

BANKRUPTCY REPORT

Bankruptcy report number 10 of the Bankruptcy Trustees of
Lehman Brothers Treasury Co. B.V. ("LBT")

November 11, 2011

*The Bankruptcy Trustees communicate in two ways with holders of notes and certificates issued by LBT ("**Noteholders**"):* (i) information the Bankruptcy Trustees are obliged to provide to Noteholders pursuant to the Dutch Bankruptcy Act, e.g. about the filing of claims, the date of creditors' meetings and any distribution, is also provided in "Notices to Noteholders". The Bankruptcy Trustees will also send these notices through the electronic communication channels of the clearing systems; (ii) information about the progress of the bankruptcy will be made public by the Bankruptcy Trustees by issuing public reports. Both the notices and the public reports are available on the LBT website www.lehmanbrotherstreasury.com.

Key items:

- On August 30, 2011 the Bankruptcy Trustees and Lehman Brothers Holdings Inc. ("**LBHI**") and its affiliated U.S. debtors (jointly: the "**U.S. Debtors**") entered into a settlement agreement (the "**Settlement Agreement**", **Annex I**);
- On August 31, 2011 the U.S. Debtors filed the Third Amended Joint Chapter 11 Plan and related Disclosure Statement with the U.S. Bankruptcy Court for the Southern District of New York (the "**Third Amended Plan**");
- The Settlement Agreement, which has been made available on the LBT website on September 2, 2011, provides for the allowance of LBT's intercompany claim as a senior affiliate claim for an amount of USD 34,548,000,000, as well as for the allowance by the Bankruptcy Trustees of a USD 1,033,992,712 claim of Lehman Brothers Special Financing Inc. ("**LBSF**") against LBT;
- The Bankruptcy Trustees have voted for acceptance of the Third Amended Plan before the November 4, 2011 voting deadline;
- Paragraph 6 describes the **final valuation principles** that the Bankruptcy Trustees will apply with respect to the valuation of claims arising out of Notes;
- **After February 1, 2012, acceleration notices will no longer be taken into account** (see paragraph 6);

Nothing in this report should be deemed or construed as an admission of liability or claims, or as a waiver of any rights, claims or defenses.

- The LBT estate has obtained a USD 30,000,000 facility from a large financial institution for the financing of the costs of the estate;
- The Bankruptcy Trustees explicitly refer Noteholders to the website of the U.S. Debtors (www.lehman-docket.com) for detailed information regarding the Chapter 11 cases of the U.S. Debtors.

Company	:	Lehman Brothers Treasury Co. B.V.
Bankruptcy number	:	08.0494-F
Date of court decision	:	(Provisional suspension of payments: September 19, 2008) Bankruptcy: October 8, 2008
Bankruptcy trustees	:	Rutger J. Schimmelpenninck and Frédéric Verhoeven
Supervisory judge	:	Ms. W.A.H. Melissen
Company activities	:	The objective of LBT in accordance with its articles of association was - briefly summarised - the financing of companies of the Lehman Brothers Group, by borrowing, lending and raising monies and participating in all kinds of financial transactions, including the issuance of financial instruments.
Period under review	:	July 1, 2011 – November 9, 2011
Hours spent in period under review:		2,060.3
Hours spent - total	:	18,221.3

0. Preliminary comments

- 0.1 This is the tenth public report of the Bankruptcy Trustees. This report covers the period from July 1, 2011 through November 9, 2011. Definitions and abbreviations in this report are used in the same manner as in the previous reports. In addition, paragraph 6 contains a specific list of definitions related to the valuation principles described in that paragraph.
- 0.2 The cross-border financial and legal aspects of the LBT bankruptcy are complicated. In this report, the Bankruptcy Trustees present the current state of affairs in a simplified manner in accordance with the guidelines for bankruptcy reporting applicable in the Netherlands.

1. Statement of affairs

1.1. Management and organisation

LBT is a wholly-owned subsidiary of Lehman Brothers UK Holdings (Delaware) Inc, which company in turn is fully owned by LBHI, the holding company of the worldwide operating Lehman Brothers group of companies (the "**Lehman Brothers Group**").

1.2. Activities LBT

LBT was incorporated for the financing of the business activities of the Lehman Brothers Group by issuing financial instruments, in particular "**(structured) Notes**" to institutional and retail investors. The characteristics of these Notes vary from relatively simple to very complex. In most cases – if not in all – the principal of the loan as well as the amount of the return are linked to movements of (embedded) derivative market elements. LBT on-lent the proceeds of the Notes to LBHI. LBT hedged the risks related to these derivative market elements by entering into swap agreements under ISDA-master agreements with other entities of the Lehman Brothers Group.

1.3. Financial information

1.3.1. *Global close*

The global close of the accounts of the Lehman Brothers Group as of September 12, 2008 COB (as described in more detail in § 1.3 of the first report) was finalised in January 2009. The Bankruptcy Trustees refer to the previous reports with respect to the global close. The global close balance sheet of LBT as of September 12, 2008 COB is available on the LBT website.

1.3.2. *Swaps*

The Bankruptcy Trustees refer to the previous reports, and specifically to the overview on page 7 of the third report as well as to § 1.3.3 of the sixth report, with respect to the Bankruptcy Trustees' conditional conclusions on the respective termination dates of the various ISDA-agreements.

In July and August 2011 the Bankruptcy Trustees worked intensively on the assessment of the LBSF swap claim. After intense negotiations with LBSF, the Bankruptcy Trustees have admitted LBSF's claim for an amount of USD 1,022,992,712 in the LBT bankruptcy. The Bankruptcy Trustees refer to the Settlement Agreement for further details.

In the last reporting period, the Bankruptcy Trustees and their advisors have had further discussions with representatives of Lehman Brothers Finance S.A. ("**LBF**") with respect to the USD 3,816,016,451.61 claim LBF filed in the bankruptcy of LBT.

1.4 Lehman Brothers cross-border insolvency protocol

The official meeting held on July 27, 2011 in New York between the official representatives that joined the *Cross-Border Insolvency Protocol* (the "**Protocol**") and other participating representatives was dedicated to the developments related to the Chapter 11 cases of the U.S. Debtors. The next Protocol meeting is scheduled for November 15, 2011 in New York.

2. **Assets**

- 2.1. The balance of LBT's (USD and EUR) estate accounts at November 9, 2011 amounted to EUR 19,712,970.

3. **Debtors**

3.1. U.S. Debtors

3.1.1. *Treatment of LBT claims in the Third Amended Plan*

The Bankruptcy Trustees refer to the previous report and to the Settlement Agreement executed with the U.S. Debtors. The Settlement Agreement has been signed with the approval of the Supervisory Judge.

The Third Amended Plan provides for the allowance of LBT's intercompany claim as a senior claim (in accordance with LBHI's subordinated indentures) for an amount of USD 34,548,000,000. The Third Amended Plan places LBT's intercompany claim in Class 4A (Senior Affiliate Claims). The Bankruptcy Trustees have voted for acceptance of the Third Amended Plan before the November 4, 2011 voting deadline.

One of the Bankruptcy Trustees, Rutger Schimmelpenninck, is a member of the Directors Selection Committee. This committee, that consists of nine members, is currently in the process of selecting the LBHI Board of Directors. The Bankruptcy Trustees refer to Exhibit 3 of the Plan Supplement (to the Third Amended Plan) filed by the U.S. Debtors on October 25, 2011 for more information on the Directors Selection Committee.

4. Bank / Security rights

- 4.1. Claim from bank(s)
See previous reports.

5. Lawfulness

- 5.1. Management and accounting obligation
The Bankruptcy Trustees are currently investigating the causes that have led to the bankruptcy of LBT. In this investigation the fulfilment of the respective duties of the board of directors and the accountant is included. Certain cash transfers that took place in the period preceding LBT's bankruptcy are also included in this investigation. The Bankruptcy Trustees expect to come to view on these matters in the second half of 2012.

6. Creditors: definitive valuation principles

6.1. Introduction

In this paragraph the Bankruptcy Trustees announce the definitive principles for the valuation of claims against LBT arising out of the Notes (the “**Definitive Valuation Principles**”). The valuation of any claims against LBHI in LBHI's Chapter 11 case on the basis of guarantees issued by LBHI under the Notes is not addressed in this report.

Reference is explicitly made to paragraph 6 of the fourth and fifth public report.

Capitalised terms used in this report are defined in paragraph 6.9.

6.1.1. *Background*

The Bankruptcy Trustees' aim has always been to formulate valuation principles that are fair to all LBT creditors. At the same time, these principles also need to provide for an efficient and transparent valuation process bearing in mind that approximately 3,750 (highly) complex Notes must be valued in the LBT bankruptcy. Each Series of Notes is identified by its specific ISIN code; Series are therefore also referred to as “**ISINs**”.

Given the overall complexity and the very large number of (ultimate beneficial) holders of Notes, the Bankruptcy Trustees concluded that the valuation of Notes should be undertaken by the LBT estate itself, in accordance with valuation principles formulated by the Bankruptcy Trustees.

Following the announcement of the Provisional Valuation Principles, the Bankruptcy Trustees received a number of detailed responses from Noteholders and have held several meetings with representatives of Responding Noteholders. The purpose of these meetings – at which holders of different types of Notes were represented – was to discuss the Provisional Valuation Principles. The Bankruptcy Trustees have also had numerous meetings with individual holders of (significant amounts of) Notes.

The Definitive Valuation Principles described below have been established by the Bankruptcy Trustees' further consideration of financial, factual and legal matters. The outcome of the discussions with Responding Noteholders is also reflected in the Definitive Valuation Principles, as well as further insights obtained from discussions with LBHI about the LBHI Valuation Statement.

6.2. The Contractual Amount and the Admissible Amount

The starting point for the valuation of claims arising from the Notes is the terms and conditions of the underlying contracts (*i.e.* the Conditions). These Conditions specify the amounts that are payable to Noteholders and when such amounts are due and payable. The Bankruptcy Trustees will adhere to the Conditions as much as possible and to the extent permitted by Dutch law.

Once the Contractual Amounts are calculated or the Deemed Contractual Amounts have been estimated for each ISIN, Dutch bankruptcy law must be followed in order to calculate the Admissible Amounts (based on these Contractual Amounts and Deemed Contractual Amounts).

6.3. When Notes are due and payable

The Bankruptcy Trustees are not aware of Notes that become, as a general principle, (automatically) due and payable as a result of LBT's bankruptcy or the Chapter 11 case of LBHI as guarantor. According to the Conditions, Notes become in principle due and payable at the end of their term: upon the Final Maturity Date. There are certain exceptions to this principle: that is, Notes may become due and payable at the Mandatory Early Redemption Date (if applicable), or at the Early Redemption Date further to the submission of a valid acceleration notice. These exceptions are described below.

6.3.1. *Notes that become due and payable as a result of market fluctuations ("triggering events")*

Some Notes become due and payable at their Mandatory Early Redemption Date when (at scheduled observation dates, as defined in the relevant Conditions) the values of certain reference assets fluctuate above or below prescribed thresholds. These thresholds and Scheduled Observation Dates are described in the Conditions of the relevant Notes.

6.3.2. *Acceleration of Notes renders Notes due and payable*

Upon the occurrence of certain *events of default* (defined in the applicable

Conditions - including the opening of the provisional suspension of payment proceedings with respect to LBT, its bankruptcy, or the Chapter 11 case of LBHI), holders of Notes are entitled to accelerate their Notes in accordance with the applicable Conditions.¹ Following a valid acceleration (see paragraph 6.6), the entire Series of the Note becomes due and payable at its Early Redemption Date.

6.4. Categories of Notes

The Contractual Amount at the moment at which Notes become due and payable is either established at the Final Maturity Date, the Mandatory Early Redemption Date or the Early Redemption Date (whichever is applicable and collectively: the "**Redemption Date**") in accordance with the requirements of the Conditions.

As explained in the fourth public report, the Bankruptcy Trustees distinguish four categories of Notes described below.

A distinction is also made between "determined" and "undetermined" Notes as described in paragraph 6.4.5(b). This latter distinction is particularly important for Category IV Notes, but the Bankruptcy Trustees note that this distinction may also be relevant to Category I, II and III Notes.

6.4.1. **Category I:** *Claims arising from determined Notes that became due and payable before the Bankruptcy Date*

The Admissible Amount for Notes that have reached their Redemption Date before the Bankruptcy Date (and as such have become due and payable) is based on the Contractual Amount upon redemption. In most cases, this Contractual Amount will be the Final Redemption Amount as defined in the Conditions.

Any Contractual Amount due before the Bankruptcy Date will be increased – to the extent applicable under the Conditions and under the law that applies to the Notes – by interest (where applicable statutory interest or default interest at the rate set forth in the Conditions) that has accrued through to the Bankruptcy Date. Such interest will accrue for the period between the Redemption Date and

¹ Under the German Program only the Note of the Noteholder that has validly accelerated its Note becomes due and payable and not the entire Series of that Note.

the Bankruptcy Date.²

6.4.2. **Category II:** *Claims arising from determined Notes that became due and payable within one year after the Bankruptcy Date*

The Admissible Amount for claims that became due and payable within one year after the Bankruptcy Date is based on the Contractual Amount upon redemption on an undiscounted basis (Article 131, paragraph 2, first sentence DBA).

