

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re:

Chapter 11 Case No.

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

08-13555

Debtors.

**OCTOBER 2012 POST-EFFECTIVE OPERATING REPORT**

OCTOBER 2012

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

DEBTORS' ADDRESS: LEHMAN BROTHERS HOLDINGS INC.  
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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: November 30, 2012

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

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**SCHEDULE OF DEBTORS**

The following entities (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. The Debtors’ Chapter 11 cases remain open as of the date hereof.

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”) .....	08-13555	9/15/2008
LB 745 LLC.....	08-13600	9/16/2008
PAMI Statler Arms LLC.....	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

**The Company has established an email address to receive questions from readers regarding this presentation. The Company plans to review questions received and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome, the Company shall endeavor to post a response (maintaining the anonymity of the question origination) on the Epiq website maintained for the Company, [www.lehman-docket.com](http://www.lehman-docket.com). The Company assumes no obligation to respond to e-mail inquiries. Please provide questions in clear language with document references, and email to [QUESTIONS@lehmanholdings.com](mailto:QUESTIONS@lehmanholdings.com).**

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

**BASIS OF PRESENTATION  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
OCTOBER 1, 2012 – OCTOBER, 31 2012**

The information and data included in this October 2012 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad and excludes Aurora Bank FSB, which is indirectly controlled by LBHI. LBHI and certain of its Controlled Entities had 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. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This Operating Report 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. LBHI reserves all rights to revise this report.

**Subsequent Event:**

As announced on November 26, 2012, LBHI (Plan Administrator) entered into a definitive agreement to sell full ownership of Archstone Enterprise LP to Equity Residential (“EQR”, NYSE: EQR) and AvalonBay Communities, Inc. (“AVB”, NYSE: AVB) for cash and stock with an aggregate value of approximately \$6.5 billion. LBHI and its affiliates will receive \$2.685 billion in cash as well as 34,468,085 shares of EQR common stock and 14,889,706 shares of AVB common stock. The Plan Administrator expects that the sale will be consummated on or before March 26, 2013. Pursuant to the agreement, LBHI and its affiliates are prohibited from selling or hedging shares of EQR or AVB stock until April 25, 2013. The Plan Administrator will exercise its business judgment to sell the shares in an orderly manner over time. Available cash will be distributed in accordance with the Plan.

**Other items:**

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include cash in demand-deposit accounts (DDA), money-market funds (MMF), treasury bills and other investments.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
  - Cash posted as collateral for hedging activity;
  - Cash related to LBHI’s wholly-owned indirect subsidiary Aurora Bank FSB; and
  - Cash held at real estate owned properties or at third party managers.

5. To facilitate making Plan Distributions to creditors on October 1, 2012, on September 27, 2012, the Debtors (a) made distributions to Allowed Claims of Debtors and certain Debtor-Controlled Entities and (b) transferred Plan Adjustments from Participating Subsidiary Debtors to LBHI on account of Distributions that would be made to holders of Allowed Claims. Additional Plan Distributions were made on October 1, 2012. This Post-Effective Operating Report includes only those disbursements made on October 1, 2012.
6. Restricted cash balances are based on preliminary estimates and are comprised of the following items as of October 31, 2012:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
Reserves for Claims:							
Disputed unsecured claims	\$ 2,010	\$ 2,235	\$ 64	\$ 1,494	\$ 5,803	\$ -	\$ 5,803
Priority tax claims <sup>(1)</sup>	2,827	117	0	5	2,949	-	2,949
Distributions on Allowed Claims (not remitted) <sup>(2)</sup>	140	138	164	8	449	-	449
Secured, Admin, Priority Claims and Other <sup>(3)</sup>	1,540	54	69	32	1,694	-	1,694
Subtotal, Claims Reserves	6,516	2,543	297	1,538	10,895	-	10,895
Cash pledged to JPMorgan (CDA) <sup>(4)</sup>	316	-	6	-	323	-	323
Citigroup and HSBC <sup>(5)</sup>	2,037	-	-	-	2,037	-	2,037
Woodlands and LB Bancorp <sup>(6)</sup>	-	-	-	-	-	577	577
Other <sup>(7)</sup>	236	77	49	32	392	111	505
<b>Total</b>	<b>\$ 9,105</b>	<b>\$ 2,621</b>	<b>\$ 352</b>	<b>\$ 1,570</b>	<b>\$ 13,647</b>	<b>\$ 688</b>	<b>\$ 14,336</b>

Totals may not foot due to rounding.

