

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (this “**Agreement**”) is entered into as of _____, 2010 (the “**Effective Date**”) by and among STATE STREET BANK AND TRUST COMPANY (“**State Street**”), LEHMAN COMMERCIAL PAPER INC. (“**LCPI**”), and LEHMAN BROTHERS HOLDINGS INC. (“**LBHI**”). State Street, LCPI and LBHI are referred to herein collectively as the “**Parties**” and each individually as a “**Party**”.

R E C I T A L S

WHEREAS, LBHI and LCPI are debtors and debtors in possession in Chapter 11 bankruptcy cases *In re Lehman Brothers Holdings Inc.*, Bankruptcy Case No. 08-13555 and No. 08-13900 (the “**Bankruptcy Proceedings**”), United States District Court for the Southern District of New York (the “**Bankruptcy Court**”);

WHEREAS, State Street filed an adversary proceeding captioned *State Street Bank & Trust Company v. Lehman Commercial Paper Inc.*, Adversary Proceeding No. 08-01743-JMP (the “**Adversary Proceeding**”), which is part of the Bankruptcy Proceedings;

WHEREAS, the Adversary Proceeding related to that certain Master Repurchase Agreement dated May 1, 2007 between LCPI and State Street and for which LBHI acts as guarantor of the obligations of LCPI thereunder (as amended, supplemented and otherwise modified from time to time, together with all related documents, exhibits, schedules and agreements entered into in connection therewith, the “**Repo Agreement**”);

WHEREAS, a dispute has arisen between the Parties under the Repo Agreement concerning the so-called “340 Madison Ave. Mezz” loan relating to a property located at 340 Madison Avenue in New York City, New York (the “**340 Madison Loan**”);

WHEREAS, State Street asserted in the Adversary Proceeding, among other claims, certain claims seeking declaratory and other relief regarding State Street’s rights under the Repo Agreement to ownership of the 340 Madison Loan (the ownership claims to the 340 Madison Loan asserted by State Street in the Adversary Proceeding being hereinafter referred to as the “**340 Madison Adversary Proceedings Claims**”), and LCPI and LBHI have asserted that State Street has no ownership interest in the 340 Madison Loan;

WHEREAS, State Street has filed in the Bankruptcy Proceedings Proofs of Claim Nos. 32,695, 32,696 and 32,697 (the “**Proofs of Claim**”) in connection with its rights under the Repo Agreement;

WHEREAS, in furtherance of the 340 Madison Adversary Proceedings Claims, State Street has asserted in the Proofs of Claim, among other claims, an *in rem* claim to ownership of the 340 Madison Loan (the “**In Rem Claim**” and, together with the 340 Madison Adversary Proceedings Claims, the “**340 Madison Ownership Claims**”) and, in the alternative, in the event that State Street were determined not to be the owner of the 340 Madison Loan, a claim to

increased monetary damages resulting from LCPI's failure to repurchase the other loans sold to State Street under the Repo Agreement (the "**340 Madison Damage Claim**" and together with the 340 Madison Ownership Claims, the "**340 Madison Claims**");

WHEREAS, the Parties desire to resolve any and all disputes among and between the Parties concerning the 340 Madison Claims, all subject to the terms and conditions hereinafter set forth;

WHEREAS, LBHI and LCPI have obtained entry of a final order by the Bankruptcy Court allowing a motion to approve this Agreement and the Participation Agreement (as defined below), which order is no longer subject to appeal and has not been stayed;

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. **Disposition of the 340 Madison Loan.** Simultaneously herewith on the Effective Date, LBHI and State Street shall execute a Participation Agreement substantially in the form of EXHIBIT A attached hereto (the "**Participation Agreement**"), pursuant to which LBHI will assign to State Street and State Street will accept from LBHI, effective as of September 17, 2008 (the "**Deemed Transfer Date**"), an undivided fifty percent (50%) participation interest in the 340 Madison Loan (the "**State Street Ownership Interest**") which assignment and acceptance shall be deemed to have occurred on and as of the Deemed Transfer Date and shall further be deemed to have occurred pursuant to the terms of the Repo Agreement. The Participation Agreement sets forth the terms and conditions of LBHI's and State Street's respective ownership interests in the 340 Madison Loan.