The Contractual Amount upon redemption will be the Final Redemption Amount, the Mandatory Early Redemption Amount or, if a Note has been validly accelerated, the Early Redemption Amount, as defined in the respective Conditions. In addition, Noteholders may be further entitled to any interest or other intermediate cash flows provided for in the Conditions.

Contractual Amounts that are legally defined as “interest” (including any components recognised in the Contractual Amount(s) due upon redemption) that became due and payable in the first year after the Bankruptcy Date are taken into account on a discounted basis when calculating the Admissible Amount. When discounting such cash flows, the discount rate described in paragraph 6.4.4. will be applied. Such interest amounts will be discounted to the Bankruptcy Date.

This is an amendment of the Provisional Valuation Principle described in paragraph 6.4.2 of the fourth public report. The Bankruptcy Trustees have come to the view that by including – on a discounted basis – any contractual interest that has fallen due under the Conditions in the first year after the Bankruptcy Date, a more consistent overall valuation approach is achieved. From a valuation perspective, there is no compelling argument to ignore interest arising in the first year after the Bankruptcy Date whilst recognising interest that arises subsequent to this period.

6.4.3. **Category III:** *Claims arising from determined Notes that become due and payable later than one year after the Bankruptcy Date but before the Claims Filing Date*

The Admissible Amount of Notes that fall in this category is based on calculating

² In principle, any Contractual Amount (whether an interest payment or redemption amount) that has become due and payable before bankruptcy will be increased to reflect the applicable (statutory) default interest from its due date to the Bankruptcy Date – including any such Contractual Amounts for Notes in Category II, III and IV.

the present value of all the Contractual Amounts that became due and payable after the first anniversary of the Bankruptcy Date (October 8, 2009, also referred to as “**Bankruptcy Date +1**”) discounted back to this first anniversary.

The Contractual Amount upon redemption will be the Final Redemption Amount, the Mandatory Early Redemption Amount or, if a Note has been validly accelerated, the Early Redemption Amount, as defined in the Conditions.

In determining the present value of claims falling into Category III, all contractual cash flows that have become due and payable after the Bankruptcy Date +1 will be taken into account and will be discounted to their present value at the Bankruptcy Date +1.

In addition, any Contractual Amounts that are legally defined as “interest” and which became due and payable in the first year after the Bankruptcy Date are also taken into account on a present value basis but then discounted back to the Bankruptcy Date (instead of its first anniversary). Any Contractual Amounts that became due and payable within the first year after Bankruptcy and which are not legally recognised as “interest”, will be recognised on an undiscounted basis.

The discount rates used for the purpose of the present value calculations of these Contractual Amounts are described in paragraph 6.4.4.

6.4.4. *Discount rates*

The applicable discount rate consists of a risk-free interest rate and a credit spread component over that risk free rate.

The applicable risk-free interest rate is the rate on government bonds issued in the currency of the relevant Note that prevailed in the financial markets as of September 12, 2008. With respect to each currency for discounting to the Bankruptcy Date +1, the appropriate risk-free interest rate is the implied risk-free forward rate for the term to maturity that corresponds with the period between Bankruptcy Date +1 and the date on which the Contractual Amounts concerned became or will become due and payable.

A summary of the risk-free interest rates and the term structures that will be applied is included in paragraph 6.9 of the fourth public report.

Dutch bankruptcy law does not provide guidance on applicable credit spreads. As described in the fourth public report, the Bankruptcy Trustees had provisionally proposed a credit spread in the range of 2.5% to 3.5%. This credit

spread was based on the overall average credit spread applicable to Lehman Brothers in the month preceding September 15, 2008 (the date LBHI filed for Chapter 11). After further consideration, the Bankruptcy Trustees will use a credit spread of 2.5% (the "**LBT Credit Spread**").

6.4.5. **Category IV: Claims arising from Notes that become due and payable after the Claims Filing Date**

a. *Unmatured Notes at the Claims Filing Date*

At the Claims Filing Date, a number of Notes will remain unmatured because these Notes will not have reached their Redemption Date. Such Notes have not reached their Final Maturity Date, Mandatory Early Redemption Date or have otherwise not been validly accelerated.

With regard to accelerations, the Bankruptcy Trustees will only accept acceleration notices that are "Qualifying Acceleration Notices" as defined in paragraph 6.6.1 and provided these are received on or before February 1, 2012 at 6pm CET (the "Acceleration Bar Date").

This means that all documentation and information related to a Qualifying Acceleration Notice must be received by the Bankruptcy Trustees before the Acceleration Bar Date.

b. *Distinction between Notes with a determined and an undetermined amount*

With respect to Category IV Notes, but also, to the extent applicable, with respect to Category I, II and III Notes, a distinction is made between Notes with a determined Contractual Amount and Notes with an undetermined Contractual Amount (*onbepaalde waarde*).

Whether a Note is undetermined or determined will be assessed after the Acceleration Bar Date, after an assessment of whether the Note will have matured at a Mandatory Early Redemption Date. Whether a Note qualifies as determined or undetermined depends on the Conditions of each Note. If all the Contractual Amounts are related to fixed amounts or if the Contractual Amounts can be objectively and readily established based on observable data, a claim from such a Note will be treated as determined.

If any Contractual Amount cannot be readily established in accordance with the applicable Conditions based on data that will be available and publicly observable, or if the Contractual Amount can only be established by making subjective judgments or projections that could lead to a range of materially

different outcomes, the Note will be treated as undetermined.

To the extent that the Conditions of a specific Note are ambiguous, the Bankruptcy Trustees will adopt an interpretation that is commercially reasonable and that reflects the economic and legal intent of the Note. If such an interpretation cannot reasonably be made, the Bankruptcy Trustees shall consider the Notes to be undetermined.

- c. *Claims arising out of Notes that become due and payable after the Claims Filing Date and that are determined*

The calculation of any claims arising from determined Notes that become due and payable after the Claims Filing Date will take place using the Category III valuation approach described above.

- d. *Claims arising from Notes that become due and payable after the Claims Filing Date and that are undetermined*

Claims arising from Notes that become due and payable after the Claims Filing Date and that have an undetermined amount or component will be estimated (*geschätzt*) in accordance with Article 133 DBA on the basis of their estimated present value - calculated at the risk-free rate increased by the LBT Credit Spread - at the Bankruptcy Date (the "**Deemed Contractual Amount**").

The Bankruptcy Trustees had concluded that in order to estimate such Deemed Contractual Amounts all relevant circumstances should be taken into account, and more specifically, that the market conditions prevailing at the start of the business day on September 15, 2008 are an appropriate reference source.³

In line with this approach, the Bankruptcy Trustees have decided that the fair values exclusive of CVA at September 12, 2008 attributed to the Note in the LBHI Statement (the "**Fair Value(s)**") are an appropriate basis for valuing undetermined Category IV and any undetermined Category I, II and III Notes.

These Fair Values are based on the internal accounting records of LBT, using input parameters as of September 12, 2008. Furthermore, these numbers (on an ISIN-by-ISIN-basis) have been amended by LBHI following manifest error objections made by Noteholders in the Chapter 11 case of LBHI. In the light of

³ See paragraphs 6.4.4(c) and 6.4.4(d) of the fourth public report and paragraph 6.2.5 of the fifth public report.

these considerations, the Bankruptcy Trustees believe that the Fair Values, as amended or corrected, are an appropriate basis for valuing undetermined Notes.

The Admissible Amount will be estimated at the Bankruptcy Date +1 (Article 131, paragraph 2 DBA) by: firstly, in order to come to the Deemed Contractual Amount, making an adjustment to the Fair Value per ISIN for the estimated impact of applying the LBT Credit Spread that is used in the discounting of cash flows on determined Category III and IV Notes (the "**Estimated Credit Spread Adjustment**") and secondly, by rolling forward this Deemed Contractual Amount to the Bankruptcy Date +1 (at the applicable accrual rate that includes the LBT Credit Spread) in order to arrive at the Admissible Amount.

As described above, the Bankruptcy Trustees will adjust the Fair Values by the Estimated Credit Spread Adjustment. It is necessary to make this adjustment for undetermined Notes in order to ensure that the LBT Credit Spread is consistently applied in the determination of the Admissible Amounts for all Notes: that is, for both determined and undetermined Notes.

The adoption of a methodology to determine the Estimated Credit Spread Adjustment for undetermined Notes will allow the use of the Fair Value numbers from the LBHI Valuation Statement in a manner consistent - from a LBT Credit Spread perspective - with the determination of the Admissible Amounts for determined Notes. For the avoidance of doubt, the Bankruptcy Trustees will not use the credit value adjustment (or so-called "CVA numbers") used by LBHI in the LBHI Valuation Statement.

The Bankruptcy Trustees refer to **Annex II** for a detailed explanation of the determination of the Estimated Credit Spread Adjustment and the application of the LBT Credit Spread.

The Bankruptcy Trustees had provisionally concluded that if a Note has both determined and undetermined elements (for example "Capital Protected Notes" that are partially determined), only the undetermined element would be estimated and the determined element would be valued in accordance with the rules provided for under Category III for determined Notes. In principle, the Fair Values in the LBHI Valuation Statement should include the fair value of any determined elements of each Note as of September 12, 2008. As such, a separate valuation of such determined elements is not required.

e. *Undetermined Category I, II and III Notes*

The Deemed Contractual Amount for undetermined Category I, II and III Notes will be derived in the same way as described in paragraph 6.4.5(d) for undetermined Category IV Notes: that is, based on the Fair Value of the Note.

6.5. Exchange rates

As all claims in the bankruptcy of LBT must be filed in Euro, the claims arising from Notes issued in foreign currencies must be converted into Euro. For each of the aforementioned categories of claims, Article 133 DBA requires that the appropriate exchange rate to Euro as of the Bankruptcy Date must be applied.

6.6. Acceleration

6.6.1. *The right of acceleration*

As mentioned in the previous reports and in paragraph 6.3.2, upon the occurrence of certain *events of default*, Noteholders are entitled to accelerate the relevant Series of Notes in accordance with the Conditions. As a result of a valid acceleration by Noteholder(s) holding the required percentage (in most cases 25% of the outstanding nominal amount of the Note), the entire Series of the Note concerned becomes due and payable at the date of acceleration.⁴

The Bankruptcy Trustees have identified which (series of) Notes appear to have been validly accelerated on the LBT website (www.lehmanbrotherstreasury.com; accessible by clicking “*Financial information*” and “*List of LBT ISIN-codes*”).

The list of ISINs that are identified as validly accelerated is not exhaustive and is updated from time to time, following the provision of more information by Noteholders or Noteholders’ representatives that have submitted acceleration notices. The Bankruptcy Trustees refer to the LBT website for further explanation of the acceleration status of the (Series of) Notes.

In the last reporting period, additional information has been provided by Noteholders that have sent acceleration notices and further discussions with such Noteholders on the requirements of such notices have taken place. The

⁴ Except for the German Note Issuance Program that stipulates that *only* claims of the specific holders of a Series of Notes that have exercised their right of acceleration become due and payable.

Bankruptcy Trustees have also made a further analysis of the requirements related to the acceleration of Notes.

The Bankruptcy Trustees will recognise acceleration notices from Noteholders that include certificates from the relevant ICSD through which the interest in the Note was held, showing that at the acceleration date the Note concerned was held directly by - or indirectly on behalf of – the Noteholder that sent the acceleration notice.

In addition, and to the extent required by the Bankruptcy Trustees, the Bankruptcy Trustees will consider representations signed by the (beneficial) holder, intermediate parties, as well as the holder of an account with the relevant ICSD or from the relevant ICSD, which representations show a conclusive chain of title (at the date of acceleration) of (the interest in) the Notes from the accelerating Noteholder to the relevant ICSD. The Bankruptcy Trustees will not require notices of acceleration to be sent to LBHI as guarantor of the Notes. Only those notices that include all documentation and information mentioned in this paragraph 6.6.1 shall be deemed "**Qualifying Acceleration Notices**".

As mentioned in paragraph 6.4.5, the Bankruptcy Trustees will not accept Qualifying Acceleration Notices after the Acceleration Bar Date.

6.6.2. *Effect of acceleration on valuation*

For most Series of Notes, as a result of acceleration, the Early Redemption Amount is calculated as of the date of acceleration in accordance with the applicable Conditions, whereby the data elements used in the calculation are observed as of the date of acceleration.

As a result of acceleration, the Notes will generally become determined as of the Early Redemption Date (being the date of acceleration) and the Early Redemption Amount and any interest provided for in the Conditions can be calculated based on relevant data available at the Early Redemption Date. The Early Redemption Date dictates when a Note becomes due and payable, which in turn dictates into which of the above categories the relevant Note will fall.

However, the Early Redemption Amount related to certain validly accelerated Notes may not be determined since the relevant clauses in the Conditions on the Early Redemption Amount may only make reference to the fair value of the Note (as of the Early Redemption Date). In order to establish the Deemed Contractual Amount, the Early Redemption Amount of such Note needs to be estimated as

the fair value of such Note as of the Early Redemption Date

The Bankruptcy Trustees will establish the Deemed Contractual Amount of such accelerated Notes by calculating all future cash flows using input parameters as of the Early Redemption Date, ignoring any future changes in these parameters. Using this approach, all future cash flows become determined. For example, in the case of an equity-linked Note, to calculate the fair value at the date of acceleration the expected Final Redemption Amount needs to be discounted to that date at the risk-free rate plus the LBT Credit Spread. This Final Redemption Amount would be calculated using relevant equity prices as of the acceleration date, and would not be calculated by modelling an expected future equity price that takes account of price volatility from the acceleration date to the Final Maturity Date of the Note. The Deemed Contractual Amount thus established will then be discounted to its present value as of the Bankruptcy Date +1 (if the acceleration date lies beyond the Bankruptcy Date +1). The Bankruptcy Trustees refer to **Annex III** in which the valuation methodology for accelerated Notes is explained in more detail.

