

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (“Agreement”) is entered into by and among (a) Jeffrey Epstein, Financial Trust Company, Inc. (“FTC”) and The C.O.U.Q. Foundation, Inc. (“COUQ”, and together with Jeffrey Epstein and FTC, the “Claimants”), and (b) The Bear Stearns Companies, Inc. (n/k/a The Bear Stearns Companies LLC), Bear, Stearns & Co. Inc. (n/k/a J.P. Morgan Securities LLC) and Bear Stearns Asset Management Inc. (collectively, “Bear Stearns”) and Warren Spector (“Spector” and, together with Bear Stearns, the “Respondents”) (each of Claimants and Respondents is hereinafter sometimes referred to as, a “Party”, and the Claimants and Respondents are hereinafter sometimes referred to, collectively, as the “Parties”).

RECITALS

WHEREAS, FTC invested fifteen million U.S. Dollars (\$15,000,000) to purchase interests in Bear Stearns High-Grade Structured Credit Strategies, L.P. (the “HG Fund”),

WHEREAS, FTC withdrew its investment in the HG Fund and invested \$20,155,344 in the Bear Stearns High-Grade Structured Credit Strategies Enhanced Leverage Fund, L.P. (the “EL Fund”); and

WHEREAS, FTC invested ten million U.S. Dollars (\$10,000,000) and COUQ invested ten million U.S. Dollars (\$10,000,000) to purchase interests in Bear Stearns Asset Backed Securities Partners, L.P. and Bear Stearns Asset Backed Securities Overseas, Ltd. (the “ABS Fund”); and

WHEREAS, the details of Claimants’ contributions to the EL Fund and the ABS Fund are set forth in Exhibit A; and

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WHEREAS, COUQ transferred its investment in the ABS Fund to a third party effective as of January 1, 2008 (such transferred investment, effective as of January 1, 2008, is hereinafter referred to as the “Transferred Investment”); and

WHEREAS, effective as of November 30, 2009, FTC’s investment in the ABS Fund was compulsorily withdrawn, and FTC received an in-kind distribution from the ABS Fund of the withdrawal proceeds of that investment in the form of an interest in Bear Stearns ABS Trust (such withdrawn investment and interest in the Bear Stearns ABS Trust, effective as of November 30, 2009, is hereinafter referred to as the “Withdrawn Investment”); and

WHEREAS, as hereinafter referred to in this Agreement, the “Investments” are deemed to include all investments set forth in Exhibit A, as well as FTC’s investment (which was subsequently withdrawn) in the HG Fund, and are deemed to exclude the Transferred Investment from and after January 1, 2008 and the Withdrawn Investment from and after November 30, 2009; and

WHEREAS, Claimants have commenced an arbitration proceeding against Bear Stearns and Spector with FINRA Dispute Resolution, Inc., entitled *Financial Trust Company, Inc. and The C.O.U.Q. Foundation, Inc. v. The Bear Stearns Companies, Bear Stearns & Co., Bear Stearns Asset Management and Warren Spector*, FINRA Dispute Resolution Case No. 09-00979, alleging, among other things, fraudulent inducement, breach of fiduciary duty, constructive fraud, negligent misrepresentation and breach of contract in connection with the Investments (the “Arbitration”); and

WHEREAS, the Parties wish to fully resolve their respective claims in connection with the Arbitration and the Investments, upon, subject to and in accordance with the provisions of this Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, it is hereby STIPULATED and AGREED by the Parties as follows:

DEFINITIONS

Definitions. For purposes of this Agreement, the Parties agree to the following definitions:

“Bear Stearns Releasees” means The Bear Stearns Companies LLC (f/k/a The Bear Stearns Companies, Inc.), JPMorgan Chase & Co., J.P. Morgan Securities LLC (f/k/a Bear, Stearns & Co. Inc.), J.P. Morgan Clearing Corp. (f/k/a Bear, Stearns Securities Corp.), Bear Stearns Asset Management Inc. (“BSAM”) and the past, current and future predecessors, successors, assigns, partners, agents, shareholders, directors, officers, employees (including without limitation Warren Spector, Ralph R. Cioffi and Matthew M. Tannin), attorneys, affiliates, parents, subsidiaries and limited partners of each of them.