2. **Payment to State Street.** On the Effective Date, LBHI or LCPI shall wire to State Street payment of \$_____ (the "**Prior Payment Share**") in immediately available funds representing (a) 50% of all payments of, or on account of, principal, interest, default interest, prepayment penalties, additional interest, late charges, prepayment fees, exit fees, proceeds of any so-called "equity kickers" or participations in proceeds of the sale of the collateral securing the 340 Madison Loan or the sale of the Property (as said term is defined in the Participation Agreement), from whatever source derived, received by LBHI or LCPI in respect of the 340 Madison Loan during the period beginning on September 17, 2008 through and including the Effective Date (collectively, the "**340 Madison Receipts**"), less (b) 50% of all costs and expenses (including, without limitation, servicing fees) incurred and/or paid by LBHI or LCPI in respect of the 340 Madison Loan during the period beginning on September 17, 2008 through and including the Effective Date (collectively, the "**340 Madison Expenses**"). LBHI and LCPI hereby represent and warrant to State Street that attached hereto as SCHEDULE A is a true, correct and complete accounting of all 340 Madison Receipts and all 340 Madison Expenses.

3. **Litigation Dismissal.** Within five (5) business days following the Effective Date, State Street and LCPI will file a joint stipulation dismissing the 340 Madison Claims with prejudice (exclusive of State Street's rights under the Participation Agreement) and without costs or fees to any Party.

4. Proof of Claim Modification. Within ten (10) business days following the Effective Date, State Street will (a) withdraw its Proof of Claim No. 32,696 and, except as hereinafter provided regarding amendments to Proofs of Claim Nos. 32,695 and 32,697, will not file any further Proofs of Claim regarding the 340 Madison Loan, and (b) will file amended versions of Proofs of Claim Nos. 32,695 and 32,697 that (i) assert no claim that State Street owns any portion of the 340 Madison Loan other than the State Street Ownership Interest set forth herein and in the Participation Agreement, and (ii) reflect the parties' agreement, in computing State Street's "shortfall" claim under the Repo Agreement, that State Street has received the State Street Ownership Interest effective as of the Deemed Transfer Date and that State Street's shortfall claim will be reduced by the value of the State Street Ownership Interest as of the Deemed Transfer Date from what the claim would have been had State Street received nothing of value in respect of the 340 Madison Loan.

5. Mutual Releases. Each Party intends, by this mutual release, to effect a release of each other Party from any and all liabilities in respect of the 340 Madison Claims to the extent provided below, provided, however, that this release shall not in any manner be deemed a release (i) of or by any Party with respect to any matters arising under the Participation Agreement, the Repo Agreement (except as expressly provided below) or this Agreement, (ii) by State Street of its claims referred to in the amended Proofs of Claim contemplated by Section 4 above or (iii) by State Street of any claim that it may have against any person otherwise released under clause (a) below as a result of a third party asserting a claim against State Street or any successor or assign or affiliate of State Street on account of any act or omission of that person in respect of the 340 Madison Loan.

(a) State Street, on behalf of itself, its successors and assigns, past, current and future affiliates, guarantors, sureties, and all of their respective subsidiaries and affiliates, hereby irrevocably and unconditionally waives, releases and discharges with prejudice LCPI and LBHI and their respective successors, assigns, past, current and future affiliates, parent companies, subsidiaries, directors, trustees, officers, shareholders, members, attorneys, employees, sureties and agents from any and all claims, liens, causes of action or suits at law or in equity, damages, liabilities, demands, grievances, losses and costs (including all costs of suit and attorneys fees and expenses), existing or contingent, known or unknown, and whether arising by statute, common law or otherwise, of whatsoever kind or nature, that it has or might have, from the beginning of time to the Effective Date that have been or could have been asserted in connection with the 340 Madison Loan including, without limitation, the 340 Madison Claims, and any claims based on or arising from any act or omission of LBHI or LCPI in respect of the 340 Madison Loan which act or omission occurred prior to the Effective Date.

(b) Each of LBHI and LCPI, on behalf of itself, its respective successors and assigns, past, current and future affiliates, guarantors, sureties, and all of their respective subsidiaries and affiliates, hereby irrevocably and unconditionally waives, releases and discharges with prejudice State Street and its successors, assigns, past, current and future affiliates, parent companies, subsidiaries, directors, trustees, officers, shareholders, members, attorneys, employees, sureties and agents from any and all claims, liens, causes of action or suits at law or in equity, damages, liabilities, demands, grievances, losses and costs (including all costs of suit and attorneys fees and expenses), existing or contingent, known or unknown, and

whether arising by statute, common law or otherwise, of whatsoever kind or nature, that it has or might have, from the beginning of time to the Effective Date that have been or could have been asserted in connection with the 340 Madison Loan or that could be asserted to limit, reduce, avoid or modify the State Street Ownership Interest (except to the extent the same arise under the Participation Agreement).

