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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 FINAL REPORT AND ACCOUNT

"[O]ne of the most complex matters to ever be resolved in history . . . at least in a commercial sense." United States Bankruptcy Judge James M. Peck, April 16, 2013

All information in this Final 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 Final 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 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 Final 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 Final Report.

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TO THE HONORABLE SHELLEY C. CHAPMAN,
UNITED STATES BANKRUPTCY JUDGE:

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*., respectfully submits this Final Report and Account (this "Final Report") pursuant to SIPA § 78fff-1(c) and section 704(9) of the Bankruptcy Code, to summarize the conclusion of this liquidation. As the Court is aware, SIPA mandates that the Trustee investigate and report on, among other things, the financial condition and business affairs of the debtor. In furtherance of those duties, the Trustee's team of professionals has conducted an investigation that is summarized in this Final Report, as well as in prior reports filed by the Trustee that are referred to below and incorporated by reference herein.

I. INTRODUCTION

1. The following are just some of the many highlights of this liquidation, which has now reached its conclusion: 100 percent customer recoveries to over 111,000 customers ($106 billion); 100 percent secured, administrative and priority creditor recoveries; a 41.2841 percent floor for general unsecured creditor recoveries[1]; $115 billion distributed to over 115,000 of LBI's former customers and creditors; $123 billion in assets and over 28,600 general creditor and customer claims administered, all at no cost to SIPC or U.S. taxpayers.

2. These are remarkable by any objective measure. When SIPC commenced this liquidation nearly fourteen years ago – at a time when U.S. financial markets collapsed and caused one of the greatest financial crises in our nation's history – they were unthinkable. Indeed, at that time, the LBI estate had no liquid assets and temporarily required a $10 million

[1] The ultimate recovery to holders of allowed general unsecured claims that participated in the Voluntary Supplemental Distribution was 41.6065 percent.

advance from SIPC, which was later paid back in full. Now, the LBI estate has been fully administered with the outstanding results highlighted above, and it is time to close the estate.

3. Fourteen years is a long time for a case, and general creditors unfortunately suffered billions of dollars in losses. However, this was no ordinary case; rather, it was the largest SIPA liquidation ever and one of unprecedented complexity amidst the worst economic crisis since the Great Depression, and the recoveries to general creditors far exceeded any reasonable estimate when the liquidation commenced. The SIPA Proceeding dealt with numerous complex issues – many of first impression that established key precedents for future SIPA proceedings – and 76 parallel affiliate proceedings involving hundreds of affiliates in 16 jurisdictions around the world and affiliate settlements that exceeded $100 billion. It also involved the administration of over 15,000 general creditor claims, many of which required contested litigation and appeals.

4. This Final Report summarizes the conclusion of the liquidation. It also explains the principal reasons that, despite dim prospects of a return on allowed unsecured claims in the early years of the liquidation, unsecured general creditors ultimately received at least 41.2841 percent of the allowed amount of their claims after customer claims, administrative claims, secured claims and priority claims were paid in full. Following the creation and implementation of the Liquidating Trust (defined below) and abandonment of residual assets and issuance of this Final Report, the Trustee will move to close the LBI estate and dissolve LBI.

5. While this Final Report appropriately summarizes fourteen long years of estate administration, as the estate closes it has perhaps never been clearer how much the hours immediately prior to LBI's liquidation impacted LBI general creditor returns. Indeed, losses

suffered by LBI's general creditors were largely driven by events that immediately preceded and therefore informed the Trustee's appointment – specifically, the Barclays-LBHI sale transaction and the transfer by LBHI of all of LBI's subsidiaries to LBHI's subsidiary, Lehman ALI Inc, in exchange for PIK Notes. These transactions are described below and in the Trustee's prior reports filed in this SIPA Proceeding.

6. The results of this case are a testament to the hard work, dedication and perseverance of the Court (Judges James M. Peck and Shelley C. Chapman and their respective clerks and staff), SIPC, thousands of professionals, and numerous regulatory agencies, including, without limitation, the SEC, the FRBNY, CFTC, FINRA, and the British Financial Services Authority. These totals also definitively demonstrate that the SIPA process works. The Trustee is extremely proud of the achievements in this case, and is even more grateful to the foregoing individuals, without whom these results would not have been possible.

7. This Final Report supplements and is not meant to duplicate the numerous other reports previously filed throughout the liquidation, all of which are incorporated by reference, including but not limited to: a Preliminary Investigation Report,[2] a Preliminary Realization Report,[3] twenty-six Interim Reports covering successive six-month periods,[4] and the Trustee's

[2] Trustee's Preliminary Investigation Report and Recommendations dated August 25, 2010 (ECF No. 3604) (the "Preliminary Investigation Report").

[3] Trustee's Preliminary Realization Report as of December 31, 2014 dated February 23, 2015 (ECF No. 11363) (the "Preliminary Realization Report").

[4] The Trustee's first interim report (ECF No. 1151) covered the period from September 19, 2008 through May 29, 2009. The Trustee's second interim report (ECF No. 2055) covered the period from May 30, 2009 through November 11, 2009. The Trustee's third interim report (ECF No. 3244) covered the period from November 12, 2009 through May 10, 2010. The Trustee's fourth interim report (ECF Nos. 3842, 3864 (Notice of Correction)) covered the period from May 11, 2010 through October 26, 2010. The Trustee's fifth interim report (ECF No. 4245) covered the period from October 27, 2010 through April 22, 2011. The Trustee's sixth interim report (ECF No. 4657) covered the period from April 23, 2011 through October 21, 2011. The Trustee's seventh interim report (ECF No. 5035) covered the period from October 22, 2011 through April 20, 2012. The Trustee's eighth interim report (ECF No. 5394) covered the period from April 21, 2012 through October 24, 2012. The Trustee's ninth interim

2016 and 2018 State of the Estate presentations.[5] These reports and presentations, along with a complete docket, other progress updates, and substantial other information about this liquidation, are available on the Trustee's website, www.lehmantrustee.com.

II. PROCEDURAL BACKGROUND AND APPOINTMENT OF THE TRUSTEE

8. On September 15, 2008, Lehman Brothers Holdings Inc. ("LBHI") and certain of its subsidiaries, excluding LBI, commenced voluntary cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). On the same day, Lehman Brothers International (Europe) ("LBIE"), Lehman's principal European broker-dealer, entered administration in the U.K.

9. The commencement of the insolvency proceedings of the corporate parent, LBHI, substantially limited the daily funding sources of those LBHI affiliates and LBI subsidiaries that

report (ECF No. 6527) covered the period from October 25, 2012 through June 14, 2013. The Trustee's tenth interim report (ECF No. 8250) covered the period from June 15, 2013 through February 14, 2014. The Trustee's eleventh interim report (ECF No. 9839) covered the period from February 15, 2014 through September 9, 2014. The Trustee's twelfth interim report (ECF No. 11876) covered the period from September 10, 2014 through April 30, 2015. The Trustee's thirteenth interim report (ECF No. 12960) covered the period from May 1, 2015 through October 30, 2015. The Trustee's fourteenth interim report (ECF No. 13545) covered the period from October 31, 2015 through April 28, 2016. The Trustee's fifteenth interim report (ECF No. 13941) covered the period from April 29, 2016 through October 31, 2016. The Trustee's sixteenth interim report (ECF No. 14244)) covered the period from October 1, 2016 through March 31, 2017. The Trustee's seventeenth interim report (ECF No. 14431) covered the period from April 1, 2017 through September 30, 2017. The Trustee's eighteenth interim report (ECF No. 14566) covered the period from October 1, 2017 through March 31, 2018. The Trustee's nineteenth interim report (ECF No. 14760) covered the period from April 1, 2018 through September 30, 2018. The Trustee's twentieth interim report (ECF No. 14906) covered the period from October 1, 2018 through March 31, 2019. The Trustee's twenty-first interim report (ECF No. 15018) covered the period from April 1, 2019 through September 30, 2019. The Trustee's twenty-second interim report (ECF No. 15094) covered the period from October 1, 2019 through March 31, 2020. The Trustee's twenty-third interim report (ECF No. 15162) covered the period from April 1, 2020 through September 30, 2020. The Trustee's twenty-fourth interim report (ECF No. 15243) covered the period from October 1, 2020 through March 31, 2021. The Trustee's twenty-fifth interim report (ECF No. 15288) covered the period from April 1, 2021 through September 30, 2021. The Trustee's twenty-sixth interim report (ECF No. 15355) covered the period from October 1, 2021 through March 31, 2022. These twenty-six interim reports are collectively referred to as the "Interim Reports".

[5] LBI State of the Estate Presentation, dated Aug. 16, 2016 (ECF No. 13781); LBI State of the Estate Presentation, dated Sept. 17, 2018 (ECF No. 14670).

remained in operation as of September 15, 2008. As a result, LBI was only able to continue its operations by borrowing approximately $45 billion (backed by collateral valued much greater than that) from the Federal Reserve Bank of New York starting on Monday, September 15, 2008.

10. On September 19, 2008 (the "Filing Date"), on the application of the Securities Investors Protection Corporation ("SIPC"), the Honorable Gerard E. Lynch, then a U.S. District Judge for the Southern District of New York, entered an *Order Commencing Liquidation* pursuant to the provisions of SIPA (the "LBI Liquidation Order").[6]

11. The LBI Liquidation Order, among other things, (i) appointed James W. Giddens as Trustee for the liquidation of LBI's business pursuant to SIPA § 78eee(b)(3); (ii) appointed Hughes Hubbard & Reed LLP ("HHR") as counsel to the Trustee pursuant to SIPA § 78eee(b)(3); and (iii) removed the case to this Court pursuant to SIPA § 78eee(b)(4) (the "SIPA Proceeding").

12. On the Filing Date, the Trustee was confronted by a multitude of issues, including among others:

- Over 110,000 customer accounts with an aggregate value of over $100 billion that needed to be transferred as quickly as possible to avoid catastrophic market disruption;
- The pre-negotiated sale of substantially all of LBI's U.S. brokerage assets (but not all liabilities and not all accounts) to Barclays Capital Inc. ("Barclays");
- Competing claims between the Trustee, Barclays, LBIE, LBHI and other Lehman affiliates to various assets, employees, systems and other basic information;
- Massive claims and assets in omnibus accounts with LBIE subject to different insolvency regimes and legal rules, different filing dates, and a lack of information regarding the accounts;
- Billions of dollars of assets held at various depositories around the globe that

[6] *Securities Investor Protection Corp. v. Lehman Brothers Inc.*, Case No. 08-CIV-8119 (GEL) (ECF No. 1).

needed to be marshalled;

- Billions of dollars of LBI proprietary financial transactions that needed to be unwound; and
- Tens of thousands of potential customer and general creditor claims for billions of dollars.

13. The early administration of the SIPA Proceeding was also marked by chaotic conditions that the Court termed the "Fog of Lehman." This referred to the challenges caused by huge gaps in available information, general market unpredictability, various administrative obstacles, and the lack of prompt transparency into counterparty actions following the commencement of the SIPA Proceeding.

14. Specifically, the Trustee faced the following hurdles upon his appointment, among others, which hamstrung the early administration of the LBI estate:

- The need to create a staff and an office from scratch, as LBI's former employees and offices were transferred to Barclays as part of the Barclays asset purchase agreement;[7]
- Limited access to vital information and systems that were required to administer the estate and transfer customer accounts (much of this information and many of these systems were controlled by known or potential adversaries such as Barclays, LBIE, or LBHI and its affiliates);
- The liquidation of collateral by third parties with limited notice to the Trustee, limited transparency into the liquidation process, and limited certainty as to the outcome of the liquidation of such collateral;
- Limited to non-existent access to LBI's assets or accounts at various financial institutions, and limited or partial information on the status and balance of such assets and accounts; and

[7] The Trustee's professionals were housed in a fully operational and staffed New York City office within walking distance of the Court and HHR to facilitate the review of claims, respond to inquiries from claimants and other parties, and otherwise administer the estate. Unlike most liquidations in the over fifty-year history of the SIPA statute, the Trustee did not inherit the broker-dealer's premises on the Filing Date. Lehman's main New York City offices were sold to Barclays. As a result, the Trustee built from the ground up a fully functioning office from which he could access hundreds of systems containing in excess of 90 billion records of data. The Trustee also established a secure, fully operational data center at his offices in New York City. The data center housed the data migrated from the Barclays systems, as well as scanned versions of critical hard copy (i.e., paper) records. The Trustee retained and trained an IT staff to operate his data center.

- An unwillingness or inability by some foreign affiliates to coordinate on key matters, including the unwinding of financial transactions or information sharing.

15. Immediately upon and since the Filing Date, the Trustee and his professionals have worked tirelessly to address these and the many other complexities that arose in the SIPA Proceeding, ultimately culminating in the extraordinarily favorable outcomes and recoveries described herein.

III. THE TRUSTEE'S INVESTIGATION

16. The Trustee conducted a detailed investigation into the events and transactions that precipitated the collapse of Lehman, including the review of hundreds of thousands of documents and interviews of over 300 former LBI personnel. The results of that investigation are detailed in the Preliminary Investigation Report, which is the Trustee's authoritative analysis of the causes of LBI's collapse and lessons learned from it.

17. The Preliminary Investigation Report addressed the broad topics of (i) the causes of LBI's demise and the events and transactions that preceded it, (ii) challenges that have arisen in the largest broker-dealer liquidation in history, (iii) lessons learned from the LBI liquidation and legislative, regulatory, and (iv) policy recommendations for the future. The findings and recommendations in the Preliminary Investigation Report, as supplemented by the Trustee's 2016 and 2018 State of the Estate presentations to the Court, remain true today.