- (1) On November 1, 2012, the Debtors settled a priority tax claim of \$627 million with New York City for \$113 million. Future Operating Reports will show the reduction of \$627 million in restricted cash.
- (2) Represents distributions to creditors of Allowed Claims that were not paid related to the first distribution on April 17, 2012 and the second distribution on October 1, 2012. The \$449 million is comprised of approximately \$170 million related to claimants who failed to submit the proper taxpayer identification number forms and/or Office of Foreign Asset Control (“OFAC”) forms and approximately \$230 million for distributions held pending resolution on various items described in settlement agreements with certain Non-Controlled Affiliates
- (3) Includes approximately \$1.2 billion reserved at LBHI for a disputed claim of the Federal Home Loan Mortgage Corporation that was asserted with priority status, \$172 million related to post-petition intercompany payables, \$90 million related to secured claims, \$28 million related to administrative claims and \$196 million related to other administrative activity and other.
- (4) Represents \$323 million of cash deposited into accounts by LBHI and LCPI and pledged to JPMorgan (“JPM”) pursuant to paragraph 6(b) of the Collateral Disposition Agreement (“CDA”) with JPM effective March 31, 2010; related to, but not limited to, clearance exposures, derivative exposures and contingent letters of credit exposures, pending resolution of these items.
- (5) Represents cash deposited on or prior to September 15, 2008 by the Company in connection with certain requests and/or documents executed by the Company and Citibank N.A. of approximately \$2 billion and HSBC Bank PLC of \$30 million, including interest earned thereon.
- (6) Represents cash at Woodlands Commercial Corporation (“Woodlands”) of \$545 million and its parent company, Lehman Brothers Bancorp Inc., a savings and loan holding company, of \$32 million, subject to various regulations and supervision by the Federal Reserve Board of Governors.

- (7) Other includes (i) various pre-petition balances on administrative hold by certain financial institutions of \$105 million; (ii) asserted misdirected wires and other cash received by LBHI for the benefit of third parties and Non-Controlled Affiliates of approximately \$112 million; (iii) cash collected by LBSF on derivative trades which collateralize certain notes of approximately \$77 million; (iv) cash collected in previous months by LCPI on behalf of a third party for \$41 million related to a loan participation agreement; (v) net cash collections on assets reported on the books of LBHI and LCPI related to Intercompany-Only Repurchase transactions of approximately \$13 million; (vi) cash received by LBHI related to securities transferred to LBHI under the CDA with JPM of approximately \$19 million; and (vii) other cash required to be restricted by various agreements of \$138 million.

Restricted cash balances herein do not include other cash reserves required for operating expenses, asset preservation and other commitments (e.g. unfunded loans or anticipated investments).

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities  
Summary Schedule of Cash Receipts and Disbursements  
October 1, 2012 - October 31, 2012

