

In re Lehman Brothers Inc.,
Case No. 08-01420 (JMP) SIPA

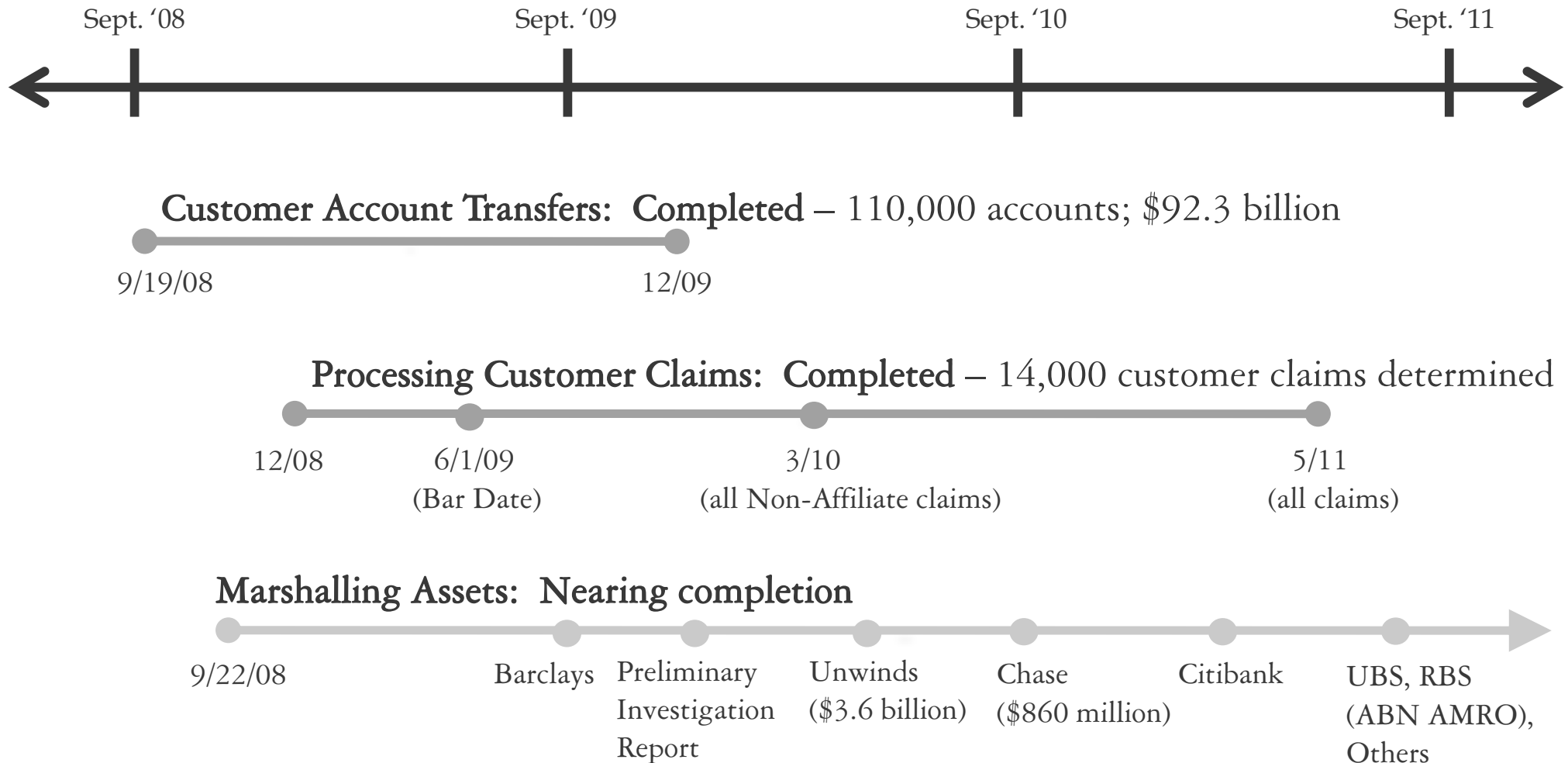
State of the Estate
August 9, 2011

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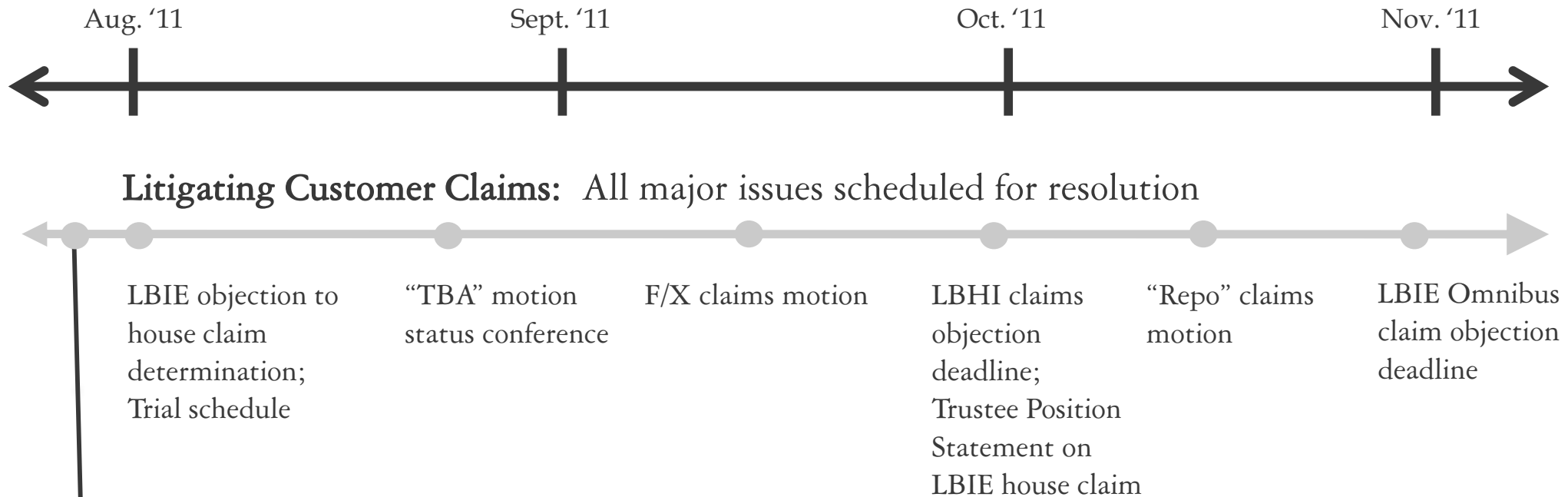
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Implementing SIPA & Returning Customer Property



Implementing SIPA & Returning Customer Property



14,000 customer claims determined;
Of 3,341 claim objections received,
449 withdrawn or resolved by Court

General Estate Shortfall

- LBI's apparent capital base had disappeared by September 19, 2008
- Asset shortfall impacted by Barclays Sale and other events at the time
- As of June 30, 2011, liabilities on a largely non-customer pro forma balance sheet basis at least \$23 billion over assets
- Even assuming some additional recoveries and significant reductions in allowable claim amounts, following allocation a major shortfall in at least the general estate is inevitable

Assets on Hand

As of June 30, 2011

Unaudited (in millions)

Cash and Cash Equivalents	\$1,333
Securities ^(a)	
BNYM	14,387
International Depositories ^(b)	31
Goldman Sachs	3,856
Union Bank	5,383
Other	25
Total Securities	<u><u>\$23,682</u></u>
Total Assets Under Trustee Control^(c)	<u><u>\$25,015</u></u>
Reserves related to Post-Petition Dividends & Interest	(1,325)
Reserves related to Barclays Litigation^(d)	<u>(3,069)</u>
Total Assets Under Trustee Control Less Reserves	<u><u>\$20,621</u></u>

a) Market value of securities calculated by the LBI Estate utilizing available market data; excludes value of customer name securities.

b) International Depositories represents securities held by depositories that are under Trustee control.

