

SETTLEMENT AGREEMENT

This Settlement Agreement (the “Agreement”) is made and entered into as of the Effective Date (defined below), by and between State Street Bank and Trust Company (“State Street”), Lehman Brothers Holdings Inc. (“LBHI”), and Lehman Commercial Paper Inc. (“LCPI” and, together with the other debtors in these chapter 11 cases, the “Debtors,” and together with State Street and LBHI, the “Parties,” and each individually, a “Party”).

WHEREAS, LCPI was the Seller under that certain Master Repurchase Agreement dated May 1, 2007 (as amended, supplemented and otherwise modified from time to time, together with all related documents and agreements entered into in connection therewith, the “MRA”) by and among LCPI, as Seller, and State Street, as Buyer;

WHEREAS, LBHI guaranteed the obligations of LCPI under the MRA in favor of State Street by executing a guaranty on May 1, 2007, and by executing a certain Amended and Restated Guarantee on July 5, 2007 (the “Guaranty”);

WHEREAS, LBHI commenced a Chapter 11 case on September 15, 2008, under the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), that is presently pending under Case No. 08-13555 (JMP), and is being jointly administered with the Chapter 11 cases of certain affiliates and subsidiaries of LBHI, including LCPI (collectively, the “Chapter 11 Cases”);

WHEREAS, by order, dated July 2, 2009 [Docket No. 4271] (the “Bar Date Order”), the Bankruptcy Court established: (i) September 22, 2009 as the deadline to file proofs of claim (each a “Proof of Claim”) against the Debtors; and (ii) October 22, 2009 as the deadline for the filing of questionnaires with respect to any claims based on a Derivative Contract or Guarantee (each as defined in the Bar Date Order);

WHEREAS, State Street filed Proof of Claim No. 32,695 against LBHI on September 22, 2009 (“LBHI Claim”) relating to certain obligations of LBHI under the Guaranty, in the amount of not less than \$425,000,000.00;

WHEREAS, State Street filed Proof of Claim No. 32,696 against LCPI on September 22, 2009 (“In Rem Claim”) relating to State Street’s *in rem* claim to ownership of a particular asset (the “340 Madison Loan”) related to the MRA;

WHEREAS, State Street filed Proof of Claim No. 32,697 against LCPI on September 22, 2009 (“LCPI Claim”) relating to certain obligations of LCPI under the MRA, in the amount of not less than \$425,000,000.00;

WHEREAS, State Street has alleged that the actual amount due in respect of the LBHI Claim and the LCPI Claim is approximately \$638,000,000.00;

WHEREAS, pursuant to a settlement agreement (the “340 Madison Loan Settlement Agreement”) by and between the Parties, State Street filed a notice of withdrawal of the *In Rem* Claim (Claim No. 32,696) on or about July 7, 2010 [Docket No. 10079];

WHEREAS, pursuant to the 340 Madison Loan Settlement Agreement by and between the Parties, on or about July 9, 2010, State Street amended the LCPI Claim (Claim No. 32,697) and the LBHI Claim (Claim No. 32,695) to reflect that the amount of each claim was reduced per agreement of the Parties by the value of the State Street Ownership Interest as of the Deemed Transfer Date (each as defined in the 340 Madison Loan Settlement Agreement), in an amount to be proven [Docket No. 10,225];

WHEREAS, on January 25, 2011, the Debtors filed the First Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors [Docket No. 14150] (as the same may be amended, the "Plan"), and the Debtors' Disclosure Statement for First Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors Pursuant to Section 1125 of the Bankruptcy Code [Docket No. 14151] (as the same may be amended, the "Disclosure Statement"); and

WHEREAS, the Parties have engaged in good faith negotiations for the purpose of reaching a mutually satisfactory agreement for the resolution under the Plan of the LCPI Claim and the LBHI Claim. In consideration of the mutual covenants, conditions and provisions set forth below, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and each Party intending to be legally bound, the Parties agree as follows:

1. IMPLEMENTATION OF AGREEMENT

a) Effectiveness. This Agreement shall become effective on the date that this Agreement has been signed by each of the Parties (the "Effective Date"). The rights and obligations of the Parties set forth in this Agreement are conditioned and contingent upon approval of the same by the Bankruptcy Court (the date of such approval the "Approval Effective Date"). In the event the Approval Effective Date does not occur on or before September 30, 2011, for any reason, this Agreement shall be deemed null and void, each Party shall be relieved and released from any further obligation hereunder, and the Parties may pursue and defend the allowance of their respective claims, if any, without admission by any Party regarding the amount, priority or enforceability of such claims.