“Bear Stearns Securities” means shares of The Bear Stearns Companies, Inc. purchased or otherwise acquired, sold or otherwise disposed of, and held by Claimants.

“Claim” means any and all legal or equitable claims (including any complaints, suits, petitions, or statements of claim in arbitration), demands, debts, obligations, allegations of wrongdoing or liability (based on any legal or equitable duties or obligations, any contracts, agreements or understandings, or any other facts and circumstances), and demands for legal, equitable, or administrative remedies or relief (including claims for damages, punitive damages, rescission, reformation, restitution, disgorgement, accounting, attorneys’ fees or expenses, interest, or costs) that may or could be asserted in or before any court, arbitration, tribunal, administrator, or other legal or equitable proceeding, regardless of whether they are known or unknown, foreseen or unforeseen, fixed or contingent, matured or unmatured, or liquidated or unliquidated.

“Claimant Released Claims” means all Claims of every nature, character and description, known and unknown, that any of the Claimants now own or hold, or have at any time heretofore owned or held or may at any time own or hold, against the Bear Stearns Releasees by reason of, in connection with, relating to or arising out of any act, omission, or thing caused or suffered to be done that in any way arises out of, is connected with, or relates to the Arbitration, the claims asserted in the Arbitration, the Investments, the Funds, the Master Funds, or the management or operations of the Funds or the Master Funds, from the beginning of time through and including the Effective Date. Claimant Released Claims shall not include any Claims arising out of, relating to or connected with the Transferred Investment that arise from and after January 1, 2008 and any Claims arising out of, relating to or connected with the Withdrawn Investment that arise from and after November 30, 2009). Claimant Release Claims shall not include any Claims asserted at any point in the Virgin Islands Lawsuit (as hereinafter defined), the Individual Securities Action (as hereinafter defined) or the Securities Class Action (as hereinafter defined).

“Claimant Releasees” means the Claimants and the past, current and future predecessors, successors, assigns, partners, agents, shareholders, directors, officers, employees, attorneys, affiliates, parents, subsidiaries and limited partners of each of them.

“Effective Date” means the date as of which the Parties have executed this Agreement.

“Funds” means the HG Fund, the EL Fund and the ABS Fund.

“Individual Securities Action” means the Virgin Islands Lawsuit, as transferred by the Judicial Panel on Multidistrict Litigation to the United States District Court for the Southern District of New York and captioned as *Financial Trust Company, Inc. v. The Bear Stearns Companies Inc.*, No. 10 Civ. 1226 (RWS).

“Master Funds” means Bear Stearns High-Grade Structured Credit Strategies Master Fund, Ltd., Bear Stearns High-Grade Structured Credit Strategies Enhanced Leverage Master Fund, Ltd. and Bear Stearns Asset Backed Securities Partners Master Fund, Ltd.

“Respondent Released Claims” means all Claims of every nature, character and description, known and unknown, that any of the Respondents now own or hold, or have at any time heretofore owned or held or may at any time own or hold, against the Claimant Releasees by reason of, in connection with, relating to or arising out of any act, omission, or thing caused or suffered to be done in any way arising out of, connected with, or relating to the Arbitration, the claims asserted in the Arbitration, the Investments, the Funds, the Master Funds, or the management or operations of the Funds or the Master Funds, from the beginning of time through and including the Effective Date.

“Securities Class Action” means that certain putative securities class action against The Bear Stearns Companies, Inc. and related defendants currently pending in the United States District Court for the Southern District of New York, captioned *In re Bear Stearns Companies, Inc. Securities, Derivative, and ERISA Litigation*, Master File No. 08 MDL 1963 (RWS), Securities Action, No. 08 Civ. 2793 (RWS) (the “Securities Class Action”), alleging, among other things, misrepresentations in connection with Bear Stearns Securities.

