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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

LEHMAN BROTHERS INC.,

Debtor.

Case No. 08-01420 (SCC) SIPA

**STIPULATION AND ORDER REGARDING PROOFS OF CLAIM OF THE BANK OF
NEW YORK MELLON TRUST COMPANY, N.A., PENDLETON COUNTY AS ISSUER
FOR THE BENEFIT OF THE KENTUCKY ASSOCIATION OF COUNTIES LEASING
TRUST AND JPMORGAN CHASE BANK, N.A.
(CLAIM NOS. 4952, 5048, 5050, 5763, 5819 & 7002245)**

This Stipulation and Order (the “Stipulation”) is entered into on the date hereof by and
between James W. Giddens (the “Trustee”), as trustee for the liquidation of Lehman Brothers
Inc. (“LBI”) under the Securities Investor Protection Act of 1970, as amended (“SIPA”), The
Bank of New York Mellon Trust Company, N.A. (“BNYM”), in its capacity as successor trustee

under that certain Indenture dated as of March 1, 1989 (the “Indenture”), Pendleton County as issuer for the benefit of the Kentucky Association of Counties Leasing Trust (together, the “Kentucky Municipal Claimants”), and JPMorgan Chase Bank, N.A. (“JPM”) (each of BNYM, the Kentucky Municipal Claimants and JPM, a “Claimant”, and together, the “Claimants”).

RECITALS

A. WHEREAS, on September 19, 2008 (the “Filing Date”), a proceeding was commenced under SIPA with respect to LBI, and the Trustee was appointed (Case No. 08-01420, such proceeding, the “SIPA Proceeding”);

B. WHEREAS, on November 7, 2008, the Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) entered the Order Approving Form and Manner of Publication and Mailing of Notice of Commencement; Specifying Procedures and Forms for Filing, Determination, and Adjudication of Claims; Fixing a Meeting of Customers and Other Creditors; and Fixing Interim Reporting Pursuant to SIPA (the “Claims Process Order,” ECF No. 241);

C. WHEREAS, pursuant to SIPA section 78fff-2(a)(3) and the Claims Process Order, all general creditor claims must have been received by the Trustee by June 1, 2009;

D. WHEREAS, Liberty National Bank and Trust Company of Louisville (the “Original Trustee”) and Shearson Lehman Hutton Investments, Inc. (“Shearson Lehman”) entered into that certain guaranteed investment contract (as amended and supplemented from time to time, the “GIC”) dated as of March 1, 1989, which granted Shearson Lehman the right to select investment securities (the “Investment Securities”) to be purchased with proceeds of certain municipal bonds issued by the Kentucky Municipal Claimants, in return for Shearson

Lehman's obligation to pay the Kentucky Municipal Claimants a specified rate of return on their funds;

E. WHEREAS, pursuant to that certain Security Agreement dated as of March 1, 1989 (the "Security Agreement") between the Original Trustee, as secured party, and Shearson Lehman, as pledgor, Shearson Lehman's obligations under the GIC were secured by a first priority lien on and continuing security interest in the Investment Securities themselves and cash held in a segregated account at the Original Trustee and later at BNYM (the "Collateral Account") (such cash and Investment Securities held in the Collateral Account are referred to herein as the "Collateral");

F. WHEREAS, LBI and BNYM are successors to Shearson Lehman and the Original Trustee, respectively, under the GIC and the Security Agreement;

G. WHEREAS, on January 20, 2009 and January 30, 2009, BNYM filed customer claims on behalf of the Kentucky Municipal Claimants in the SIPA Proceeding, which were assigned proof of claim numbers 800002951 and 900004801 (the "BNYM Customer Claims"), respectively;

H. WHEREAS, although not parties to the GIC, the Kentucky Municipal Claimants and JPM filed customer claims in respect of their claims under the Indenture, the GIC and the Collateral, which were assigned proof of claim numbers 800004347, 900003992 and 900004145 (together with the BNYM Customer Claims, the "Customer Claims");