6.7. Way-forward

The Bankruptcy Trustees and their advisors have started calculations on Category I and Category II Notes and will start work on Category III and validly accelerated Notes. The Bankruptcy Trustees expect to publish on a rolling basis valuations of Notes (in the first instance Notes that fall in Categories I and II) in an "ISIN-by-ISIN"-format (the "**LBT Note Valuation**") commencing in January 2012. These valuations will be made public on a designated website. Noteholders will be permitted to communicate Manifest Error Notifications with respect to the LBT Note Valuation of their Note as further described below.

The Bankruptcy Trustees intend to request the District Court to set the Claims Filing Date and the Claims Admission Date in the second or third quarter of 2012.

The Bankruptcy Trustees expect to finalise the LBT Note Valuations for all ISINs by June-July 2012. This expectation is conditional upon a further assessment of the complexities related to the valuations and on the number of Manifest Error Notifications that will be made as well as any further work related to the Manifest Error Notifications. The Bankruptcy Trustees will publish a more detailed timeline with respect to the LBT Note Valuation process in an upcoming report.

Furthermore, the Bankruptcy Trustees are evaluating the feasibility of presenting

the LBT Note Valuations (once finalised) in a composition plan under Dutch law ("faillissementsakkoord"). Such a plan would be subject to a vote of creditors and approval by the District Court. The Bankruptcy Trustees will communicate whether or not such a plan will be presented at a later stage. It is noted that any plan will first be made available in draft form.

6.8. Manifest error

6.8.1. *Manifest Error Notification*

In an upcoming public report and on the website, the Bankruptcy Trustees will describe the notification requirements for a Noteholder to request the Bankruptcy Trustees to reconsider the LBT Note Valuation of an ISIN in which it holds an interest, by asserting that the LBT Note Valuation related to that ISIN is tainted by a "manifest error" as described in this paragraph (a "**Manifest Error Notification**").

A Manifest Error Notification must be made in good faith and must unambiguously demonstrate: (a) a self-evident, inconsistent or erroneous application of the Valuation Principles, (b) an application of the Valuation Principles to a situation obviously not contemplated by the Valuation Principles, or (c) a self-evident material mistake in the application or interpretation of the Conditions or in the use of relevant, observable and objective data (each of (a), (b) and (c) above being a "**Manifest Error**"). The Bankruptcy Trustees will in principle not reconsider a LBT Note Valuation of an ISIN in respect to which a Manifest Error Notification is received that is based on grounds other than a Manifest Error.

As an illustration of a Manifest Error Notification, a Noteholder might assess that the LBT Note Valuation of an undetermined Category IV Note is demonstrably erroneous because it is less than the present value of specified, uncontingent and determined cash flows related to this Note (such as a guaranteed payment of par where the Conditions do not provide for any deduction), and the present value is calculated using the discount rates applied by the Bankruptcy Trustees.

A Manifest Error Notification will have to be brought on or before a date to be announced by the Bankruptcy Trustees (the "**Manifest Error Bar Date**"). The Manifest Error Bar Date will not be less than 28 calendar days prior to the Claims Filing Date.

A Manifest Error Notification must identify the (beneficial) holder of the Note. With respect to the LBT Note Valuation that is challenged as identified by its

ISIN, the Manifest Error Notification must also state the nominal amount of the ISIN held and any short position, swap, option or other derivative instrument or contract (an "**Economic Right**") held by the holder in relation to this ISIN.

The Bankruptcy Trustees may require the Noteholder that sends a Manifest Error Notification to disclose to the Bankruptcy Trustees all its holdings of all Notes and all of its Economic Rights with respect to all Notes if the Bankruptcy Trustees determine in good faith that such information is relevant for the proper reconsideration of the challenged LBT Note Valuation. That Noteholder shall either disclose such information or withdraw the Manifest Error Notification. By disclosing any information to the Bankruptcy Trustees, such Noteholder consents to the public disclosure of its Manifest Error Notification and its information, if (a) the Bankruptcy Trustees in good faith determine, on 5 days' notice to the Noteholder, that public disclosure is relevant to determine the effect of the notification on other Notes and the Noteholder fails to withdraw its Manifest Error Notification prior to the expiration of such 5 days, or (b) a court of competent jurisdiction orders such disclosure.

6.8.2. *Adjustment of errors*

In the case of a Manifest Error Notification that refers to a self evident calculation error in the LBT Note Valuation, the Bankruptcy Trustees shall correct that error.

In the case of Manifest Error Notification that is based on a comparison of the LBT Note Valuation with the present value (discounted using the risk free rate increased by the LBT Credit Spread) of specified, uncontingent and determined cash flows, the Bankruptcy Trustees shall adjust the LBT Note Valuation to equal the aforementioned present value.

6.9. Definitions

Acceleration Bar Date	February 1, 2012, the date after which acceleration notices will no longer be taken into account
Admissible Amount	the value for which the relevant Note can be admitted in the Dutch bankruptcy proceeding of LBT. The Admissible Amount is calculated based on the Contractual Amounts or the Deemed

Nothing in this report should be deemed or construed as an admission of liability or claims, or as a waiver of any rights, claims or defenses.

	Contractual Amount
Bankruptcy (Date)	October 8, 2008
Bankruptcy Date +1	October 8, 2009
Claims Admission Meeting	the meeting, chaired by the Supervisory Judge, in which each of the claims of creditors will either be admitted (<i>erkend</i>) or disputed (<i>betwist</i>) by the Bankruptcy Trustees
Claims Filing Date	the date for filing of claims in the bankruptcy of LBT as set by the Supervisory Judge in accordance with Article 108 DBA
Conditions	the terms and conditions of the Notes, which are contained in the respective prospectuses in relation to the Programs, and all documents in relation to each issue of a Series of Notes, amending and finalizing the Conditions
Contractual Amount	the amount(s) that would be payable to a Noteholder under the relevant Conditions of a Note, such as the Final Redemption Amount, the Early Redemption Amount or the Mandatory Early Redemption Amount as well as any interest amounts or other intermediate cash flows
DBA	Dutch Bankruptcy Act (<i>Faillissementswet</i>)
Deemed Contractual Amount	with respect to undetermined claims arising from Notes, the estimated amount established in accordance with paragraph 6.4.5 and 6.6.2
(Definitive) Valuation Principles	the valuation principles set out in paragraph 6 of this tenth public report
Early Redemption Amount	the amount payable to a Noteholder on the Early Redemption Date as specified in the Conditions
Early Redemption Date	the date on which Notes become due and payable at their Early Redemption Amount as a result of a valid acceleration
Economic Right	any right held by a Noteholder in relation to an ISIN as described in paragraph 6.8.1

Estimated Credit Spread Adjustment	the adjustment that is made to the Fair Value in order to incorporate properly the LBT Credit Spread in the valuation of an ISIN; as further explained in Annex 1
Fair Value	the fair value of an ISIN before any credit value adjustment ("CVA") as reported by LBHI in the LBHI Valuation Statement filed on form 8-K dated October 29, 2010, as subsequently adjusted (for the avoidance of doubt, this means that the Fair Value of an ISIN as reported in the LBHI Valuation Statement is equal to the sum of column A and column B: that is FV with CVA (column A) + CVA add-back (column B))
Final Maturity Date	the maturity date of the Notes on which the Notes will be redeemed at their Final Redemption Amount as specified in the Conditions (this date can also be defined as "Maturity Date" in the Conditions)
Final Redemption Amount	the amount payable on the Final Maturity Date as specified in the relevant Conditions
ICSD	International Central Securities Depositories, such as Clearstream International and Euroclear
ISIN	a Series of Notes as identified by its <i>International Securities Identification Number</i>
LBHI	Lehman Brothers Holdings Inc.
LBHI Valuation Statement	the <i>LBT Note Issuance Valuation Memorandum</i> filed by LBHI on August 15, 2011, including an "ISIN-by-ISIN" breakdown of the maximum allowable claims in LBHI's Chapter 11 proceedings per Note issuance Series, as updated from time to time
LBT Credit Spread	the spread of 2.5% over the risk-free rate that is added to the risk free-rate in order to determine the discount rate used to calculate the present value of determined cash flows

LBT Note Valuation	the valuation <u>per ISIN</u> established in accordance with the Definitive Valuation Principles
Mandatory Early Redemption Amount	the amount payable upon the occurrence of certain “triggering events” (as further specified under “mandatory early redemption events” in the relevant Conditions)
Mandatory Early Redemption Date	the date on which certain Notes will automatically be redeemed at their Mandatory Early Redemption Amount
Manifest Error	(a) a self-evident, inconsistent or erroneous application of the Valuation Principles, (b) an application of the Valuation Principles to a situation obviously not contemplated by the Valuation Principles, or (c) a self-evident material mistake in the application or interpretation of the Conditions or in the use of relevant, observable and objective data
Manifest Error Notification	a request from a Noteholder to the Bankruptcy Trustees to reconsider the LBT Note Valuation for reasons of Manifest Error
Notes	notes and certificates issued by LBT under the Programs
Noteholders	institutional and private investors that hold (economic interests in) Notes
Programs	the USD 100,000,000,000 Euro Medium Term Note Program, the USD 4,000,000,000 German Note Issuance Program, the (Swiss) Certificates Program and the (Italian) Inflation Linked Notes Program
Provisional Valuation Principles	the provisional valuation principles set out in paragraph 6 of the fourth public report and further explained in paragraph 6 of the fifth report
Qualifying Acceleration Notice	a notice of acceleration containing all documentation and information referred to in

	paragraph 6.6.1
Redemption Date	the moment at which Notes become due and payable in accordance with the Conditions (the Final Maturity Date, the Mandatory Early Redemption Date or the Early Redemption Date, whichever is applicable)
Restated Fair Value	the adjusted Fair Value as further explained in Annex II
Responding Noteholder(s)	a Noteholder or a group of Noteholders that reacted in writing to the Provisional Valuation Principles
Series of Notes	the entirety of Notes of a single issuance of Notes, which may be comprised of one or more tranches issued on different issue dates. The Notes of each Series of Notes are subject to identical terms, except that the issue date, the issue price and the amount of the first payment of interest may be different in respect of different tranches
U.S. Debtors	LBHI and its affiliated U.S. entities that are debtors in proceedings under Chapter 11 of the U.S. Bankruptcy Code
Weighted Average Coupon Rate	the hypothetical estimated coupon rate on a Note as further explained in Annex II

6.10. Taiwan Taipei court proceedings

Reference is made to the previous reports. In the case against Chinatrust Commercial Bank ("**Chinatrust**"), the Taipei High Court ruled on September 2, 2011 that the Taiwan court has jurisdiction over the case, at least with respect to Chinatrust's alleged tort claim. On September 16, 2011 the Bankruptcy Trustees filed an appeal with the Taiwan Supreme Court against this decision, stating, *inter alia*, that the Taiwan court lack jurisdiction because LBT committed no tort and any theoretical jurisdiction with respect to such tort claim would not create jurisdiction with respect to Chinatrust's alleged contract claim against LBT. Both Chinatrust and the Bankruptcy Trustees have been invited to submit further briefs with the Taiwan Supreme Court.

In the similar proceeding initiated by First Commercial Bank Ltd. ("**FCB**") against LBT, the Bankruptcy Trustees note that two hearings have taken place since the previous report and LBT and FCB have also submitted several briefs to the court. The next hearing is scheduled for November 30, 2011. The court has expressed its intent to schedule a final hearing after the November 30, 2011-hearing, after which it intends to render a decision.

6.11. Extended lien proceedings

On July 15, 2011, the joint administrators of Lehman Brothers International (Europe) (in administration) ("**LBIE**") filed an application with the High Court in London seeking directions concerning so-called "**Extended Liens**". Extended Liens can refer to liens or security interest vested with respect to assets held by LBIE for Lehman Brothers Group entities (including LBT) for debts owed by the holder of the asset, not only owed to LBIE, but also to other Lehman Brothers Group entities. Since Extended Liens may also apply to assets held by LBIE and since it is not clear if Extended Liens can or should be exercised, or otherwise given effect to by LBIE, the joint administrators wish to assess the potential for such security interest claims. Accordingly, they have issued an application for directions in connection with the distribution or appropriation of these assets. The Bankruptcy Trustees have engaged local counsel to monitor and safeguard the position of LBT in relation to these proceedings. If needed, the Bankruptcy Trustees will take further action.

On July 29, 2011, the liquidators of Lehman Brothers Securities Asia Limited filed a more or less comparable application for directions with the Hong Kong Court. The Bankruptcy Trustees have engaged local counsel to monitor and safeguard the position of LBT and, if needed, will take further action.

7. Miscellaneous

7.1. Timing

The winding-up of the bankruptcy of LBT largely depends on the completion of the Chapter 11 cases of the U.S. Debtors.