“Virgin Islands Lawsuit” means that certain action brought by Claimants against The Bear Stearns Companies, Inc. in the United States District Court for the Virgin Islands Division of St. Thomas and St. John, captioned *Financial Trust Company, Inc. v. The Bear Stearns Companies Inc.*, Civ. No. 2009/106 (the “Virgin Islands Lawsuit”), alleging, among other things, fraudulent and negligent misrepresentation in connection with Claimants’ dispositions and holdings of Bear Stearns Securities.

AGREEMENT TERMS

1. Payment to Claimants. Within five (5) business days after the later of the date on which the Parties execute this Agreement or the date on which Bear Stearns receives original

Forms W-9 from Susman Godfrey LLP (“Susman Godfrey”), Jeffrey Epstein, FTC and COUQ, Bear Stearns shall pay to Claimants the sum of _____ Dollars (\$ _____) (the “Settlement Amount”), by wire transfer to the account of Susman Godfrey of immediately available funds in accordance with the following wire transfer instructions: Susman Godfrey LLP - Multi-Client Account, JPMorgan Chase Bank of Texas, 712 Main, 2nd Floor East, Houston, TX 77002, ABA #021000021, Account #00103347069, Reference f/b/o Jeffrey Epstein, Financial Trust Company, Inc. and The C.O.U.Q. Foundation, Inc., Client Matter No. 11543. Susman Godfrey’s receipt of written confirmation from its bank of receipt into Susman Godfrey’s account and clearance of the full amount of the Settlement Amount shall be deemed full compliance with Bear Stearns’ payment obligation under this Agreement.

2. Release by Claimant. In consideration of the payment of the Settlement Amount as provided in paragraph 1 hereof, the release provided for in paragraph 3 hereof and the covenants provided for in paragraph 4 hereof, except with respect to obligations arising under this Agreement, each of the Claimants hereby releases and forever discharges the Bear Stearns Releasees of and from all Claimant Released Claims. This release by Claimants shall not become effective until the date on which receipt and clearance of the Settlement Amount into Susman Godfrey’s account is confirmed by Susman Godfrey’s bank as provided in paragraph 1 of this Agreement (the “Claimant Release Date”). With respect to the release provided for herein, Claimants waive and relinquish all rights and benefits afforded by section 1542 of the California Civil Code and all other similar rules, statutes, regulations or principles of law of any applicable jurisdiction. Within five business days following the execution of this Agreement, the Parties shall cause their respective counsel to execute and deliver to counsel for Bear Stearns a stipulation of dismissal with prejudice (the “Stipulation”), in a form reasonably acceptable to

the Parties, of the respective claims and prayers for relief the Parties have asserted in the Arbitration. Counsel for Bear Stearns shall not file the Stipulation with FINRA Dispute Resolution, Inc. unless and until it receives from Claimants' counsel written notice that receipt and clearance of the Settlement Amount into Susman Godfrey's account has been confirmed by Susman Godfrey's bank as provided in paragraph 1 of this Agreement. Bear Stearns shall cause its counsel to deliver to each Party's counsel a filed stamped copy of the Stipulation promptly after the Stipulation has been filed.

3. Release by Respondents. In consideration of the release and covenants provided for in paragraphs 2, 4 and 5 of this Agreement, except with respect to obligations arising under this Agreement, each of the Respondents hereby releases and forever discharges the Claimant Releasees of and from all Respondent Released Claims. This release by the Respondents shall not become effective until the date on which the release set forth in paragraph 2 of this Agreement becomes effective (the "Respondent Release Date"). With respect to the release provided for herein, each of the Respondents waives and relinquishes all rights and benefits afforded by section 1542 of the California Civil Code and all other similar rules, statutes, regulations or principles of law of any applicable jurisdiction.

