 95); and

- Affirmed the Bankruptcy Court's grant of the Trustee's motion to dismiss the ESEP claimants' adversary proceeding in which the claimants contended that any amounts due to them under the ESEP are not part of the LBI estate and that those amounts, plus unspecified interest, costs, and fees, should be turned over to them, *LBI Deferred Compensation Defense Steering Committee v. Giddens*, Case No. 20-3757 (2d Cir.) (ECF No. 74).

The ESEP Order is not final. The ESEP Claimants' appellate rights have not yet been exhausted. It is possible that the ESEP Order is reversed or vacated upon appeal. This Liquidating Balance Sheet does not include any liability on account of the ESEP Claims. That exclusion is subject to the ESEP Order becoming final and non-appealable.

Note 10 – Administrative Expense Claims

On June 9, 2020, the Court approved the Trustee's motion to establish July 20, 2020 as the deadline to assert any third supplemental administrative expense claims against the LBI estate arising for the period of March 1, 2018 through May 31, 2020 (the "Third Supplemental Administrative Expense Claim Bar Date"). (ECF No. 15114.) All claims filed in connection with or subsequent to the Third Supplemental Administrative Expense Claim Bar Date have been resolved. The Trustee maintains a reserve of $77,035 with respect to the New York City Department of Finance's administrative claim.

Note 11 – Distribution Procedures Order

On November 5, 2015, the Court entered the Distributions Procedures Order. (ECF No. 13039.) The Distribution Procedures Order furthers the Trustee's goal of an efficient, orderly wind down by setting reasonable deadlines for claimants to accept their distributions and comply with required tax filings. Since entry of the Distribution Procedures Order, certain claimants have not returned distribution information requested by the Trustee or have otherwise failed to meet distribution requirements. As a result, 1,124 claims have been expunged, with corresponding reductions in gross estate liabilities totaling approximately $176 million. (*See* First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth, Fifteenth, Sixteenth and Seventeenth Notices of Claims Expunged Pursuant to the

Distribution Procedures Order; ECF Nos. 13291, 13399, 13479, 13568, 13675, 13957, 14073, 14163, 14371, 14433, 14541, 14668, 14683, 14861, 14925, 15119, and 15271.)

Note 12 – Subordinated Claims/Equity

Amounts do not include $15.004 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, including the ESEP Claims. The Trustee does not anticipate making any distributions on account of subordinated claims or equity.