b) Cooperation. The Parties that agree from and after the Effective Date they will proceed expeditiously to seek the occurrence of the Approval Effective Date, cooperate with each other, and execute and deliver such documents and take such further actions as may be reasonably necessary to implement this Agreement. LBHI and LCPI will jointly file a motion under Fed. R. Bankr. P. 9019 to approve this agreement within ten days of the Effective Date, and the Parties shall actively seek its prompt approval.

c) Withdrawal of Adversary Proceeding. Within 10 days following the Approval Effective Date, State Street shall withdraw with prejudice the adversary proceeding it commenced on November 19, 2008 in the Bankruptcy Court for the Southern District of New York, captioned *State Street Bank & Trust Co. v. Lehman Commercial Paper Inc.*, Adv. Pro. No. 08-01743-JMP; provided, however, that State Street need not withdraw claims in the adversary proceeding with respect to the Hollins Ferry property if the dispute relating to such property has not been resolved to the satisfaction of the Parties by the Approval Effective Date.

2. ALLOWANCE OF CLAIMS

a) LCPI Claim. Upon the Approval Effective Date, the LCPI Claim shall be reduced and allowed as a general, unsecured, non-priority claim under 11 U.S.C. § 502 against LCPI in the fixed, liquidated amount of \$400,000,000.00 (the “Allowed LCPI Claim”). The Allowed LCPI Claim shall not be subject to reconsideration, objection, reduction, increase, counterclaim, subordination, offset or recoupment, and shall be allowed without necessity of any further filings or amendments, including any Proof of Claim. The Allowed LCPI Claim shall be classified and treated as an Allowed Claim in Class 4A of the Plan (General Unsecured Claims other than those of Designated Entities against LCPI) and shall have the same treatment as other claims within its class under the plan confirmed by the Bankruptcy Court in the chapter 11 case of LCPI.

b) LBHI Claim. Upon the Approval Effective Date, the LBHI Claim shall be reduced and allowed as a general, unsecured, non-priority claim under 11 U.S.C. § 502 against LBHI in the fixed, liquidated amount of \$400,000,000.00 (the “Allowed LBHI Claim”). The Allowed LBHI Claim shall not be subject to reconsideration, objection, reduction, increase, counterclaim, subordination, offset or recoupment, and shall be allowed without necessity of any further filings or amendments, including any proof of claim. The Allowed LBHI Claim shall be classified and treated as an Allowed Claim in Class 5 of the Plan (Senior Third Party Guarantee Claims against LBHI) and shall have the same treatment as other claims within its class under the plan confirmed by the Bankruptcy Court in the chapter 11 cases of LCPI and LBHI, as applicable.

c) Limitation on Plan Distributions. Notwithstanding the provisions of sections 2 (a) and 2 (b) hereof, the aggregate recovery of State Street in respect of the Allowed LCPI Claim and the Allowed LBHI Claim shall not exceed \$400,000,000.00.

d) Title to Claims. State Street represents and warrants that it owns all of the legal and beneficial interest in, and has good, valid title to the Allowed LCPI Claim and the Allowed LBHI Claim, free and clear of all liens, claims, setoff rights of third parties, security interests, participations or encumbrances, and State Street has not transferred or assigned to any other person any of the claims or receivables that are the subject of this Agreement, including, without limitation, the Allowed LCPI Claim and the Allowed LBHI Claim or any interest therein.

e) Transfer of Claims. State Street shall not during the period from the Effective Date until the termination of this Agreement, transfer the Allowed LCPI Claim and/or the Allowed LBHI Claim, or any interest in any of the foregoing, or any rights or interests arising thereunder, in whole or in part, except to a person or entity that agrees that the terms of this Agreement shall be binding in all respects upon such person or entity and shall govern the acts of such person or entity.

3. PROLOGIS LOAN SALE

LCPI, or its designee, will purchase from State Street the loan evidenced by the Loan Agreement dated as of July 11, 2007, as amended, between State Street, as successor in interest to LBHI, and ProLogis NA3 III LP (the “ProLogis Loan”) for \$67.5 million in cash plus the amount of any unpaid interest on the ProLogis Loan accrued through the closing of the sale of the Loan (the “Purchase Price”). In the alternative, at LCPI’s sole option it may satisfy the