The Bankruptcy Trustees intend to request the District Court to set the Claims Filing Date and the Claims Admission Date in the second or third quarter of 2012.

7.2. Provision of information

This public report as well as the previous and next reports are and will be available on www.lehmanbrotherstreasury.com. The original Dutch version of this report will also be made available on this website. In the event of any difference between the Dutch version and the English translation, the Dutch text prevails, with the exception of paragraph 6 of which the English text is decisive.

Creditors who are holders of a Note issued by LBT, which Note has been provided with an ISIN code that is included on the list of ISIN codes (which list is part of LBT's balance sheet as of August 31, 2008, annex I to the first report), are requested to read the notice of December 22, 2008 (available on the LBT website). Creditors who believe that they have a claim against LBT (other than claims arising under the Notes), are requested to submit those claims in writing, provided with underlying documents, to:

Houthoff Buruma
Attn. Frédéric Verhoeven
PO Box 75505
NL-1070 AM Amsterdam
the Netherlands

Creditors that are not yet included in the mailing list, can request to be included by sending an email to info.lbtreasurybv@houthoff.com. Creditors that are on the mailing list will receive a notification when a report is made available on the website.

Amsterdam, November 11, 2011

Rutger J. Schimmelpenninck
 bankruptcy trustee

Frédéric Verhoeven
 bankruptcy trustee

Nothing in this report should be deemed or construed as an admission of liability or claims, or as a waiver of any rights, claims or defenses.

SETTLEMENT AGREEMENT

This Settlement Agreement (the “Agreement”) is made and entered into as of August 30, 2011 (the “Execution Date”), by and among Debtors¹ and Rutger J. Schimmelpenninck and Frédéric Verhoeven, in their capacity as bankruptcy trustees (*curatoren*) (the “LBT Trustees”) for Lehman Brothers Treasury Co. B.V. (such estate and corporate entity, collectively, “LBT”). The Debtors and the LBT Trustees shall each be referred to individually as a “Party” and collectively as the “Parties.” For the avoidance of doubt, whenever LBT is required hereunder to take any actions or assume any obligations, the LBT Trustees shall cause LBT to take such actions or assume such obligations.

RECITALS

WHEREAS, on September 15, 2008 and on various dates thereafter, each of the Debtors commenced a voluntary case under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), which cases are being jointly administered under Case Number 08-13555 (JMP) (the “Chapter 11 Cases” and each a “Chapter 11 Case”);

WHEREAS, LBT was declared bankrupt (*in staat van faillissement*) by the Amsterdam District Court on October 8, 2008 with the appointment of Rutger J. Schimmelpenninck as bankruptcy trustee (*curator*) for LBT. On October 13, 2009, the Amsterdam District Court appointed Frédéric Verhoeven as bankruptcy trustee (*curator*);

WHEREAS, the LBT Trustees have, on behalf of LBT, filed the proofs of claim listed on Schedule A attached hereto against certain Debtors (collectively, the “Proofs of Claim”) for amounts that the LBT Trustees assert are due and owing to LBT;

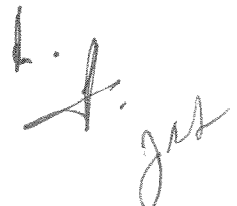
WHEREAS, certain Debtors have asserted amounts due and owing to them from LBT (the “Liquidation Claims”);

WHEREAS, LBT issued notes and certificates jointly (the “LBT Notes”) pursuant to, among other issuance programs, the Euro Medium-Term Note Program;

WHEREAS, holders of LBT Notes (the “LBT Noteholders”) have filed proofs of claim against LBHI based upon an asserted guarantee that runs in favor of LBT Noteholders (the “LBT Noteholder Claims”);

WHEREAS, the Parties are desirous of resolving potential disputes and all other outstanding issues between the Parties and avoiding extensive and expensive litigation;

¹ As used herein, the “Debtors” means Lehman Brothers Holdings Inc. (“LBHI”); Lehman Brothers Special Financing Inc. (“LBSF”); Lehman Commercial Paper Inc.; Lehman Brothers Commercial Corporation (“LBCC”); Lehman Brothers Financial Products Inc.; Lehman Brothers OTC Derivatives Inc.; Lehman Brothers Derivative Products Inc.; Lehman Brothers Commodity Services Inc. (“LBCS”); Lehman Scottish Finance L.P.; CES Aviation LLC; CES Aviation V LLC; CES Aviation IX LLC; East Dover Limited; Luxembourg Residential Properties Loan Finance S.a.r.l; BNC Mortgage LLC; Structured Asset Securities Corporation; LB Rose Ranch LLC; LB 2080 Kalakaua Owners LLC; Merit LLC; LB Somerset LLC; LB Preferred Somerset LLC; LB 745 LLC; PAMI Statler Arms LLC.



WHEREAS, on August 24, 2011, the Debtors filed the Revised Second Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors [ECF No. 19482] (the “Plan”) and the Debtors’ Disclosure Statement for the Revised Plan [ECF No. 19484] (the “Disclosure Statement”); and

WHEREAS, each of the Debtors, either individually or jointly, will file an amendment, modification and/or supplement to the Plan that will incorporate the terms and conditions of this Agreement (the “Amended Plan”);

WHEREAS, the LBT Trustees have executed this Agreement subject to the approval by the Supervisory Judge (*rechter-commissaris*) and to the extent applicable, hereof by a Final Order in the LBT Case (as defined below);

WHEREAS, the LBT Trustees may request LBHI to cause a transfer of the shares of LBT to the Entity (as defined below) controlled by the LBT Trustees for the purpose of advancing the administration of the LBT Case;

NOW, THEREFORE, in consideration of the recitals stated above, the agreements, promises and warranties set forth below and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. ***Definitions***

Except as otherwise specified herein or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Agreement.

“Affiliate” shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

“Agreement” has the meaning ascribed to it in the Preamble.

“Allowed LBSF Claim” has the meaning ascribed to it in Section 2.2(a)(i).

“Allowed LBT Claim” has the meaning ascribed to it in Section 2.1(a).

“Allowed US Claims” has the meaning ascribed to it in Section 2.2(a)(ii).

“Alternative Plan” means a chapter 11 plan or plans, proposed by parties other than the Debtors.

“Amended Disclosure Statement” means the Disclosure Statement as amended, modified and/or supplemented to incorporate the terms of the Amended Plan.

“Amended Plan” has the meaning ascribed to it in the Recitals.

“Assigned LBCC Claim” has the meaning ascribed to it in Section 2.1(b).

“Bankruptcy Code” has the meaning ascribed to it in the Recitals.

“Bankruptcy Court” has the meaning ascribed to it in the Recitals.

“Business Day” means any day on which commercial banks in both New York, New York and the Netherlands are open for business.

“Chapter 11 Case” has the meaning ascribed to it in the Recitals.

“Confirmation Order” means an order of the Bankruptcy Court (i) confirming the Amended Plan pursuant to section 1129 of the Bankruptcy Code; (ii) approving, pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure and applicable provisions of the Bankruptcy Code, the terms of this Agreement; and (iii) authorizing the Debtors to take all necessary corporate actions to consummate the transactions contemplated by this Agreement.

“Disclosure Statement” has the meaning ascribed to it in the Recitals.

“Disputed Portion” has the meaning ascribed to it in Section 2.2(a)(3).

“Effective Date” means the date that the Amended Plan becomes effective as provided for therein.

“Entity” has the meaning ascribed to it in Section 3(a)(2).

“Execution Date” has the meaning ascribed to it in the Preamble.

“Final Order” means, with respect to any proceeding in either the Netherlands or the United States, an order entered in such proceeding as to which the time to appeal or seek other review has expired or which remains in full force and effect after all appeals or other review have been taken.

“LBCS ISDA Master Agreement” means that certain ISDA Master Agreement, dated as of August 8, 2006, between LBCS and LBT.

“LBSF ISDA Master Agreement” means, as amended, that certain ISDA Master Agreement, dated as of May 11, 1995, between LBSF and LBT.

“LBT” has the meaning ascribed to it in the Preamble.

“LBT Avoidance Actions” means all avoidance actions and causes of action against Lehman US pursuant to sections 42 and 47 of the Dutch Insolvency Act and 6:162 of the Dutch Civil Code.

“LBT Case” means the bankruptcy case of LBT that was commenced on October 8, 2008 by the Amsterdam District Court.

“LBT Composition Plan” means the composition plan (“*akkoord*”) in the LBT Case, if any, that is endorsed by the LBT Trustees.

“LBT Noteholder Claims” has the meaning ascribed to it in the Recitals.

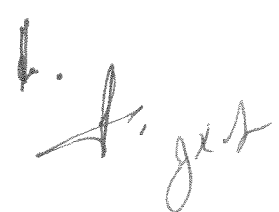
“LBT Noteholders” has the meaning ascribed to it in the Recitals.

“LBT Notes” has the meaning ascribed to it in the Recitals.

“LBT Trustees” has the meaning ascribed to it in the Preamble.

“Lehman Tax Affiliate” means (a) any person or entity which directly or indirectly holds ten percent of the vote or value of a Debtor, or (b) any person or entity in which, directly or indirectly, a Debtor owns ten percent of the vote or value.

“Liquidation Claims” has the meaning ascribed to it in the Recitals.

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“Parties” has the meaning ascribed to it in the Preamble.

“Party” has the meaning ascribed to it in the Preamble.

“Pending Claim Objection” means an action by a creditor in the LBT Case, as a result of which the Supervisory Judge directs or applicable law requires the LBT Trustees to withhold a distribution on all or a portion of the Allowed US Claims.

“Plan” has the meaning ascribed to it in the Recitals.

“Plan Support Agreements” shall have the meaning ascribed to it in the Amended Plan.

“Proofs of Claim” has the meaning ascribed to it in the Recitals.

“Reserve Amount” has the meaning ascribed to it in Section 2.2(a)(3).

“Supervisory Judge” means the judge presiding in the LBT Case.

“US Avoidance Actions” means all actions under chapter 5 of the Bankruptcy Code or similar actions under applicable state law.

“Valuation” has the meaning ascribed to it in Section 6.6 of this Agreement.

“Voting Deadline” means the date set by the Bankruptcy Court by which creditors must vote to accept or reject the Amended Plan.

2. ***Settlement of Claims.***

2.1. *The LBT Proofs of Claim.*

(a) *LBT Intercompany Claim Against LBHI.* LBT will have an allowed, senior, non-priority, non-subordinated general unsecured claim against LBHI in an amount equal to \$34,548,000,000 in respect of proof of claim number 58612 (the “Allowed LBT Claim”).

(b) *LBT Claim Against LBCC.* As of the Effective Date, LBT assigns to LBHI all of its rights, title and interests in, arising under or related to proof of claim number 58645 against LBCC (the “Assigned LBCC Claim”). The Assigned LBCC Claim shall be allowed as a non-priority, non-subordinated general unsecured claim against LBCC in an amount to be determined by LBHI and LBCC.

(c) Other than the Allowed LBT Claim and the Assigned LBCC Claim, all other claims or receivables asserted or held by LBT against the Debtors will be deemed fully and forever expunged, extinguished, disallowed and released.

(d) The Allowed LBT Claim as set forth in this Section 2.1 shall not be subject to any objections or defenses, whether by way of netting, set off, recoupment, counterclaim or otherwise, or any claim under section 510 of the Bankruptcy Code or otherwise which would have the effect of subordinating such claims to the claims of other general unsecured creditors; and to the extent that the Debtors now have or become legally entitled to be subrogated to the rights of any creditor of LBT, the Debtors agree not to assert any right as subrogee of such creditor against LBT, to the extent such right is permitted by applicable law.

(e) *Plan Exceptions for LBT.* Sections 8.10, 8.14, 8.15, and 13.8 of the Plan shall not apply to LBT or to the Allowed LBT Claim. In addition, section 8.13(e) of the Plan shall not apply to the LBT Noteholder Claims.

2.2. *The Debtors' Liquidation Claims*

(a) *Claims Against LBT.*

(i) LBSF will have an allowed, non-priority, non-senior, non-subordinated general unsecured claim against LBT in an amount equal to \$1,022,992,712 (the "Allowed LBSF Claim").

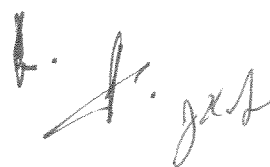
(ii) LBCS will have an allowed, non-priority, non-senior, non-subordinated general unsecured claim against LBT in an amount equal to \$43,507,736 (the "Allowed LBCS Claim") and together with the Allowed LBSF Claim, the "Allowed US Claims").

(iii) If at any time when a distribution is to be made on the Allowed US Claims, there is a Pending Claim Objection to the allowance (in whole or in part) of an Allowed US Claim, then the LBT Trustees shall establish a reserve containing the distribution (the "Reserve Amount") that would otherwise be allocated to the disputed portion of such Allowed US Claim (the "Disputed Portion"), provided that the LBT Trustees shall make distributions on any undisputed portion of the Allowed US Claims to the holders of the Allowed US Claims. Upon resolution of the Pending Claim Objection in favor of allowance of the Disputed Portion (either through withdrawal of the Pending Claim Objection, determination by the Amsterdam District Court to allow the Allowed US Claim that is the subject of the Pending Claim Objection, or agreement among the parties), then the LBT Trustees shall promptly distribute the Reserve Amount (together with any interest earned thereon unless prohibited by applicable law) to the holder of such Allowed US Claim. To the extent that all or part of the Disputed Portion is disallowed (either through determination by the Amsterdam District Court or agreement by the parties), then the LBT Trustees shall distribute the Reserve Amount attributable to the disallowed Disputed Portion of the Allowed US Claim to admitted creditors in the LBT Case, including any holder of an Allowed US Claim to the extent such holder is an admitted creditor, and any remainder to the holder of the Allowed US Claim. The LBT Trustees shall promptly inform the Debtors if there is a Pending Claim Objection to the allowance of any Allowed US Claim and shall comply with their obligations in Section 3(b)(6) of this Agreement.

