

**SETTLEMENT AGREEMENT BETWEEN LEHMAN BROTHERS
HOLDINGS INC., AND JAMES W. GIDDENS, AS TRUSTEE
FOR LEHMAN BROTHERS INC., REGARDING
LEHMAN BROTHERS UNCLAIMED FUNDS IN COURT REGISTRY**

THIS SETTLEMENT AGREEMENT (the "Settlement Agreement") is made as of July 26, 2011, between James W. Giddens (the "Trustee"), as Trustee for the liquidation of Lehman Brothers Inc. ("LBI") under the Securities Investor Protection Act of 1970 ("SIPA"), and Lehman Brothers Holdings Inc. ("LBHI"). For convenience, and as the context may require, the Trustee and LBHI shall each be referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, beginning on September 15, 2008 and periodically thereafter, LBHI and certain of its subsidiaries (collectively, with their non-debtor affiliates within their direct or indirect control (other than LBI as defined below), the "LBHI Entities") commenced with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") voluntary cases under chapter 11 of title 11 of the United States Code (the "Chapter 11 Cases");

WHEREAS, on September 19, 2008, a proceeding was commenced under SIPA (the "SIPA Proceeding") with respect to LBI and the Trustee was appointed to administer LBI's estate;

WHEREAS, on May 25, 2010, the Bankruptcy Court so-ordered the Stipulation and Order Regarding Unclaimed Property Recovery Services, Inc.'s ("UPRS") Agreements with Lehman Brothers Inc. (the "UPRS Stipulation," LBI Docket No. 3313);

WHEREAS, on September 23, 2010, the Bankruptcy Court so-ordered the Stipulation and Order Regarding Lehman Brothers Unclaimed Funds (the "NY State Stipulation," LBI Docket No. 3719);

WHEREAS, pursuant to the NY State Stipulation, the New York State Comptroller Office of Unclaimed Funds (the "NYS OUF") caused to be deposited \$13,207,191.47, consisting of abandoned cash and securities that the NYS OUF identified as being in the name of LBI and the LBHI Entities and that the NYS OUF believes could be validly claimed by, and paid over to LBI or the LBHI Entities or their lawful successors in the NYS OUF's possession on or before July 31, 2010, with the Clerk of the Court's registry (the "Registry"), subject to further order of the Bankruptcy Court allocating the Funds among LBI and the LBHI Entities;

WHEREAS, the NYS OUF caused to be deposited an additional \$1,343,121.93, for a total of \$14,550,313.40, consisting of abandoned cash and securities that the NYS OUF identified as being in the name of LBI, LBHI, "Lehman," "Lehman Brothers," or other corporate names and that the NYS OUF believes could be validly claimed by, and paid over to LBI or the LBHI Entities or their lawful successors in the NYS OUF's possession after July 31, 2010;

WHEREAS, the Trustee and LBHI have, for purposes of reconciliation and allocation, agreed to treat all funds deposited by the NYS OUF, totaling \$14,550,313.40, in the Registry

described herein (collectively, the “Lehman Brothers Unclaimed Funds”) and all interest accrued thereto in the manner as provided for in this Settlement Agreement;

WHEREAS, based on the reports generated by the NYS OUF in connection with the Lehman Brothers Unclaimed Funds (collectively, the “Reports”), certain line items properly denoted Lehman Brothers Unclaimed Funds allocable to LBI and the LBHI Entities, but many listed “Lehman,” “Lehman Brothers,” or corporate names that would require additional research at significant time and expense to the Trustee and the LBHI Entities (the “Requires Significant Research Category”);

WHEREAS, based on the reports generated by the NYS OUF, the Trustee believed the overall distribution of the Lehman Brothers Unclaimed Funds in the Registry to be as follows:

NYS OUF Categories	Allocation
LBI	\$10,902,089.68
LBHI	\$18,886.89
Requires Significant Research Category	\$3,629,336.83
TOTAL	\$14,550,313.40

WHEREAS, on November 18, 2010, the Bankruptcy Court so-ordered the Stipulation and Order Between Lehman Brothers Holdings Inc. and the Trustee Regarding Interim Distribution from Lehman Brothers Unclaimed Funds in Court Registry (the “Distribution Stipulation,” LBI Docket No. 3899) whereby, the Bankruptcy Court ordered an immediate release of \$750,000 of Lehman Brothers Unclaimed Funds held in the Registry to the LBI estate in order for the Trustee to remit such funds to UPRS in accordance with the UPRS Stipulation;

WHEREAS, the Distribution Stipulation further provided that these released funds shall be deducted from any Lehman Brothers Unclaimed Funds ultimately determined to be property of the LBI estate pursuant to a Bankruptcy Court approved agreement between the Trustee and LBHI or by Bankruptcy Court order;

WHEREAS, the Parties desire to distribute the Lehman Brothers Unclaimed Funds in a manner that resolves all outstanding claims and liabilities between the Parties arising from and related to the Lehman Brothers Unclaimed Funds; and

WHEREAS, the Parties believe that this Settlement Agreement facilitates the orderly release of the Lehman Brothers Unclaimed Funds from the Registry and is in best interest of the Parties’ respective estates.