ProLogis Loan in full by the payment of the Purchase Price to State Street (such purchase as described in the preceding sentence or the discounted payoff, the "Loan Sale"). State Street agrees that the consummation of the Loan Sale will constitute the full settlement, satisfaction, release and discharge of the ProLogis Loan. The Loan Sale will be effectuated pursuant to customary documents reasonably acceptable to the Parties and without any representation or warranty by or other recourse to State Street except that State Street will represent that (i) it has not sold or assigned any interest in the ProLogis Loan acquired by it under the MRA, (ii) it has the right to convey the ProLogis Loan, and (iii) the ProLogis Loan is not subject to any security interest, lien or other encumbrance created by or through State Street. State Street's obligation to sell and LCPI's obligation to purchase the ProLogis Loan under this section will terminate: (i) upon notice from LCPI, delivered to State Street no later than July 29, 2011, that either LCPI or the official committee of unsecured creditors has disapproved the Loan Sale, (ii) if the Bankruptcy Court does not approve the Loan Sale by September 30, 2011, or (iii) if the closing of the Loan Sale does not occur by October 15, 2011. The termination of the obligations of the Parties under this section 3 will not affect any other obligations of any of the Parties under this Agreement. This Agreement shall not operate as a waiver of any claim, default or defense of State Street or ProLogis NA3 III LP with respect to the ProLogis Loan, and all rights and remedies of State Street and ProLogis NA3 III LP with respect to the ProLogis Loan are expressly reserved.

4. MUTUAL RELEASE

a) Except as to the agreement and performance of the obligations set forth in this Agreement and the documents, instruments and agreements executed in connection herewith, effective from and after the Approval Effective Date, State Street, for itself and its affiliates, and their successors and assigns, expressly releases and waives, unconditionally and irrevocably, any claims, counterclaims, defenses, rights of setoff, debt, liens, losses, demands, damages, costs and causes of action of whatever nature, whether asserted or unasserted, known or unknown, in contract or tort, unsecured, secured, priority, administrative or otherwise (collectively, "State Street Released Claims"), that State Street or any of its affiliates may have against any LBHI, LCPI, and or any of the other Debtors and/or any of their respective direct or indirect parents, subsidiaries and affiliates, or the respective officers, directors, shareholders, partners, members, employees, agents, servants, counsel, representatives, participants, successors or assigns of any and all of the foregoing, arising under or relating to the MRA, the Guaranty or the transactions contemplated thereby. Nothing in this Agreement shall constitute a release or waiver of any claims that State Street or any of its affiliates, or any of their respective successors or assigns, may have against any Debtor or any of the Debtors' affiliates relating to any interest that the Debtor or the affiliate may have in any loan that was sold to State Street under the MRA or any assignment document or any interest in or claim against any obligor on that loan or affiliate of the obligor or arising under or related to any settlement, exchange, assignment or assumption of the loan or that otherwise do not arise under or relate to the MRA, the Guaranty or the transactions contemplated thereby.

b) Except as to the agreement and performance of the obligations set forth in this Agreement and the documents, instruments and agreements executed in connection herewith, effective from and after the Approval Effective Date, each of the Debtors, for themselves, and their successors and assigns, expressly releases and waives, unconditionally and irrevocably, any claims,

counterclaims, defenses, rights of setoff, debts, liens, losses, demands, damages, costs and causes of action of whatever nature, whether asserted or unasserted, known or unknown, in contract or tort, unsecured, secured, priority, administrative or otherwise (collectively, the “Lehman Released Claims”), that the Debtors may have against State Street and/or any of its respective direct or indirect parents, subsidiaries and affiliates, or the respective officers, directors, shareholders, partners, members, employees, agents, servants, counsel, representatives, participants, successors or assigns of any and all of the foregoing, arising under or relating to the MRA, the Guaranty or the transactions contemplated thereby, including, without limitation, any Avoidance Actions or claims under section 502(d) that relate to the Lehman Released Claims. Nothing in this Agreement shall constitute a release or waiver of any claims that the Debtors or any of their successors or assigns, may have against State Street or any of its affiliates relating to any interest that the Debtor or the affiliate may have in any loan that was sold to State Street under the MRA or any assignment document or any interest in or claim against any obligor on that loan or an affiliate of the obligor or arising under or related to any settlement, exchange, assignment or assumption of the loan or that otherwise do not arise under or relate to the MRA, the Guaranty or the transactions contemplated thereby.

c) Nothing in this Agreement shall constitute a release or waiver of any Lehman Released Claims that any Debtor or any of its affiliates may have against any other Debtor or any of its affiliates.

5. GENERAL

a) Headings. The section headings herein are provided for convenience only and have no substantive effect on the construction of this Agreement.

b) No Waiver. The failure by a Party to exercise or enforce any right hereunder shall not operate as a waiver of such Party’s right to exercise or enforce such right or any other right in the future.

c) Governing Law. This Agreement and all matters and claims arising out of or relating to this Agreement shall be governed by and interpreted, and construed in accordance with the procedural and substantive laws of the State of New York without reference to its principles as to choice or conflicts of law.

d) Jurisdiction. To the maximum extent permissible by law, the Parties expressly consent and submit to the exclusive jurisdiction of the Bankruptcy Court over any actions or proceedings relating to the enforcement or interpretation of this Agreement and any Party bringing such action or proceeding shall bring such action or proceeding in the Bankruptcy Court. Each of the Parties agrees that a final judgment in any such action or proceeding, including all appeals, shall be conclusive and may be enforced in other jurisdictions (including any foreign jurisdictions) by suit on the judgment or in any other manner provided by applicable law. If the Bankruptcy Court refuses or abstains from exercising jurisdiction over the enforcement of this Agreement and/or any actions or proceedings arising hereunder or thereunder, then the Parties agree that venue shall be in any other state or federal court located within the County of New York in the State of New York having proper jurisdiction. Each Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, (i) any objection which it may

now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement with the Bankruptcy Court or with any other state or federal court located within the County of New York in the State of New York, or other court of competent jurisdiction as described above and (ii) the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each Party irrevocably consents to service of process in the manner provided for notices in section h) hereof. Nothing in this Agreement will affect the right, or requirement, of any Party to this Agreement to serve process in any other manner permitted or required by applicable law.

e) Counterparts. This Agreement may be executed in counterparts (including via electronic means) and copies may be used instead of originals. The executed counterparts shall be construed as and constitute one document.

f) Integration. This Agreement is the final and entire agreement of the Parties regarding the subject matter herein, and supersedes all previous oral and written understandings, negotiations, term sheets, and agreements with respect to the subject matter addressed herein. This Agreement may only be modified by a written amendment signed by an authorized signatory of each Party.

g) Authorization. Each Party to this Agreement and each person executing this document on behalf of each Party to this Agreement warrants and represents that he or she has the power and authority to execute and deliver this Agreement.

h) Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next Business Day, (c) three days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one Business Day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

To the Debtors at:

1271 Avenue of the Americas, 39th Floor
New York, New York 10020
Attn: Jeffrey Fitts
Facsimile: (646) 834-0874

With a copy (which shall not constitute notice) to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attn: Jacqueline Marcus, Esq.
Facsimile: (212) 310-8007

To State Street at:

State Street Bank and Trust Company
One Lincoln Street
Boston, MA 02111
Attn: William J. Connolly, Esq., Senior Litigation Counsel
Facsimile: (617)664-4680

With a copy (which shall not constitute notice) to:

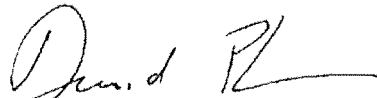
Bingham McCutchen LLP
One Federal Street
Boston, MA 02110
Attn: Sabin Willett, Esq. and Andrew Phelan, Esq.
Facsimile: (617)951-8736

or to such other address as may have been furnished by a Party to each of the other Parties by notice given in accordance with the requirements set forth above.


i) Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH OR IN RESPECT OF ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTION OF ANY PARTY OR ARISING OUT OF ANY EXERCISE BY ANY PARTY OF ITS RESPECTIVE RIGHTS UNDER THIS AGREEMENT OR IN ANY WAY RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY (INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO ANY ACTION TO RESCIND OR CANCEL THIS AGREEMENT AND WITH RESPECT TO ANY CLAIM OR DEFENSE ASSERTING THAT THIS AGREEMENT WAS FRAUDULENTLY INDUCED OR IS OTHERWISE VOID OR VOIDABLE). THIS WAIVER OF RIGHT TO TRIAL BY JURY IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. EACH OF THE PARTIES HERETO IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION j) IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER. THIS WAIVER OF JURY TRIAL IS A MATERIAL INDUCEMENT FOR THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.


State Street Bank and Trust Company

By: 
Name: David C. Phelan
Title: Executive VP & General Counsel, State Street Corporation
Execution Date: July 5, 2011

LEHMAN COMMERCIAL PAPER INC., a New York corporation, as debtor and debtor in possession in its Chapter 11 case in the United States Bankruptcy Court for the Southern District of New York, Case No. 08-13555 (JMP)

By: 
Name: DAVID WALLIN
Title: VP
Execution Date: 7/5/11

LEHMAN BROTHERS HOLDINGS INC., a Delaware corporation, as debtor and debtor in possession in its Chapter 11 case in the United States Bankruptcy Court for the Southern District of New York, Case No. 08-13555 (JMP)

By: 
Name: DAVID WALLIN
Title: VP
Execution Date: 7/5/11