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

	Debtors				Total	Debtor-Controlled Entities			Total	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other		LB I Group	PAMI	Other		
<b>Beginning Free Cash and Investments (10/1/12)</b>	\$ 7,595	\$ 822	\$ 776	\$ 257	\$ 9,450	\$ 144	\$ 44	\$ 1,332	\$ 1,519	\$ 10,969
Restricted Cash	9,104	2,637	340	1,576	13,657	-	-	639	639	14,296
<b>Beginning Total Cash and Investments</b>	<b>16,699</b>	<b>3,459</b>	<b>1,116</b>	<b>1,833</b>	<b>23,107</b>	<b>144</b>	<b>44</b>	<b>1,970</b>	<b>2,158</b>	<b>25,265</b>
<b>Sources of Cash</b>										
Commercial Real Estate	13	-	20	-	33	-	11	16	27	60
Loans (Corporate and Residential)	10	-	80	-	90	-	-	43	43	133
Private Equity / Principal Investing	214	-	6	-	220	371	-	1	372	592
Derivatives	7	157	-	4	167	-	-	0	0	167
Receipts from Affiliates	12	1	-	1	14	-	-	348	348	361
Other	40	2	(3)	0	40	0	0	3	3	43
<b>Total Sources of Cash</b>	<b>295</b>	<b>160</b>	<b>104</b>	<b>5</b>	<b>564</b>	<b>371</b>	<b>11</b>	<b>411</b>	<b>793</b>	<b>1,357</b>
<b>Uses of Cash</b>										
Non-Operating										
Commercial Real Estate	(2)	-	(2)	(0)	(4)	-	(2)	(5)	(6)	(11)
Loans (Corporate and Residential)	(1)	-	(1)	-	(2)	-	-	(1)	(1)	(3)
Private Equity / Principal Investing	-	-	-	-	-	(2)	-	-	(2)	(2)
Derivatives	-	(0)	-	-	(0)	-	-	-	-	(0)
Payments to Creditors	(6,731)	(405)	(382)	(220)	(7,737)	-	-	(1)	(1)	(7,738)
Other	(1)	(2)	(0)	(0)	(4)	-	-	(1)	(1)	(5)
Operating Expenses	(35)	(16)	(0)	(0)	(51)	(0)	(0)	(10)	(10)	(61)
<b>Total Uses of Cash</b>	<b>(6,770)</b>	<b>(423)</b>	<b>(386)</b>	<b>(220)</b>	<b>(7,799)</b>	<b>(2)</b>	<b>(2)</b>	<b>(17)</b>	<b>(21)</b>	<b>(7,820)</b>
<b>Net Cash Flow</b>	<b>(6,475)</b>	<b>(263)</b>	<b>(282)</b>	<b>(215)</b>	<b>(7,235)</b>	<b>370</b>	<b>9</b>	<b>393</b>	<b>772</b>	<b>(6,463)</b>
Inter-Company Transfers, Net	251	8	300	(16)	542	(313)	(0)	(229)	(542)	(0)
Transfers from (to) Securitization Trustee	45	-	(35)	-	9	-	-	-	-	9
Loan Agencies, Net	0	-	1	-	1	-	-	-	-	1
FX Fluctuation	2	(0)	0	-	2	-	-	1	1	3
<b>Ending Total Cash and Investments</b>	<b>10,522</b>	<b>3,204</b>	<b>1,099</b>	<b>1,602</b>	<b>16,427</b>	<b>201</b>	<b>52</b>	<b>2,135</b>	<b>2,388</b>	<b>18,815</b>
Restricted Cash	(9,105)	(2,621)	(352)	(1,570)	(13,647)	-	-	(688)	(688)	(14,336)
<b>Ending Free Cash and Investments (10/31/12)</b>	<b>\$ 1,417</b>	<b>\$ 584</b>	<b>\$ 747</b>	<b>\$ 32</b>	<b>\$ 2,780</b>	<b>\$ 201</b>	<b>\$ 52</b>	<b>\$ 1,447</b>	<b>\$ 1,700</b>	<b>\$ 4,480</b>

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".  
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities  
Schedule of Cash Receipts and Disbursements  
October 1, 2012 - October 31, 2012