(b) Other than the Allowed US Claims, all other claims or receivables asserted or held by the Debtors against LBT will be deemed fully and forever expunged, extinguished, disallowed and released.

(c) The Allowed US Claims as set forth in this Section 2.2 shall not be subject to further objections or defenses, whether by way of netting, set off, recoupment, counterclaim or otherwise, or any other claim which would have the effect of subordinating such claims to the claims of other unsecured creditors; and to the extent that LBT now has or becomes legally entitled to be subrogated to the rights of any creditor of the Debtors, the LBT Trustees agree not to assert any right as subrogee of such creditor against the Debtors, to the extent such right is permitted by applicable law.

2.3. *Claims Register.* In order to reflect the entry into this Agreement, upon the Effective Date, the Parties hereto acknowledge and agree that (i) the Proofs of Claim and the Allowed US Claims shall be deemed amended to the extent necessary to reflect the terms of the settlement reached in this Agreement and/or to reflect the reconciliation of such claims that has been ongoing amongst the Parties, (ii) they shall execute and submit joint instructions to Epiq Bankruptcy Solutions, LLC requesting

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that the claims register in the Chapter 11 Cases be amended to reflect (A) the allowance of proof of claim number 58612 in the amount of \$34,548,000,000, (B) the assignment of proof of claim number 58645 to LBHI, and (C) the disallowance of the remaining Proofs of Claim on Schedule A of this Agreement, and (iii) to the extent necessary, they shall execute and file a notice of transfer of proof of claim number 58645 by LBT to LBHI in accordance with the Federal Rules of Bankruptcy Procedure.

3. ***Amended Plan and Related Support.***

(a) *The Debtors' Obligations.*

(1) Within a reasonable period of time following the Execution Date, the Debtors will (i) file the Amended Plan to incorporate this Agreement and seek approval of the Amended Disclosure Statement and voting procedures with respect thereto, and (ii) prosecute the Amended Plan and seek entry of a Confirmation Order. If the Bankruptcy Court allows other parties to solicit acceptances of any Alternative Plan or Alternative Plans and subject to LBT's obligations in Section 3(b)(5) below, the Debtors agree not to object to LBT voting to accept any Alternative Plan or Alternative Plans in the amounts set forth on Schedule A with respect to each Proof of Claim.

(2) As may be requested by the LBT Trustees, in order to assist the LBT Trustees in the administration and resolution of the LBT Case, upon the request of the LBT Trustees, which request shall be made no later than ten days prior to the Effective Date, LBHI shall as soon as reasonably practicable after receipt of such request, but no later than one day prior to the Effective Date, cause the transfer of the shares of LBT in exchange for no consideration to an entity designated by the LBT Trustees to be incorporated under Dutch law (the "Entity"). The Entity shall not own any interest, directly or indirectly, in any Debtor or Lehman Tax Affiliate (other than LBT), nor shall any Debtor or Lehman Tax Affiliate be a direct or indirect beneficiary or owner of the Entity. The LBT Trustees shall cause the Entity to be formed prior to the date of the transfer of the LBT shares.

(3) Provided that (a) the Debtors are afforded an opportunity to review a draft of the LBT Composition Plan for a reasonable period of time, but not less than 30 days prior to publication of a draft LBT Composition Plan to LBT's creditors and (b) the LBT Composition Plan is consistent with the terms of this Agreement and treats the Allowed US Claims the same as other similar claims to the extent permitted by Dutch law, the Debtors holding Allowed US Claims shall (i) vote for the LBT Composition Plan, (ii) support approval of the LBT Composition Plan, (iii) neither join in nor support any objection to the LBT Composition Plan, and (iv) seek authority, to the extent necessary, from the Bankruptcy Court, to perform all of the foregoing prior to the deadline for the voting on the LBT Composition Plan.

(4) Notwithstanding Section 3(a)(3)(i), if there is an alternative to the LBT Composition Plan in the Netherlands that has not been proposed by or formulated with the Debtors, then LBSF or LBCS, in their capacity as creditors of LBT, may support the approval of such alternative if and only if such alternative provides LBSF or LBCS, respectively, with an equal or greater economic recovery than the LBT Composition Plan, provided that LBSF or LBCS, as applicable, shall also (i) vote to accept the LBT Composition Plan to the extent LBSF or LBCS is permitted to vote in favor of the LBT Composition Plan while supporting approval of an alternative and (ii) comply with its obligations in Sections 3(a)(3)(ii) – (iv) and Section 3(a)(5) of this Agreement.

(5) Subject to Section 6.6 of this Agreement, which the Parties agree applies to the valuation of the Allowed US Claims, the Debtors acknowledge that LBT may adopt principles for valuing claims in the LBT Case that are different from the principles adopted in the Chapter 11 Cases and the Debtors holding Allowed US Claims will not object to those principles if the principles have not been

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objected to by LBT Noteholders holding two thirds in nominal amount and a majority in number of all LBT Notes that are subject to Plan Support Agreements that have not been terminated.

(6) The Debtors acknowledge and agree that Rutger J. Schimmelpenninck may refuse to serve as a member of the Director Selection Committee (as defined in the Amended Plan) or as a trustee of the Plan Trust (as defined in the Amended Plan), or may resign from either position at any time, for any reason or for no reason, and in his sole and absolute discretion, and no provision of this Agreement, the Plan Trust Agreement (as defined in the Amended Plan) or the Amended Plan shall limit his right to do so or shall condition any treatment of LBT or LBT Noteholders upon his refusal or resignation.

(b) *LBT's Obligations.* LBT agrees to perform and comply with the following obligations as to the Amended Plan, which obligations shall become effective as set forth in Section 11 below:

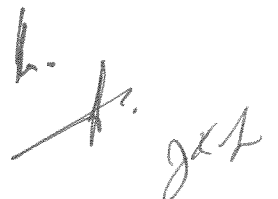
(1) LBT shall (i) support approval of the Amended Disclosure Statement, (ii) neither oppose nor object to the Amended Disclosure Statement, and (iii) neither join in nor support any objection to the Amended Disclosure Statement.

(2) If the Bankruptcy Court allows the Debtors to solicit acceptances of the Amended Plan before acceptances are solicited for any Alternative Plan or Alternative Plans, and provided that LBT has been solicited pursuant to section 1125 of the Bankruptcy Code, LBT shall (i) timely vote to accept the Amended Plan in the amounts set forth on Schedule A with respect to each Proof of Claim, and not thereafter withdraw or change such vote, and (ii) support approval and confirmation of the Amended Plan.

(3) LBT shall not oppose or object to the Amended Plan or the solicitation of the Amended Plan, or join in or support any objection to the Amended Plan or the solicitation of the Amended Plan.

(4) LBT shall not (i) participate in the formulation of, file, or prosecute any Alternative Plan (ii) join in or support any Alternative Plan, including, without limitation, express support in writing of, or enter into any form of plan support agreement with respect to any Alternative Plan, or (iii) subject to Section 3(b)(5) below, take any action to alter, delay or impede the confirmation and consummation of the Amended Plan; provided that, a vote on an Alternative Plan or Plans shall not constitute an action to delay or impede the confirmation or consummation of the Amended Plan. The foregoing does not prohibit the LBT Trustees from responding to inquiries of creditors of LBT regarding an Alternative Plan, provided that such discussions are neither solicited nor initiated by the LBT Trustees.

(5) If the Bankruptcy Court allows other parties to solicit acceptances of any Alternative Plan or Alternative Plans at the same time as the Amended Plan, LBT may vote to accept any Alternative Plan or Alternative Plans, only if such Alternative Plan or Alternative Plans provide LBT with an equal or greater economic recovery than the Amended Plan, provided, however, that LBT shall also (i) timely vote to accept the Amended Plan, and not thereafter withdraw or change such vote, (ii) comply with the provisions of Section 3(b)(3) and 3(b)(4) above except to the extent 3(b)(4)(iii) is subject to this 3(b)(5), and (ii) support approval and confirmation of the Amended Plan, and indicate a preference for the Amended Plan on its voting ballot, if the Amended Plan provides LBT and its creditors with an equal or greater economic recovery compared with any Alternative Plan that LBT votes to accept. Notwithstanding anything contained in this section, LBT shall not indicate a preference on its voting ballots for any Alternative Plan.

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(6) The LBT Trustees shall take reasonable actions consistent with Dutch law to support (i) the allowance of the Allowed US Claims in the LBT Case, including, without limitation, by supporting the applicable holder of the Allowed US Claim in its defense of any Pending Claim Objection, and (ii) the payment of distributions on the Allowed US Claims from LBT, including under the LBT Composition Plan, in each case, so long as the Debtors are not in breach of their representations and warranties in Section 6.6 of this Agreement.

(7) If LBT submits a LBT Composition Plan, (i) the LBT Trustees will provide the Debtors an opportunity to review a draft LBT Composition Plan at least 30 days prior to publication of a draft LBT Composition Plan to LBT's creditors and (ii) the LBT Composition Plan will be consistent with the terms of this Agreement and treat the Allowed US Claims the same as other similar claims to the extent permitted by Dutch law.

(c) *Solicitation Required in Connection with Amended Plan.* Notwithstanding anything contained in this Section 3 or elsewhere in this Agreement, this Agreement is not, and shall not be deemed to be, a solicitation of a vote for the acceptance of the Amended Plan pursuant to section 1125 of the Bankruptcy Code, or rejection of any Alternative Plan. Acceptance of the Amended Plan will not be solicited until the Bankruptcy Court has approved the Amended Disclosure Statement and related ballots, and such Amended Disclosure Statement and ballots have been transmitted to parties entitled to receive the same in accordance with an order of the Bankruptcy Court.

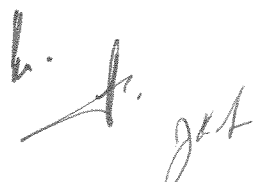
4. ***The LBT Trustees' Representations and Warranties.*** In order to induce the Debtors to enter into and perform their obligations under this Agreement, the LBT Trustees hereby represent, warrant and acknowledge as follows:

4.1. *Authority.* (i) Subject to the approval by the Supervisory Judge, and, to the extent applicable, obtaining a Final Order, the LBT Trustees have the power and authority to execute, deliver and perform their obligations under this Agreement, and to consummate the transactions contemplated herein; and (ii) subject to the approval by the Supervisory Judge, and, to the extent applicable, obtaining a Final Order, the execution, delivery and performance by the LBT Trustees of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by all necessary action on the part of LBT and no other proceedings on the part of LBT are necessary to authorize and approve this Agreement or any of the transactions contemplated herein.

4.2. *Validity.* Subject to the approval by the Supervisory Judge, and, to the extent applicable, obtaining a Final Order, this Agreement has been duly executed and delivered by the LBT Trustees and constitutes the legal, valid and binding agreement of the LBT Trustees, enforceable against the LBT estate in accordance with its terms.

4.3. *Authorization of Governmental Authorities and Creditors.* Subject to the approval by the Supervisory Judge, and, to the extent applicable, obtaining a Final Order, no action by (including any authorization, consent or approval), in respect of, or filing with, any governmental authority is required for, or in connection with, the valid and lawful authorization, execution, delivery and performance by LBT pursuant to this Agreement.

4.4. *No Reliance.* The LBT Trustees (i) are in their capacity as bankruptcy trustees sophisticated parties with respect to the subject matter of this Agreement, (ii) have been represented and advised by legal counsel in connection with this Agreement, (iii) have adequate information concerning the matters that are the subject of this Agreement, and (iv) have independently and without reliance upon any Debtor or any of the Debtors' Affiliates, or any officer, employee, agent or representative thereof, and based on such information as LBT has deemed appropriate, made their own analysis and decision to enter



into this Agreement, except that the LBT Trustees have relied upon each Debtor's express representations, warranties and covenants in this Agreement, and the LBT Trustees acknowledge that they have entered into this Agreement voluntarily and of their own choice and not under coercion or duress.

4.5. *Title.* Subject to the effectiveness of this Agreement, LBT owns and has good title to its Proofs of Claim, free and clear of any and all liens, claims (other than on account of claims against the assets of LBT), set-off rights of third parties, security interests, participations, or encumbrances created or incurred by or against LBT as of the Execution Date and has not transferred or assigned to any other person any of the claims or receivables that are the subject of this Agreement, in whole or in part.

4.6. *Transactions covered by Valuation.* The LBT Trustees have no knowledge that the Transactions (as defined in the applicable ISDA Master Agreement) covered by the Valuation do not constitute all valid, binding and enforceable Transactions by and between LBT, on the one hand, and LBSF and LBCS, on the other hand, outstanding as of September 12, 2008.