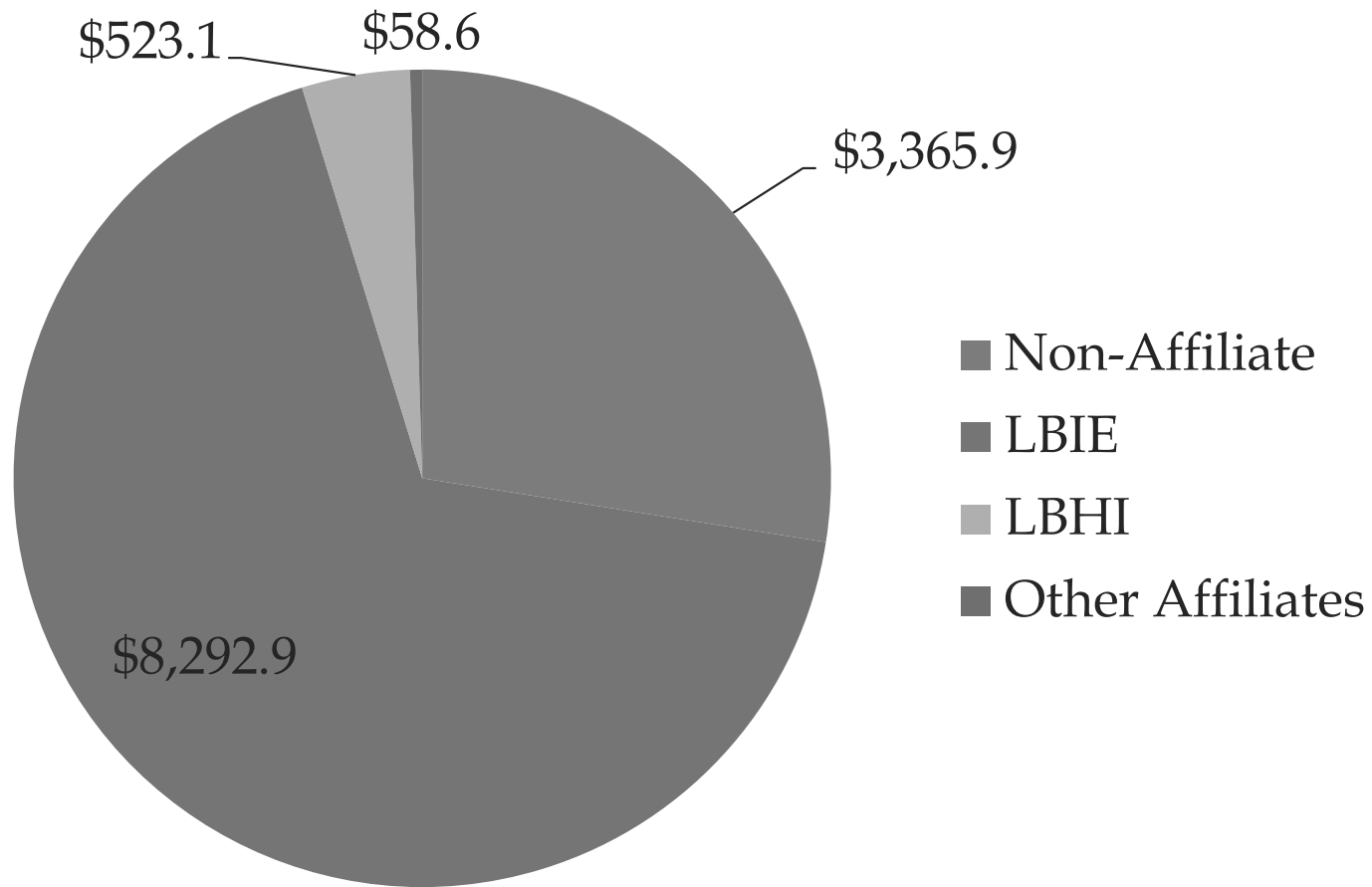
c) Does not include assets held in certain depositories, which are not under Trustee control.

d) Barclays Reserves include \$1.1 billion for clearance box assets, \$769 million for 15c3-3 securities, and approximately \$1.2 billion related to margin assets.