18. As detailed in the Preliminary Investigation Report, LBI was largely well run from an operational standpoint and in terms of compliance with the regulatory regime for the protection of retail customers and customer assets until the last weeks of its existence when both internal and external operational factors compromised transparency into LBI's actual financial condition. Despite the risks assumed and problems encountered by certain other parts of the

Lehman enterprise, the regulatory regime applicable to LBI worked well. It allowed transfer of over 110,000 accounts simultaneously with the SIPA filing and has resulted in 100 percent distributions on all remaining customer claims. The crisis circumstances within which the liquidation commenced, however, the unfavorable (to LBI) terms of the Barclays sale transaction, which are highlighted below, and the unanticipated consequences of the worldwide Lehman enterprise atomizing into multiple, different legal proceedings around the world have resulted in billions of dollars of losses for LBI's general creditors.

19. The first cause of losses to the LBI estate are some of the terms of the emergency transaction negotiated between LBHI and Barclays (prior to the Trustee's appointment), set forth in an asset purchase agreement (the "Barclays APA" and, such transaction, the "Barclays APA Transaction"). In the days and hours prior to the Trustee's appointment on September 19, 2008, LBHI, as LBI's sole shareholder, and Barclays negotiated and entered into an agreement to purchase substantially all of LBI's assets (and an amendment thereto). The parties (including the Trustee, after his appointment) subsequently executed the so-called "clarification letter" on the morning of the closing of the acquisition on September 22, 2008. Although the Trustee monitored the negotiations of the clarification letter over the weekend of September 20-21, 2008, due to the practical exigencies existing at the time, including the Trustee's recent appointment, the clarification letter was negotiated by LBHI and Barclays.

20. It was the almost universal view at the time, including of federal regulators, that it was critical to avoid a piecemeal liquidation of the LBI estate and to ensure the orderly transfer of LBI's customer accounts and workforce. An immediate transaction with Barclays was viewed as the only means available to achieve these goals – which were largely achieved. There subsequently has been much dispute – and extensive litigation – over exactly what was disclosed

to, and understood by, the Lehman board and the Court at the time with respect to the fundamental economics of the Barclays APA (both in its original form and as modified and "clarified" by the clarification letter), and the degree of risk to Barclays in consummating the Barclays APA Transaction during a time of extreme distress and turbulence in the financial markets, in particular in relation to securities, financial positions and arrangements that were transferred to, and assumed by, Barclays.

21. The Barclays APA Transaction was undertaken in some of the most dire circumstances in our nation's financial history. It enabled a significant portion of LBI's customers to transition to a new, solvent broker-dealer, offered the prospect of continued employment to several thousand former Lehman personnel, and relieved the general estate of approximately $2.4 billion of potential claims.

22. In the midst of the collapse of Lehman and the other shocks to the financial systems that took place in September 2008, it was not clear how beneficial the Barclays APA Transaction would be to Barclays. While there were important benefits at a time of great uncertainty, with the benefit of hindsight, there is no question that the terms of the agreement had a negative impact on the LBI estate. The terms of the sale resulted in the transfer to Barclays of nearly $12 billion that otherwise would be available for the general estate. The effect of these losses extends beyond LBI to the entire Lehman enterprise (and therefore creditors of other Lehman affiliates), because LBI's affiliates were customers, creditors, debtholders and, in the case of LBHI, equity holders of LBI.

23. Three additional factors contributed to these losses. First, despite being largely well run from an operational and regulatory compliance perspective, LBI experienced multiple

operational issues and regulatory compliance failures in the weeks preceding the Filing Date. These operational issues and compliances failures are detailed in the Preliminary Investigation Report and the Trustee's two allocation motions[8], which are incorporated by reference herein.

24. Second, some significant differences exist in the legal regimes between countries such as the U.K. and the U.S. The sudden separation of entities that had previously participated in integrated worldwide financing transactions led to the creation of often anomalous claims and obligations by administrators and estate representatives with fiduciary duties to separate constituencies governed by different and sometimes conflicting rules.

25. Third, the holding company's implementation of the sale of virtually all LBI subsidiaries in exchange for two payment-in-kind notes of nominal value and security agreements entered into between Lehman ALI and LBI on September 19, 2008 (the "PIK Notes"), immediately prior to the commencement of the SIPA Proceeding and thus prior to the Trustee's appointment, stripped the LBI estate of significant apparent balance sheet value.

26. The Trustee sought to recover the amounts due to LBI under the PIK Notes. Pursuant to the PIK Notes, LBI transferred certain of its direct subsidiaries and intellectual property to Lehman ALI, and Lehman ALI agreed to pay to LBI an amount equal to the fair market value of the stock and other equity ownership interests of the transferred subsidiaries and intellectual property as of the Filing Date plus interest.

27. As part of the Trustee's settlement with LBHI, the Trustee's claims relating to this transaction and the value of the PIK Notes were settled for an amount totaling $350 million,

[8] *See* Motion for Order Approving Trustee's Allocation of Property of the Estate (ECF No. 1866); Second Motion for Order Approving the Trustee's Allocation of Property (ECF No. 4760).

which amount was then assigned to certain of the LBHI entities in lieu of cash distributions from the LBI estate on a portion of their allowed customer claims for cash.

28. To put in context the potential magnitude of the value of these subsidiary transfers, two of the more significant LBI subsidiaries, Lehman Brothers Special Financing Inc. and Lehman Commercial Paper Inc., distributed over $35 *billion* to creditors in their respective chapter 11 liquidation proceedings. While these figures would have been offset to some extent by elimination of corresponding liabilities, there is no doubt that the transfer of these subsidiaries from LBI materially impacted LBI creditor recoveries. In the event that these entities remained LBI subsidiaries, their liquidation proceedings may have been administratively consolidated with the SIPA Proceeding, which could have resulted in enhanced creditor recoveries; instead, LBI only received the comparatively valueless PIK Notes.

29. It is true that the LBI estate may not have been in a position to maximize the value of many of these subsidiaries or their assets because a SIPA proceeding is necessarily a liquidation and not a reorganization. It is also true that some compensation for risk and protection against the uncertainty of calamitous losses and obligations may need to be provided to a purchaser of some or all customer accounts such as Barclays. It nevertheless appears, given the magnitude of claims filed against the LBI customer and general estates by affiliates and others, that viable account transfers and the other steps necessary for a viable SIPA liquidation could have been achieved with less transfer of value.

30. The Barclays APA Transaction and the transfer of LBI's subsidiaries described above were put in place without any fiduciary in place for LBI. While future liquidations will undoubtedly be of different scale and scope and face their own unique challenges, as the Trustee

has recommended to the Court, regulators, and Congress, consideration should be given to a SIPA Trustee and/or SIPC having some role in pre-liquidation planning if not consent over the disposition of the broker-dealer's assets in the days and weeks prior to liquidation, in the event liquidation is (as it was here) the path to enable the transaction, and therefore inevitable.

31. This recommendation, naturally, flows from the perspective of maximizing broker-dealer creditor returns, and should equally be balanced against the resolution of the broader failed enterprise. Indeed, in this circumstance, creditor returns across the entirety of the Lehman proceeding have been remarkable and, in that sense, in Lehman the right balance was in fact well achieved due to the extraordinary efforts of thousands of professionals and the sound oversight of the Court. Future financial failures will be different, and other estates may not be as fortunate in achieving the balance achieved in Lehman.

32. Based on the Trustee's investigation, Sections VIII and IX of the Preliminary Investigation Report identified a number of lessons learned and cautionary tales from Lehman's collapse, and made a number of recommendations for reform for future SIPA liquidations. Reference is made to the Preliminary Investigation Report for a detailed description of those recommendations, which can be summarized as follows:

- More pre-liquidation broker-dealer disaster planning, both on an individual broker-dealer and industry-wide basis, including what a broker-dealer's "living will" and emergency plan should include to alleviate the type of information gap that confronted the Trustee in the early days of LBI's liquidation;

- Pre-liquidation negotiations and provisions on mechanics of asset transfers, with specific attention paid to provisions for access to assets, information systems and people, including a possible requirement of judicial findings on some of these issues prior to approval of transactions and extending the time for settling transactions after the filing date;

- Balancing the safe-harbor rights of clearing banks and others against the need for transparency and respect for broker-dealers' obligations to segregate customer

property in order to prevent denial of access to screens and seizure of that which should be segregated customer property;

- Improvement of clearing agencies' emergency rules and operations;
- Increasing SIPC's financial resources and borrowing authority;
- Statutory reform to address issues related to Trustee's standing to assert claims for the recovery of customer property on behalf of former customers;
- Recommendations for short-term reinstatement of the automatic stay with provision for SIPC and a SIPA trustee to consent to relief to permit prompt liquidation of collateral and return of excess or marking to market to cure deficiencies;
- Rational rules for unwinding outstanding non-customer financial transactions[9]; and
- Establishing protocol for affiliate meetings to resolve cross-border claims, and promote frequent meetings with other creditor groups and regulators.

33. The Trustee also served on the SIPC Modernization Task Force along with several other investor advocates, regulatory specialists, and academic experts. The Task Force issued a report in February 2012 that included 15 recommendations on how to amend and improve SIPA based on lessons learned from the Lehman liquidation and other recent SIPA cases, including, among other things:

- Increasing SIPC's maximum coverage from $500,000 to $1.3 million and tying future coverage limits to inflation, which would increase the protection for customers to the level necessary to protect non-professional investors;
- Eliminating the distinction between claims for cash and claims for securities to resolve the potential disparate treatment of customers and to increase the amount of protection available to customers of broker-dealers; and
- Promoting greater international cooperation to address gaps between protections afforded customers in U.S. and foreign countries, such as the U.K., arising largely from differences in insolvency laws and the absence of clear legal precedent.

(*See* Report and Recommendations of the SIPC Modernization Task Force, https://www.sipc.org/media/news-releases/Final%20Report%202012.pdf.)

[9] *Order, Pursuant to Section 105(a) of the Bankruptcy Code, Approving and Authorizing Procedures to Unwind, Close-Out and Reduce to Cash Receivables Owed By Trading Counterparties* (ECF No. 2078), entered November 19, 2009.

34. One of the main lessons of the Lehman Brothers bankruptcy is simple: there will be another failure of a large financial institution. While the exact cause of that failure may presently be unknown, no law will prevent all causes of future financial institution collapses. In addition, while not present in LBI's case, fraud or deception (e.g. Madoff) is the wild card that can never be eliminated. It is therefore important for the people who will be involved in the next crisis to plan for it now. Concerted effort should be in place to be sure that the response teams of foreign and domestic agencies are known to each other and that they develop strategies to respond rapidly to future financial institution collapses.

35. In the ensuing decade since the Preliminary Investigation Report, perhaps the biggest recent lesson is one with which all lawyers are familiar: that litigation is timely, costly, and can substantially hold up payment of claims. Here, much of the past seven years has been spent addressing appeals by claimants that remained tied up in the court system. Indeed, appeals by a single group of claimants advancing novel theories of law delayed the closing of the LBI estate by multiple years even though their claims were ultimately denied as meritless.

36. Short of the establishment of deadlines within which to resolve appeals in SIPA liquidations – an unlikely outcome – there is no easy solution to this roadblock. Although these contested claims litigations and appeals delayed interim and final distributions to creditors, the Trustee was able to identify additional assets during the past seven years, such as the unclaimed property, remnant bank account balances, and the securities and antitrust class action claims described below, which have enhanced creditor recoveries.

37. Further consideration should be given to the establishment of a special branch of the judiciary, schooled in financial matters and crises of the recent past. As was the case here,

under any future financial insolvency, the judiciary is likely to play a central part. However, unlike here, a future SIPA liquidation may not be assigned judges as extremely well versed in financial matters as Judges Peck and Chapman. The financial acumen of Judges Peck and Chapman was a substantial benefit to the administration of the SIPA Proceeding, but there is no guarantee that future judges assigned to SIPA cases will share the same expertise in the complex financial matters in a similar case.

38. Finally, the lesson of this proceeding is that SIPA regime for broker-dealer resolution works well. While regimes for resolution of other types of financial firms in the U.S. and of firms of all types around the world have seen sweeping revisions over the 52 years since the enactment of SIPA, amendments to the SIPA statute have been relatively rare and appropriately surgical. Indeed, revisions to SIPA have often been driven by the need to align with other statutes and rules that separately required reform.

39. This resiliency is testament not just to the intent and original text of the statute, but also to SIPC, which, through its employees, continues to steadfastly uphold SIPA's principles of customer protection in court, before Congress, with regulators, and through countless interactions with customers, creditors, and their representatives.

40. The failure of Madoff and Lehman Brothers within weeks of one another was arguably the brokerage industry's greatest challenge, and the framework established by SIPA has ably met that challenge.

IV. REALIZATION OF ESTATE ASSETS

41. An important aspect of concluding a SIPA proceeding is assessing what assets were available for customers and creditors on the Filing Date versus the assets administered, or

realized, by the Trustee during the course of the case.

42. Here, the administration of the LBI estate began with literally nothing, and indeed a significant asset deficit that required a $10 million advance from SIPC to cover initial administrative expenses (which was paid back shortly thereafter). Today, because of the Trustee's efforts, $123 billion of assets have been administered; the SIPC advance was long ago repaid; the full value of customer property was realized without recourse to the SIPA fund; and a substantial portion of the book value of LBI's assets was realized. This was achieved despite losses on the Barclays APA Transaction, billions of dollars of overvalued assets, and limited realization of receivables from Lehman affiliates.

43. LBI's final balance sheet as of June 30, 2022 is attached as Exhibit A. A final realization report detailing the net realized value of LBI estate assets for the period of January 1, 2015 through June 28, 2022 is attached as Exhibit B (the "Final Realization Report").