5. *No Transfer of Claims.* LBT may not transfer any of the claims or receivables that are the subject of this Agreement, or any rights or interests arising thereunder or related thereto, in whole or in part, prior to the Effective Date; provided, however, that LBT may pledge or otherwise encumber up to \$500 million of the Allowed LBT Claim to obtain financing in connection with the LBT Case so long as the secured party agrees in writing that in the event that such secured party ever forecloses the Allowed LBT Claim up to the aforementioned maximum amount of \$500 million or otherwise becomes the holder of the Allowed LBT Claim, such secured party and its successors or assigns shall be bound by Sections 3(b)(1)-(4) hereto.

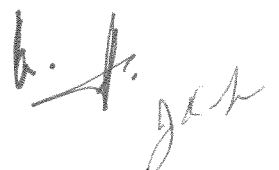
6. *The Debtors' Representations and Warranties.* In order to induce LBT and the LBT Trustees to enter into and perform its obligations under this Agreement, each Debtor hereby represents, warrants and acknowledges as follows:

6.1. *Authority.* Subject to Bankruptcy Court approval to the extent necessary, (i) each Debtor has the power and authority to execute, deliver and perform its obligations under this Agreement, and to consummate the transactions contemplated herein and (ii) the execution, delivery and performance by such Debtor of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by all necessary action on the part of such Debtor and no other proceedings on the part of such Debtor are necessary to authorize and approve this Agreement or any of the transactions contemplated herein.

6.2. *Validity.* Subject to Bankruptcy Court approval to the extent necessary, this Agreement has been duly executed and delivered by each Debtor and constitutes the legal, valid and binding agreement of each Debtor, enforceable against each Debtor in accordance with its terms.

6.3. *Authorization of Governmental Authorities.* No action by (including any authorization, consent or approval), in respect of, or filing with, any governmental authority is required for, or in connection with, the valid and lawful authorization, execution, delivery and performance by each Debtor of this Agreement, other than entry of the Confirmation Order.

6.4. *No Reliance.* Each Debtor (i) is a sophisticated party with respect to the matters that are the subject of this Agreement, (ii) has had the opportunity to be represented and advised by legal counsel in connection with this Agreement, (iii) has adequate information concerning the matters that are the subject of this Agreement, and (iv) has independently and without reliance upon the LBT Trustees, and based on such information as such Debtor has deemed appropriate, made its own analysis and



decision to enter into this Agreement, except that such Debtor has relied upon the LBT Trustees' express representations, warranties and covenants in this Agreement, which it enters, or as to which it acknowledges and agrees, voluntarily and of its own choice and not under coercion or duress.

6.5. *Title.* Each Debtor owns and has good title to its respective Liquidation Claims, free and clear of any and all liens, claims (other than on account of claims against the assets of such Debtor), set-off rights of third parties, security interests, participations, or encumbrances created or incurred by or against any such Debtor as of the Execution Date, and has not transferred or assigned to any other person any of the claims or receivables that are the subject of this Agreement.

6.6. *Amount of Allowed US Claims.* The amounts of the Allowed LBSF Claim and Allowed LBCS Claim have been determined by LBSF and LBCS respectively in good faith and in a commercially reasonable manner pursuant to section 6(e)(i)(4) of the LBSF ISDA Master Agreement and of the LBCS ISDA Master Agreement respectively as of December 12, 2008 (the "Valuation"), and further that:

(a) The Valuation has been conducted on a Transaction (as defined in the applicable ISDA Master Agreement) by Transaction basis using valuation models and techniques generally accepted in the financial community.

(b) The amount of the Allowed US Claims is based on LBSF's and LBCS's respective commercially reasonable and good faith determinations of each such Transaction's fair market value as of December 12, 2008 adjusted to take into account unperformed obligations (assuming the satisfaction of applicable conditions precedent) on or before December 12, 2008 and based on mid-market valuation parameters. The Valuation does not take into account (i) any cost of funding, (ii) any loss or cost incurred as a result of terminating, liquidating, obtaining or reestablishing any hedge or related trading position, and/or (iii) any bid-ask or bid-offer spread or allowance, and no adjustment has been made to the Valuation to account for the applicable parties' credit standing. No additional loss or damages (including, without limitation, any special, incidental, indirect or consequential loss or damages) has been factored into the amount of the Allowed US Claims. The Valuation also does not include any of LBSF's or LBCS's respective fees, costs or expenses in connection with the termination of the applicable ISDA Master Agreement.

(c) LBSF and LBCS have no knowledge that (i) the Transactions covered by the Valuation do not constitute all valid, binding and enforceable Transactions by and between LBT, on the one hand, and LBSF and LBCS, on the other hand, outstanding as of September 12, 2008 or (ii) any collateral was posted by any party with respect to any Transaction covered by the Valuation.

7. *No Transfer of Claims.* Each Debtor entity may not transfer any of the Liquidation Claims, or any rights or interests arising thereunder or related thereto, in whole or in part, prior to the Effective Date.

8. *Surviving Contracts.* The contracts and any non-binding agreements listed in Schedule B shall survive the execution and consummation of this Agreement. All executory contracts between the Debtors and LBT that are not included on Schedule B shall be rejected pursuant to section 365 of the Bankruptcy Code in accordance with the Amended Plan. Any claims that arise from the rejection of pre-petition executory contracts between the Debtors and LBT are deemed to be satisfied in full by the claims allowed pursuant to Section 2 hereof.

9. **Cooperation.** The Parties will continue to exchange data relating to the respective bankruptcy cases and insolvency proceedings based on the data-sharing agreement and the cross border international protocol in order to assist each other in resolving claims of Affiliates and other creditors.

10. **Releases.**

10.1. *Debtors' Releases.* Upon the occurrence of the Effective Date, and except as to (i) the allowed claims set forth in Section 2 hereof, (ii) the Debtors' distribution entitlements in the LBT Case, (iii) the agreements, promises, settlements, representations and warranties set forth in this Agreement, (iv) the performance of the obligations set forth herein, and (v) the claims, if any, arising under the surviving contracts set forth on Schedule B, provided that the foregoing exception shall not apply to the personal liability of the LBT Trustees, and subject to the effectiveness of this Agreement in accordance with Section 11 below, and in consideration of the foregoing and the LBT Trustees' execution of this Agreement, each Debtor on behalf of itself, its estate, and its successors and assigns, will fully and forever release, discharge and acquit LBT, the LBT estate and the LBT Trustees (in their personal and professional capacities), and their respective successors, assigns, officers, directors, employees, agents, representatives, consultants, financial advisors, accountants and attorneys, from all manners of action, causes of action, judgments, executions, debts, demands, rights, damages, costs, expenses, and claims of every kind, nature, and character whatsoever existing as of the date hereof, whether at law or in equity, whether based on contract (including, without limitation, quasi-contract or estoppel), statute, regulation, tort (excluding intentional torts, fraud, recklessness, gross negligence or willful misconduct) or otherwise, accrued or unaccrued, known or unknown, matured or unmatured, liquidated or unliquidated, certain or contingent, including, without limitation, all US Avoidance Actions.

10.2. *LBT's Releases.* Upon the occurrence of the Effective Date, and except as to (i) the allowed claims set forth in Section 2 hereof, (ii) LBT's distribution entitlements in the Chapter 11 Cases, (iii) the agreements, promises, settlements, representations and warranties set forth in this Agreement, (iv) the performance of the obligations set forth herein, and (v) the claims, if any, arising under the surviving contracts set forth on Schedule B, and subject to the effectiveness of this Agreement in accordance with Section 11 below, and in consideration of the foregoing and each Debtor's execution of this Agreement, the LBT Trustees on behalf of the LBT estate, and its successors and assigns, will fully and forever release, discharge and acquit each Debtor and Alvarez and Marsal North America, LLC, and their respective successors, assigns, officers, directors, employees, agents, representatives, consultants, financial advisors, accountants and attorneys, from all manners of action, causes of action, judgments, executions, debts, demands, rights, damages, costs, expenses, and claims of every kind, nature, and character whatsoever existing as of the date hereof, whether at law or in equity, whether based on contract (including, without limitation, quasi-contract or estoppel), statute, regulation, tort (excluding intentional torts, fraud, recklessness, gross negligence or willful misconduct) or otherwise, accrued or unaccrued, known or unknown, matured or unmatured, liquidated or unliquidated, certain or contingent, including, without limitation, (i) any administrative expense claims arising under section 503 of the Bankruptcy Code, and (ii) LBT Avoidance Actions.

11. **Effectiveness of Agreement.**

11.1. Sections 3 (except 3(b)(2)), 5, 7, 9 and 11 through 27 of this Agreement shall be effective upon the Execution Date.

11.2. Section 3(b)(2) of this Agreement shall be effective upon entry of a Final Order from the Supervisory Judge approving this Agreement, provided that if such Final Order from the Supervisory Judge is appealed against or if a creditor takes other action, Section 3(b)(2) of this

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Agreement shall only be effective upon entry of a Final Order from the Amsterdam District Court, the Amsterdam Court of Appeals or the Supreme Court in the Hague.

11.3. All other provisions of this Agreement shall be effective upon approval of this Agreement by the Bankruptcy Court and the occurrence of the Effective Date.

12. **Termination.**

12.1. *Automatic Termination.* This Agreement shall automatically terminate on any date on which the Bankruptcy Court denies the motion seeking the Confirmation Order with prejudice.

12.2. *Debtors' Right to Terminate.* Each Debtor shall have the right, at its election, to terminate this Agreement by written notice to the LBT Trustees if (a) there is a breach, in any material respect, of the representations, warranties and/or covenants of the LBT Trustees hereunder, taken as a whole, and the LBT Trustees shall fail to cure such breach within ten (10) days following written notice of such breach from any of the Debtors, or (b) other than as set forth herein, the LBT Trustees allow and provide for materially different treatment of claims held by other creditors of LBT that are legally similar to the Allowed US Claims that results in such other creditors having a recovery entitlement in respect of said claims that is materially higher than the recovery entitlement in respect of the Allowed US Claims.

12.3. *The LBT Trustees' Right to Terminate.* The LBT Trustees shall have the right, at its election, to terminate this Agreement by written notice to the Debtors if (a) the Debtors file or support a chapter 11 plan that provides for the substantive consolidation of one or more Debtor or Affiliate and LBT, commences any proceeding for similar relief, or joins with any other party in any proceeding seeking similar relief; (b) an order confirming the Amended Plan, in a form and substance reasonably satisfactory to the LBT Trustees, is not entered by the Bankruptcy Court on or before February 29, 2012; (c) there is a breach, in any material respect, of the representations, warranties and/or covenants of the Debtors hereunder, taken as a whole, and the Debtors fail to cure such breach within ten (10) days following written notice of such breach from the LBT Trustees; (d) Debtors make any changes or amendments to the Amended Plan or Amended Disclosure Statement, or the Debtors take any other action (including, without limitation, with respect to claims, asset transfers or allocations) in each case, that, individually or, in the aggregate together with all other such changes, amendments, actions and agreements, will, if the Amended Plan were to be consummated, materially and adversely affect the treatment of, estimated recoveries by, or distribution to, or proportionate share of the Debtors' assets that are distributed pursuant to the Amended Plan to, the Allowed LBT Claim; or (e) a majority in number of the holders of LBT Notes who signed Plan Support Agreements (or their successors and assigns) holding two-thirds in amount of LBT Notes subject to Plan Support Agreements, have terminated their Plan Support Agreements; provided, however, that with respect to Section 12.3(d), (i) the Debtors are not guaranteeing or committing to any specific recovery amount under the Amended Plan and (ii) modifications to the projected recovery amounts set forth in the disclosure statement approved by the Bankruptcy Court with respect to the Amended Plan that are based upon revised projections of asset values shall not constitute material modifications to the Amended Plan; and provided further that unless the Debtors agree otherwise, the LBT Trustees must exercise any right to terminate this Agreement under Sections 12(d) and (e) by giving written notice of termination to the Debtors no later than the close of business of the tenth Business Day after and excluding the day on which the LBT Trustees receive written notice of the event creating such right of termination.

12.4. *Effect of Termination.* In the event that this Agreement is terminated, then neither this Agreement, nor any motion or other pleading filed in the Bankruptcy Court with respect to the approval of this Agreement or confirmation of the Amended Plan, shall have any *res judicata* or collateral estoppel effect or be of any force or effect, each of the Parties' respective interests, rights, remedies and

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defenses shall be restored without prejudice as if this Agreement had never been executed and the Parties hereto shall be automatically relieved of any further obligations hereunder. Except as expressly provided herein, this Agreement and all communications and negotiations among the Parties with respect hereto or any of the transactions contemplated hereunder are without waiver of or prejudice to the Parties rights and remedies and the Parties hereby reserve all claims, defenses and positions that they may have with respect to each other.

13. ***Withholding Rights and Allocation of Payments.*** Each Party shall be entitled to deduct and withhold from the amounts otherwise payable to any other Party pursuant to this Agreement such amounts as it is required to deduct and withhold with respect to the making of such payment under any requirement of any applicable tax law. Any amounts so withheld shall be treated for all purposes of this Agreement as having been paid to such Party in respect of the allowed claim for which such deduction and withholding is made. The Parties agree that any payments made by LBT and the Debtors on account of the claims and receivables that are the subject of this Agreement shall be allocated for all purposes, including but not limited to US federal income tax and Dutch tax purposes, first to the principal portion of such claims and receivables, and, only after the principal portion of such respective claims and receivables is satisfied in full, to any portion of such claims and receivables comprising interest accruing prior to the filing of each Debtor's Chapter 11 Case (but solely to the extent that interest is an allowable portion of such claims and receivables).

