

LEHMAN BROTHERS

SCOTT WILLOUGHBY
MANAGING DIRECTOR

June 27, 2007

Locke McMurray
460 East 79th Street
Apartment 2E
New York, NY 10021

Dear Locke:

We are delighted to confirm our offer of full-time employment as a Managing Director for the Corporate Advisory Division of Lehman Brothers (the "Firm"). Your 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 July 30, 2007.

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

- Salary at the annualized rate of \$200,000, payable in accordance with our customary payroll practices.
- A minimum bonus in the amount of \$700,000, less applicable deductions, payable on or about January 31, 2008.

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

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 with "Cause," i.e., 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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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. Based on information that you have provided, you are eligible for a service credit equal to 0.91 years for purposes of "Full Career" treatment under the applicable terms of equity awards you may receive during your employment with the Firm, provided you remain employed with the Firm through the third anniversary of your start date.

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.

You have advised us that you will forfeit certain BNP Paribas Restricted Stock Units as a result of your separation from BNP Paribas and subsequent employment by our Firm (the "Forfeited Awards"). Provided you fully comply with the documentation obligation set forth below no later than 60 days after your start date, and subject to final approval by the Compensation Committee of the Board of Directors (or its appropriate designee), 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 the Forfeited Awards (currently estimated to be \$469,965). The valuation of the Forfeited Awards will be at LBHI's reasonable discretion. LBHI will make reasonable efforts to establish schedules for vesting and/or sales restrictions of your Special RSUs upon continued employment which are consistent with the Forfeited Awards. Our current administrative practice is to set vesting (share issuance) dates for the Special RSUs on the 15th of the month in which the related Forfeited Awards would have converted to freely tradable shares (or, in the case of options, become exercisable). 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 your employment with the Firm ends for any reason, you will forfeit any Special RSUs that are not vested at the time of separation. Except as provided under this paragraph with respect to (x) pricing of the special RSUs, (y) schedules for vesting and/or sales restrictions of your Special RSUs upon continued employment and (z) forfeiture of your unvested Special RSUs upon separation from the Firm's employment for

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any reason, the terms of LBHI's Equity Award Program (as set forth in the award agreement for employees having your corporate title under LBHI's 2007 Equity Award Program) will govern your award of Special RSUs. The Firm has discretion to replace the Forfeited Awards with cash in lieu of Special RSUs.

You have advised us that you will forfeit certain BNP Paribas awards as a result of your separation from BNP Paribas and subsequent employment by our Firm (the "Forfeited Awards"). Provided you comply with the documentation obligation no later than 60 days following your start date, the Firm will make you special cash awards with an aggregate value of approximately \$78,843, less applicable taxes, such payment to be made as soon as practicable following your start date and the Firm's review of all required documentation. It is your obligation to provide the Firm with documentation reasonably deemed necessary by the Firm to verify and evaluate the Forfeited Awards. In the event your employment with the Firm ends for any reason within six months after your start date, you will be required promptly to repay the full amount of this special cash payment. The special cash awards described in this paragraph will not be considered part of your total compensation for purposes of the Firm's Equity Award Program.

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 Leanne Riley of our Human Resources Department at (212) 320-6847 to schedule 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.

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

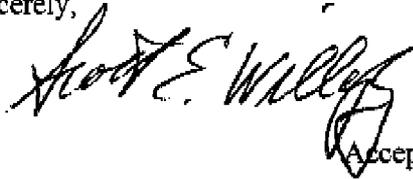
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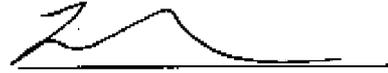
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Locke, we look forward to your joining the Firm and we are sure that you will find many opportunities to make a contribution to Lehman Brothers. Please feel free to contact me at (212) 526-7118 with any additional questions or concerns.

Sincerely,



Accepted on this 27th day of June, 2007



Locke McMurray

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