

LEHMAN BROTHERS HOLDINGS INC., LEHMAN BROTHERS INC. AND LEHMAN BROTHERS INTERNATIONAL (EUROPE) RESOLVE INTERCOMPANY CLAIMS

Milestone Agreements Resolve Billions in Intercompany Claims
Clears Path for Additional Distributions to LBI and LBIE Customers and LBHI Creditors

New York and London, February 26, 2013 — The Trustee for Lehman Brothers Inc. (“LBI”), Lehman Brothers Holdings Inc. and certain of its debtor and non-debtor subsidiaries (“LBHI”), and the Joint Administrators of Lehman Brothers International (Europe) (“LBIE”) have entered into two separate agreements settling all intercompany claims between LBI on the one part, and LBHI and LBIE on the other part. The LBI Trustee today filed motions seeking approval of the agreements with the U.S. Bankruptcy Court.

These separate agreements settle billions of dollars of complex intercompany claims and liabilities between the parties. The settlement agreements also provide a final resolution of all legal and factual issues regarding intercompany relationships between LBI and LBHI and between LBI and LBIE, avoiding the need for costly litigation. The settlement agreements, along with a number of related motions, are subject to approval by the U.S. Bankruptcy Judge in the LBI Securities Investor Protection Act (SIPA) proceeding, the Honorable James M. Peck, and in the case of the agreement between LBI and LBIE, an order of the English High Court.

Upon approval, the settlements will allow LBI’s Trustee to proceed with plans to allocate and distribute sufficient cash and securities to LBI’s customer claimants, including LBHI and LBIE, to enable the LBI Trustee to satisfy valid customer claims in full. This is a critical step in obtaining significant value to return to LBIE’s counterparties included in its Omnibus Claim and to LBHI’s creditors.

As part of the resolution, the parties have also agreed to a protocol for the settlement of claims remaining against the LBI estate as the Trustee focuses on liquidating remaining assets and the allowance of general estate claims. Pursuant to the protocol following court approvals, the Trustee will file periodic, public reports regarding the general estate with the Bankruptcy Court.

James Giddens, Trustee for the liquidation of LBI, said: “After more than four years of arduous negotiations involving the analysis of hundreds of thousands of transactions with unique legal challenges, on behalf of myself and the hundreds of professionals involved, we are delighted that these agreements have been reached. We are also grateful to SIPC and the SEC for their assistance in these matters. If judicially approved and implemented, securities customers should receive full satisfaction of their claims and distributions from the general estate will be facilitated.”

Daniel Ehrmann, LBHI’s head of international operations and co-head of derivatives, said: “This milestone agreement with LBI resolves billions of dollars of complex intercompany claims, provides LBHI and its affiliates more than \$2.3 billion in customer claims and \$14 billion in general unsecured claims, avoids costly and extensive litigation, and contributes significantly to recoveries for LBHI’s creditors. Today’s settlement represents an enormous effort over many years by multiple dedicated professionals and powerfully underscores the benefits of reaching a consensual settlement rather than pursuing litigation. The settlement, consistent with the views of the global creditor base, will enable LBHI to accelerate distributions to creditors with allowed claims.”

Tony Lomas, LBIE Joint Administrator, said, “This is a defining transaction for the LBIE estate and one in which the whole LBIE team has played an important part. The depth and complexity of the business relationship between LBIE and LBI, the Client and House components, the different insolvency regimes and the sheer size of the claims in both directions makes this by some significant margin the most complex inter affiliate settlement completed in the Lehman insolvency. It paves the way for a \$9 billion consensual asset return plan for LBIE’s underlying Omnibus claimants and will also enable us to set a clearer path to address a

number of the remaining issues for our unsecured creditor estate, as well as members of our client money and client asset communities.”

The LBIE Joint Administrators continue to target the end of February to publish the terms of their consensual proposal to the underlying Omnibus claimants, on how the recovery proceeds will be distributed amongst them. In addition, LBIE intends to provide claimants with an update on the portfolio of the securities that are set to be returned under the LBI settlement agreement as well as an update into the likely financial impact of the agreement in its next progress report, due by mid-April.