14. ***Venue and Choice of Law.***

14.1. *Venue.* 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; provided that the Parties may appear before another court of competent jurisdiction if a non Party brings any action relating to this Agreement before such other court of competent jurisdiction, provided, further, that any actions or proceedings arising out of disputes in the amount or validity of the Liquidation Claims shall be within the exclusive jurisdiction of the Amsterdam District 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 with the Amsterdam District Court or other court of competent jurisdiction as described above solely relating to any actions or proceedings arising out of disputes in the amount or validity of the Liquidation Claims 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 at the addresses set forth in Section 15 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.

14.2. *Choice of Law.* This Agreement and all claims and disputes arising out of or in connection with this Agreement, shall be governed by and construed in accordance with the laws of the State of New York and the Bankruptcy Code, without regard to choice of law principles to the extent such principles would apply a law other than that of the State of New York or the Bankruptcy Code; provided,

however, that any claims and disputes arising out of the Liquidation Claims shall be governed by and construed in accordance with Dutch law except as otherwise provided in the underlying agreements.

15. **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
U.S.A.
Attn: John Suckow and Daniel J. Ehrmann
Facsimile: (646) 834-0874
jsuckow@alvarezandmarsal.com and dehrmann@alvarezandmarsal.com

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

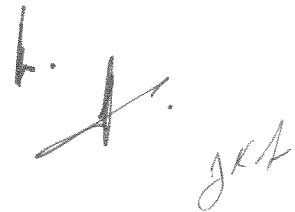
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
U.S.A.
Attn: Alfredo R. Pérez, Esq. and Lori R. Fife, Esq.
Facsimile: (212) 310-8007
Alfredo.perez@weil.com and lori.fife@weil.com

To the LBT Trustees at:

Rutger J. Schimmelpenninck and Frédéric Verhoeven, *curatoren van* Lehman Brothers
Treasury Co. B.V.
Houthoff Buruma
PO Box 75505
NL-1070 AM Amsterdam
the Netherlands
Facsimile: +31 (0) 20 605 67 08
r.schimmelpenninck@houthoff.com and f.verhoeven@houthoff.com

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

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of Americas
New York, New York 10036
Attn: Thomas Moers Mayer and Daniel M. Eggermann
Facsimile (212) 715-8000
tmayer@kramerlevin.com and deggermann@kramerlevin.com

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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.

16. **Expenses.** The fees and expenses incurred by each Party (including the fees of any attorneys, accountants, investment bankers, financial advisors or any other professionals engaged by such Party) in connection with this Agreement and the transactions contemplated hereby, whether or not the transactions contemplated hereby are consummated, will be paid by such Party.

17. **No Admission of Liability.** Each Party acknowledges that this Agreement effects a settlement of potential claims and counterclaims that might be denied and contested, and that nothing contained herein shall be construed as an admission of liability or wrongdoing.

18. **Entire Agreement.** This Agreement constitutes the entire and only agreement of the Parties concerning the subject matter hereof. This Agreement supersedes and replaces any and all prior or contemporaneous verbal or written agreements between the Parties concerning the subject matter hereof, and to the extent of any conflicts between the Amended Plan and the terms of this Agreement, the terms of this Agreement shall control. The Parties acknowledge that this Agreement is not being executed in reliance on any verbal or written agreement, promise or representation not contained herein.

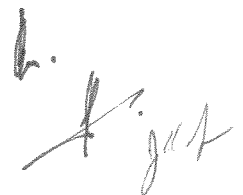
19. **No Oral Modifications.** This Agreement may not be modified or amended orally. This Agreement only may be modified or amended by a writing signed by a duly authorized representative of each Party hereto. Any waiver of compliance with any term or provision of this Agreement on the part of the Debtors must be provided in a writing signed by the LBT Trustees. Any waiver of compliance with any term or provision of this Agreement on the part of LBT or the LBT Trustees must be provided in a writing signed by each Debtor. No waiver of any breach of any term or provision of this Agreement shall be construed as a waiver of any subsequent breach.

20. **Construction.** This Agreement constitutes a fully negotiated agreement among commercially sophisticated parties and therefore shall not be construed or interpreted for or against any Party, and any rule or maxim of construction to such effect shall not apply to this Agreement.

21. **Binding Effect; Successor and Assigns.** Any declaration, representation, or statement of the LBT Trustees shall only be made in their capacity and function as bankruptcy trustees of LBT, and shall in no circumstance be construed as being a declaration, representation, or statement of the LBT Trustees on their own and personal behalf. This Agreement shall inure to the benefit of and be binding upon the Parties and the LBT estate and their respective successors and permitted assigns; provided, however, that subject to Section 5 and 7 above, no Party may assign its rights or obligations under this Agreement without the written consent of the other Party, which consent shall not be unreasonably withheld or delayed, and any assignment not in accordance with the terms hereof shall be null and void *ab initio*.

22. **Counterparts.** This Agreement may be executed in counterparts, each of which constitutes an original, and all of which, collectively, constitute only one agreement. The signatures of all of the Parties need not appear on the same counterpart.

23. **Headings; Schedules and Exhibits.** The headings utilized in this Agreement are designed for the sole purpose of facilitating ready reference to the subject matter of this Agreement. Said headings shall be disregarded when resolving any dispute concerning the meaning or interpretation of any language contained in this Agreement. References to sections, unless otherwise indicated, are references to sections of this Agreement. All Schedules to this Agreement are hereby made a part hereof and

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incorporated herein by reference for all purposes. Reference to any Schedule herein shall be to the Schedules attached hereto.

24. **No Personal Liability.** The Parties acknowledge, accept, and agree that this Agreement and all actions and measures contained herein or following herefrom do not and will not give rise to any personal liability on the part of the LBT Trustees, their firm and its partners and employees, and their representatives or other professional advisors, and to the extent any such personal liability existed, the Parties explicitly waive any and all potential rights and claims against them, their firm and its partners and employees, and their representatives and other professional advisors, personally. The LBT Trustees further acknowledge, accept, and agree that this Agreement and all transactions and measures contained herein do not give rise to any personal liability on the part of any of the officers, directors, employees, members, consultants, asset managers, representatives or professional advisors of the Debtors and to the extent any such personal liability existed, the LBT Trustees explicitly waive any and all potential rights and claims against all of the aforementioned persons. Any claim by a Party against the LBT Trustees or LBT arising under or relating to this Agreement shall only be satisfied out of the assets of the insolvency estate of LBT, and any claim by a Party against any of the Debtors arising under or relating to this Agreement shall only be satisfied out of the assets of such Debtor.

25. **Severability and Construction.** If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect if the essential terms and conditions of this Agreement for each Party remain valid, binding, and enforceable.

26. **Waiver of Jury Trial.** EACH OF THE PARTIES HERETO HEREBY AGREE 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 26 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.

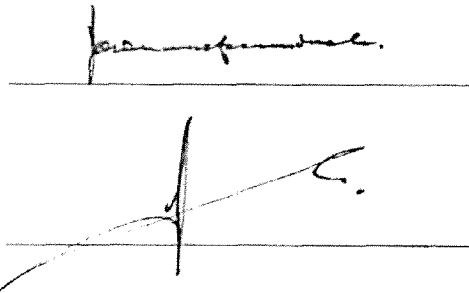
27. **Disclosure.** Neither the Debtors nor the LBT Trustees are under any obligation to hold confidential and not disclose this Agreement, so that it may be disclosed generally or to individual parties as each side may see fit. Without limiting the rights of any party under the preceding sentence, the Debtors and the LBT Trustees shall work together to disclose this Agreement by a public filing or filings at a time and in a manner acceptable and convenient to both.

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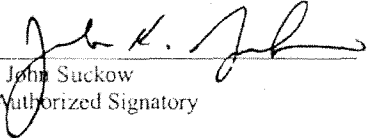
IN WITNESS WHEREOF, each Party by his or its duly authorized representative has executed this Agreement as of the date first written above:

LEHMAN BROTHERS HOLDINGS INC.,
LEHMAN COMMERCIAL PAPER INC.,
LEHMAN BROTHERS COMMODITY
SERVICES INC., LEHMAN BROTHERS
SPECIAL FINANCING INC., LEHMAN
BROTHERS OTC DERIVATIVES INC.,
LEHMAN BROTHERS COMMERCIAL
CORPORATION, LB 745 LLC, PAMI
STATLER ARMS LLC, CES AVIATION LLC,
CES AVIATION V LLC, CES AVIATION IX
LLC, LEHMAN SCOTTISH FINANCE L.P.,
BNC MORTGAGE LLC, LB ROSE RANCH
LLC, STRUCTURED ASSET SECURITIES
CORPORATION, LB 2080 KALAKAUA
OWNERS LLC, MERIT LLC, LB PREFERRED
SOMERSET LLC, LB SOMERSET LLC, as
Debtors and Debtors in Possession

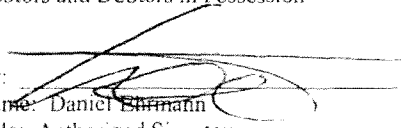
Rutger J. Schimmelpenninck and Frédéric Verhoeven, in
their capacity of bankruptcy trustees (*curatoren*) of
LEHMAN BROTHERS TREASURY CO. B.V.

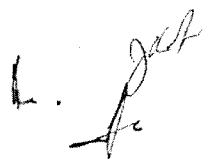


The image shows two handwritten signatures on horizontal lines. The top signature is written in dark ink and appears to be 'Rutger J. Schimmelpenninck'. The bottom signature is also in dark ink and appears to be 'Frédéric Verhoeven'.

By: 
Name: John Suckow
Title: Authorized Signatory

LEHMAN BROTHERS DERIVATIVES
PRODUCTS INC., LEHMAN BROTHERS
FINANCIAL PRODUCTS INC., EAST DOVER
LIMITED, LUXEMBOURG RESIDENTIAL
PROPERTIES LOAN FINANCE S.A.R.L., as
Debtors and Debtors in Possession

By: 
Name: Daniel Lehmann
Title: Authorized Signatory



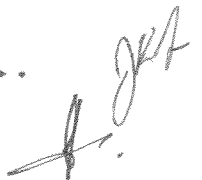
The image shows handwritten initials 'L. J. Sch' and 'F. Ver' in dark ink.

Lehman Brothers Treasury Settlement Agreement
Proofs of Claim
(\$ in actual)

Schedule A

<u>Claim Number</u>	<u>Debtor</u>	<u>Amount (USD)</u>
58610	Lehman Brothers Holdings Inc.	\$ 37,566,349
58611	Lehman Brothers Holdings Inc.	38,413,247
58612	Lehman Brothers Holdings Inc.	34,820,143,375
58613	Lehman Brothers Holdings Inc.	34,820,990,272
58623	Lehman Brothers Holdings Inc.	-
58624	LB Rose Ranch LLC	-
58625	LB 2080 Kalakaua Owners LLC	-
58626	CES Aviation LLC	-
58627	CES Aviation V LLC	-
58628	East Dover Limited	-
58629	Luxembourg Residential Properties Loan Finance S.a.r.l.	-
58630	BNC Mortgage LLC	-
58631	Structured Asset Securities Corporation	-
58632	Lehman Scottish Finance L.P.	-
58633	Lehman Commercial Paper Inc.	-
58634	Lehman Brothers Commercial Corporation	-
58635	Lehman Brothers Financial Products Inc.	-
58636	Lehman Brothers Derivative Products Inc.	-
58637	Lehman Brothers OTC Derivatives Inc.	-
58638	Lehman Brothers Special Financing Inc.	-
58639	Lehman Brothers Commodity Services Inc.	-
58640	PAMI Statler Arms LLC	-
58641	LB 745 LLC	-
58642	CES Aviation IX LLC	-
58643	Lehman Brothers Special Financing Inc.	-
58644	Lehman Brothers Holdings Inc.	-
58645	Lehman Brothers Commercial Corporation	37,349,198
58646	Lehman Brothers Commodity Services Inc.	-
58647	Lehman Brothers Special Financing Inc.	445,419

Solely for purposes of voting on the Amended Plan or any Alternative Plan (as provided for in Sections 3(a)(1) and 3(b)(2) of this Agreement), the Parties agree that LBT will not vote Claim Number 58613.

b.


Schedule B

Surviving Contracts

1. Confidentiality Agreement, dated May 21, 2010, between Lehman Brothers Holdings Inc. and Lehman Brothers Treasury Co. B.V.

L.
A. get

Annex II: Application of the LBT Credit Spread to undetermined Notes – Determination of the Estimated Credit Spread Adjustment, the Deemed Contractual Amount and the Admissible Amount

The adoption of a methodology to determine the Estimated Credit Spread Adjustment (and hence the Deemed Contractual Amount) for undetermined Notes will allow the use of the Fair Values from the LBHI Valuation Statement in a manner consistent – from an LBT Credit Spread perspective – with the calculation of Admissible Amounts for determined Notes.

Since the Bankruptcy Trustees do not have access to the expected cash flows that underpin any (Lehman Brothers) Fair Value, it is not possible to determine the impact of applying the LBT Credit Spread to such cash flows other than by making a number of assumptions about these cash flows.

