

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: \_\_\_\_\_

Chapter 11 Case No.

**Lehman Brothers Holdings Inc., et al.,**

08-13555 (JPM)

\_\_\_\_\_  
Debtors.

**MONTHLY OPERATING REPORT**

AUGUST 2010

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

DEBTORS' ADDRESS: LEHMAN BROTHERS HOLDINGS INC.  
c/o WILLIAM J. FOX  
1271 AVENUE OF THE AMERICAS  
35<sup>th</sup> FLOOR  
NEW YORK, NY 10020

DEBTORS' ATTORNEYS: WEIL, GOTSHAL & MANGES LLP  
c/o SHAI WAISMAN  
767 FIFTH AVENUE  
NEW YORK, NY 10153

REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., A DEBTOR IN POSSESSION (IN THE SOUTHERN DISTRICT OF NEW YORK)

THIS OPERATING STATEMENT MUST BE SIGNED BY A REPRESENTATIVE OF THE DEBTOR

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under penalty of perjury, that the information contained therein is complete, accurate and truthful to the best of my knowledge.

*Lehman Brothers Holdings Inc.*

Date: September 17, 2010

By: /s/ William J. Fox  
William J. Fox  
*Executive Vice President*

Indicate if this is an amended statement by checking here: AMENDED STATEMENT ☐

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## SCHEDULE OF DEBTORS

The following entities have filed for bankruptcy in the Southern District of New York:

	<u>Case No.</u>	<u>Date Filed</u>
<u>Lead Debtor:</u>		
Lehman Brothers Holdings Inc. ("LBHI").....	08-13555	9/15/2008
<u>Related Debtors:</u>		
LB 745 LLC.....	08-13600	9/16/2008
PAMI Statler Arms LLC(1).....	08-13664	9/23/2008
Lehman Brothers Commodity Services Inc. ("LBCS") .....	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. ("LBSF") .....	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. ("LOTC").....	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. ("LBDP").....	08-13899	10/5/2008
Lehman Commercial Paper Inc. ("LCPI").....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation ("LBCC") .....	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. ("LBFP") .....	08-13902	10/5/2008
Lehman Scottish Finance L.P. ....	08-13904	10/5/2008
CES Aviation LLC.....	08-13905	10/5/2008
CES Aviation V LLC.....	08-13906	10/5/2008
CES Aviation IX LLC .....	08-13907	10/5/2008
East Dover Limited .....	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009
BNC Mortgage LLC .....	09-10137	1/9/2009
LB Rose Ranch LLC.....	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009
LB 2080 Kalakaua Owners LLC .....	09-12516	4/23/2009
Merit LLC .....	09-17331	12/14/2009
LB Somerset LLC.....	09-17503	12/22/2009
LB Preferred Somerset LLC .....	09-17505	12/22/2009

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- (1) On May 26, 2009, a motion was filed on behalf of Lehman Brothers Holdings Inc. seeking entry of an order pursuant to Section 1112(b) of the Bankruptcy Code to dismiss the Chapter 11 Case of PAMI Statler Arms LLC, with a hearing to be held on June 24, 2009. On June 19, 2009, the motion was adjourned without a date for a continuation hearing.

The Chapter 11 case of Fundo de Investimento Multimercado Credito Privado Navigator Investimento No Exterior (Case No: 08-13903) has been dismissed.

The Chapter 11 case of Lehman Brothers Finance SA (Case No: 08-13887) has been dismissed.

## **LEHMAN BROTHERS HOLDINGS INC., (“LBHI”), AND OTHER DEBTORS AND OTHER CONTROLLED ENTITIES**

### **BASIS OF PRESENTATION SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS AUGUST 1, 2010 TO AUGUST 31, 2010**

The information and data included in this Monthly Operating Report (“MOR”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”) and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, including LAMCO LLC (“LAMCO”), and excludes, among other things, those entities that are under separate administrations in the United States or abroad, including Lehman Brothers Inc., which is the subject of proceedings under the Securities Investor Protection Act. LBHI and certain of its Controlled Entities have filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. The Debtors have prepared this MOR, as required by the Office of the United States Trustee, based on the information available to the Debtors at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This MOR is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. The Debtors reserve all rights to revise this report.