Certain deal terms of both settlements are summarized below and the filings related to the LBI settlement agreement can be found at www.lehman-docket.com in the “Key Documents” section.

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Contacts:

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Questions relating to these filings can be directed to the Debtors’ claims agent, Epiq Systems, Inc., at 1-866-879-0688 (U.S.) and 1-503-597-7691 (Non-U.S.).

For LBIE:

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Counterparties - Should you have any queries regarding this update, please contact LBIE's Communications and Counterparty Management team at generalqueries@lbia-eu.com. The Joint Administrators will continue to communicate with you through this website on all matters relating to the administration of LBIE.

CERTAIN TERMS OF THE SETTLEMENT AGREEMENTS

Certain of the deal terms of both settlements are summarized below, however, parties should review the agreements filed with the court as those terms are controlling.

Certain key terms of the LBI/LBHI agreement are set out below:

- LBHI’s customer claims against LBI will be allowed in an amount of \$2.320 billion (valued as of September 19, 2008), in respect of which LBHI will receive the following distribution: (1) a cash distribution of \$1.977 billion from the LBI estate, which includes cash in lieu of certain securities and cash receipts from post-petition redemptions and maturities in connection with certain securities, (2) \$350 million of consideration from Lehman ALI Inc. in the form of an assignment of a settled intercompany note between Lehman ALI Inc. and LBI to LBHI, LOTC and LBSF, and (3) the return of securities from the LBI estate.
- LBI will allow LBHI a claim for post-petition dividends and interest through December 31, 2012, of approximately \$122 million, as well as any other post-petition dividends and interest collected by the Trustee with respect to securities that make up LBHI’s allowed customer claims.
- LBI will allow LBHI a \$240 million priority unsecured claim in connection with certain tax-related disputes resolved through the settlement.
- LBHI will be allowed general unsecured claims of \$13.984 billion (including \$1.5 billion relating to a subrogated claim by JP Morgan against LBI).

- The settlement is conditional on numerous items including the Trustee achieving 100% payout on remaining customer claims.

The key terms of the LBI/LBIE agreement (which are consistent with the outline terms agreed in principle in October 2012) are set out below.

- LBIE's Omnibus customer claim against LBI will be allowed in an amount of approximately \$7.5 billion (valued as of September 19, 2008). Taking a November 30, 2012, value date, LBIE values the settled claim in the amount of approximately \$8.4 billion made up of cash and securities, and this claim will be augmented by post-filing income of approximately \$600 million.
- LBIE's House claim against LBI will be allowed in an amount of exactly \$500 million in cash as a customer claim and a further amount of exactly \$4.0 billion as a general estate claim. LBI's unsecured claim against LBIE will be eliminated entirely.
- LBI's Client Money claim against LBIE and the former's custodied assets held by LBIE will be assigned to LBIE's nominee and LBIE respectively.
- LBI will create a reserve of exactly \$777 million to deal with certain claims into LBIE from Barclays Capital Inc. arising from the LBI/Barclays Asset Purchase Agreement dated September 16, 2008.
- All litigation will cease between the parties and all other claims will be released.
- The settlement is conditional on the following:
 - The elimination of duplicate claims filed by claimants into the LBI estate. This is intended to ensure that no unnecessary reserves are required to be made by LBI that will dilute distributions to customer property claimants and similarly ensure that claimants do not make a double recovery.
 - The Trustee achieving 100% payout on remaining customer property claims.
 - The approval of the Post Filing Income methodology which shares post filing dividends and interest amongst customer property claimants according to the actual securities distributed by LBI.
 - The approval of the Trustee's allocation motion to identify the amount of realizations to be credited as customer property.
 - Receipt of US Bankruptcy Court approval and an order of the English High Court for the LBI/LBIE agreement and US Bankruptcy Court approval for the LBI/LBHI agreement.