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

	Debtors					Debtor-Controlled Entities				Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	LB I Group	PAMI	Other	Total	
<b>Beginning Free Cash and Investments (10/1/12)</b>	\$ 7,595	\$ 822	\$ 776	\$ 257	\$ 9,450	\$ 144	\$ 44	\$ 1,332	\$ 1,519	\$ 10,969
Restricted Cash	9,104	2,637	340	1,576	13,657	-	-	639	639	14,296
<b>Beginning Total Cash and Investments</b>	<b>16,699</b>	<b>3,459</b>	<b>1,116</b>	<b>1,833</b>	<b>23,107</b>	<b>144</b>	<b>44</b>	<b>1,970</b>	<b>2,158</b>	<b>25,265</b>
<b>Sources of Cash</b>										
Commercial Real Estate										
Principal	12	-	18	-	30	-	10	16	25	55
Interest	1	-	3	-	3	-	1	1	2	5
Loans (Corporate and Residential)										
Principal	(a) 8	-	78	-	86	-	-	41	41	127
Interest	2	-	2	-	4	-	-	2	2	6
Private Equity / Principal Investing										
Principal	(b) 214	-	3	-	217	371	-	1	372	589
Interest and Dividends	0	-	3	-	3	-	-	-	-	3
Derivatives										
Return / (Posting) of Hedging Collateral, net	-	7	-	2	9	-	-	0	0	9
Collections from Live / Terminated Trades	(c) 7	149	-	2	158	-	-	0	0	158
Other	-	1	-	-	1	-	-	-	-	1
Receipts from Affiliates										
Distributions from Non-Controlled Affiliates	(d) 12	-	-	-	12	-	-	-	-	12
Plan Distributions from Debtors	(e) 0	1	-	1	2	-	-	348	348	350
Other										
Interest	(f) 3	2	(0)	0	6	0	0	1	1	7
Other	37	-	(3)	0	35	-	-	2	2	37
<b>Total Sources of Cash</b>	<b>295</b>	<b>160</b>	<b>104</b>	<b>5</b>	<b>564</b>	<b>371</b>	<b>11</b>	<b>411</b>	<b>793</b>	<b>1,357</b>

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".  
Totals may not foot due to rounding.



**LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities**  
**Schedule of Cash Receipts and Disbursements**  
**October 1, 2012 - October 31, 2012**

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

	Debtors					Debtor-Controlled Entities				Total Debtors and Debtor- Controlled Entities	
	LBHI	LBSF	LCPI	Other	Total	LB I Group	PAMI	Other	Total		
<b>Uses of Cash</b>											
Non-Operating											
Commercial Real Estate											
Preservation of Assets	(2)	-	(2)	(0)	(4)	-	(2)	(5)	(6)	(11)	
Loans (Corporate and Residential)											
Preservation of Assets	(1)	-	(1)	-	(2)	-	-	(1)	(1)	(3)	
Private Equity / Principal Investing											
Capital Calls	-	-	-	-	-	(2)	-	-	(2)	(2)	
Derivatives											
Payments on Live Trades	-	(0)	-	-	(0)	-	-	-	-	(0)	
Payments to Creditors(Secured and Administrative)											
Plan Distributions	(g)	(6,731)	(405)	(382)	(220)	(7,737)	-	-	-	(7,737)	
Payments to Creditors - Non Controlled Affiliates	-	-	-	-	-	-	-	(1)	(1)	(1)	
Other											
Other	(1)	(2)	(0)	(0)	(4)	-	-	(1)	(1)	(5)	
Operating Expenses											
Compensation and Benefits	(h)	(8)	-	-	(8)	-	-	(5)	(5)	(13)	
Professional Fees	(j)	(26)	(16)	(0)	(42)	(0)	(0)	(0)	(0)	(42)	
Other	(k)	(1)	(0)	(0)	(2)	(0)	(0)	(4)	(4)	(6)	
<b>Total Uses of Cash</b>		<b>(6,770)</b>	<b>(423)</b>	<b>(386)</b>	<b>(220)</b>	<b>(7,799)</b>	<b>(2)</b>	<b>(2)</b>	<b>(17)</b>	<b>(21)</b>	<b>(7,820)</b>
<b>Net Cash Flow</b>											
Inter-Company Receipts	(l)	308	8	324	0	641	-	0	52	52	693
Inter-Company Disbursements	(m)	(58)	(0)	(24)	(17)	(99)	(313)	(0)	(281)	(595)	(693)
Transfers from (to) Securitization Trustee	(n)	45	-	(35)	-	9	-	-	-	-	9
Loan Agencies, Net		0	-	1	-	1	-	-	-	-	1
FX Fluctuation		2	(0)	0	-	2	-	-	1	1	3
<b>Ending Total Cash and Investments</b>	(o)	<b>10,522</b>	<b>3,204</b>	<b>1,099</b>	<b>1,602</b>	<b>16,427</b>	<b>201</b>	<b>52</b>	<b>2,135</b>	<b>2,388</b>	<b>18,815</b>
Restricted Cash		(9,105)	(2,621)	(352)	(1,570)	(13,647)	-	-	(688)	(688)	(14,336)
<b>Ending Free Cash and Investments (10/31/12)</b>		<b>\$ 1,417</b>	<b>\$ 584</b>	<b>\$ 747</b>	<b>\$ 32</b>	<b>\$ 2,780</b>	<b>\$ 201</b>	<b>\$ 52</b>	<b>\$ 1,447</b>	<b>\$ 1,700</b>	<b>\$ 4,480</b>