I. WHEREAS, on November 20, 2012, the Bankruptcy Court "so ordered" a stipulation between the Trustee and BNYM (the "Stay Relief Stipulation and Order") pursuant to which (i) the automatic stay was modified solely to permit BNYM to exercise its rights and

remedies under the Indenture, the GIC, the Security Agreement and applicable law with respect to the Collateral in the Collateral Account, including, without limitation, transferring ownership of, liquidating or reinvesting the Collateral or the Collateral Account, and (ii) the BNYM Customer Claims were deemed withdrawn;

J. WHEREAS, in accordance with the Claims Process Order, between May 29, 2009 and June 1, 2009, the Claimants timely filed the following general creditor claims in the SIPA Proceeding: (i) BNYM, on behalf of the Kentucky Municipal Claimants (Claim No. 7002245) (the “BNYM Proof of Claim”), (ii) the Kentucky Municipal Claimants (Claim No. 5050), and (iii) JPM (Claim Nos. 4952, 5048, 5763 & 5819), each of which were filed in the amount of \$75,540,613 (\$48,645,903 of which was alleged to be secured by the Collateral and the deficiency was asserted as a general unsecured claim), plus interest, costs and attorney’s fees for amounts allegedly due under the GIC as of the Filing Date (each a “Claim”, and together, the “Claims”);

K. WHEREAS, each of the Customer Claims has been disallowed and expunged by Orders of the Bankruptcy Court (ECF Nos. 5586, 5587 & 5876) as an amendment or duplicate of one or more of the Claims;

L. WHEREAS, on March 11, 2013, the Bankruptcy Court entered the Order pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rules 3007 and 9019(b) for Approval of General Creditor Claim Settlement Procedures (the “General Creditor Settlement Procedures Order,” ECF No. 5847);

M. WHEREAS, after good faith, arm’s length negotiations, the Trustee and each Claimant (each, a “Party,” and together, the “Parties”), pursuant to the General Creditor

Settlement Procedures Order, have agreed to resolve the Claims on the terms and conditions set forth in this Stipulation.

NOW, THEREFORE, in consideration of the mutual covenants set forth below, IT IS HEREBY STIPULATED AND AGREED BY THE PARTIES HERETO THAT:

STIPULATION

1. The Recitals set forth above form an integral part of this Stipulation and are incorporated fully herein.
2. This Stipulation shall not become effective unless and until it has been executed by the Parties or their respective counsels and approved by Final Order (defined below) of the Bankruptcy Court (the “Effective Date”). “Final Order” shall mean an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket of such court, the operation or effect of which has not been stayed, reversed, or amended, and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal or seek review or rehearing has expired and as to which no appeal or petition for review or rehearing was filed or, if filed, remains pending, *provided, however*, that no order shall fail to be a final order solely because of the possibility that a motion pursuant to Rule 60 of the Federal Rule of Civil Procedure, Bankruptcy Rule 9024, any similar local bankruptcy rule or any similar state statute or rule may be filed with respect to such order.
3. As of the date hereof and through the Effective Date, each Claimant represents and warrants that (i) it is and will be the legal and beneficial owner of its Claim(s) and has authority to enter into this Stipulation and (ii) it has not filed any general creditor claims against LBI relating to or arising from the Indenture, the GIC or the Security Agreement other

than those represented by its Claim(s), nor does it currently have any customer claims pending against LBI relating to or arising from the Indenture, the GIC or the Security Agreement.

4. The Parties hereby agree that the Collateral was provided to BNYM under the Stay Relief Stipulation and Order in full and final satisfaction of the portion of the BNYM Claim alleged to be a secured claim.

5. On the Effective Date, the BNYM Proof of Claim will be allowed as a general unsecured creditor claim in the amount of \$24,000,000 (the “Allowed Claim”), all defenses, rights of setoff and rights of adjustment having been taken into account in reaching the determination as to the amount of such Allowed Claim. The Claims of the Kentucky Municipal Claimants and JPM (Claim Nos. 4952, 5048, 5050, 5763 & 5819) will be disallowed and expunged in their entirety with prejudice. The Allowed Claim shall constitute the full and final settlement of any and all claims the Claimants may have against the LBI estate relating to or arising from the Indenture, the GIC or the Security Agreement. BNYM will receive proportionately the same in payments or distributions (including with respect to the timing and type of payments or distributions) in respect of the Allowed Claim as is generally received by holders of allowed, general unsecured claims against the LBI estate. The Trustee shall promptly cause the LBI general creditor claims register to be updated to reflect the foregoing.