NOW THEREFORE, in consideration of the promises and mutual covenants, benefits and detriments contained herein, intending to be legally bound, the Parties do hereby agree as follows:

SETTLEMENT

1. Disposition of Lehman Brothers Unclaimed Funds. On the “Effective Date” (as defined in Paragraph 9), this Settlement Agreement fully and finally settles and disposes of all claims of the Parties related to the Lehman Brothers Unclaimed Funds.

2. Allocation of Lehman Brothers Unclaimed Funds. The Parties hereby agree (as provided in the chart below) that:

(a) Based on the Reports, a total of \$11,420,842.08 of the \$14,550,313.40 of Lehman Brothers Unclaimed Funds shall be allocated to LBI;

(b) Based on the Reports and documentation provided by the LBHI Entities, a total of \$570,990.70 of the \$14,550,313.40 of Lehman Brothers Unclaimed Funds shall be allocated to the LBHI Entities;

(c) Certain line items in the Reports, totaling \$10,049.83, allocated to Lehman Brothers International Europe (“LBIE”), shall be paid to LBHI, which shall promptly remit such funds to LBIE;

(d) Certain line items in the Reports, totaling \$66,827.47, initially allocated to either LBI or the Requires Significant Research Category, denote corporate names of other entities (“Other Entities”) outside the control of both the LBHI Entities and LBI and, thus, neither LBI nor the LBHI Entities shall be credited such Funds and the Trustee shall promptly remit such funds to the NYS OUF; and

(e) Line items of the Reports that list in the “Account Title” field “Lehman” or “Lehman Brothers” or corporate names that would require additional research, at significant time and expense to the Trustee and the LBHI Entities, are part of the Requires Significant Research Category and shall be allocated in the manner whereby LBI shall receive 70% and LBHI shall receive 30% of such Funds.

Categories	Allocation
LBI	\$11,420,842.08
LBHI Entities	\$570,990.70
LBIE	\$10,049.83
Requires Significant Research Category	70% to LBI = \$1,737,122.33 30% to LBHI = \$744,480.99
Other Entities	\$66,827.47
TOTAL	\$14,550,313.40

3. Reallocation of Certain Lehman Brothers Unclaimed Funds. The Parties further agree that the below chart represents the final allocation of the Lehman Brothers Unclaimed Funds currently held in the Registry:

LBI	\$13,157,964.41 ¹
LBHI Entities	\$1,315,471.69
LBIE	\$10,049.83
Other Entities	\$66,827.47
TOTAL	\$14,550,313.40

4. Interest on Lehman Brothers Unclaimed Funds. To the extent interest has accrued on the Lehman Brothers Unclaimed Funds in the Registry, such accrued interest shall be allocated and paid upon the later of the effectiveness of this Settlement Agreement or receipt of the funds in a manner whereby LBI shall receive 70% thereof and LBHI shall receive 30% thereof.

5. Rule 9019 Approval. The Parties will jointly move the Bankruptcy Court in the Chapter 11 Cases and SIPA Proceeding for an order pursuant to Federal Rule of Bankruptcy Procedure 9019 approving this Settlement Agreement and directing (i) for the immediate release of the Lehman Brothers Unclaimed Funds and any interest accrued thereto held in the Registry and (ii) the NYS OUF to make all future distributions (“Future Distributions”), if any, of Lehman Brothers Unclaimed Funds to the Trustee on an annual basis, which Funds the Trustee shall distribute to LBI and/or the LBHI Entities in accordance with the terms of this Settlement Agreement (the “9019 Motion”).

6. Future Distributions from the NYS OUF. Upon receipt by the Trustee of a Future Distribution, the Trustee shall promptly provide LBHI with a written notice (the “Notice”) identifying the line items denoting Lehman Brothers Unclaimed Funds allocable to LBI, the LBHI Entities, the Requires Significant Research Category, or Other Entities, if any, which Notice shall be binding upon the Parties unless within 60 days of receipt of such Notice, or such other time as the Parties may agree, LBHI notifies the Trustee in writing that it objects to the Trustee’s allocations as set forth in the Notice. Such objection shall be resolved by the Bankruptcy Court or by the Parties without the need for further court approval. The Trustee shall return to the NYS OUF all Future Distributions denoting Lehman Brothers Unclaimed Funds allocable to Other Entities.