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities  
Schedule of Cash Receipts and Disbursements  
October 1, 2012 - October 31, 2012

Unaudited (\$)

**Notes:**

- (a) Primarily includes cash received from the sale of assets and principal pay downs related to Corporate Loans and Residential Real Estate assets, including approximately \$37 million collected by Woodlands Commercial Corp. which is restricted as of October 31, 2012.
- (b) Cash collections for LBHI primarily relate to redemptions and principal distributions from GP and LP stakes in private equity and hedge funds. LB I Group cash collections primarily reflect a partial sale and dividend payments of approximately \$312 million related to the Formula One investment. The \$312 million was subsequently transferred to LCPI (refer to footnote (l) below).
- (c) Includes collections on live and terminated trades, net of purchases of SPV notes.
- (d) Includes a distribution of \$12 million from Lehman Brothers Japan which was subsequently transferred to Lehman Brothers Commercial Corporation.
- (e) Includes Plan Distributions from Debtors to Debtors and Other Debtor-Controlled Entities.
- (f) Includes interest collected on short term investments, net of purchased interest, and amortization on treasury investments.
- (g) Includes Plan Distributions related to the October 1st Distribution and payments to certain Claimants not paid in the April 17, 2012 distribution. Certain holders of Allowed Claims related to the October 1st Distribution were not paid for various reasons (refer to page 5, footnote (2), of this report).
- (h) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Controlled Entities.
- (i) Compensation and Benefits includes Company's employees expenses as well as fees paid to Alvarez & Marsal as interim management.
- (j) Includes approximately \$19 million of professional fees approved by the Bankruptcy Court under section 503(b) of the bankruptcy code.
- (k) Primarily includes expenses related to outsourced services and IT, occupancy, taxes, insurance and other operating disbursements.
- (l) Inter-Company receipts of \$641 million at Debtors includes cash received from Debtor-Controlled Entities primarily due to a transfer from LB I Group to LCPI of \$312 million related to the Formula One investment, partial repayment of intercompany balances, dividend distributions, and other administrative activities.
- (m) Inter-Company disbursements of \$99 million at Debtors is primarily related to settlement of cost allocations and other administrative activities.
- (n) Includes cash outflows to the Verano Securitization Trustee for proceeds received on underlying collateral, netted against any receipts for pay downs and interest on the Verano notes. Cash collections on the underlying collateral are presented in "Sources of Cash" in Loans (Corporate and Residential).
- (o) Other Debtor-Controlled Entities - Other Ending Cash and Investments at October 31, 2012 includes \$669 million of cash balances at Controlled Entities in Asia.

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

**BASIS OF PRESENTATION  
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS  
FROM SEPTEMBER 15, 2008 TO OCTOBER 31, 2012**

The information and data included in this October 2012 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad, and Aurora Bank FSB, which is indirectly controlled by LBHI. LBHI and certain of its Controlled Entities had 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. LBHI has prepared this Operating Report, including certain information as required by the Office of the United States Trustee, based on the information available to LBHI at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This Operating Report 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. LBHI reserves all rights to revise this report.