44. This section summarizes some of the LBI estate's significant asset recoveries, which are detailed throughout many of the Trustee's twenty-six Interim Reports, the Preliminary Realization Report, the Final Realization Report and the Trustee's 2016 and 2018 State of the Estate presentations.

A. Marshalling of Customer Property

45. The Trustee's transfer of customer property involved substantial asset marshalling. Marshalling of customer property was not preordained. Rather, it required enormous emergency efforts by the Trustee, his professionals, and SIPC, together with cooperation from some of the most sophisticated financial firms in the industry. The Trustee's extensive efforts included, among other things: identification and collection of customer

securities and cash, collection and centralization of scores of bank accounts and other deposits, pursuing thorough accountings from and otherwise investigating setoffs or seizures and liquidation of collateral by LBI's clearing banks and organizations, reviewing intercompany balances and claims, including the PIK Notes, and closure and sale of offices. Some of the Trustee's major customer property marshalling efforts are described below.

46. In total, the Trustee's efforts resulted in the transfer of over **$92.3 billion** in assets to former LBI customers within a matter of weeks after the Filing Date. To complete the account transfers, the Trustee (i) transferred available securities from LBI's various custodial banks to the affected customers' broker-dealers, (ii) transferred cash from available reserves for the benefit of various customers, or directly to them, and (iii) used cash reserves to purchase missing securities for ultimate delivery to customers' broker-dealers. In these times of significant financial distress, "available assets" had a meaning that was anything but available: the Trustee coordinated among regulators in the U.S. and abroad to clear the pathways for the underlying assets to transfer. And the Trustee negotiated extensively with banks, custodians, and transfer agents to move customer property to the proper location.

47. Within hours of commencement of this SIPA proceeding, the Trustee and his professionals, with the assistance of SIPC and regulatory agencies, began the process of identifying and transferring customer property. This included the agreed upon transfer of LBI's Private Investment Management ("PIM") accounts to Barclays pursuant to the Barclays APA Transaction, and the conversion of clearing services for Neuberger Berman's Private Asset Management ("PAM") accounts to Ridge Clearing & Outsourcing Solutions, Inc. ("Ridge").[10]

[10] Prior to LBI's liquidation, LBI served as Neuberger Berman's clearing broker under a May 2004 agreement. Shortly after LBHI's bankruptcy filing and as LBI's liquidation became foreseeable, Neuberger Berman negotiated to transfer its clearing services to Ridge. Though not yet formally appointed, the Trustee collaborated with

48. Within days, the Trustee converted over 38,000 PAM accounts to Ridge, valued at **$45.5 billion**. Simultaneously, beginning September 23, 2008, the Trustee also successfully executed the transfer of over 72,000 PIM accounts, valued at **approximately $43.2 billion**, to Barclays. The PIM and PAM account transfers converted over 110,000 accounts representing approximately $88.7 billion in assets (in Filing Date value).

49. The swift transfer of these PIM and PAM accounts allowed these customers to resume trading activity almost immediately and eliminated the need for them to file customer claims. It also saved the LBI estate significant amounts in connection with the costs that would have needed to be incurred to evaluate these claims had they been filed.

50. The swift transfer also masked the immensity and complexity of transferring $92 billion of custodial assets from a failed broker dealer. While customers at Neuberger Berman and Barclays saw account statements with full securities availability, the reality was that many of the assets were stuck at legacy LBI custodians and banks and were not released to Neuberger Berman and Barclays for many months with the Trustee using marshalled estate cash to purchase hundreds of millions of dollars of securities that were missing or could not timely be released from the legacy LBI depositories. Indeed, while the bulk of the underlying assets had made their way to the proper location within a year of LBI's collapse, the tail of the account transfers lasted several years with respect to less liquid securities and securities at foreign jurisdictions.

51. The Trustee and his professionals also undertook a complex process to transfer prime brokerage accounts to the account holders' new broker-dealers. This process – described in detail below – included complex tasks of determining account holdings, sourcing segregated

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Neuberger Berman and Ridge with input from various federal regulators to assure that the conversion of clearing services would be seamless and have a minimal effect, if any, on Neuberger Berman's account holders.

assets from LBI depositories, reconciling these positions with account holders, and ultimately transferring available assets to the account holders' new broker-dealers. Beginning in mid-October 2008 the Trustee completed the transfer of 287 prime brokerage accounts totaling over **$3.5 billion** (in Filing Date value) to various broker-dealers.

52. The Trustee also worked closely with foreign depositories to effect the release and transfer of customer property. This involved a multiyear process that allowed for the marshalling of assets abroad.

53. The Trustee also recovered **$350 million** on account of the PIK Notes pursuant to a settlement described above.

B. Asset Sales

54. Consistent with his goal to maximize the value of the LBI estate, the Trustee implemented a strategy to liquidate the assets of the estate that were not set aside for customers in order to generate cash to satisfy general creditor claims.

55. Significant categories of asset sales conducted by the Trustee include:

- **Liquid Securities Sales**: The Trustee retained BlackRock Financial Management Inc. to assist with the sale of more liquid securities, which resulted in the execution of over 9,000 trades of 4,200 unique CUSIPs, totaling more than **$7 billion** in sale proceeds;

- **Illiquid Securities Sales**: The Trustee retained Miller Buckfire & Co. LLC to assist with the sale of less liquid or illiquid securities, resulting in the sale through a series of 11 public auctions of 2,274 securities and the receipt of sale proceeds totaling **$437 million**; and

- **Other Sales**: Other significant sales by the Trustee include the sale of (i) LBI's interest in Navigator Holdings Ltd. for **$110 million**; (ii) LBI's interest in certain Invicta Notes for **$57 million**; and (iii) LBI's allowed claim against Lehman Brothers Europe Limited for **£35 million**.

C. Significant Asset Recoveries

56. Some of the major assets recovered by the Trustee's marshalling efforts include:

- **Unwinds**: Recovered **$4.8 billion** from the unwinding of LBI financial product transactions;
- **DTCC**: Negotiated return of over **$2.5 billion** in connection with the wind-down and close out of LBI's accounts at the DTCC and the collection of post-petition accruals on securities;
- **JPMorgan Chase**: Negotiated settlement resulting in recovery of **$860 million**;
- **Lehman Affiliate Recoveries**: Recovered over **$600 million** from former Lehman affiliates as a result of allowed claims and settlements;
- **Citibank**: Negotiated settlement resulting in recovery of **$360 million**;
- **RBS**: Negotiated settlement resulting in recovery of **$215 million**;
- **Securities and Antitrust Class Action Claims**: Recovered over **$68 million** to date plus additional pending claims being assigned to the LBI Liquidating Trust (the "Liquidating Trust");
- **Customer Receivables**: Recovered over **$54 million** of open and unsettled customer receivables; and
- **UBS**: Obtained order compelling turnover of more than **$23 million**.

D. Estate Investments

57. Through the efforts of the Trustee's professionals, the LBI estate earned over **$216 million** in interest on estate investments made throughout the SIPA Proceeding.

E. Miscellaneous Asset Recoveries

i. Tax Refunds

58. In addition to obtaining refunds that led to reduced tax claim exposure through the

exercise of setoff rights by taxing authorities, the Trustee's professionals obtained cash proceeds from tax refunds totaling approximately $6.3 million.

ii. Preference Claims

59. In furtherance of the Trustee's investigation, the Trustee's professionals investigated and pursued numerous preference claims on behalf of the LBI estate. The Trustee has recovered approximately $5.623 million because of these preference claims. In accordance with the *Stipulation and Order between LBHI and the Trustee With Respect to Joint Claims Asserted and Joint Adversary Proceedings Commenced Pursuant to Bankruptcy Code Sections 544, 547, 548 and 550* (ECF No. 3664), the Trustee and LBHI conferred regarding settlements affecting both LBI's and LBHI's interests in preferential transfers.

iii. Unclaimed Property

60. The Trustee's professionals pursued claims nationwide for unclaimed property in the possession of various states. Since commencement of the liquidation, unclaimed property recoveries total approximately $26 million.

iv. Remnant Bank Account Balances

61. In furtherance of their recovery efforts, the Trustee's professionals commenced an outreach program to numerous major banks, depositories, mutual fund groups, and proxy agents requesting that they conduct a final sweep of their accounts and transfer to the Trustee any and all LBI or predecessor firm property. These efforts resulted in the recovery of additional residual legacy LBI property.

V. THE CLAIMS PROCESS & DISTRIBUTIONS[11]

A. Customer Estate Administration

62. The administration of the customer estate was completed in 2017, with allowed claims receiving 100 percent recoveries. The Trustee received approximately 125,000 customer claims through the SIPA account transfer and customer claims processes seeking the return of nearly $180 billion in cash and securities.

63. The Trustee began his stewardship of the LBI estate by transferring more than 110,000 accounts to other institutions, allowing former LBI customer access to over $92.301 billion in assets in a matter of weeks after the Filing Date. Specifically, the Trustee transferred 72,527 accounts totaling approximately $43.2 billion to Barclays, 38,106 accounts totaling approximately $45.5 billion to Neuberger Berman, and 287 prime brokerage accounts (described further below) totaling over $3.5 billion to various other broker-dealers.

64. These prompt customer account transfers allowed for the expeditious resolution of over 99 percent of customer accounts, helped avoid market disruption, and provided ready

[11] On November 7, 2008, the Court entered the *Order Approving Form and Manner of Publication and Mailing of Notice of Commencement; Specifying Procedures and Forms for Filing, Determination, and Adjudication of Claims; Fixing a Meeting of Customers and Other Creditors; and Fixing Interim Reporting Pursuant to SIPA* (ECF No. 241) (the "Claims Process Order"). Beginning on December 1, 2008, consistent with SIPA section 78fff-2(a)(1), the Trustee mailed more than 905,000 claims packages with filing information to former LBI customers and other potential claimants and posted claims filing information on the Trustee's website (www.lehmantrustee.com) and SIPC's website (www.sipc.org). The Trustee also published notice of the claims process in The New York Times, The Wall Street Journal, and The Financial Times. Pursuant to SIPA section 78fff-2(a)(3) and the Claims Process Order, customer claims seeking maximum protection under SIPA must have been received by the Trustee on or before January 30, 2009. All customer claims and general creditor claims must have been received by the Trustee by June 1, 2009 (the "Pre-Filing Bar Date"). In addition to the Pre-Filing Bar Date, on September 19, 2013, the Court entered the *Order Pursuant to Section 503(a) of the Bankruptcy Code and Bankruptcy Rule 3003(c)(3) Establishing the Deadline for Filing Requests for Payment of Certain Administrative Expenses and Procedures Relating Thereto and Approving the Form and Manner of Notice Thereof* (ECF No. 7288) (the "Initial Administrative Bar Date Order"). The Initial Administrative Bar Date Order established the bar date of October 31, 2013 for filing administrative expense claims arising from September 19, 2008 to and including August 31, 2013. The Court entered administrative bar date orders establishing supplemental deadlines for filing requests for payment of certain administrative expenses and procedures relating thereto and approving the form and manner of notice thereof, establishing bar dates for filing administrative expense claims arising from September 1, 2013 to and including December 31, 2021 (ECF Nos. 13926, 14523, 15114, 15324).

account access to LBI's former customers.

65. These account transfers proved invaluable to the estate, freeing administrative resources and allowing the Trustee to focus on a substantially reduced population of contested customer accounts. The Trustee accomplished these customer account transfers with basic information and limited access to LBI's systems, and without the assistance of former LBI employees. The immense project of gaining access to LBI's legacy accounts at its worldwide custodial locations and transferring the customer assets was accomplished without the hundreds of operational back office workers that had once supported LBI's business.

66. In October 2008, the Trustee entered the Protocol Regarding Prime Brokerage Arrangements, creating a consensual, voluntary process for the orderly transfer of prime brokerage accounts to operating broker-dealers by detailing the rules and procedures for reconciling accounts, closing out financial instruments and transferring account assets. The prime brokerage transfer process was larger and far more complicated than any prior SIPA liquidation to date. Despite these challenges, the Trustee's professionals effected the prime brokerage transfers under this protocol in a matter of months after the Filing Date. The protocol's success – and the Trustee's ability to deliver significant customer property to customers in advance of the claims process – is a testament to SIPA's power and the flexibility it affords to SIPA trustees, and the expertise of the Trustee and his professionals in executing the protocol in the best interest of LBI's former customers.