The Bankruptcy Trustees understand that the Fair Value of an ISIN is based on discounting expected cash flows, which include an adjustment for funding spreads, using applicable swap rates¹. The Estimated Credit Spread Adjustment reflects the impact of the difference between swap rates and risk-free rates² at September 12, 2008, **and** the difference between the funding spread adjustment and the LBT Credit Spread of 2.5%, all calculated over the expected life of the Note and an assumed profile of cash flows through to the Redemption Date for each ISIN.

The assumed expected life of the Note will be derived from LBT's accounting records and the profile of cash flows shall be projected on the basis of the magnitude of the Weighted Average Coupon Rate for that Note, estimated based on input parameters as of September 12, 2008.

These principles are illustrated below. Capitalised terms have the same meaning that is ascribed to them in paragraph 6.9.

Consider a hypothetical Note with the following Conditions:

- The Note has contractual pay-offs that are linked to an FX rate
- The remaining legal term to maturity from the Bankruptcy Date is 20 years
- The Specified Denomination is USD 1,000

¹ The term "swap rates" refers to the fixed rates on plain vanilla interest rate swaps and their term structure as is commonly referred to by participants in the financial markets as LIBOR curves. The applicable swap rates by currency were used by Lehman Brothers as of September 12, 2008.

² The applicable risk-free interest rates are the rates on government bonds issued in the currency of the relevant Note that prevailed in the financial markets at September 12, 2008 (as included in the fourth Bankruptcy Report dated November 3, 2009).

- Coupon payments are due as follows:
 - 18% fixed per annum for the first 2 years following the Bankruptcy Date
 - Thereafter, the coupon is calculated on the basis of the following formula:

$$9\% * \text{Max} \left[\frac{\text{FX rate} - \text{Strike}}{\text{Strike}} ; 0 \right] \text{ per annum}$$
 where Strike = 1.8, and FX rate means the rate prevailing at the date of measurement
- The Redemption Amount is calculated as follows:
 - If the FX rate at any time goes above a predetermined Trigger:

$$\text{Mandatory Early Redemption Amount} = \text{Specified Denomination} * 175\%$$
 where Trigger = 3.0
 - If the Note has not been triggered during its life, then at maturity:

$$\text{Final Redemption Amount} = \text{Specified Denomination} * \left[\frac{\text{FX rate}}{\text{Strike}} \right]$$
 - Due to the triggers in the Conditions, the remaining expected life of the Note is 10 years
- The Fair Value is USD 1,345.88
- The Note's funding spread according to LBT's accounting records is 1%
- Assume a USD swap rate at September 12, 2008 of 4%
- Assume a USD risk-free rate at September 12, 2008 of 3.5%

Step 1: Calculate the adjustment for the funding spread and the Restated Fair Value

The adjustment for the funding spread is calculated as follows:

$$\begin{aligned} \text{Adjustment for funding spread} &= \text{present value of } (1\% \text{ funding spread} * \text{Specified Denomination}) \\ &\quad \text{at the USD swap rate of 4\% over the expected life of 10 years} \\ &= \text{USD } 81.11 \end{aligned}$$

Therefore, the Restated Fair Value (i.e. "FV_{restated}") of the Note after the elimination of the present value impact of the funding spread is:

$$\text{FV}_{\text{restated}} = \text{Fair Value} + \text{present value of (funding spread)} = 1,345.88 + 81.11 = \text{USD } 1,426.99$$

The purpose of this step is to eliminate the impact of the funding spread included in the Fair Value. For valuation purposes, the Bankruptcy Trustees understand that Lehman Brothers valued Notes by deconstructing the Note into a hypothetical floating rate bond and an embedded derivative. The present value of this embedded swap derivative includes the present value of a so-called funding spread. By adding the present value of this funding spread to the Fair Value, a Restated Fair Value is derived that approximates the fair value of the Note without any adjustment for the funding spread: that is, on the basis that the expected cash flows on the Note are discounted using the applicable swap rate(s).

Step 2: Calculate the estimated Weighted Average Coupon Rate on the Note

Assume the FX rate at September 12, 2008 was 2.4

The hypothetical FX-linked coupon at September 12, 2008 per annum on the Specified Denomination is:

$$9\% * \left[\frac{2.4 - 1.8}{1.8} \right] = 3\%$$

And the Weighted Average Coupon Rate per annum on the Specified Denomination of the Note is:

$$\left[\frac{18\% * 2 + 3\% * (10 - 2)}{10} \right] = 6\%$$

So the Weighted Average Coupon Rate per annum rescaled to the Restated Fair Value (FV_{restated}) is:

$$\left[\frac{6\% * 1,000}{1,426.99} \right] = 4.2\%$$

In order to estimate the approximate profile of the expected cash flows on the Note its Weighted Average Coupon Rate based on FV_{restated} is used.

In the case of a fixed rate Note, this Weighted Average Coupon Rate is simply derived from the fixed coupon specified in the Conditions. In the case of a zero coupon Note, the Weighted Average Coupon Rate is nil. For other more complex Notes, the Weighted Average Coupon Rate must be estimated, and this estimation will be made by assuming that variable (exotic) coupons will not change throughout the expected life of the Note. The variable coupon will thus be based on the magnitude of the coupon payment that would be hypothetically due and payable based on input parameters measured as of September 12, 2008. In the case of a Note that pays both fixed and variable coupons, weightings are applied based on the number of years that the fixed and variable coupon components are expected to eventuate.

In the case of the hypothetical Note in this example, the coupon is fixed for 2 years and then it becomes variable. For the purpose of calculating the Weighted Average Coupon Rate, the variable component is derived as set forth above: that is, based on input parameters as of September 12, 2008 and weighted with the remaining expected life after the 2 years of fixed interest (i.e. over a further 8 years). Using this Weighted Average Coupon Rate, the Note is assumed to give rise to annual coupon cash flows of 6% of the Specified Denomination over the expected life of the Note, and 4.2% per annum based on FV_{restated} .

Step 3: Load $FV_{restated}$ with the LBT Credit Spread and calculate the Deemed Contractual Amount

$FV_{restated}$ approximates the fair value of the Note based on its expected cash flows discounted using the applicable swap rate. The corresponding Deemed Contractual Amount is based on the same expected cash flows but discounted at the risk-free rate increased by the LBT Credit Spread. It is therefore necessary to load $FV_{restated}$ with the LBT Credit Spread after adjusting this LBT Credit Spread for the difference between the applicable swap rate and the risk-free rate.

For the purpose of loading the LBT Credit Spread, generic loading factors will be used that are derived assuming that Notes are plain vanilla fixed rate instruments and using the following relationship:

$$\begin{aligned} \text{present value of a fixed rate bond valued at (swap rate + implied spread)} &= \\ \text{present value of that same bond valued at (swap rate) * loading factor} & \end{aligned}$$

In the case of a plain vanilla fixed rate bond with a coupon of 4.2% per annum³, a term to maturity of 10 years, and an implied spread of 2%⁴ over the swap rate of 4%, the loading factor can be shown to be 0.85367.

So, for the hypothetical Note in this example:

$$\begin{aligned} \text{Deemed Contractual Amount} &= FV_{restated} * \text{loading factor} \\ &= 1,426.99 * 0.85367 = \text{USD } 1,218.18 \end{aligned}$$

And, regarding the impact of the LBT Credit Spread:

$$\begin{aligned} \text{Estimated Credit Spread Adjustment} &= \text{Fair Value} - \text{Deemed Contractual Amount} \\ &= 1,345.88 - 1,218.18 = \text{USD } 127.70 \end{aligned}$$

The purpose of this step is to adjust $FV_{restated}$ to reflect the LBT Credit Spread. This is achieved by assuming that the Note is a plain vanilla fixed rate bond with a maturity equal to the expected life of the Note, an annual coupon equal to the Weighted Average Coupon Rate (rescaled to $FV_{restated}$), and a redemption amount equal to $FV_{restated}$.

Because $FV_{restated}$ is a present value based on swap rates, and because the LBT Credit Spread of 2.5% is a spread over risk-free rates, for the purpose of this calculation the LBT Credit Spread should be reduced by the difference between the swap rate and the risk-free rate at September 12, 2008. In this example, that difference is 0.5%, so the loading factor is calculated on the basis of a spread of 2.5% less 0.5%, i.e. an implied spread of 2.0%.

³ In order to calculate the loading factors, the coupon cash flows are calculated by applying the Weighted Average Coupon Rate of 4.2% to $FV_{restated}$, which is also used as the Redemption Amount.

⁴ The implied spread of 2% over the applicable swap rate is derived from the LBT Credit Spread of 2.5% such that: risk-free rate + LBT Credit Spread = swap rate + implied spread; see later discussion.

Step 4: Roll the Deemed Contractual Amount forward to the Bankruptcy Date +1

In order to calculate the Admissible Amount, the Deemed Contractual Amount must be rolled forward to the Bankruptcy Date +1 as follows:

$$\text{Admissible Amount} = \text{Deemed Contractual Amount} * \text{roll forward factor for 1 year}$$

Assuming a risk-free rate of 3.5% and using the LBT Credit Spread of 2.5%:

$$\text{Admissible Amount} = 1,218.18 * (1 + 3.5\% + 2.5\%) = \text{USD } 1,291.27$$

Annex III: Valuation methodology for estimating the fair value of accelerated Notes as of the acceleration date

The Early Redemption Amount related to certain accelerated Notes may not be determined if the relevant clauses in the Conditions on the Early Redemption Amount simply reference the fair value of the Note (as of the Early Redemption Date). This means that the Early Redemption Amount of such Notes needs to be estimated as the fair value of such a Note as of the Early Redemption Date.

The Bankruptcy Trustees will establish the Deemed Contractual Amount of such accelerated Notes by calculating all future cash flows using input parameters as of the Early Redemption Date, ignoring any future changes in these parameters.¹ Using this approach, all future cash flows become determined. For example, in the case of an equity-linked Note, the Final Redemption Amount would be calculated using the relevant equity prices as of the date of acceleration, and will not be calculated by modelling an expected future equity price that takes account of price volatility from the acceleration date to the Final Maturity Date of the Note. The Deemed Contractual Amount thus established will then be discounted to its value as of the Bankruptcy Date +1 (if the acceleration date lies beyond the Bankruptcy Date+1).

These principles are illustrated below. Capitalised terms have the same meaning that is ascribed to them in paragraph 6.9.

Consider a hypothetical index-linked Note with the following Conditions:

- The contractual Final Maturity Date is October 8, 2014
- The Specified Denomination is USD 1,000
- No coupon payments are due under the Conditions
- The Redemption Amount is calculated as follows:

- Final Redemption Amount = $SD + 75\% * SD * \text{Max} \left[\frac{\text{IndexValue} - \text{InitialLevel}}{\text{InitialLevel}} ; 0 \right]$

where Initial Level = 500

- The Note was validly accelerated on October 8, 2011
- The Index Value as of the date of acceleration is 600
- The Conditions of the Note stipulate that the Early Redemption Amount due upon acceleration shall be the fair value of the Note as of that date

¹ The Deemed Contractual Amount will be the present value of such future cash flows as of the acceleration date, discounted using the applicable risk-free rate at the date of acceleration increased by the LBT Credit Spread.

Step 1: Calculate the Final Redemption Amount based on input parameters at the acceleration date

The Final Redemption Amount is estimated solely on the basis of the absolute level of the index at the date of acceleration, and no account is taken of the impact on the fair value of possible increases and possibly decreases in the level of the index in the period between the acceleration date and the Final Maturity Date. So:

$$\begin{aligned}\text{Final Redemption Amount} &= 1,000 + 75\% * 1,000 * \text{Max} \left[\frac{600 - 500}{500}; 0 \right] \\ &= \text{USD } 1,150\end{aligned}$$

The Bankruptcy Trustees recognise that the outcome of this approach can only be regarded as an estimate of the fair value of the Final Redemption Amount because the approach assumes nil volatility in index levels through to the Final Maturity Date. The Bankruptcy Trustees have decided to adopt this approach in order to avoid subjective and time consuming estimates of the impact of this volatility (as well as other parameters), which would likely deliver results that might still be the subject of protracted debate.

In the case of Notes with intermediate cash flows, such as index-linked coupons, all such intermediate cash flows will also be estimated on the basis of index or other parameter levels as of the date of acceleration, assuming nil volatility through to the Final Maturity Date.

Step 2: Calculate the Deemed Contractual Amount at the date of acceleration

Assuming a risk-free rate of 4.1% at the acceleration date and using the LBT Credit Spread of 2.5%:

$$\begin{aligned}\text{Deemed Contractual Amount (at the acceleration date)} &= \text{present value of the estimated Final} \\ &\text{Redemption Amount discounted at a rate of 6.6\% over the remaining life of 3 years} \\ &= \left[\frac{1,150}{(1.066)^3} \right] = \text{USD } 949.35\end{aligned}$$

Step 3: Discount the Deemed Contractual Amount to the Bankruptcy Date +1

Assuming an implied risk-free forward rate at September 12, 2008 of 3.9% for the period between the date of acceleration and the Bankruptcy Date +1, and using the LBT Credit Spread of 2.5%:

Admissible Amount = present value of the Deemed Contractual Amount discounted for two years from the acceleration date to the Bankruptcy Date +1

$$= \left[\frac{949.35}{(1.064)^2} \right] = \text{USD } 838.58$$