

# LEHMAN BROTHERS

CHRISTOPHER O'MEARA  
CHIEF FINANCIAL OFFICER

November 10, 2006

Mr. John DeRosa  
71 West Cedar Place  
Ramsey, NJ 07446

Dear John:

We are delighted to confirm our offer of full-time employment for the Finance Division of Lehman Brothers (the "Firm"). Your corporate title of Managing Director will be submitted for official approval by the Executive Committee of our Board of Directors as part of the next quarterly approval process. We expect your employment to commence on or about January 17, 2007.

For the performance year 2007 (your start date through November 30, 2007), your compensation will be as follows:

- Bi-weekly base salary of \$200,000, payable in accordance with our customary payroll practices.
- A minimum bonus in the amount of \$1,800,000, less applicable deductions, payable on or about January 31, 2008.
- You will also receive a special payment of \$1,515,000 on or about February 15, 2007, provided we have received your executed offer letter. This payment will become repayable in full should you resign or be terminated by the Firm for cause during 2007. The special payment described in this paragraph will not be considered part of your total compensation for purposes of the Firm's stock award program.

The foregoing salary will be paid for all periods of your active employment with the Firm in performance year 2007. The bonus amount set forth above will be paid at the time and in the amount stated except that it will not be payable if before the date of scheduled payment, you have resigned, or have been terminated from the Firm because of misconduct, breach of Firm policies or rules, dishonesty, violation of laws or regulations, or substantial and continuing failure to perform employment duties or obligations satisfactorily. The bonus amount set forth above may be reduced in the event of an approved leave of absence during performance year 2007.

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All payments described in this letter will be subject to applicable payroll and income tax withholding and other applicable deductions.

At the Firm's discretion, a portion of your 2007 and future years' total compensation (combined base salary, bonus, and other compensation) will be payable in conditional equity awards (restricted stock units, options, and/or other equity-based awards) pursuant to the Firm's Equity Award Program as then generally in effect for employees at your level. The terms and conditions of the Equity Award Program, including terms and conditions relating to vesting, exercisability, and forfeiture, will be established by the Firm from time to time in its discretion.

Your compensation for all periods after performance year 2007 will be determined at the Firm's discretion.

You will also be eligible to participate in the Firm's standard employee benefits program, which will be explained to you during your orientation session.

Please understand that the terms and conditions of your employment by our Firm are governed by standard Firm policies. Among other things, this means that this offer of employment is conditional upon the successful completion of a background investigation, including reference, credit, criminal and other checks, as well as on your satisfactorily meeting all pre-employment requirements, including passing a pre-employment drug screen and producing documentation to verify your identity and eligibility to work in the United States. Please contact Mindy Weiss of our Human Resources Department at (212) 320-7144 should you require any assistance with pre-employment processing.

Please understand that this letter is not a contract of continuing employment. Your employment by the Firm is for no fixed term, and either you or the Firm may terminate the employment relationship at any time and for any reason, subject to any applicable notice requirement. Currently, the Firm's notice policy requires officers of the Firm to provide 30 days' advance written notice of resignation, and provides for 30 days' advance notice by the Firm to its officers in the event of an involuntary termination under certain circumstances. In making this offer of employment, the Firm has relied on your representations (a) that you are not currently party to any agreement or dispute or litigation that might impede your ability to accept this offer or perform the duties of this position and (b) that you are not subject to any non-competition arrangement or other restrictive covenants that might affect your employment by the Firm as contemplated by this letter.

You have advised us that you will forfeit certain Deutsche Bank stock awards as a result of your separation and subsequent employment by our Firm (the "Forfeited Awards"). Provided you comply with the documentation obligation set forth below, Lehman Brothers Holdings Inc. ("LBHI") will grant you an award of Special Restricted Stock Units ("Special RSUs"), with a market value at the time of the award equivalent to the value of

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the Forfeited Awards. The valuation of the Forfeited Awards will be at the LBHI's reasonable discretion. LBHI will make reasonable efforts to establish substantially similar schedules for vesting and/or sales restrictions of your Special RSUs upon continued employment which are consistent with the Forfeited Awards. It is your obligation to provide LBHI with documentation reasonably deemed necessary by LBHI to verify and evaluate the Forfeited Awards and to structure the Special RSU award. LBHI's Special RSU award will be made as of your first day of employment with the Firm and will be based on the closing price of LBHI common stock on the New York Stock Exchange on that day. In the event you separate from the Firm's employment for any reason, you will forfeit any Special RSUs which are not vested at the time of separation. Except as provided under this paragraph with respect to (i) pricing of the special RSUs, (ii) schedules for vesting and/or sales restrictions of you Special RSUs upon continued employment and (iii) forfeiture of your unvested Special RSUs upon separation from the Firm's employment for any reason, the terms of LBHI's standard stock award program (as set forth in the award agreement for employees having your corporate title under LBHI's 2005 Stock Award Program) will govern your award of Special RSUs.

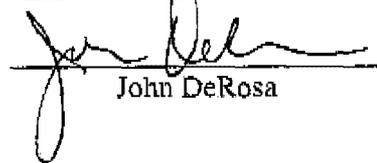
If you agree with the terms outlined in this letter, please acknowledge the same by signing the enclosed copy and returning it to me.

John, we look forward to your joining the Firm and we are sure that you will find many opportunities to make a contribution to Lehman Brothers. Please feel free to contact me at 212-526-9295 with any additional questions or concerns.

Sincerely,



Accepted on this 27<sup>th</sup> day of NOVEMBER, 2007



John DeRosa

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