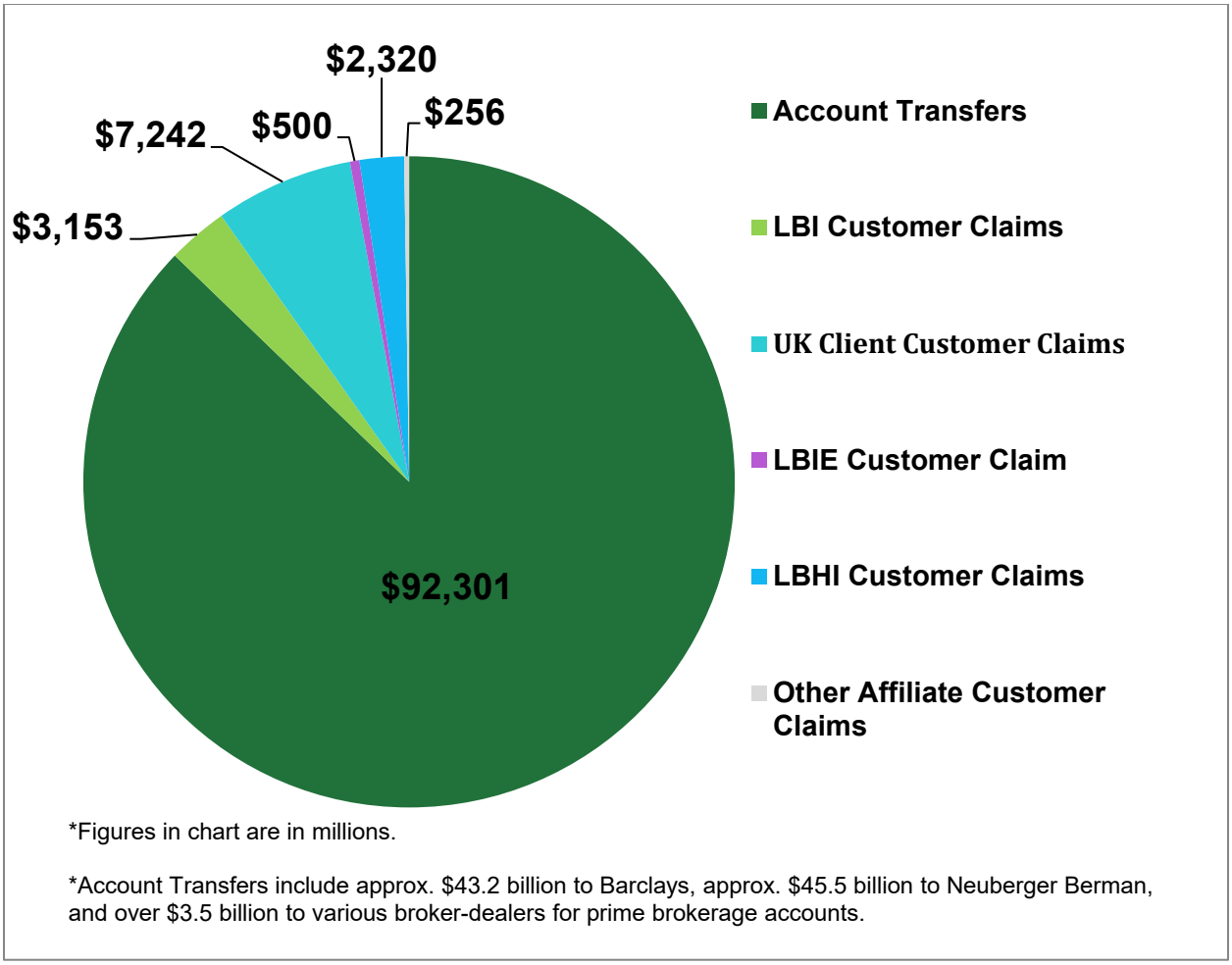
67. Under the Protocol Regarding Prime Brokerage Arrangements, the Trustee and his professionals transferred 287 accounts with a value of approximately $3.5 billion, amounting to 75 percent of LBI's prime brokerage business at the time of LBI's failure. At the outset of the

prime brokerage transfer process, the Trustee's expectations – based on the evaluation of frozen and seized accounts – were then only a minority amount of the prime brokerage assets would be returnable. The Trustee's professionals worked closely with SIPC, the SEC, the Financial Industry Regulatory Authority ("FINRA"), and SIFMA to identify and value available assets and effect their transfer to solvent broker-dealers of the account holders' designation. The Trustee's professionals worked individually with account holders to confirm account assets and liabilities and agree on transferable amounts and holdback for non-reconciled liabilities. Due to the complex nature of the account holders' trading and their participation in non-SIPA protected transactions, it was not simply a matter of transferring the entirety of the accounts. Assets related to the accounts were located at depositories domestically and worldwide and were not all immediately available. The Trustee negotiated with these depositories and clearing entities to make available billions in assets frozen initially, including cash collateral sweeps that imperiled LBI customer's access to these assets until the Trustee successfully negotiated for the release of the assets for the customers' benefit.

68. The Trustee then determined the more than 14,000 remaining customer claims, seeking $101.679 billion: the Trustee allowed or settled 1,011 claims for $13.472 billion (asserted amount $19.203 billion), expunged 7,092 claims (asserted amount $68.899 billion), and reclassified 4,227 customer claims as general creditor claims (asserted amount $13.578 billion).

69. The agreements settling all intercompany claims among LBI, LBHI, and LBIE, along with numerous other affiliate settlements, in conjunction with the Court's approval of the Trustee's allocation and distribution scheme, allowed the Trustee to distribute customer property in full satisfaction of allowed customer claims.

70. The Trustee achieved 100 percent distribution to LBI's former customers. The Trustee distributed a total of $105.773 billion to over 111,000 customers through the account transfer and customer claims processes. This figure includes the approximately $13.5 billion distributed to approximately 1,000 customers through the customer claims process in full satisfaction of all allowed claims. A chart illustrating these customer claim distributions follows:



71. The Trustee closed the customer estate in December 2017, after resolving the last remaining customer claim. The Trustee reallocated a total of $3.112 billion in excess customer property from the customer estate to the general creditor estate over the course of this SIPA Proceeding.

B. The Allocation Order

72. One of the key obstacles to the Trustee's ability to make general creditor distributions was the allocation of property between the customer estate and the general creditor estate. The particular challenges posed to the allocation between the customer estate and the general creditor estate in this SIPA Proceeding were, in part, matters of first impression in a SIPA liquidation. To address this roadblock, the Trustee's professionals sought and obtained Court approval for the allocation of approximately $25 billion dollars of cash and securities to the fund of customer property and to the general estate, and the establishment of a methodology for the treatment of post-petition dividends and interest (*Order Approving Trustee's Mot. for Allocation of Property of the Estate*, Mar. 2, 2010 (ECF No. 2743); *Order Granting Trustee's Second Motion for Order Approving the Trustee's Allocation of Property*, Apr. 16, 2013 (ECF No. 6023) (the "Allocation Order").) The Court authorized the Trustee to allocate free and clear to the fund of customer property securities or cash corresponding to failures by LBI to comply with its obligations under applicable laws, rules, and regulations to set aside or hold property for the benefit of customers.

73. The Allocation Order entered on April 6, 2013 fixed the aggregate fund of customer property by approving the allocation of $15.2 billion in cash and securities to the customer estate, and allowed the Trustee to make 100 percent distributions on allowed customer claims beginning on June 7, 2013, and to establish reserves on claims that were unresolved.

74. The Allocation Order also approved the Trustee's proposed distribution methodology, under which the Trustee satisfied allowed customer claims with in-kind securities or through cash-in-lieu of securities to the extent that securities were unavailable.

75. Pursuant to the Allocation Order, the Trustee was also directed to allocate and distribute to customers cash dividends and interest received by the LBI estate following the commencement of the SIPA Proceeding. Under the approved methodology, such post-petition dividends and interest "followed the security." Thus, customer claimants receiving in-kind delivery of securities (or cash proceeds of matured or redeemed securities) were also able to receive the cash generated by those securities that was received by the estate post-petition. This allocation, which was unprecedented in its complexity, paved the way for the Trustee to make 100 percent customer claim distributions and to make substantial distributions to the general creditor estate.

76. The Allocation Order established a key precedent of customer protection in keeping with SIPA section 78fff(a)(1) for future liquidations.[12] It adopted the longstanding, foundational principle that property from other sources may be allocated to customer property to satisfy demonstrated shortfalls in regulatory compliance to the extent necessary to satisfy customer claims.[13] By protecting customers' rights, the Allocation Order endorsed SIPA's primary goal and provided certainty and finality to the distribution process.

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[12] SIPA affords special protections to "customers," a class that includes:

> any person . . . who has a claim on account of securities received, acquired, or held by the debtor in the ordinary course of its business as a broker or dealer from or for the securities accounts of such person for safekeeping, with a view to sale, to cover consummated sales, pursuant to purchases, as collateral security, or for purposes of effecting transfer. The term "customer" includes any person who has a claim against the debtor arising out of sales or conversions of such securities, and any person who has deposited cash with the debtor for the purpose of purchasing securities . . . .

15 U.S.C. § 78lll(2). Specifically excluded from the customer class are persons whose claims arise out of transactions with a foreign subsidiary, or persons who claim cash or securities that form part of the capital of the debtor, or are subordinated to the claims of the debtor's creditors.

[13] *See also In re MJK Clearing, Inc.*, 286 B.R. 109, 132 (holding that any shortfall in customer property can be supplemented by certain assets that are otherwise property of the debtor's general estate).

C. General Creditor Estate Administration

77. Consistent with the Bankruptcy Code, once there was a reasonable prospect of recovery to the general creditor estate, the Trustee's professionals commenced its administration, which is also now complete. The Trustee and his professionals began an extensive and rapid general creditor claims administration process. The LBI general creditor claims review process was unlike any previous SIPA claims process. The Trustee's professionals reviewed, reconciled, and determined over 15,000 general creditor claims with an asserted value of $129 billion. Most of these claims arose from complex financial transactions or presented other unique legal issues.

78. The Trustee filed 275 omnibus objections to claims. Other than with respect to two late filed claims, which were promptly objected to and expunged, the Trustee filed his final omnibus objection on December 1, 2014, only 21 months after the general creditor settlement procedures were approved by the Court on March 1, 2013, and only 20 months after the Court's Allocation Order was entered on April 16, 2013. By June 1, 2015, other than with respect to later filed claims, the Trustee had filed all of his claim objections.

79. While the Trustee and his professionals made all reasonable efforts to resolve claims consensually, it was ultimately the disputed claims that required litigation – and in many of those cases, appeals – that significantly delayed the closure of the LBI estate, despite the Trustee's prompt filing of claims objections. Indeed, hundreds of claimants pursued multiple appeals up to the Second Circuit Court of Appeals that resulted in years of delay.

80. Determinations as to all general creditor claims against the LBI estate are now final. Approximately 15,000 general creditor claims were asserted for nearly $129 billion. The Trustee allowed or settled 4,813 general creditor claims for $22.9 billion, from an aggregate

asserted amount of $70.1 billion. Pursuant to orders of the Court, the Trustee expunged 10,052 general creditor claims with an initial aggregate asserted amount of $59.184 billion.

81. The Trustee utilized a combination of litigation and negotiation strategies in resolving the general creditor claims. On September 26, 2013, the Court entered the *Order Establishing Claims Hearing Procedures and Alternative Dispute Resolution Procedures for General Creditor Claims Pursuant to Section 105 of the Bankruptcy Code, Bankruptcy Rule 9014, and General Order M-452* (ECF No. 7351). In accordance with this Order, the Trustee participated in fourteen mediations and successfully resolved 57 claims because of those mediations.

82. On November 5, 2015, the Court entered the *Order to Establish (I) a Deadline of December 15, 2015 for Submission of Required Distribution Information By Specified General Estate Claimants and (II) Related Distribution Procedures* (the "Distribution Procedures Order," ECF No. 13039), establishing procedures for the Trustee to expunge waived allowed general creditor claims upon sixty days' notice.

83. Through nine separate interim distributions, the Trustee has distributed more than $9.636 billion from the general estate to LBI general creditors pursuant to nine orders entered by the Court. $261 million of this amount was paid to secured, administrative and priority creditors, with the balance being paid to general unsecured creditors.

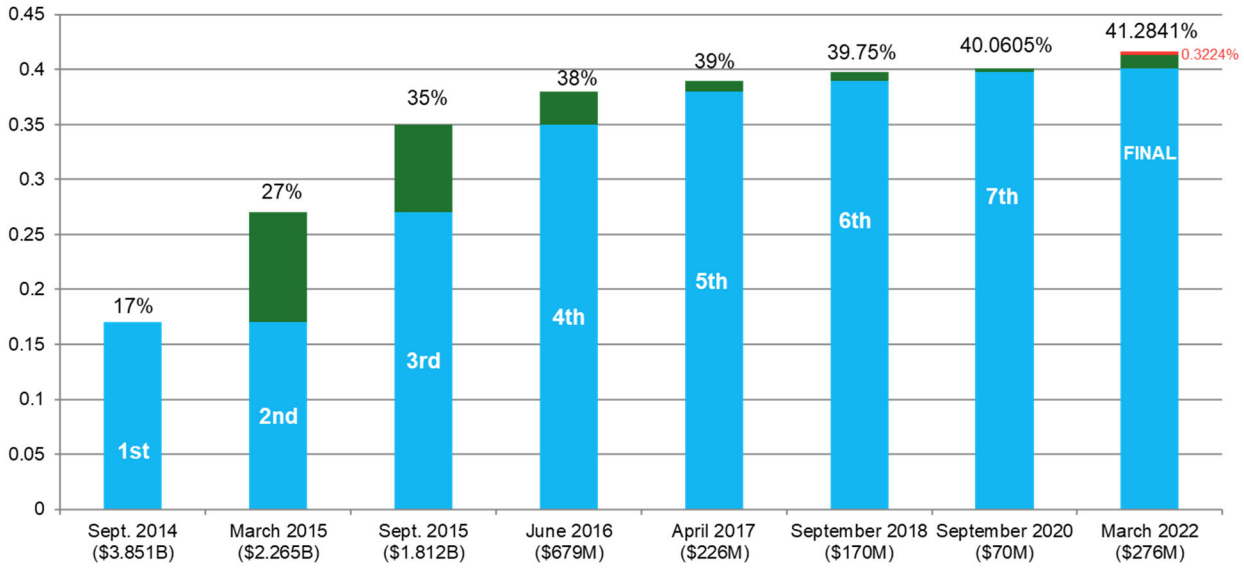
84. These phased distributions permitted the Trustee to restore cash to LBI's creditors before administration and marshalling were complete. As claims were determined and reserves were released, and as the Trustee recovered further LBI property, the distribution rate rose to 41.2841 percent for LBI's unsecured creditors, and to 41.6065 percent for LBI's unsecured

creditors that participated in the Voluntary Supplemental Distribution. LBI's secured, administrative, and priority creditors received a 100 percent recovery. The distributions, starting in 2014, were implemented as follows:

- Since July 2014, the Trustee distributed $261 million from the Secured and Priority Claim Reserve (ECF No. 9273);
- Since September 2014, the Trustee distributed $3.861 billion from the First Interim Distribution Fund (ECF No. 95205);
- Since March 2015, the Trustee distributed $2.271 billion from the Second Interim Distribution Fund (ECF No. 11358);
- Since August 2015, the Trustee distributed $1.817 billion from the Third Interim Distribution Fund (ECF No. 12579);
- Since June 2016, the Trustee distributed $681 million from the Fourth Interim Distribution Fund (ECF No. 13683);
- Since April 2017, the Trustee distributed $227 million from the Fifth Interim Distribution Fund (ECF No. 14210);
- Since May 2018, the Trustee distributed $170 million from the Sixth Interim Distribution Fund (ECF No. 14595);
- Since September 2020, the Trustee distributed $70 million from the Seventh Interim Distribution Fund (ECF No. 15138); and
- Since March 2022, the Trustee distributed $275 million from the Final Distribution Fund (ECF No. 15337).

85. A chart summarizing these distributions[14] follows:

[14] Through the Voluntary Supplemental Distribution, nearly all General Unsecured claim holders elected to "cash out" for an incremental 0.3224 percent distribution, for a cumulative final distribution of 41.6065 percent.



86. In addition, the Trustee disbursed accelerated payments of approximately $6 million to the holders of the 859 claims that elected to participate in the Accelerated Final Distribution Election (the "AFDE") implemented in 2018, bringing those claimants' final general unsecured creditor distribution to 41.23 percent. (*Notice of Payment to Electing Claims in the AFDE*, ECF No. 14949.) Funds utilized to make those accelerated payments were not LBI estate funds, and AFDE disbursements are not distributions from the LBI estate.[15]

87. To further augment general creditor recoveries and lay the foundation for a post-closing trust that could be more efficiently administered, the Trustee offered the Voluntary Supplemental Distribution alongside the final distribution. Through the Voluntary Supplemental Distribution, certain eligible claimants[16] were able to conclude their long involvement in these proceedings by accepting a supplemental distribution of 0.3224 percent in full and final

[15] The ADFE funds were provided by a private sponsor following a competitive, Court-approved bidding process. (ECF No. 14605.)

[16] Certain claimants, all of whom acquired their claims through claims trading, were excluded from participating in the Voluntary Supplemental Distribution. (ECF No. 15305.)

satisfaction of their claims. Holders of 1,158 claims[17] with an aggregate allowed amount of $1.152 billion accepted the Voluntary Supplemental Distribution at a cumulative distribution rate of 41.6065 percent. (ECF No. 15336.) Such claims are now deemed to have been fully satisfied in accordance with the Voluntary Supplemental Distribution Procedures. (ECF No. 15305.)

88. As of March 31, 2022 (the "Record Date"), the actual liability of the LBI estate is $21.393 billion, represented by 2,180 allowed general unsecured claims held by 62 separate entities.[18] The Voluntary Supplemental Distribution reduced the estate's liability by more than $1.152 billion and significantly reduced the number of unique claimants from approximately 1,000 to just 62. Those 62 entities—the "Continuing Claimants" from the Voluntary Supplemental Distribution—are the only parties that received interests in the Liquidating Trust, which is described further below.[19]

D. Resolution of Affiliate Claims

89. The SIPA Proceeding also presented unique challenges associated with the complexities of unwinding the entire global Lehman enterprise and competing claims among the various affiliated entities – often under competing legal principles associated with conflicts of law among different jurisdictions in which the various proceedings were pending.

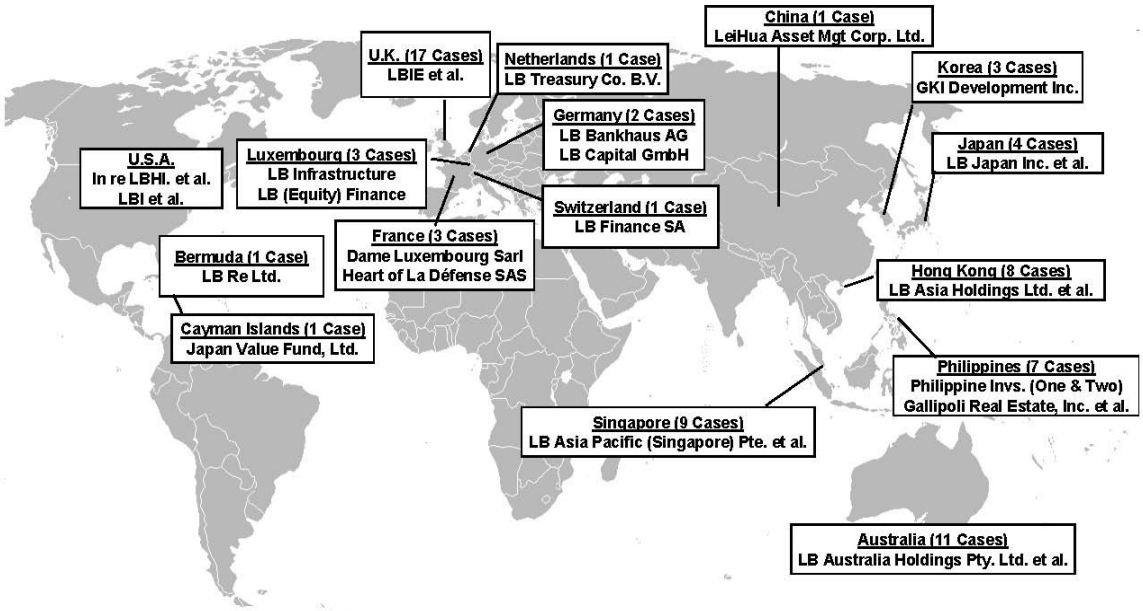
90. As evidenced by the chart below, Lehman's collapse resulted in 76 parallel affiliate proceedings involving hundreds of affiliates in 16 jurisdictions around the world and affiliate settlements that exceeded $100 billion.

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[17] Inclusive of 395 claims by former LBI employees for wages, which claims were required to accept the Voluntary Supplemental Distribution. (ECF No. 15305.)

[18] Over the course of the SIPA Proceeding, 1,142 claims have been expunged pursuant to the Distribution Procedures Order, reducing estate liability by $190 million. (*See* March 31, 2022 Balance Sheet.)

[19] Because some of these 62 claimant entities are affiliated, the Trust Administrator will face only 50 relationships.



i. LBHI and LBIE Claims and Settlements

91. The largest and most complex of these affiliate disputes involved LBHI and LBIE. In this SIPA Proceeding, LBHI asserted customer claims totaling approximately $20 billion and a general unsecured claim of over $20 billion. LBIE sought customer status for claims totaling approximately $24 billion, consisting of an omnibus customer claim totaling $15.1 billion and a proprietary customer claim totaling $8.9 billion. Together, LBIE's claims were the largest customer claims ever filed in any SIPA liquidation proceeding. In fact, LBIE's claims by themselves exceeded all prior SIPA proceedings in their entirety, and, if allowed, would have exceeded all assets in the LBI estate at the time of the claim filing.

92. The largest portion of the LBIE claims sought to recover the value of certain "Omnibus Accounts." Prior to the bankruptcy, LBIE used LBI to clear and custody U.S. securities and cash positions on behalf of LBIE's clients, which were recorded on a net basis in certain Omnibus Accounts as if LBIE were a single customer at LBI. LBI served solely as an agent for LBIE with respect to the Omnibus Accounts and did not have the responsibility to

identify the beneficial owners of the property held in the Omnibus Accounts.

93. The complexity of the LBIE claims cannot be understated. LBI operated for one week after LBIE commenced insolvency proceedings. During that time, LBIE did not perform certain functions as it would in the ordinary course of its business (such as covering short sales). This led to a mismatch between the netted balances and positions in the Omnibus Accounts at LBI and the aggregate balances and positions in the individual LBIE client accounts maintained at LBIE.

94. The sheer magnitude of these entities' claims severely impeded the Trustee's ability to make distributions to customers and general creditors pending resolution of the claims. Thus, it became imperative for the Trustee to resolve the LBHI and LBIE claims as soon as possible.

95. The Trustee and his professionals worked tirelessly to resolve these claims. In order to evaluate the LBIE claims, the Trustee's professionals undertook a three-year manual reconciliation of LBI's books and records with real world activity on an individual security level to identify settled, canceled, and failed trades. The LBHI claims required the Trustee's professionals to conduct a four-year manual reconciliation effort of the tens of thousands of transactions between LBI and LBHI and its affiliates.

96. In February 2013, the Trustee reached settlements with both LBIE and LBHI.

97. On February 21, 2013, after lengthy negotiations, and with the assistance of the Court, the Trustee and LBHI reached a settlement that reduced LBHI's customer claims to $2.3 billion and reduced its general creditor claims to $14.2 billion. The extensive, ongoing dialogue and information sharing between the Trustee's professionals and representatives of LBHI

resulted in a substantial reduction of claims and narrowed the legal and factual issues in dispute, which ultimately made the settlement possible.

98. The unprecedented LBHI settlement, which was reached with the help of the Court, SIPC, and the SEC after four years of arduous negotiations, resolved all legal and factual issues regarding the parties' intercompany relationships, avoiding the need for costly litigation. For example, it also resolved the dispute arising from the transfer of certain LBI subsidiaries and intellectual property to a LBHI affiliate in exchange for a payment-in-kind note, which had been executed immediately prior to the Trustee's appointment. Under the terms of the LBHI settlement, LBHI's customer claim was reduced by $350 million to reflect the value of the transferred assets.

99. The LBI-LBHI settlement agreement was a key step in enabling the Trustee to certify that he would be able to distribute cash and securities to LBI customer claimants at a level of 100 percent satisfaction of those claims. It removed the uncertainty caused by the LBHI claims and eliminated the need to maintain multi-billion dollar reserves, which greatly enhanced the Trustee's ability to make customer and general creditor distributions. In addition, because of the LBHI settlement's reduction of affiliate claims, the Trustee obtained significant value to facilitate distributions to general creditor estate claimants. In summary, pursuant to the LBHI settlement, the Trustee and his professionals reduced the asserted LBHI customer claims of approximately $20 billion to an allowed customer claim of approximately $2 billion and reduced the total LBHI general unsecured claim of over $20 billion to $14 billion.[20]

100. On February 26, 2013, after lengthy negotiations and litigation, and with the

[20] These figures do not include subordinated claims, for which distributions were not ultimately made.

Court's support and encouragement, the Trustee and the LBIE Joint Administrators reached a settlement that would facilitate the distribution of assets to satisfy all allowed customer claims. The settlement replaced LBIE's asserted $24 billion claim with an allowed customer claim of $7.5 billion for the benefit of LBIE's underlying clients, an allowed $500 million customer claim, and a $4 billion general unsecured claim. The LBIE settlement also resolved the approximately 300 duplicative claims with an estimated value of $13 billion that had been asserted by former LBIE clients against the LBI estate but were duplicative of LBIE's claim for the value of the Omnibus Accounts.

101. By removing uncertainty and the need for significant reserves, the LBIE and LBHI settlements were the "key" that opened the door to distributions to customers and general creditors. Indeed, the LBI-LBHI Settlement Agreement became effective on June 7, 2013, and customer distributions commenced promptly thereafter on June 10, 2013.

102. United States Bankruptcy Judge James M. Peck referred to the resolution of the LBIE and LBHI claims as "***one of the most complex matters to ever be resolved in history . . ., at least in a commercial sense***." (Apr. 16, 2013 Tr. 41:24-42:1 (emphasis added).)

ii. <u>Other Affiliate Claim Settlements</u>

103. The Trustee also addressed 49 claims asserted by other Lehman affiliates through a series of settlements and claims determinations that resolved nearly $4 billion in asserted customer claims for allowed customer claims aggregating $256 million and tens of billions of dollars in asserted general creditor claims for allowed unsecured claims totaling $2 billion. Some of the more significant affiliate settlements are summarized below:

- **<u>Lehman Brothers Bankhaus AG</u>**: Settlement reduced $1.35 billion of asserted customer and unsecured claims to an allowed general creditor claim of $550 million.

- **Lehman Brothers Finance A.G. (LBF)**: Settlement replaced a $6 billion asserted customer claim with a $189.9 million allowed customer claim and a $360 million allowed unsecured general creditor claim.

- **Lehman Brothers Japan Inc.**: Settlement (i) reduced $543 million of asserted customer and unsecured claims to an allowed customer claim of $59 million and an unsecured general creditor claim of $457 million, and (ii) provided for the return of $173 million in assets to the LBI estate.

- **Lehman Hong Kong Affiliates**: Settlement (i) reduced $405 million of asserted customer and unsecured claims to an allowed unsecured general creditor claim of $233 million, and (ii) provided for the return of $71 million to the LBI estate.

104. These settlements also paved the way for the Trustee to complete his 100 percent distributions to customers and to administer and make distributions to the general creditor estate.

E. Barclays Transaction, Dispute and Settlement

i. The Barclays APA Transaction

105. The Barclays APA Transaction led to disputes between the Trustee and Barclays thereunder, and the resulting settlement had a substantial impact on the LBI estate claims process.

106. The Barclays APA Transaction provided a number of benefits to the LBI estate, including: (i) enabling a significant portion of LBI's customers to transition to a new, solvent broker-dealer; (ii) providing for the continued employment of several thousand former Lehman personnel, thereby reducing potential claims against the LBI estate; and (iii) relieving the general creditor estate of approximately $2.4 billion of other potential claims.

107. However, the Trustee was only able to access basic information from LBI's legacy systems through the negotiation of a separate court-approved Transition Services Agreement with Barclays, which was expensive, cumbersome, severely affected the efficiency of

the Trustee's administration, and caused significant delays.[21] Approximately $85 million was ultimately paid to Barclays because of transition services fees.

ii. The Barclays Dispute and Settlement

108. Shortly following the Filing Date, disputes arose between the Trustee and Barclays under the Barclays APA. Among other things, these disputes related to whether Barclays had purchased certain assets and assumed certain obligations. The dispute led to over six years of litigation between the parties, which proceeded before the Bankruptcy Court, District Court, Second Circuit Court of Appeals, and the U.S. Supreme Court.

109. On June 5, 2015, the Trustee and Barclays agreed to a global settlement that resolved all ongoing and potential litigation. As a result of the settlement, the Trustee (i) paid Barclays approximately $1.3 billion in margin assets to which Barclays was entitled under rulings issued by the District Court and Second Circuit Court of Appeals, and (ii) released $583 million from the Barclays litigation reserve to LBI's general creditor estate, which allowed the Trustee to effect a third interim distribution to general creditors.

110. Ultimately, the Barclays APA Transaction had a significant negative impact on LBI's general estate. The chart below illustrates the severe disparity in consideration paid by, and assets acquired in exchange for such consideration by, Barclays.

[21] After extensive negotiations, on December 23, 2009, the Trustee and Barclays entered into a Transition Services Agreement (the "Transition Services Agreement"), in order to provide a legal foundation as well as a mechanism by which the Trustee could maintain access to the crucial Barclays employees, services, facilities and assistance necessary for the Trustee to evaluate claims and liquidate LBI. (*Order Pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code Approving a Transition Services Agreement between Trustee and Barclays Capital Inc.*, ECF No. 2883). The services provided by Barclays included, among other things, certain finance, treasury, front office, operations and IT infrastructure services (including systems access and services relating to the migration of data from Barclays systems to the Trustee). In 2010, certain of the Barclays' employees transitioned to full-time employment with the LBI estate and some employees stayed with the estate until 2016.

Assets Barclays Acquired from LBI	Consideration Paid by Barclays
$4.5 billion net value of repurchase agreement collateral **$769 million in Rule 15c3-3 Assets** **$2.6 billion in Clearance Box Assets** **$5.3 billion in Margin Assets** **72,527 customer accounts, with assets of $43 billion 10,000 Lehman employees Intellectual property rights**	**$250 million in cash paid to DTCC** **$1.95 billion in employee bonus, severance, and tax obligations, paid to third parties** **$238 million in contract cure liabilities, paid to third parties**
Total = $11.869+ billion, high worth customer accounts, employees, IP rights, position in North American market	**Total = $2.438 billion paid to third parties, on account of LBI obligations ($0 paid directly to LBI)**

111. This is not to say that there was a better alternative available. The Barclays APA Transaction was negotiated in the most extreme and challenging of circumstances, and very well may have been the best deal available to LBHI at the time. Nevertheless, the Barclays APA Transaction undeniably had a severe negative impact on general creditor recoveries in this SIPA Proceeding and accounts for the largest portion of the gap between general creditors' allowed claim amounts and their ultimate recoveries.

VI. IMPORTANT PRECEDENTS ESTABLISHED

112. The SIPA Proceeding resulted in numerous decisions of first impression and/or that created important legal precedent for future SIPA liquidations.

113. Among others, the following key precedents were established or reinforced during this SIPA Proceeding:

- **Allocation Orders**: See Section V.B. above. (ECF Nos. 2743, 6023.)

- **"Repo" Claims**: Bankruptcy Court held that claims for securities related to repurchase agreements were not entitled to customer protection under SIPA. *In re Lehman Bros.*

Inc., No. 08-01420 (JMP), 492 B.R. 379 (Bankr. S.D.N.Y. 2013). The Bankruptcy Court's holding was affirmed by the District Court and the Second Circuit on appeal, and the Supreme Court denied certiorari. *In re Lehman Bros. Inc.*, 506 B.R. 346 (S.D.N.Y. 2014); *CarVal UK Ltd. V. Giddens (In re Lehman Bros. Inc.)*, 791 F.3d 277 (2d Cir. 2015).

• **"TBA" Trade Claims**: Bankruptcy Court held that claims relating to settled on delivery-versus-payment "to be announced" contracts do not qualify as customer transactions and therefore are not entitled to SIPA coverage. *In re Lehman Bros. Inc.*, No. 08-01420 (JMP), 462 B.R. 53 (Bankr. S.D.N.Y. 2011).

• **"Soft Dollar" Claims**: Bankruptcy Court held that claims based upon commission credits held in soft dollar accounts do not qualify for treatment as customer claims under SIPA. *In re Lehman Bros. Inc.*, No. 08-01420 (JMP), 474 B.R. 139 (Bankr. S.D.N.Y. 2012).

• **"Forex" Claims**: District Court held that the cash balance related to foreign currency transactions was not entitled to customer protection under SIPA. *Moore Capital Mgmt., L.P. v. Giddens (In re Lehman Bros. Inc.)*, 533 B.R. 362 (S.D.N.Y. 2015).

• **"Short Valuation" Claims**: Bankruptcy Court held that short positions must be valued as of the Filing Date like all other credits and debits in a customer's account for the purpose of determining customer claims. *In re Lehman Bros. Inc.*, No. 08-01420 (JMP), 433 B.R. 127 (Bankr. S.D.N.Y. 2010).

• **Triangular Setoff**: Bankruptcy Court held that a "triangular setoff" does not satisfy the Bankruptcy Code's mutuality requirement, and that the Bankruptcy Code's safe-harbor provisions do not eliminate the mutuality requirement in connection with setoffs under financial contracts. *In re Lehman Bros. Inc.*, No. 08-01420 (JMP), 458 B.R. 134 (Bankr. S.D.N.Y. 2011).

• **Underwriter Claims**: The Second Circuit affirmed the District Court and Bankruptcy Court and held that $275 million claims for indemnity and contribution by underwriters of LBHI securities arising from securities of a debtor's affiliate must be subordinated. *ANZ Sec., Inc. v. Giddens (In re Lehman Bros. Inc.)*, 808 F.3d 942 (2d Cir. 2015); *ANZ Sec., Inc. v. Giddens (In re Lehman Bros. Inc.)*, 519 B.R. 434 (S.D.N.Y. 2014); *In re Lehman Bros. Inc.*, No. 08-01420 (JMP), 503 B.R. 778 (Bankr. S.D.N.Y. 2014).

• **Late-Filed Claims**: The Bankruptcy Court held that the six-month time limitation for filing claims in SIPA proceedings is mandatory and must be construed strictly. The Court found that it would be an abuse of discretion to grant exceptional or equitable relief for late-filed claims. *In re Lehman Bros. Inc.*, No. 08-01420 (JMP), 493 B.R. 437 (Bankr. S.D.N.Y. 2013).

• **Transferee Bonus**: The Second Circuit and District Court affirmed the Bankruptcy Court's holding that there would be no double recoveries by the test claimants and that

LBI's liability to claimants was discharged if (i) the Claimant was an employee transferred to Barclays, and (ii) the payment was made in respect of the Claimant's LBI bonus. *In re Lehman Bros. Inc.*, 703 F. App'x 18 (2d Cir. 2017); *In re Lehman Bros. Inc.*, 554 B.R. 626 (S.D.N.Y. 2016); *In re Lehman Bros. Inc.*, No. 08-01420 (SCC), 541 B.R. 45 (Bankr. S.D.N.Y. 2015).

• **FirstBank**: The Second Circuit and District Court affirmed the Bankruptcy Court's decision granting the Trustee's motion to expunge a claim asserted for collateral in the amount of approximately $63 million by FirstBank Puerto Rico ("FirstBank"), holding that the claimant was collaterally estopped from pursuing the claim, the claimant was not a "customer" of LBI within the meaning of SIPA, and that LBI was not holding any of the collateral as of the petition date. *FirstBank Puerto Rico v. Giddens (In re Lehman Bros. Inc.)*, 689 F. App'x 14 (2d Cir. 2017); *FirstBank Puerto Rico v. Giddens (In re Lehman Bros. Inc.)*, 562 B.R. 234 (S.D.N.Y. 2016); *In re Lehman Bros. Inc.*, No. 08-01420 (SCC) (Bankr. S.D.N.Y. 2015) (ECF No. 13085).

• **ACATS**: The District Court affirmed the Bankruptcy Court's bench decision granting the Trustee's objections in full and expunging five amended claims related to account transfers allegedly requested by former LBI customers immediately before the Filing Date through the Automated Customer Account Transfer Service ("ACATS"). *General Ore Int'l Corp v. Giddens (In re Lehman Bros. Inc.)*, No. 17-cv-03762 (S.D.N.Y. 2018) and *Neu v. Giddens (In re Lehman Bros. Inc.)*, No. 17-cv-03785 (S.D.N.Y. 2018); Hearing Transcript, *In re Lehman Bros. Inc.*, Case No. 08-1420 (SCC) (Bankr. S.D.N.Y. May 1, 2017). The Bankruptcy Court held that it would be inconsistent with SIPA to permit the claimants to recover market losses for a breach of duty when the claimants had received the full net equity of their accounts through the Trustee's bulk transfer under SIPA, thereby satisfying the duties of LBI. Significantly, this case distinguished between the broker-dealer's failure to execute a trade order prior to liquidating and the failure to transfer an account.

• **"RSU" Claims**: The Bankruptcy Court held that claims based on (1) restricted stock units ("RSUs"), which were issued as partial compensation to former employees and granted holders a contingent right to own common stock in LBHI, or (2) RSUs accrued but not yet paid to employees, must be reclassified as equity interests and/or subordinated to general creditor claims. *In re Lehman Bros. Inc.*, No. 08-01420 (SCC) (Bankr. S.D.N.Y. 2015) (ECF No. 11272). The Bankruptcy Court's holding was affirmed by the District Court and the Second Circuit on appeal. *Acerra v. Giddens (In re Lehman Bros. Inc.)*, No. 15-cv-01819 (S.D.N.Y. 2016) (ECF No. 23); *Acerra v. Giddens (In re Lehman Bros. Inc.)*, 716 F. App'x 56 (2d Cir. 2018).

• **"ESEP" Claims**: In a series of decisions, the Bankruptcy Court determined that claims by former executives and other highly compensated LBI employees related to their participation in LBI's Executive and Select Employee Plan ("ESEP") were (1) unsecured and (2) subordinate to claims of LBI's general creditors, and that (3) arbitration of the litigation regarding the priority of these ESEP claims was inappropriate. *Giddens v. 344 Individuals (In re Lehman Bros. Inc.)*, Case No. 08-1420 SIPA (SCC)

(Bankr. S.D.N.Y. Nov. 12, 2015) (ECF No. 13053); *Giddens v. 344 Individuals (In re Lehman Bros. Inc.)*, Case No. 08-1420 SIPA (SCC) (Bankr. S.D.N.Y. July 13, 2017) (ECF No. 14338); *In re Lehman Bros. Inc.*, Case No. 08-1420 (SCC) (Bankr. S.D.N.Y. Aug. 11, 2014) (ECF No. 9617). Each of these holdings was affirmed by the District Court and the Second Circuit on appeal. *344 Individuals v. Giddens (In re Lehman Bros. Inc.)*, Case No. 15-cv-09670 (PGG) (S.D.N.Y. Sept. 30, 2019) (ECF No. 18); *344 Individuals v. Giddens (In re Lehman Bros. Inc.)*, Case No. 19-3245 (2d Cir. Sept. 10, 2021) (ECF No. 95); *344 Individuals v. Giddens (In re Lehman Bros. Inc.)*, Case No. 17-cv-6246 (AT) (S.D.N.Y. Sept. 26, 2018) (ECF No. 17); *344 Individuals v. Giddens (In re Lehman Bros. Inc.)*, Case No. 18-3188 (2d Cir. Nov. 1, 2019) (ECF No. 66); *344 Individuals v. Giddens (In re Lehman Brothers Holdings Inc.)*, Case No. 14-civ-7643 (ER) (S.D.N.Y. Sept. 30, 2015) (ECF No. 20); *344 Individuals v. Giddens (In re Lehman Brothers Holdings Inc.)*, Case No. 15-3480-bk (2d Cir. Oct. 6, 2016) (ECF No. 70). The Second Circuit denied the ESEP claimants' petition for panel rehearing of the Second Circuit's order affirming 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 Lehman Bros. Inc.)*, Case No. 19-3245 (2d Cir.) (ECF No. 108).

The Bankruptcy Court also held that Section 541(b)(7) did not exclude the ESEP amounts from the LBI estate. *The Lehman Brothers Inc. Deferred Compensation Defense Steering Committee v. Giddens*, Case No. 19-01368 (SCC) (Bankr. S.D.N.Y. June 15, 2020) (ECF No. 29). Upon the Trustee's motion, the Second Circuit granted leave to appeal this decision directly to the Second Circuit without prior appeal to the District Court, thereby expediting resolution and allowing the Trustee to close the LBI Estate and promoting further savings to creditors. *The Lehman Brothers Inc. Deferred Compensation Defense Steering Committee v. Giddens*, No. 20-2358 (2d Cir. Nov. 4, 2020) (ECF. No 22). The Second Circuit affirmed the Bankruptcy Court's decision on the basis that the Section 541(b)(7) argument was barred by the doctrine of laches. *The Lehman Brothers Inc. Deferred Compensation Defense Steering Committee v. Giddens*, Case No. 20-3757 (2d Cir. Sept. 10, 2021) (ECF No. 74). The Second Circuit denied the ESEP claimants' petition for panel rehearing of the Second Circuit's order. *Id.* (ECF No. 80). Substantial administrative savings were realized as a result of the Trustee's professionals pursuing and successfully litigating the ESEP appeals on an expedited basis. Moreover, the expediting of the appeals allowed the Trustee to make the final distribution to creditors and to file the instant Final Report.