1. This MOR is not prepared in accordance with U.S. generally accepted accounting principles (GAAP). This MOR should be read in conjunction with the financial statements and accompanying notes in the Company’s reports that were filed with the United States Securities and Exchange Commission.
2. This MOR is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
3. The beginning and ending balances include cash in demand-deposit accounts (DDA), money-market funds (MMF), treasury bills, and other investments.
4. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
5. Beginning and ending cash balances exclude cash that has been posted as collateral for hedging activity.
6. Beginning and ending cash balances exclude cash related to LBHI’s wholly-owned indirect subsidiaries Aurora Bank FSB (formerly known as Lehman Brothers Bank FSB), Woodlands Commercial Bank (formerly known as Lehman Brothers Commercial Bank), LBTC Transfer Inc. (formerly known as Lehman Brothers Trust Company N.A.), and Lehman Brothers Trust Company of Delaware.
7. Cash pledged on, or prior to, September 15, 2008 by the Company in connection with certain documents executed by the Company and various financial institutions has been excluded from this report.
8. Intercompany transfers between Lehman entities are listed as disbursements for the paying entity and receipts for the receiving entity.

**LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities**  
**Schedule of Cash Receipts and Disbursements (a)**  
**August 1, 2010 - August 31, 2010**

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtor Entities										Other Controlled Entities (b)					Total Debtors and Other Controlled Entities
	LBHI	LBSF	LBCS	LOTC	LCPI	LBCC	LBFP	LBDP	Other	Total	LAMCO	LB1 Grp	PAMI	Other	Total	
<b>Beginning Cash &amp; Investments</b>																
(8/1/10) (c) .....	\$ 1,994	\$ 7,468	\$ 1,627	\$ 240	\$ 3,334	\$ 490	\$ 423	\$ 387	\$ 12	\$ 15,975	\$ 85	\$ 811	\$ 35	\$ 2,362	\$ 3,293	\$ 19,268
<b>Sources of Cash:</b>																
Corporate .....																
Repayment of Advances Made to																
Aurora (d) .....	14	—	—	—	—	—	—	—	—	14	—	—	—	—	—	14
Compensation and Benefits																
Reimbursements (e) .....	1	—	—	—	—	—	—	—	—	1	—	—	—	—	—	1
Other Receipts (f) .....	3	5	—	—	—	—	—	—	—	8	1	—	—	4	5	14
Derivatives (g) .....	3	180	4	—	—	7	1	—	—	194	—	—	—	23	23	217
Loans (h) .....	123	—	—	—	667	—	—	—	—	790	—	2	—	—	—	790
Private Equity / Principal																
Investing (i) .....	36	—	—	—	3	—	—	—	—	39	—	22	—	1	23	61
Real Estate (j) .....	42	—	—	—	119	—	—	—	—	162	—	—	—	3	3	164
Asia (k) .....	—	—	—	—	—	—	—	—	—	—	—	—	—	297	297	297
South America .....	—	—	—	—	—	—	—	—	—	—	—	—	—	4	4	4
Inter-Company Transfers (l) .....	257	—	—	—	6	—	—	—	—	263	—	—	19	4	24	287
<b>Total Sources of Cash</b> .....	<b>479</b>	<b>185</b>	<b>4</b>	<b>—</b>	<b>795</b>	<b>7</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>1,470</b>	<b>1</b>	<b>23</b>	<b>19</b>	<b>336</b>	<b>379</b>	<b>1,849</b>
<b>Uses of Cash:</b>																
Corporate .....																
Compensation and Benefits (m) .....	(19)	—	—	—	—	—	—	—	—	(19)	(4)	—	—	(1)	(5)	(25)
Professional Fees (n) .....	(31)	—	—	—	—	—	—	—	—	(31)	—	—	—	—	—	(31)
Other Operating Expenses (o) .....	(7)	—	—	—	—	—	—	—	—	(7)	(1)	—	—	(1)	(2)	(9)
Derivatives, principally hedging (p) .....	(1)	(120)	—	—	—	—	(6)	—	—	(126)	—	—	—	—	—	(126)
Loans (q) .....	—	—	—	—	(524)	—	—	—	—	(524)	—	—	—	—	—	(524)
Private Equity / Principal																
Investing (r) .....	(5)	—	—	—	—	—	—	—	—	(5)	—	(7)	—	—	(7)	(12)
Real Estate (s) .....	(19)	—	—	—	(35)	—	—	—	—	(54)	—	—	(11)	—	(11)	(66)
Asia (k) .....	—	—	—	—	—	—	—	—	—	—	—	—	—	(237)	(237)	(237)
South America .....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Inter-Company Transfers (l) .....	(30)	(162)	(18)	(5)	(45)	(3)	(1)	—	—	(264)	—	(10)	—	(13)	(23)	(287)
<b>Total Uses of Cash</b> .....	<b>(112)</b>	<b>(282)</b>	<b>(18)</b>	<b>(5)</b>	<b>(605)</b>	<b>(3)</b>	<b>(7)</b>	<b>—</b>	<b>—</b>	<b>(1,030)</b>	<b>(6)</b>	<b>(17)</b>	<b>(11)</b>	<b>(252)</b>	<b>(286)</b>	<b>(1,316)</b>
<b>Net Cash Flow</b> .....	<b>367</b>	<b>(97)</b>	<b>(14)</b>	<b>(5)</b>	<b>190</b>	<b>5</b>	<b>(6)</b>	<b>—</b>	<b>—</b>	<b>440</b>	<b>(5)</b>	<b>7</b>	<b>8</b>	<b>84</b>	<b>93</b>	<b>533</b>
FX Fluctuation (t) .....	(3)	—	—	—	(2)	—	—	—	—	(5)	—	—	—	7	7	2
<b>Ending Cash &amp; Investments</b>																
(8/31/10) (u) .....	\$ 2,358	\$ 7,371	\$ 1,613	\$ 235	\$ 3,522	\$ 495	\$ 417	\$ 387	\$ 12	\$ 16,409	\$ 80	\$ 817	\$ 43	\$ 2,453	\$ 3,394	\$ 19,803