7. Releases. The Parties, on behalf of themselves and their respective estates, absolutely and unconditionally release and discharge each other and their respective agents, servants, employees, attorneys, other professionals and consultants, shareholders, members, directors, officers, affiliates, successors and assigns solely with respect to any and all liability in connection with the Lehman Brothers Unclaimed Funds in the Registry. For the avoidance of

1. Pursuant to the Distribution Stipulation, \$750,000 of this amount has already been distributed to the Trustee and remitted to UPRS in accordance with the UPRS Stipulation.

doubt, except as expressly set forth herein, rights, defenses and/or counterclaims of Parties hereto with respect to any other claims each might have against the other are fully preserved.

8. Conditions to Effectiveness. Except as provided in Paragraph 6, the Settlement Agreement will become effective on the date (the “Effective Date”) of the last of the following to occur:

- (a) An order, in the form submitted with the 9019 Motion, or such order as is otherwise satisfactory to the Parties, approving this Settlement Agreement having been entered by the Bankruptcy Court, and having become a final order; and
- (b) The Parties receipt of the Lehman Brothers Unclaimed Funds and any interest accrued thereto from the Registry in accordance with the terms and allocation provided for in this Settlement Agreement.

9. Counterparts. This Settlement Agreement may be signed in counterparts which, when taken as a whole, shall constitute one and the same document; and faxed signatures shall be deemed originals.

10. Successors and Assigns. This Settlement Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

11. Captions. The captions of this Settlement Agreement are for convenience only and are not a part of this Settlement Agreement and do not in any way limit or amplify the terms and provisions of this Settlement Agreement and shall have no effect on its interpretation

12. Authority to Execute. Each individual signing this stipulation on behalf of any Party hereto acknowledges and, with respect to his or her own signature below, warrants and represents that he/she is authorized to execute this stipulation in his/her representative capacity, as reflected below and on behalf of the party indicated.

13. Governing Law. This Settlement Agreement shall be governed by and shall be interpreted in accordance with the laws of the State of New York, except to the extent that the Bankruptcy Code or SIPA apply, without regard to New York’s rules governing conflicts of laws.

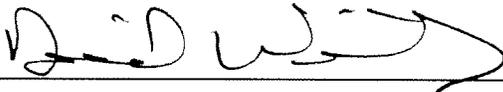
14. Jurisdiction. Without limiting any Party’s right to appeal any order of the Bankruptcy Court, (i) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of the Settlement Agreement and to decide any claims or disputes which may arise or result from, or be connected with, the Settlement Agreement, any breach or default hereunder, or the transactions contemplated hereby, and (ii) any and all proceedings related to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the Parties hereto hereby consent to and submit to the jurisdiction and venue of the Bankruptcy Court; provided, however, that if the Bankruptcy Court does not have or abstains from exercising such jurisdiction, the parties hereto agree to unconditionally and irrevocably submit to the exclusive jurisdiction of the United States District Court for the Southern District of New York sitting in New York County or the Commercial Division, Civil Branch of the Supreme Court of the State of New York sitting in

New York County and any appellate court having jurisdiction over an appeal from any thereof, for the resolution of any such claim or dispute. The Parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. The Settlement Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of any party to enter herein, whether for breach of contract, tortious conduct or otherwise, and whether predicated on common law, statute or otherwise) shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any conflict of law principles that might lead to the application of the laws of any other jurisdiction, except to the extent that the laws of the State of New York are superseded by title 11 of the United States Code.

15. IN WITNESS WHEREOF THE PARTIES HERETO have hereby executed this Settlement Agreement on the date indicated in the first paragraph of this Settlement Agreement.

**JAMES W. GIDDENS, AS TRUSTEE FOR THE
LIQUIDATION OF LEHMAN BROTHERS INC.
UNDER THE SECURITIES INVESTOR
PROTECTION ACT**

**BY: HUGHES HUBBARD & REED LLP,
COUNSEL FOR THE TRUSTEE**

By: 
Name: _____

LEHMAN BROTHERS HOLDINGS INC.

By: _____
Name:
Title:

New York County and any appellate court having jurisdiction over an appeal from any thereof, for the resolution of any such claim or dispute. The Parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. The Settlement Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of any party to enter herein, whether for breach of contract, tortious conduct or otherwise, and whether predicated on common law, statute or otherwise) shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any conflict of law principles that might lead to the application of the laws of any other jurisdiction, except to the extent that the laws of the State of New York are superseded by title 11 of the United States Code.

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**BY: HUGHES HUBBARD & REED LLP,
COUNSEL FOR THE TRUSTEE**

By: _____
Name:

LEHMAN BROTHERS HOLDINGS INC.

By: Steven J. Cohn
Name: STEVEN COHN
Title: Co-Treasurer