6. Governing Law. The Parties agree that this Agreement shall be governed by the laws of the State of New York without giving effect to any provision thereof that would require reference to or the application of the laws of any other jurisdiction.

7. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

8. Representation by Counsel. Each Party acknowledges and agrees that it has been represented by counsel during the negotiation of the settlement contemplated hereby and the execution of this Agreement. Each Party further acknowledges and agrees that it understands and accepts the effect of all of the terms of this Agreement and willingly agrees to be bound thereby.

9. Enforceability. This Agreement shall be binding upon and enforceable by and against, the Parties and their respective successors, assignees and legal representatives, and there shall be no third party beneficiaries hereof.

10. Severability. If any provision of this Agreement, or its application to any person or circumstance, shall be found invalid, illegal or unenforceable to any extent, the remainder of this Agreement and its application shall not be affected and shall remain enforceable to the fullest extent permitted by law. If the absence of the part that is held to be invalid, illegal or unenforceable substantially deprives a Party of the economic benefit of this Agreement, the Parties shall negotiate reasonable and valid provisions to restore the economic benefit to the Party deprived or to balance the Parties' obligations consistent with the intent reflected in this Agreement.

11. Headings. Section headings, titles or captions of paragraphs or subparagraphs contained in this Agreement are inserted only as a matter of convenience and for reference only, and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provisions hereof. For the avoidance of doubt, all dollar amounts set forth herein shall refer to U.S. dollars.

12. Compromise. This Agreement is the result of compromise and settlement, taking into account costs of defense and other matters, and shall not, at any time or for any purpose, be considered an admission of liability or responsibility on the part of any Party; each Party continues to deny such liability and disclaim such responsibility.

13. Entire Agreement. This Agreement supersedes all prior negotiations and agreements between the Parties as to this Agreement and constitutes their entire agreement and

understanding with respect to the express subject matter contained herein. This Agreement may not be modified except by a writing signed by all Parties subsequent to this Agreement. No delay or failure to exercise a right resulting from a breach of this Agreement shall impair such right or shall be construed to be a waiver thereof, but such right may be exercised from time to time and as often as may be deemed expedient.

14. Joint Effort. The Parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

15. Expenses. The fees and expenses incurred by each Party hereto (including the fees of any lawyers, accountants, investment bankers or others engaged by such Party) in connection with this Agreement, the Participation Agreement and the transactions contemplated hereby and thereby will be paid by such Party.

16. 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 (3) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) 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 LCPI or LBHI at:

Lehman Brothers Holdings Inc.
1271 Avenue of the Americas, 39th Floor
New York, New York 10020
Attn: Joelle Halperin, Esq.
Telephone: (646) 285-9066
Facsimile: (646) 834-0874

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attn: W. Michael Bond, Esq.
Telephone: (212) 310-8035
Facsimile: (212) 310-8007

To State Street at:

State Street Bank and Trust Company
1 Lincoln Street, SFC9
Boston, MA 02111
Attention: Q. Sophie Yang, Senior Portfolio Manager
Telephone: (617) 664-2896
Facsimile: (617) 664-3555

With copies to:

State Street Bank and Trust Company
100 Huntington Avenue
Boston, MA 02116
Attention: Bruce M. Denneen, Vice President and Senior Counsel
Telephone: (617) 937-9865
Facsimile: (617) 664-5650

and

Bingham McCutchen LLP
2020 K Street, NW
Washington, D.C. 20006
Attn: Kenneth Lore, Esq.
Telephone: (202) 373-6281
Facsimile: (202) 373-6438

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.

17. Repo Agreement. Except as expressly provided herein, nothing contained herein shall constitute a waiver of or alteration, modification, limitation or amendment of or to the Repo Agreement and the parties' respective rights thereunder. In addition, except for the matters subject to the release set forth in Section 5 above, each of the Parties hereby otherwise reserves all of its respective rights, remedies, claims and defenses, available at law or in equity, and under, related to, or in connection with, the Repo Agreement and the Adversary Proceeding.

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IN WITNESS WHEREOF, the duly authorized officers of the Parties hereto have executed this Agreement, all as of the date first set forth above.

STATE STREET BANK AND TRUST COMPANY

By: _____
Its:
Dated:

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. 08-13900 (JMP)

By: _____
Its:
Dated:

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: _____
Its:
Dated: