



September 17, 2008

Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

Attention: Thomas C. Baxter, Jr., Esq.
General Counsel

Re: Lehman Brothers Inc.

Ladies and Gentlemen:

We refer to the attached motion filed by Lehman Brothers Holdings Inc. dated September 17, 2008 (the "Motion") before the United States Bankruptcy Court for the Southern District of New York (the "Court"). Capitalized terms used but not defined in this letter agreement have the meanings given to those terms in the Motion.

Barclays Capital Inc. ("Barclays") is the Purchaser referred to in the Motion.

We understand that, pursuant to those certain agreements listed on Exhibit A hereto (as in effect on the date hereof, together with all securities loans, repurchase transactions, reverse repurchase transactions or other transactions from time to time outstanding thereunder, the "Agreements"), the Federal Reserve Bank of New York (the "FRBNY") has been providing financing to Lehman Brothers, Inc. ("LBI"), a Delaware corporation and broker-dealer registered with the Securities and Exchange Commission, on a collateralized basis, and that the FRBNY intends to continue to do so during the period of the Bidding Procedures.

This letter will confirm our understanding and agreement with the FRBNY as follows:

1. If, at any time during the period prior to the Sale, the value of the cash and securities provided by LBI to the FRBNY under any Agreement (the "LBI Collateral") is less than that required under the terms of

such Agreement, Barclays shall immediately (i) contribute to LBI additional funds or securities in an amount or of a value constituting eligible collateral under the applicable Agreement, sufficient to remedy fully such deficiency in collateral under the applicable Agreement and (ii) shall cause LBI to deliver such additional assets to the FRBNY under and in accordance with the terms of the relevant Agreement, whereupon such additional assets shall be "LBI Collateral" for purposes of this letter agreement.

2. By not later than the opening of business on Monday, September 22, 2008 (or, if the Court extends the date of the Sale Hearing beyond September 19, 2008, the earlier of September 29, 2008 (or such later date as may be designated by the FRBNY in its sole discretion) and the business day following the date on which an order (which has not been stayed) approving a Successful Bidder has been entered (the "Take-Out Date"), Barclays agrees (i) to purchase from the FRBNY, without recourse, the entirety of the FRBNY's position under all of the Agreements for a payment equal to the aggregate outstanding amount then due to the FRBNY under all such Agreements excluding any professional fees, costs or expenses (or, in the case of an Agreement under which the FRBNY has repo-ed, pledged, loaned or otherwise delivered securities to LBI, the return of such securities) and (ii) simultaneously cause the release or termination of the FRBNY's obligations under all Agreements. Upon receiving such purchase price and release or termination, the FRBNY shall deliver all LBI Collateral to Barclays. Alternatively, at Barclays' option, each of the Agreements outstanding immediately prior to the filing of any petition under Title 11 of the United States Code with respect to LBI shall be novated to substitute Barclays (or one of its affiliates) in place of the FRBNY thereunder. It is expressly agreed that Barclays shall have no obligation under this paragraph 2 if it is not the Successful Bidder.

3. As of the date hereof, Barclays has extended \$10.5 billion of credit to LBI. Barclays intends to and will use its commercially reasonable efforts to make or arrange for financial accommodations and extend or arrange for additional credit to LBI from and after the date hereof so as to reduce the amount of financing provided by the FRBNY under the Agreements.

4. Without prejudice to the foregoing, the FRBNY and Barclays will discuss in good faith with one another and with LBI possible arrangements that would accomplish the purposes of this letter.

5. At the hearing before the Court on the Motion, the FRBNY shall support the Motion.

This letter agreement shall be governed by and construed in accordance with the law of the State of New York.

* * * * *

If the foregoing correctly sets forth our understanding and agreement with you in respect of the matters described above, kindly sign and return to us the enclosed counterpart of this letter.

Very truly yours,

Barclays Capital Inc.

By: 
Title: MANAGING DIRECTOR

ACCEPTED AND AGREED:

Federal Reserve Bank of New York

By: Christine M. Cummings
Title: First Vice President

Attachment

Exhibit A

Agreements

1. The Master Open Market Agreement dated October 21, 1996 between the FRBNY and LBI, together with the Custodial Undertaking in connection therewith dated October 21, 1996 among LBI, the FRBNY and The Chase Manhattan Bank (“Chase”), and all annexes, schedules and amendments thereto in effect on the date hereof.

2. The Master Securities Loan Agreement dated as of April 19, 1999 between the FRBNY and LBI, together with the Custodial Undertaking In Connection With Master Securities Loan Agreement dated as of March 27, 2008, and all annexes, schedules and amendments thereto in effect on the date hereof.