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.
4. This Operating Report includes disbursements for services rendered on or prior to March 6, 2012 (“Pre-Effective Date”) and subsequent to March 6, 2012 (“Post-Effective Date”). Professional fees incurred Post- Effective Date are paid in accordance with the terms of the engagement of each professional as agreed to with LBHI, as Plan Administrator.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities  
Schedule of Professional Fee and Expense Disbursements  
For Services Rendered Pre-Effective Date  
October 2012 (a)

Unaudited (\$ in thousands)		For services rendered Pre-Effective Date	
		Oct-2012	Sept-2008 Through Oct-2012
<b>Debtors - Claims and Noticing Agent</b>			
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	\$ -	\$ 28,773
<b>Debtors - Section 363 Professionals</b>			
Alvarez & Marsal LLC	Interim Management	-	535,520
<b>Debtors - Section 327 Professionals</b>			
Akerman Senterfit	Special Counsel - Mortgage Litigation and Claims	-	26
Bingham McCutchen LLP	Special Counsel - Tax	-	24,199
Bortstein Legal LLC	Special Counsel - IT and Other Vendor Contracts	-	4,144
Clyde Click, P.C.	Special Counsel - Real Estate	-	363
Curtis, Mallet-Prevost, Colt & Mosle LLP	Special Counsel - Conflicts	-	50,166
Dechert LLP	Special Counsel - Real Estate	-	7,736
Deloitte LLP	Tax Services	-	924
Ernst & Young LLP	Audit and Tax Services	-	1,734
Foster, Graham, Milstein & Calisher, LLP	Special Counsel - Mortgage Litigation and Claims	-	819
Fried, Frank, Harris, Shriver & Jacobson LLP	Special Counsel - Real Estate	75	496
Gibson Dunn & Crutcher LLP	Special Counsel - Real Estate	-	3,670
Gleacher	Financial Advisor	1,500	7,695
Hardinger & Tenenholz LLP	Special Counsel - Discovery	-	194
Jones Day	Special Counsel - Asia and Domestic Litigation	-	65,697
Kasowitz, Benson, Torres & Friedman	Special Counsel - Litigation	-	2,687
Kleyr Grasso Associates	Special Counsel - UK	-	1,078
Kramer Levin Naftalis and Frankel LLP	Special Counsel - Employee Matters	-	197
Krebsbach & Snyder, P.C.	Special Counsel - Litigation	-	598
Lazard Freres & Co.	Investment Banking Advisor	-	31,773
Locke Lord Bissell & Liddell LLP	Special Counsel - Mortgage Litigation and Claims	40	1,708
McKenna Long & Aldridge LLP	Special Counsel - Commercial Real Estate Lending	-	5,851
MMOR Consulting	Tax Services	-	1,012
Momo-o, Matsuo & Namba	Special Counsel - Asia	-	674
Moulton Bellingham P. C.	Special Counsel - Mortgage Litigation and Claims	-	691
O'Neil Group	Tax Services	-	3,288
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	-	3,460
Pricewaterhouse Coopers LLP	Tax Services	-	2,531
Reed Smith LLP	Special Counsel - Insurance	-	1,235
Reilly Pozner LLP	Special Counsel - Mortgage Litigation and Claims	-	9,113
Simpson Thacher & Bartlett LLP	Special Counsel - SEC Reporting, Asset Sales, and Congressional Testimony	-	2,820
SNR Denton LLP	Special Counsel - Real Estate	-	2,524
Sutherland LLP	Special Counsel - Tax	-	969
Weil Gotshal & Manges LLP	Lead Counsel	-	419,228
Windels Marx Lane & Mittendorf, LLP	Special Counsel - Real Estate	-	3,403
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives	-	1,951
<b>Creditors - Section 327 Professionals</b>			
FTI Consulting Inc.	Financial Advisor	661	90,330
Houlihan Lokey Howard & Zukin Capital Inc.	Investment Banking Advisor	-	17,410
Milbank Tweed Hadley & McCloy LLP	Lead Counsel	-	140,320
Quinn Emanuel Urquhart Oliver & Hedges LLP	Special Counsel - Conflicts	-	35,803
Richard Sheldon, Q.C.	Special Counsel - UK	-	378
<b>Examiner - Section 327 Professionals</b>			
Duff & Phelps LLC	Financial Advisor	-	43,210
Jenner & Block LLP	Examiner	-	59,454
<b>Fee Examiner</b>			
Godfrey & Kahn, S.C.	Fee Examiner (Current)	860 (c)	6,995
<b>503(B) - Substantial Contribution Fees (b)</b>			
Blackstone Advisory Partners LP	LBSF Working Group	12,710	12,710
Brown Rudnick LLP	LBT Ad Hoc Group	3,306	3,306
Goldman Sachs Lending Partners LLC	LBSF	3,112	3,112
<b>Total Non-Ordinary Course Professionals</b>		<b>22,263</b>	<b>1,641,979</b>
<b>Inactive Non-Ordinary Course Professionals</b>		<b>-</b>	<b>54,233 (e)</b>
<b>Debtors - Ordinary Course Professionals</b>		<b>-</b>	<b>46,871</b>
<b>Other Professionals</b>		<b>163 (d)</b>	<b>10,601</b>
<b>US Trustee Quarterly Fees</b>		<b>-</b>	<b>1,959</b>
<b>Total Pre-Effective Date Professional Fees and UST Fees</b>		<b>\$ 22,426</b>	<b>\$ 1,755,643</b>