Customer Claims Overview

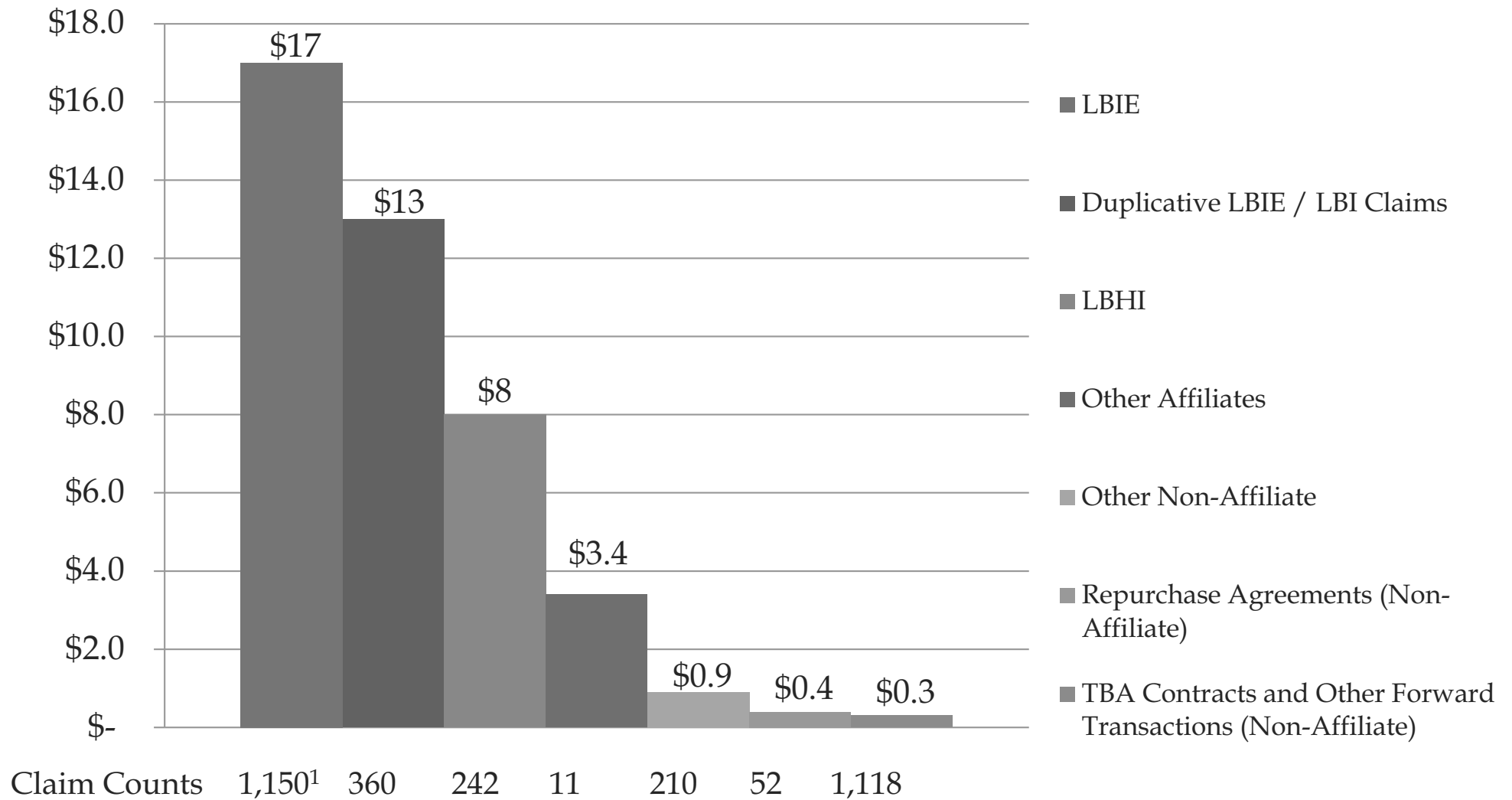
Customer Claims Categories (in millions)	Allowed Claims	Denied and Closed (Includes Reclassified)	Unresolved Claims	Grand Total
Non-Affiliate	\$ 3,365.9	\$ 23,587.1	\$ 14,402.1	\$ 41,355.1
LBIE	8,292.9	5,005.0	16,976.1	30,274.0
LBHI	523.1	11,362.5	7,998.8	19,884.4
Other Affiliates	58.6	1,983.8	3,422.8	5,465.2
Total Amount	\$ 12,240.5	\$ 41,938.4	\$ 42,799.8	\$ 96,978.7