6. To the extent not previously rejected, the GIC shall be deemed rejected and terminated as of the Effective Date pursuant to section 365 of the Bankruptcy Code.

7. On the Effective Date, each Claimant, on behalf of itself, any person or entity on whose behalf it is acting in an agency, trustee or other representative capacity, and its successors and assigns, forever waives and releases any and all claims, liabilities, causes of

action, demands, and damages of whatever kind or nature and whether known or unknown, asserted or unasserted, against LBI, its estate, the Trustee, and the Trustee's agents and attorneys arising before, on, or after the Filing Date that it may have relating to or arising from the Indenture, the GIC or the Security Agreement; *provided, however*, that nothing contained herein shall waive such Claimant's rights to enforce this Stipulation, and *further provided* that except as expressly set forth in this Stipulation, nothing in this Stipulation shall release, waive or discharge any claims, rights or defenses of JPM that are preserved by the Settlement Agreement dated as of April 20, 2011 among JPM, J.P. Morgan Securities, LLC, J.P. Morgan Clearing Corp. and the Trustee, in his capacity as Trustee and on behalf of LBI.

8. On the Effective Date, LBI, its estate, and the Trustee forever waive and release any and all claims, liabilities, causes of action, demands, and damages of whatever kind or nature and whether known or unknown, asserted or unasserted, against each Claimant, its agents and attorneys arising before, on, or after the Filing Date that they may have relating to or arising from the Indenture, the GIC or the Security Agreement; *provided, however*, that nothing in this Stipulation shall release, waive or discharge any claims, rights or defenses of LBI, its estate, or the Trustee that are preserved by the Settlement Agreement dated as of April 20, 2011 among JPM, J.P. Morgan Securities LLC, J.P. Morgan Clearing Corp. and the Trustee, in his capacity as Trustee and on behalf of LBI.

9. The Trustee agrees to promptly seek, and the Claimants agree to support, approval of this Stipulation in the Bankruptcy Court pursuant to paragraph (iv) of the General Creditor Settlement Procedures Order. If approval is not obtained in the Bankruptcy Court, the Stipulation shall be null and void and the Parties will retain all their respective rights and claims.

10. This Stipulation shall be binding upon and inure solely to the benefit of the Parties hereto and their respective successors and assigns, including any subsequent trustee appointed for LBI.

11. No amendment, waiver or modification of any provision of this Stipulation shall be effective unless the same shall be in writing and signed by the Parties.

12. Neither this Stipulation, nor any negotiations or proceedings in connection herewith, may be used and shall not be admissible in any proceeding against any Party to this Stipulation for any purpose, except to enforce the terms of this Stipulation.

13. This Stipulation may be signed in counterparts which, when taken as a whole, shall constitute one and the same document; and faxed or electronic signatures shall be deemed originals.

14. Each individual signing this Stipulation on behalf of any Party hereto acknowledges and, with respect to his or her own signature below, warrants and represents that he or she is authorized to execute this Stipulation in his or her representative capacity with binding effect, as reflected below and on behalf of the Party indicated.

15. This Stipulation shall be governed by and shall be interpreted in accordance with the laws of the State of New York, except to the extent that the Bankruptcy Code or SIPA applies, without regard to New York's rules governing conflict of laws.

16. The Bankruptcy Court shall have jurisdiction to interpret and enforce this Stipulation and the Parties consent to the jurisdiction of the Bankruptcy Court with respect to the interpretation and enforcement of this Stipulation.

Signature Page to Stipulation and Order Regarding Proofs of Claim of The Bank of New York Mellon Trust Company, N.A., Pendleton County as Issuer for the Benefit of the Kentucky Association of Counties Leasing Trust and JPMorgan Chase Bank, N.A. (Claim Nos. 4952, 5048, 5050, 5763, 5819 & 7002245)

Dated: New York, New York
February 21, 2014

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N.A.*

SO ORDERED this ____ day of ____ 2014

UNITED STATES BANKRUPTCY JUDGE