4. Covenant Not To Sue or Participate in Partnership Actions/Meetings. Each of the Claimants agrees that it shall not at any time on or after the Claimant Release Date commence, maintain or participate in any lawsuit, claim, demand, or proceeding, in any jurisdiction, against any of the Bear Stearns Releasees that is based any Claimant Released Claim. Each of the Respondents agrees that it shall not at any time on or after the Respondent Release Date commence, maintain or participate in any lawsuit, claim, demand, or proceeding, in any jurisdiction, against any of the Claimant Releasees that is based upon any Respondent

Released Claim. Nothing in this paragraph 4 shall be construed to prevent any of the Claimants or the Respondents from complying with valid and enforceable legal process.

5. Assignment. Effective only on the Claimant Release Date, the Claimants hereby assign to BSAM (including any successor-in-interest to BSAM) all Claimant Released Claims. In the event that Claimants shall hereafter receive or recover any money or other consideration from any bankruptcy court, settlement fund, or litigation settlement (other than the Settlement Amount pursuant to paragraph 1 hereof) in respect of any Claimant Released Claims, Claimants shall transmit that money or other consideration to BSAM or its successor-in-interest within 10 business days of the actual receipt thereof or as soon thereafter as is reasonably practicable.

6. Confidentiality. The Parties agree to keep strictly confidential this Agreement, its terms, and all discussions and negotiations relating hereto. The Parties shall not disclose this Agreement, its terms, and any discussions and negotiations relating hereto to any person or entity, except as hereinafter provided. Notwithstanding the preceding sentence, the Parties may disclose this Agreement, its terms and any discussions and negotiations relating hereto (1) to their respective counsel, insurers, accountants, auditors and other professional advisors, (2) in response to the lawful process in any arbitration, administrative proceeding, or court proceeding, or the lawful process of any judicial or governmental authority, or as required by law, or (3) to enforce the provisions of this Agreement. All written and oral discussions regarding this Agreement and its implementation will be deemed to fall within the protections afforded compromises and offers to compromise by U.S. Federal Rule of Evidence 408 and analogous U.S. state-law principles. This confidentiality provision is not intended to prevent voluntary communications or provision of information by the Parties to regulatory or law enforcement authorities.

7. Representations.

(a) Each Party represents and warrants that: it is entering into this Agreement voluntarily and in consultation with legal counsel, and has the requisite power and authority to enter into and to perform all of its obligations under this Agreement and any documents executed in connection herewith; the execution and performance of this Agreement has been duly authorized; and all approvals and consents necessary in connection with its entering into, executing, and performing its obligations under this Agreement and any documents executed in connection herewith have been obtained.

(b) The Claimants represent that, except as provided in this Agreement, they have not assigned, sold, transferred, pledged, or encumbered, or purported to assign, sell, transfer, pledge, or encumber, in writing or otherwise, any right, title, or interest in any of the Claimant Released Claims.

(c) The Respondents represent that they have not assigned, sold, transferred, pledged, or encumbered, or purported to assign, sell, transfer, pledge, or encumber, in writing or otherwise, any right, title, or interest in any of the Respondent Released Claims.

8. Survival of Agreement. Each Party acknowledges that it may hereafter discover claims or defenses presently unknown or unsuspected, or facts different from or in addition to those which it now knows or believes to be true, with respect to the Claims or causes of action that are compromised and released under this Agreement, and each of the Parties agrees that, provided that Bear Stearns pays the Settlement Amount as provided in paragraph 1 hereof, notwithstanding the discovery of such different or additional claims, defenses, or facts, all of the terms of this Agreement, including without limitation the releases provided hereunder, shall survive and continue in full force and effect and shall not be subject to termination or rescission for any reason, including, but not limited to, any such difference in claims, defenses, or

facts. The Parties further acknowledge that the provisions of this paragraph 8 were separately negotiated for, and constitute key elements of, this Agreement.