Allowed Customer Claims (in millions)



Unresolved Customer Claim Types

(in billions)



1. Includes underlying customers covered by LBIE's omnibus customer claim.

Lehman Brothers International (Europe) ("LBIE")

➤ **\$30.3 customer claims (exceeds all estate assets)**

- **Omnibus Customer Claim** (*approximately 1,150 underlying LBIE customers*)
 - \$16.4 billion asserted
 - Trustee's May 2011 amended determination allowing as a customer claim approximately \$8.3 billion
 - Objection deadline October 31, 2011

- **House Claim** (*proprietary transactions*)
 - \$13.9 billion asserted
 - Sept. 2010, Trustee determined House Claim not a customer claim
 - LBIE objected as to \$8.9 billion
 - Joint Scheduling Order for judicial determination
 - Potentially impacted by Trustee claims against LBIE

Pending U.K. Proceedings

➤ Trustee Substantial Claimant in LBIE Administration

- LBIE Client Money Application
 - Trustee has substantial client money claims
 - Trustee's appeal to U.K. Court of Appeal successful
 - U.K. Supreme Court appeal due to be heard in October 2011

➤ Other Pending Applications

- LBIE Extended Liens Application
 - Hearing in U.K. High Court in July 2012
- RASCALS ("Regulation and Administration of Safe Custody and Global Settlement")
 - U.K. High Court decision in November 2010 (on appeal)
- Back-to-Back Side-Letter Proceeding
 - Substantive hearing likely early 2012

➤ Trustee submitted substantial other claims with back-up information

- LBIE bar date not until December 2012

Duplicative LBIE/LBI Claims

- **Approximately 360 LBIE claims seek SIPA customer status with respect to assets held in LBIE accounts**
 - Objections to claim determinations in face amount of approximately \$13 billion
 - Trustee working with LBIE Administrators to identify duplicates between LBIE omnibus customer claim and claims submitted by LBIE account holders
 - Trustee expects to resolve many objections as part of allowed LBIE omnibus customer claim (\$8.3 billion of cash and securities allowed) and may have to litigate others

Lehman Brothers Holdings Inc. ("LBHI")

- **\$19.9 billion asserted as customer claims by LBHI and its subsidiaries**
 - \$523 million allowed
 - Trustee and Chapter 11 Debtors agree that \$11.4 billion subject to subordination by agreement or understanding
 - \$8 billion potentially in dispute, denied or reclassified by Trustee
 - Trustee engaged in active discussions with Chapter 11 Debtors to reconcile and resolve claims to extent possible
 - Final objection deadline September 30, 2011
 - Potentially impacted by substantial Trustee claims against several Chapter 11 Debtors

Other Major Customer Claim Categories

- **To-Be-Announced (“TBA”) Contracts and Other Forward Transactions**
 - Objections covering 1,118 claims, total \$300 million
 - June 24, 2011 motion re: “test case” firms, totaling 241 claims
- **Repurchase Agreements** (excludes Lehman affiliates)
 - Objections covering 52 claims, total \$400 million
 - Stipulation governing discovery; test cases total \$200 million
 - Status conference in October 2011
- **Other**
 - Foreign Currency (F/X) Transactions, total \$66 million
 - Hearing scheduled for October 2011
 - Unauthorized Trades
 - Resolved in July 2011
 - Miscellaneous
 - 449 claims withdrawn to date

General Creditor Claims

- Over 12,500 general creditor claims subject to review and reconciliation which appear to exceed \$47.5 billion
 - Bulk are securities, financing, and intercompany transactions
- Customer claims not fully satisfied from “fund of customer property” become claims against the general estate; will increase amount of general creditor claims
 - At least additional \$10 billion in reclassified customer claims to date
- Trustee has commenced preliminary review of over 3,000 general creditor claims identified as either secured, administrative, or priority claims
- Bulk of work on most general unsecured claims will await determination that there will be a meaningful general estate
- Will be significant shortfall

Distributions

- Possible interim distribution on net equity claims
- Requires resolution of at least some of the major pending issues discussed in this report
- Requires further allocation of property by motion
- Post-petition dividends and interest to be distributed separately
- Significant general estate distributions unlikely

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