Totals may not foot due to rounding.

**LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities**

**Schedule of Cash Receipts and Disbursements (a)**

**August 1, 2010 - August 31, 2010**

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Notes

- (a) Includes cash receipts and disbursements for all Debtor Entities and Other Controlled Entities, globally. Activity in Corporate, Derivatives, Loans, Private Equity / Principal Investing and Real Estate reflects bank accounts that are managed and reconciled by Lehman's U.S. and European operations. Activity in Asia and South America reflects bank accounts that are managed and reconciled by Lehman's Asian and South American operations.
- (b) Other Controlled Entities include Non-Debtor entities which are under the control of LBHI, except for Aurora Bank, Woodlands Commercial Bank, LBTC Transfer Inc. (f/k/a Lehman Brothers Trust Company N.A.), and Lehman Brothers Trust Company of Delaware, which are not reflected in this schedule.
- (c) Beginning Cash and Investment balances include approximately \$3.4 billion in co-mingled and segregated accounts associated with pledged assets, court ordered segregated accounts, funds administratively held by banks, funds related to the JP Morgan Collateral Disposition Agreement ("CDA"), and other identified funds which may not belong to the Debtors or Other Controlled Entities. Beginning Cash and Investment balances exclude approximately \$586 million of cash posted for hedging activity, prior to the recognition of any gains or losses.
- (d) Reflects repayment of advances made to Aurora Bank for the court approved advance receivables facility.
- (e) Reflects repayment of advances for payroll and benefits disbursements made on behalf of Woodlands Commercial Bank.
- (f) Primarily reflects \$5 million of interest income and \$4 million from the transfer of cash from accounts not controlled by the Company.
- (g) Primarily reflects settlements from counterparties and the return of \$46 million of collateral posted for hedging.
- (h) Primarily reflects principal and interest payments from borrowers, of which a portion has been distributed to syndicated loan participants (see footnote q).
- (i) Primarily reflects redemptions, distributions and/or proceeds from the sale of investments.
- (j) Primarily reflects principal and interest payments received from real estate investments.
- (k) Primarily reflects \$239 million of proceeds from the disposition of assets in the Kingfisher Capital CLO Limited secured structure. \$232 million of these proceeds were transferred to the structure's trustee and subsequently distributed to LBHI as custodian in September 2010.
- (l) Primarily reflects \$255 million transferred to LBHI from various Lehman legal entities for Q1 2010 cost allocations and true-ups from prior periods.
- (m) Compensation and Benefits includes fees paid to Alvarez & Marsal as interim management. A portion of the \$19 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (n) A portion of the \$31 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (o) Primarily reflects expenses related to occupancy, Transition Services Agreement, taxes, insurance, and infrastructure costs. A portion of the \$7 million related to LBHI will be subject to future cost allocation to various Lehman legal entities.
- (p) Primarily reflects \$124 million of collateral posted for hedging.
- (q) Primarily reflects principal and interest distributed to syndicated loan participants where Lehman acts as agent.
- (r) Primarily reflects capital calls on investments.
- (s) Primarily reflects payments made for the preservation of assets of Real Estate positions.
- (t) Reflects fluctuation in value in foreign currency bank accounts.
- (u) Ending Cash and Investment balances include approximately \$3.5 billion in co-mingled and segregated accounts. These amounts are preliminary and estimated as follows: Debtors - LBHI \$558 million, LBSF \$610 million, LBCS \$42 million, LCPI \$2.2 billion, LBCC \$5 million, Lehman Scottish Finance \$2 million; and non-Debtors \$77 million, and are subject to adjustment. Ending Cash and Investment balances exclude approximately \$653 million of cash posted as collateral for hedging activity, prior to the recognition of any gains or losses, broken down as follows: LBSF \$614 million, LBFP \$27 million, LBCC \$9 million, LBHI \$2 million, and LBCS \$1 million.