114. These decisions will provide an important roadmap for future SIPA liquidations and should help to reduce costs of estate administration in such cases.

VII. COMMUNICATIONS WITH CUSTOMERS AND CREDITORS

115. Throughout the SIPA Proceeding, the Trustee has maintained extensive channels of communication with customers, creditors, and the public. The Trustee's website

(www.lehmantrustee.com) has been and continues to be frequently updated with reports on the progress of the liquidation, statements on various issues, and court filings. The Trustee also organized a call center with a standby roster of attorneys to answer inquiries quickly and address concerns where possible. The Trustee's professionals have established several call centers to address inquiries from claimants, and have fielded over 27,000 calls across these call centers as well as thousands of emails. Through these lines of communication, the Trustee was able to respond quickly to any inquiries and to resolve rapidly any potential issues raised by any interested party.

VIII. TAX MATTERS

116. Since the Filing Date, the Trustee's professionals have (i) monitored federal, state, and local tax audits, assessments, and claims; (ii) responded to tax-related information requests from international, federal, state, and local taxing authorities; and (iii) coordinated all tax reporting requirements with respect to LBI and the Trustee. The Trustee's professionals administered over $2.7 billion of federal, state, and local tax claims, handled numerous audit matters, and ensured that the LBI estate materially complied with all post-Filing Date tax reporting and payment obligations.

117. In 2019, New York State Department of Tax and Finance ("NYSDTF") conducted an audit related to net operating losses ("NOLs") reported on LBI's 2014 and 2015 New York franchise tax returns. The Trustee and NYSDTF entered into a "Closing Agreement," which was approved by the Court on December 18, 2019, related to such audit. The Closing Agreement permitted LBI to retain sufficient NOLs to shelter at least $1.34 billion of estate income allocated to New York State before incurring a New York State franchise tax liability. These substantial NOLs will carry over to the Liquidating Trust.

118. The Trustee's accountants have prepared or will prepare the final federal, New York State and New York City income tax returns for the estate. The Trustee will file such returns with the Internal Revenue Service and requests for a determination within sixty days of any unpaid liability of the estate for tax incurred during the administration of the case pursuant to section 505(b) of the Bankruptcy Code.

IX. CONGRESSIONAL, REGULATORY AND INDUSTRY OUTREACH

119. The Trustee and his professionals, in coordination with SIPC, regularly updated various U.S. and international policymakers and regulators on the status of the SIPA Proceeding and provided recommendations to avoid future broker-dealer failures. Because of the complexities of administering LBI's estate, the Trustee and his professionals regularly met and coordinated with the SEC, the Federal Reserve, the Commodities Futures Trading Commission ("CFTC"), FINRA, and the British Financial Services Authority. The Trustee and his professionals assisted SIPC in briefing the White House at the commencement of the liquidation. The Trustee's professionals regularly briefed Congressional Committees during the early stages of the liquidation. In addition, the Trustee and his professionals, in coordination with SIPC, liaised with foreign governmental departments and units in Canada, China, Egypt, and the U.K. charged with customer protection in those countries. The Trustee further terminated, wherever appropriate, LBI's former broker-dealer registrations with the 50 states and other regulatory agencies, saving the LBI Estate the significant costs associated with maintaining its registration status.

120. In particular, the SEC was highly active in early stages of the SIPA Proceeding in assessing customer asset protections and related matters. The SEC oversees SIPC, through examination, inspections, and otherwise, and played an important role in the SIPA Proceeding.

Among other things, the SEC provided invaluable assistance with respect to the customer claims process – namely, with respect to the identification and effectuation of transfers of customer property to the customers' designated broker-dealers.

121. Over the course of the SIPA Proceeding, the Trustee has made more than 1,080 document productions in response to approximately 1,937 governmental and non-party requests, representing over 2 million pages and 220 gigabytes of information.

122. Since the Filing Date, the Trustee has returned over 950 misdirected wires with an aggregate value of $617 million pursuant to Court authorized procedures.

X. ESTATE CLOSING MATTERS

A. Creation of, and Assignment of Remaining Assets to, The Liquidating Trust

123. The LBI estate is fully administered, in accordance with the meaning ascribed to such term pursuant to section 350(a) of the Bankruptcy Code, and ready to close, except that certain contingent LBI estate assets that could potentially result in additional funds available for distribution to allowed general creditors of LBI's estate require additional time to mature.

124. The LBI estate's last significant remaining unliquidated assets were contingent claims into certain class action settlement funds and an insolvency proceeding being administered under the laws of the Kingdom of Saudi Arabia and other non-cash assets that cannot yet be liquidated (collectively, the "Contingent Assets"), which require additional time to mature. However, the timing required for these Contingent Assets to mature (if they mature at all) is uncertain, and it could take years for there to be any recovery, which may be zero.

125. The Trustee has since transferred those Contingent Assets to the Liquidating Trust, which is designed to permit continued pursuit of these claims. The Court approved the

establishment of the Liquidating Trust and the Trustee's transfer of the Contingent Assets to the Liquidating Trust pursuant to the *Order Authorizing the Trustee To Enter Into a Liquidating Trust Agreement and Transfer Certain Estate Assets to the Liquidating Trust and Granting Related Relief* (the "Trust Order"; ECF No. 15368).

126. On June 28, 2022, in accordance with the Trust Order, the Liquidating Trust was established, the Trustee transferred the Contingent Assets to the Trust, and Christopher K. Kiplok became the administrator of the Trust. (*See* Notice of Establishment of LBI Liquidating Trust; ECF No. 15392.)

127. In addition, pursuant to the Trust Order, each of the Liquidating Trust beneficiaries is deemed to have received its respective Liquidating Trust Interest(s) (each as defined or used in the Trust Order) in full and final satisfaction of such Liquidating Trust beneficiaries' claims against the LBI estate.

128. Shifting the Contingent Assets to the Liquidating Trust permits the Trustee to seek his discharge and close the LBI estate, while also enabling potential recoveries from the proceeds of the remaining contingent LBI estate assets to the holders of allowed general unsecured creditor claims. The availability of the Liquidating Trust diminishes or eliminates the need for the Trustee to accept a discount on any estate asset because of "fire-sale" like parameters, and enables the Liquidating Trust beneficiaries potentially to receive further distributions from the proceeds of the Contingent Assets.

129. Further details about the Liquidating Trust, including notice provisions and contact information for the Trust Administrator and his professionals, can be found on the Liquidating Trust website at https://dm.epiq11.com/lbitrust.

B. Data Abandonment

130. The abandonment of LBI data has been a massive years-long undertaking given the enormous amount of data at issue. In order to administer the customer and general creditor claim processes and pursue affirmative assets and claims during the early years of the liquidation, the Trustee maintained over 223 billion LBI transaction records and more than 142 terabytes of LBI data. If printed, this amount of data would yield a stack of paper nearly 1,350 miles high, more than 245 times the height of Mount Everest.

131. In order to address this issue, the Trustee and his professionals, in consultation with SIPC and with this Court's guidance, worked tirelessly to implement the Trustee's holistic data abandonment plan. As these workstreams were substantially completed, the Trustee and his professionals initiated a plan of interim abandonments to reduce the breadth and scope of this vast pool of documents and data.

132. In furtherance of that plan, the Trustee and his professionals have effected nineteen Court orders related to the abandonment or other disposition of LBI data and documents. These include orders granting twelve motions filed by the Trustee throughout the SIPA proceeding to abandon certain data that was no longer needed, which are summarized in the chart below.

Motion	Order		Data Abandoned
First Abandonment Motion (ECF No. 11046)	February 19, 2015	ECF No. 11359	More than 236 terabytes of outdated and duplicative copies of certain LBI estate computer systems and data
Second Abandonment Motion (ECF No. 13493)	May 12, 2016	ECF No. 13599	Approximately 17 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

Motion	Order		Data Abandoned
Third Abandonment Motion (ECF No. 13852)	October 20, 2016	ECF No. 13927	Certain electronic data relating to discovery in fully resolved litigations and investigations and certain duplicative brokerage and back-office data
Fourth Abandonment Motion (ECF No. 14312)	July 13, 2017	ECF No. 14336	Certain electronic data relating to third party productions, searches, and discovery conducted in fully resolved customer and general creditor claim matters and estate administration
Fifth Abandonment Motion (ECF No. 14443)	December 7, 2017	ECF No. 14465	Certain electronic data relating to certain fully resolved customer and general creditor litigations
Sixth Abandonment Motion (ECF No. 14645)	August 14, 2018	ECF No. 14662	Certain electronic data relating to certain fully resolved customer and general creditor litigations
Seventh Abandonment Motion (ECF No. 14770)	November 30, 2018	ECF No. 14800	Certain electronic data relating to a resolved litigation and a concluded investigation
Eighth Abandonment Motion (ECF No. 14884)	April 9, 2019	ECF No. 14898	Certain electronic data relating to certain fully resolved customer and general creditor litigations, electronic storage devices related to a concluded investigation, and hard copy documents related to completed aspects of the Trustee's administration of the LBI estate
Ninth Abandonment Motion (ECF No. 14926)	July 16, 2019	ECF No. 14936	Certain electronic data, storage devices and hard copy documents regarding legacy and post-Filing Date documents related to fully resolved matters
Tenth Abandonment Motion (ECF No. 15031)	December 18, 2019	ECF No. 15051	Certain electronic data systems no longer necessary to effectuate the Trustee's remaining tasks in winding down the LBI estate or duplicative of another system that will be maintained for the duration of the liquidation
Eleventh Abandonment Motion (ECF No. 15169)	December 17, 2020	ECF No. 15183	299 electronic storage devices no longer necessary to effectuate the Trustee's remaining tasks in winding down the LBI estate or duplicative of another device that will be maintained for the duration of the liquidation

Motion	Order		Data Abandoned
Final Abandonment Motion (ECF No. 15375)	June 29, 2022	ECF No. 15394	97 systems, 10 hosted custodian data environments, 492 electronic storage devices, 335 boxes of hard copy documents, and miscellaneous records of the SIPA Proceeding that are duplicative of existing data being maintained pursuant to applicable regulatory regimes, LBI's contractual right to acquire records and/or to object to the destruction of records owned by Barclays and the LBI estate's interest in certain legacy records maintained by HHR

These initiatives, along with consolidating nearly all LBI data and documents maintained by the Trustee with Deloitte & Touche LLP, have resulted in over $3.8 million of cost-savings for the LBI estate each year following their implementation.

133. The Trustee has also taken several strategic storage initiatives such as transitioning the Relativity databases "offline" pursuant to Court order (ECF No. 15048), reducing the estate's yearly administrative costs by over $1 million, and exiting the Sungard data center and environment, resulting in savings of more than $500,000 a year. In addition, the Trustee has moved this Court six times before for authority to abandon LBI contractual rights to acquire records owned by Barclays (ECF Nos. 14356, 14557, 14796, 14897, 15061, and 15322) and has moved this Court once before for authority to abandon the LBI estate's interest in certain legacy records maintained by HHR (ECF No. 15104).

134. The Trustee's professionals have now completed their data abandonment analysis, and the Trustee is in the process of effecting the abandonment of data subject to the Final Data Abandonment Motion. A small handful of systems will be transferred to the LBI Liquidating Trust to support potential recoveries on the contingent, long-horizon assets. A few additional systems, hard copy documents, and other records of the SIPA Proceeding will be maintained by

the Trust Administrator in a strictly custodial capacity in order to comply with relevant statutory and regulatory document retention requirements. But the remainder of the estate's records and systems, comprising the overwhelming majority of the universe of data and documents currently held by the estate, will be abandoned because they are unnecessary for the Trustee's remaining tasks in bring the SIPA Proceeding to a conclusion. The Trustee has retained all post-liquidation files for which the Trustee is obligated to maintain pursuant to applicable regulations.

C. Closure of Estate

135. Following the expiration of the thirty-day period provided for under Bankruptcy Rule 5009(a), the Trustee will promptly file a motion pursuant to 11 U.S.C. § 350(a) and Fed. R. Bankr. P. 5009, seeking the entry of an order discharging the Trustee, canceling his bond, closing the LBI estate, and related relief.

136. During summer 2022, as part of the estate closure preparations, the Trustee will also finalize arrangements for the post-closing retention of certain documents and data required to be maintained under applicable laws and SEC and SIPC guidelines, close remaining bank accounts, and file final tax returns.

137. The Trustee anticipates that the LBI estate will be closed by on or about September 30, 2022. In connection with the closure of the LBI estate, LBI will be dissolved under Delaware law.

XI. ESTATE ADMINISTRATION

138. As of May 31, 2022, estate administrative expenses totaled approximately $1.403 billion. Of this amount, non-professional expenses totaled approximately $166 million and professional expenses – including accounting, consultant, and attorney fees and expenses – totaled approximately $1.236 billion.