9. No Admission of Liability. The Parties hereto understand and agree that this Agreement is being entered into as a compromise and settlement of disputed or potentially disputed claims and that the execution of this Agreement is not to be construed as an admission of liability on the part of any Party. Any such liability is expressly denied by all Parties.

10. Costs of Enforcement. Should any litigation be instituted by any of the Parties for the enforcement of the provisions of this Agreement, the losing Parties shall pay to the prevailing Parties, the prevailing parties reasonable attorney's fees and disbursements in connection with such enforcement and litigation.

11. Further Assurances. Each Party agrees to take such additional action as any other Party hereto may reasonably request as necessary to implement the provisions of this Agreement and consummate the transactions contemplated hereby.

12. Modifications/Waivers. The terms of this Agreement may not be altered, modified, or amended, except by a written instrument duly executed by each of the Parties. The terms of this Agreement may be waived only by an instrument in writing signed by a duly authorized representative of the Party against which enforcement of such waiver is sought. No Party has received any promises, representations, inducements, or agreements not expressly set forth in this Agreement from any other Party with respect to the subject matter of this Agreement, and each Party has executed and entered into this Agreement in reliance solely upon its own independent investigation and analysis of the facts and circumstances.

13. Construction of Agreement. This Agreement is the product of arms-length negotiation among the Parties and their attorneys, and the language hereof will not be construed for or against any Party as the drafter of this Agreement.

14. Choice of Law. This Agreement shall be enforced, construed, and interpreted in accordance with the laws of the State of New York, without reference to its conflict of law rules.

15. Jurisdiction. For the purpose of enforcing the provisions of this Agreement, the Parties each submit to the jurisdiction of the state and federal courts situated in the Borough of Manhattan, New York.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same instrument. Transmission by facsimile of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart, provided that an original copy of such counterpart is delivered to each Party within five (5) business days after delivery of the facsimile.

17. Representations of Authority. Any person or entity purporting to have the authority to execute or enter into this Agreement on behalf of or for the benefit of any other person or entity hereby represents and warrants that he, she or it has such authority.

[Signatures appear on next page]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of

September __, 2010.

The Bear Stearns Companies Inc. (n/k/a The
Bear Stearns Companies LLC)

Jeffrey Epstein

By: _____
Name:
Title:

Financial Trust Company Inc.

Bear, Stearns & Co. Inc. (n/k/a/ J.P. Morgan
Securities LLC)

By: _____
Name:
Title:

By: _____
Name:
Title:

The C.O.U.Q. Foundation, Inc.

Bear Stearns Asset Management Inc.

By: _____
Name:
Title:

By: _____
Name:
Title:

Warren Spector

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STATE OF _____)
) ss.:
COUNTY OF _____)

On September __, 2010, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity as the _____ of The Bear Stearns Companies, Inc. (n/k/a The Bear Stearns Companies LLC) and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

STATE OF _____)
) ss.:
COUNTY OF _____)

On September __, 2010, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity as the _____ of Bear, Stearns & Co. Inc. (n/k/a J.P. Morgan Securities LLC) and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

STATE OF _____)
) ss.:
COUNTY OF _____)

On September __, 2010, before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity as the _____ of Bear Stearns Asset Management Inc. and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

Exhibit A

<u>Party</u>	<u>Fund</u>	<u>Date</u>	<u>Contribution</u>
Financial Trust Company, Inc.	EL	8/06	\$20,155,344
The C.O.U.Q. Foundation Inc.	ABS	1/04	\$10,000,000
Financial Trust Company, Inc.	ABS	11/06	\$10,000,000

“EL” refers to funds invested in Bear Stearns High-Grade Structured Credit Strategies Enhanced Leverage, L.P.

“ABS” refers to Bear Stearns Asset Backed Securities Partners, L.P. and Bear Stearns Asset Backed Securities Overseas, Ltd.