(a) Approximately \$31 million of professional fee and expense related to holdback and final fee applications (excluding incentive fees) have not yet been approved by the fee examiner.

(b) Reflects professional fees approved by the Bankruptcy Court under section 503(b) of the bankruptcy code

(c) Includes services rendered subsequent to March 2012 for the review of professional fee and expenses incurred during the Pre-Effective Date period

(d) Includes disbursements to various professionals not subject to court retention

(e) Discover Ready LLC, Hudson Global Resources, Pachulski Stang Ziehl & Jones, Feinberg Rozen LLP, and Brown Greer Plc have been reclassified and will be included in Inactive Non-Ordinary Course Professionals in future presentations

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Other Controlled Entities  
Schedule of Professional Fee and Expense Disbursements  
For Services Rendered Post-Effective Date  
October 2012 (a)

Unaudited (\$ in thousands)		For services rendered Post-Effective Date	
		Oct-2012	March 7, 2012 - Oct-2012
Alvarez & Marsal LLC	Interim Management	\$ 5,932	\$ 38,770
<b>Professional Fees</b>			
Bingham McCutchen LLP	Special Counsel - Tax	3	3,180
Curtis, Mallet-Prevost, Colt & Mosle LLP	Special Counsel - Conflicts	4,590	4,590
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	-	3,260
FTI Consulting Inc.	Financial Advisor - Creditors	-	384
Houlihan Lokey Howard & Zukin Capital Inc.	Investment Banking Advisor	-	441
Jones Day	Special Counsel - Asia and Domestic Litigation	1,624	1,825
Lazard Freres & Co.	Investment Banking Advisor	-	150
Milbank Tweed Hadley & McCloy LLP	Lead Counsel - Creditors	-	2,626
Pachulski Stang Ziehl & Jones	Special Counsel - Real Estate	-	342
Quinn Emanuel Urquhart Oliver & Hedges LLP	Special Counsel - Conflicts	3,021	3,021
Skadden, Arps, Slate, Meagher & Flom LLP	Board of Directors Counsel	-	958
Weil Gotshal & Manges LLP	Lead Counsel - Debtors	5,408	10,845
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives	118	1,053
US Trustee Quarterly Fees		-	302
Other Professionals - Legal	Various	3,427	18,917 (b)
Other Professionals - Non-Legal	Various	1,010	5,640 (b)
Other Professionals - Asia	Various	332	1,845 (b)
Sub-total Professional Fees		<b>19,533</b>	<b>59,380</b>
<b>Total Post-Effective Date Professional Fees - Including Alvarez &amp; Marsal</b>		<b>\$ 25,465</b>	<b>\$ 98,150</b>

(a) Additional professional fee expenses have been incurred and are under review by the Company; these expenses will be reflected in future Operating Reports as cash payments are made to professionals.

(b) Includes disbursements to over 100 vendors. The majority of these payments were less than \$150,000.