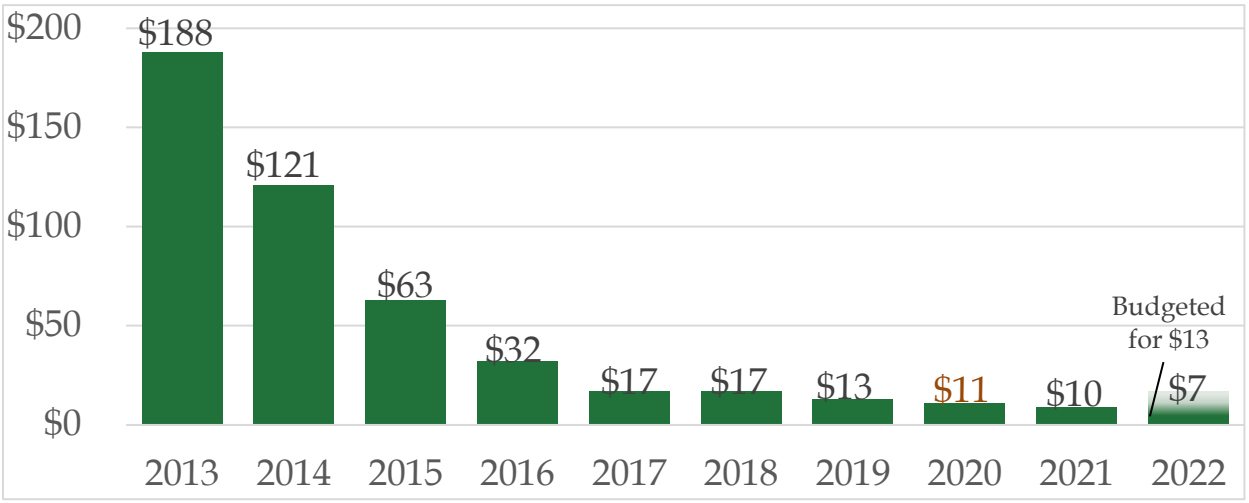
139. With respect to non-professional fee expenses, approximately $85 million was paid to Barclays on account of transition services fees, approximately $33.76 million was paid on account of creditor noticing, processing, mailing and disbursement, and over $47 million was paid on account of employee salaries, taxes, rent, utilities, insurance, data storage, and other operational costs.

140. With respect to professional fees, since the Filing Date, on account of fees and expenses, SIPC has authorized and the Trustee has paid approximately $723 million to Deloitte & Touche LLP, and the Trustee has paid approximately $426 million to HHR. The balance of professional expenses was paid, with SIPC authority and Court approval where required, to the LBI estate's other professionals. At the request of and in consultation with SIPC, nearly every professional firm and consultant retained by the Trustee has agreed to a voluntary public interest discount of at least ten percent or more from standard rates and has 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. During the SIPA Proceeding, the estate professionals' discounts, along with voluntary write-offs of fees and expenses, have amounted to substantial savings to the LBI estate and now total over $200 million. In keeping with the SIPA statute, SIPC has closely reviewed the services and fees of all professionals.

141. The Trustee took numerous measures throughout the SIPA Proceeding to reduce estate administrative expenses. These included, among other things, eliminating office space once no longer necessary, reducing over time and ultimately eliminating staff, reducing transitional services paid to Barclays, negotiating discounts from third-party vendors and other service providers in connection with document retention, storage and technology, and

abandoning data once no longer necessary to estate administration efforts. In furtherance of these cost-reduction efforts, the Trustee closed his administrative office in lower Manhattan in July 2015, and has not maintained any office space since then. All employee contracts with the LBI estate concluded as of April 2016, and the trustee has not employed any individuals to assist with the remaining wind down efforts since then. The transitional services arrangement with Barclays concluded in 2017. In addition, the Trustee terminated numerous LBI custodial and vendor agreements, and concluded the estate's special counsel engagements, all of which resulted in further cost savings to the estate.

142. As indicated on the following chart, the Trustee's expense reduction efforts resulted in substantial savings to the LBI estate, with annual administrative expenditures decreasing exponentially since 2013:[22]



USD Millions

143. The Trustee realized substantial administrative savings through pursuing and successfully litigating the ESEP appeals on an expedited basis. However, as expected (and as would have happened had the case administration been extended absent the expedited appellate

[22] The amount budgeted for 2022 does not include the amounts transferred to fund the Liquidating Trust.

process), expenditures have increased in 2022 in connection with the estate's closure. Expenses paid in 2022 through June are approximately $7 million. Estate assets as of June 30, 2022 are approximately $20 million, all of which are set aside in a dedicated administrative reserve for the payment of the professionals on whom the Trustee relies (the "Administrative Reserve"). The Administrative Reserve is net of the $14 million allocation made from the estate to the Liquidating Trust upon the Trust's formation for its realization of the assets transferred there for the benefit of the Trust's beneficiaries.

144. As a result of the Trustee's efforts, costs of administration of the estate constituted less than two percent of the total assets administered by the Trustee.

145. The Trustee intends to obtain discharge at the end of September 2022. In this, the estate's final quarter of operation, the Trustee expects estate expenses, payable from the Administrative Reserve, of approximately $8 million, consisting of: (i) the payment of professional and other accrued but unpaid fees and expenses through June of approximately $2 million; (ii) the prepayment of approximately $3 million for certain Liquidating Trust and estate expenses, including those pertaining to (x) statutorily required data retention and access and (y) certain professional services (*e.g.*, preparation of final estate tax returns and the dissolution of LBI); and (iii) and the payment of approximately $3 million in estimated expenses for June, July, and August.

146. Upon the Trustee's discharge, as provided for in the Trust Order, any unused portion of the Administrative Reserve will be transferred to an escrow account maintained by HHR to be used exclusively for the continuing payment of professionals and other expenses related to post-discharge, residual matters of the LBI estate unrelated to the Liquidating Trust,

subject to the oversight of SIPC (the "Administrative Escrow"). The Trustee, based on the expenses outlined above, expects the Administrative Escrow to be funded in the amount of at least $12 million upon the Trustee's discharge. To the extent funds in the Administrative Escrow are not used for post-discharge, non-Trust estate expenses, the Administrative Escrow will be automatically and periodically stepped down as follows: to $10 million in March 2023 and then, in September of 2024, 2025, 2026, and 2027, to $8 million, $6 million, $4 million, and $2 million, respectively. Any portion of the Administrative Escrow in excess of the step-down amount will be transferred to the Liquidating Trust.

XII. CONCLUSION

147. With the oversight of the Court and SIPC, the results that were achieved in the SIPA Proceeding of LBI – including 100 percent customer claim recoveries; 100 percent secured, administrative and priority creditor recoveries; 41.2841 percent general unsecured creditor recoveries; $115 billion distributed to over 115,000 of LBI's former customers and creditors, and over 28,600 general creditor and customer claims administered – are a testament to SIPA and the bankruptcy process.

Dated: New York, New York
August 3, 2022

Respectfully submitted,

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EXHIBIT A

(Final Balance Sheet)

Lehman Brothers Inc., in Liquidation
Liquidation Balance Sheet as of June 30, 2022
(Unaudited – *Must Be Read with Accompanying Notes*)

	June 27, 2022	June 30, 2022	
	LBI Estate	**LBI Estate**	**Liquidating Trust**
Assets (in millions)			
Cash and Cash Equivalents	$34	$20	$15
Total Assets	$34	$20	$15
Liabilities			
General Creditor Claims:*			
Secured	-	-	-
Priority	-	-	-
Administrative	$0	$0	-
Unsecured	$13,227	-	-
Administrative Reserve:	$34	$20	$14
Beneficiary Interest			$1
Total Liabilities	$13,261	$20	$15

*Net of amounts distributed. For example, the $13.227 billion of unsecured liabilities is net of the $9.376 billion distributed to general unsecured claimants as of June 27, 2022 (*see* Note 9). The total (gross) general unsecured claim liabilities were $22.603 billion as of June 27, 2022.

General Notes

Note 1 – Basis of Presentation

The Trustee and his professionals have prepared this final 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 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 nor other disclosures required under GAAP and is not presented in a GAAP-based SEC reporting format. 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. The financial information herein is subject to change, and any such change may be material. The Trustee reserves all rights to revise the Liquidation Balance Sheet.

Note 2 – Establishment of LBI Liquidating Trust

On June 28, 2022, the Trustee and Christopher K. Kiplok executed the Liquidating Trust Agreement, establishing the LBI Liquidating Trust. (ECF No. 15392.) As of the Effective Date, the Trustee transferred the Liquidating Trust Assets to the Liquidating Trust, and Christopher K. Kiplok, as Trust Administrator, accepted the Liquidating Trust Assets into the Trust. This Liquidating Balance Sheet reflects the transfer of $15 million of cash from the LBI Estate to the Trust. Because the Liquidation Balance Sheet is presented on a cash basis, it does not reflect value for the Contingent Assets nor any other non-cash asset. In this Liquidating Balance Sheet's reporting period, the LBI estate's gross unsecured liability of $22.603 billion reduced to zero. First, the Voluntary Supplemental Distribution eliminated liability of $1.139 billion related to the participating claimants. Second, upon establishment of the Trust, the Trust Beneficiaries received Trust Interest in exchange for their claims against the LBI estate, which eliminated the remaining $21.393 billion of gross unsecured general estate liability.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and interest-bearing deposits with banks. This Liquidating Balance Sheet utilizes June 30, 2022 cash for June 27 to illustrate the impact of establishment of the LBI Liquidating Trust. Actual June 27, 2022 cash was $34 million.

Note 4 – Financial Systems and Control Environment

Since the Filing Date, the Trustee's professionals have monitored and maintained 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 relied on established controls for the payment and journaling of all expenses, which included recording payment instructions and supporting documentation, reviewing time-entry diaries, and assessing the reasonableness of rates and bills for services performed.

Notes Regarding Assets

Note 5 – 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 6 – General Estate Assets

Total general estate assets are $20 million. The Trustee maintains an administrative expense reserve in the amount of $20 million. There are no general estate assets available for distribution to LBI's general creditors or others. These assets and the estate's reserves are separate from the Trust's assets and its $14 million administrative reserve.

Note 7 – Contingent Assets

The Contingent Assets are no longer estate property; rather, they became property of the Trust upon the establishment of the Trust.

Notes Regarding Liabilities

Note 8 – Customer Claims

There are no remaining customer claims. Distributions on allowed customer claims are complete.

Note 9 – General Creditor Claims

There are no remaining general creditor claims. Distributions on allowed general creditor claims are complete. The final, cumulative distribution rate for all general unsecured creditors with allowed claims was 41.2841 percent. General unsecured creditors with allowed claims participating in the Voluntary Supplemental Distribution received a final, cumulative distribution of 41.6065 percent in final satisfaction of such claims.

Note 10 – Administrative Expense Claims

There are no remaining administrative expense claims. Distributions on allowed administrative expense claims are complete.

Note 11 – Distribution Procedures Order

Pursuant to the November 5, 2015 Distributions Procedures Order (ECF No. 13039), 1,207 claims were expunged, with corresponding reductions in gross estate liabilities totaling approximately $202 million. (*See* First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth, Fifteenth, Sixteenth, Seventeenth, Eighteenth, and Nineteenth 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, 15271, 15335, and 15380.) Claim numbers 2539 and 9004684 have also been expunged pursuant to the Distributions Procedures Order.

Note 12 – Subordinated Claims/Equity

Liabilities 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 claims filed by former LBI executives who sought payment of deferred compensation. No distributions will be made on subordinated claims or equity claims.

EXHIBIT B

(Final Realization Report)

Exhibit B: Final Realization Report

The Trustee issued his Preliminary Realization Report, for the period from the Filing Date of September 19, 2008 through December 31, 2014, on February 23, 2015 (ECF No. 11363). This Final Realization Report details the Trustee's additional asset marshalling and claims resolution efforts from January 1, 2015 through June 28, 2022, the date the Trustee established the LBI Liquidating Trust (the "Report Period"). The result is a net benefit to LBI general unsecured creditors, increasing the distribution by 5.73 percentage points.

Total assets realized by the general estate in the Report Period were $266 million, as follows:

Item	**Recovered Amount** (in millions)
Sale of LBI Claim Against Lehman Brothers Europe Limited	$50,360
Class Action Claim Recoveries (Securities & Antitrust)	$48,495
Sale of Estate Securities	$38,885
Interest on Estate Cash	$24,046
Closeout of Wells Fargo Bank Transactions	$16,110
Closeout of Depository Trust & Clearing Corporation Accounts	$11,468
Recovery from Lehman Brothers Asia	$9,816
Settlement with Lehman Brothers Holdings Regarding Employee Promissory Note Claims	$7,792
Closeout of Credit Suisse Transactions	$7,800
Sale of LBI Claims Against Certain Lehman Affiliates	$5,540
Unclaimed Property Recoveries	$5,282
Closeout of PIMCO Transactions	$4,950
Recovery from JP Morgan Legacy Account	$4,181
Closeout of Samsung Transactions	$4,132
Recovery from Lehman Brothers Securities Asia	$3,618

Item	**Recovered Amount** (in millions)
Closure of Certain LBI Accounts in South Korea	$2,000
Settlement with Israeli Discount Bank	$1,632
Additional Affiliate, Banking Marshaling, Closeouts, and Other Recoveries	$19,498

These realized assets represent an additional 1.18 percentage increase recovery for LBI's general unsecured creditors. The following items also contributed to increased general creditor recoveries:

- Resolution of disputed Customer Claims allowed the Trustee, in keeping with Court Orders and the SIPA Statute, to reallocate $912 million from the customer estate to the general estate in the Report Period. This permitted the Trustee to increase the general unsecured distribution rate by 4.03 percentage points.

- Resolution of disputed secured, administrative, and priority claims, allowed the Trustee to release $312 million of reserves held at the start of the Report Period. This permitted the Trustee to increase distributions to general unsecured creditors by 1.39 percentage points.

- Through litigation and settlement with various parties seeking general creditor status, the Trustee reduced general estate liability from $24.636 billion on January 1, 2015 to $22.603 billion on June 27, 2022. This $2.033 billion reduction of general estate liability increased the impact of Trustee-marshalled dollars on the general unsecured distribution rate.

Administrative costs (data maintenance, professional fees, and other operational expense) associated with all of the foregoing (conducting the claims process, pursuing and realizing the affirmative recoveries described above, and maintaining the estate through the Report Period) was $197 million.

Cumulatively, the Trustee's realization efforts and liability reductions during the Report Period led to increased distributions to LBI's general creditors of 5.73 percentage points.