**LEHMAN BROTHERS HOLDINGS INC. ("LBHI"), AND OTHER DEBTORS**

**BASIS OF PRESENTATION  
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS  
DATED FROM FILING DATE TO AUGUST 31, 2010**

The information and data included in this Monthly Operating Report ("MOR") are derived from sources available to Lehman Brothers Holdings Inc. ("LBHI") and its Controlled Entities (collectively, the "Company"). The term "Controlled Entities" refers to those entities that are directly or indirectly controlled by LBHI, including LAMCO LLC ("LAMCO"), and excludes, among other things, those entities that are under separate administrations in the United States or abroad, including Lehman Brothers Inc., which is the subject of proceedings under the Securities Investor Protection Act. LBHI and certain of its Controlled Entities have filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the "Debtors". The Debtors' Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. The Debtors have prepared this MOR, as required by the Office of the United States Trustee, based on the information available to the Debtors at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This MOR is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. The Debtors reserve all rights to revise this report.

1. This MOR is not prepared in accordance with U.S. generally accepted accounting principles (GAAP). This MOR should be read in conjunction with the financial statements and accompanying notes in the Company's annual and quarterly reports that were filed with the United States Securities and Exchange Commission.
2. This MOR is not audited and will not be subject to audit or review by the Company's external auditors at any time in the future.
3. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Debtors have incurred additional professional fee expenses during the reporting period that will be reflected in future MORs, as cash payments are made to providers.

**LEHMAN BROTHERS HOLDINGS INC. and Other Debtors**  
**Schedule of Professional Fee and Expense Disbursements (a)**  
**August 2010**  
**Unaudited (\$ in thousands)**

		<b>August-2010</b>	<b>Filing Date Through August-2010 (b)</b>
<b>Debtors - Section 363 Professionals</b>			
Alvarez & Marsal LLC .....	Interim Management	\$ 16,400	\$ 342,429
Kelly Matthew Wright .....	Art Consultant and Auctioneer	12	77
Natixis Capital Markets Inc. ....	Derivatives Consultant	—	9,310
<b>Debtors - Section 327 Professionals</b>			
Bingham McCutchen LLP .....	Special Counsel - Tax	475	13,718
Bortstein Legal LLC .....	Special Counsel - IT and Other Vendor Contracts	63	3,418
Curtis, Mallet-Prevost, Colt & Mosle LLP .....	Special Counsel - Conflicts	758	19,587
Dechert LLP .....	Special Counsel - Real Estate	—	172
Discover Ready LLC .....	eDiscovery Services	—	8,413(c)
Ernst & Young LLP .....	Audit and Tax Services	—	1,520
Gibson Dunn & Crutcher LLP .....	Special Counsel - Real Estate	71	381
Hudson Global Resources .....	Contract Attorneys	248	5,284(d)
Huron Consulting .....	Tax Services	—	2,145
Jones Day .....	Special Counsel - Asia and Domestic Litigation	2,450	35,189
Kasowitz, Benson, Torres & Friedman .....	Special Counsel - Litigation	48	322
Latham & Watkins LLP .....	Special Counsel - Real Estate	—	166
Lazard Freres & Co. ....	Investment Banking Advisor	—	23,059
McKenna Long & Aldridge LLP .....	Special Counsel - Commercial Real Estate Lending	516	4,379
O'Neil Group .....	Tax Services	264	648
Pachulski Stang Ziehl & Jones .....	Special Counsel - Real Estate	—	1,380
Pricewaterhouse Coopers LLP .....	Tax Services	79	659
Reilly Pozner LLP .....	Special Counsel - Mortgage Litigation and Claims	302	3,538
Simpson Thacher & Bartlett LLP .....	Special Counsel - SEC Reporting, Asset Sales, and Congressional Testimony	—	2,431
Sutherland LLP .....	Special Counsel - Tax	127	127
Weil Gotshal & Manges LLP .....	Lead Counsel	8,584	220,857
Windels Marx Lane & Mittendorf, LLP .....	Special Counsel - Real Estate	210	1,847
<b>Debtors - Claims and Noticing Agent</b>			
Epiq Bankruptcy Solutions LLC .....	Claims Management and Noticing Agent	—	8,282
<b>Creditors - Section 327 Professionals</b>			
FTI Consulting Inc. ....	Financial Advisor	2,457	38,231
Houlihan Lokey Howard & Zukin Capital Inc. ....	Investment Banking Advisor	325	8,649
Milbank Tweed Hadley & McCloy LLP .....	Lead Counsel	8,192	69,272
Quinn Emanuel Urquhart Oliver & Hedges LLP .....	Special Counsel - Conflicts	1,659	10,894
Richard Sheldon, Q.C. ....	Special Counsel - UK	—	105
<b>Examiner - Section 327 Professionals</b>			
Duff & Phelps LLC .....	Financial Advisor	40	39,443
Jenner & Block LLP .....	Examiner	90	54,695
<b>Fee Examiner</b>			
Feinberg Rozen LLP .....	Fee Examiner	—	1,904
Brown Greer Plc .....	Fee and Expense Analyst	36	234
<b>Total Non-Ordinary Course Professionals</b> .....		<b>43,406</b>	<b>932,763</b>
<b>Debtors - Ordinary Course Professionals</b> .....		<b>1,165</b>	<b>27,656(e)</b>
<b>US Trustee Quarterly Fees</b> .....		<b>—</b>	<b>877</b>
<b>Total Professional Fees and UST Fees (f)</b> .....		<b>\$ 44,570</b>	<b>\$ 961,296</b>

- (a) All professional fees have been paid by LBHI; however, a portion has been charged back to debtor and non-debtor subsidiaries based on the direct costs associated with each entity and an allocation methodology.
- (b) The figures reflected in this table represent cash disbursements from LBHI's filing date through the end of August 2010. The figures do not include accruals.
- (c) Filing Date Through August-2010 balance for Discover Ready LLC has been decreased by \$1.1 million to account for payments that were made on behalf of non-debtor entities that were inadvertently included in previous MORs.
- (d) Filing Date Through August-2010 balance for Hudson Global Resources has been increased by \$486 thousand to account for payments that were inadvertently excluded in previous MORs.
- (e) Filing Date Through August-2010 balance for Debtors - Ordinary Course Professionals (OCPs) has been decreased by \$306 thousand to account for payments that were inadvertently included in previous MORs.
- (f) Excludes professional services rendered on behalf of non-debtor entities which are invoiced separately.