

LEHMAN BROTHERS

SCOTT KIMMEL
MANAGING DIRECTOR

March 26, 2007
Revised March 30, 2007
Revised April 2, 2007

Thomas J. Noto
1934 Port Provence Place
Newport Beach, CA 92660

Dear Tom,

We are pleased to extend to you our offer of employment to join the Corporate Advisory Division of Lehman Brothers Inc. (the "Firm") as General Counsel of the Mortgage Capital Division. 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 begin on or about April 23, 2007.

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

- Bi-weekly base salary of \$7,692.31 which is the equivalent of \$200,000 per year.
- A minimum bonus in the amount of \$900,000 less applicable deductions, payable at the time the Firm pays its annual bonus distribution (on or about January 31, 2008).

The foregoing salary will be paid for all periods of your active employment with the Firm in performance year 2007. The bonus set forth above will be paid at the time and in the amount stated except that it will not be payable if you have failed to obtain and/or maintain in good standing all applicable licenses and registrations or if, before the date of scheduled payment, you have resigned, or have been terminated from the Firm with Cause. For purposes of this paragraph, "Cause" shall mean a termination of your employment because of (i) misconduct, (ii) breach of Firm policies or rules, (iii) dishonesty, (iv) violation of laws or regulations, or (v) substantial and continuing failure to perform employment duties or obligations satisfactorily. The above stated bonus amount may be ratably reduced in the event of an approved leave of absence during performance year 2007.

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 employee 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 5.00 years for purposes of "Full Career" treatment under the applicable terms of equity

LEHMAN BROTHERS

745 7TH AVENUE 19TH FLOOR, NEW YORK, NY 10019 TELEPHONE 212-526-2439

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CONFIDENTIAL TREATMENT REQUESTED BY
LEHMAN BROTHERS HOLDINGS, INC.

page 2

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.

In addition, you have advised us that you will forfeit certain long-term incentive payments as a result of your separation from your current employer and subsequent employment by our Firm ("the Forfeited LTIP Payments"), with an estimated value of \$966,667. Provided you fully comply with the documentation obligation set forth below no later than 60 days after your start date, and subject to the conditions described below, the Firm will pay you special cash awards with an aggregate value of \$966,667 ("Special Cash Awards"), payable in installments on the following dates:

December 31, 2007:	\$466,667, less applicable withholdings and deductions
December 31, 2008:	\$333,333, less applicable withholdings and deductions
December 31, 2009:	\$166,667, less applicable withholdings and deductions

In order to be eligible to receive these Special Cash Awards, you must be employed by the Firm and must not have given or received notice of your separation at the time these payments are scheduled to be made. In the event you separate from the Firm's employment for any reason, or in the event you have given or received notice of your separation prior to a Special Cash Award payment date outlined above, you will not receive any Special Cash Award payment otherwise payable thereafter. It is your obligation to provide the Firm with documentation reasonably deemed necessary by the Firm to verify and evaluate the Forfeited Long-Term Incentive Payments and to structure the Special Cash Awards. 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.

In addition, you have advised us that as a result of your separation from your current employer Ameriquest Capital Corporation and/or Ameriquest Mortgage Company (referred to hereafter as "Ameriquest"), you will forfeit certain special payments promised to you in the event of: (1) a sale, transfer or other disposition of the stock or substantially all of the assets of Ameriquest and/or a change of control of Ameriquest; or (2) a discontinuance of Ameriquest's business ("Forfeited Change of Control Payment"), with an estimated value of \$816,667. Provided you fully comply with the documentation obligation set forth below no later than 60 days after your start date, and provided you remain actively employed and have not given or received notice of separation of your employment through the payment date, the Firm will make you a special cash payment in the amount of \$816,667, less applicable withholdings and deductions, within 30 days of the following, provided that it occurs no later than December 31, 2009: (1) a sale, transfer or other disposition of the stock or substantially all of the assets of Ameriquest and/or a change of control of Ameriquest; or (2) a discontinuance of Ameriquest's business ("Change of Control Payment"). It is your obligation to provide the Firm with documentation reasonably deemed necessary by the Firm to verify and evaluate the terms of the Forfeited Change of Control Payment. The Change of Control Payment described in this paragraph will not be considered part of your total compensation for purposes of the Firm's Equity Award Program.

All compensation payments described in this letter will be paid in accordance with our customary payroll practices, and will be subject to payroll and income tax withholding and other applicable deductions. Your compensation for all periods after performance year 2007 will be determined at the Firm's discretion.

LEHMAN BROTHERS

745 7TH AVENUE, 19TH FLOOR NEW YORK NY 10019 TELEPHONE 212-526-2439

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page 3

You will also be eligible to participate in our employee benefits program, which will be discussed with you during your orientation session.

In making this offer of employment, the Firm has relied on your representations (a) that you are not subject to any duty or obligation that would prevent you from becoming employed with us on your start date or that would in any way prevent you from performing the duties of your position, and (b) that you are not subject to any non-competition, non-solicitation or other restrictive covenant that might affect your employment by the Firm as contemplated by this letter.

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 you must have and maintain in good standing all applicable licenses and registrations. This also means that this offer of employment is contingent on the successful completion of a background investigation, as well as on your satisfactorily meeting all pre-employment requirements including producing documentation to verify your identity and eligibility to work in the United States.

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 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.

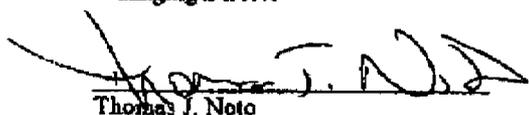
This letter will be binding on the Firm and its successors and assigns.

Tom, we are enthusiastic and pleased that you are going to be a part of our organization. If you agree with the terms outlined in this letter, please acknowledge same by signing this letter and returning it to me. An additional copy of this letter is enclosed for your files.

Sincerely,



Scott Kimmel
Managing Director



Thomas J. Noto

4.3.07
Date

LEHMAN BROTHERS

745 7th AVENUE, 15th FLOOR NEW YORK NY 10039 TELEPHONE 212-526-2415

LBEX-AM 024130

Long Term Payment Schedule Statement

Name	Award Amount	Payment Start Date	2003	2004	2005	2006	2007	2008	2009	2010
<i>Noto, Tom</i>										
	\$400,000.00	12/31/2004	\$0.00	[REDACTED]	[REDACTED]	[REDACTED]	\$0.00	\$0.00	\$0.00	\$0.00
	\$400,000.00	12/31/2005	\$0.00	\$0.00	[REDACTED]	[REDACTED]	\$133,333.33	\$0.00	\$0.00	\$0.00
	\$500,000.00	12/31/2006	\$0.00	\$0.00	\$0.00	[REDACTED]	\$166,666.67	\$166,666.67	\$0.00	\$0.00
	\$500,000.00	12/31/2007	\$0.00	\$0.00	\$0.00	\$0.00	\$166,666.67	\$166,666.67	\$166,666.67	\$0.00
Total:			\$0.00	\$133,333.33	\$266,666.67	\$433,333.33	\$466,666.67	\$333,333.33	\$166,666.67	\$0.00

Wednesday, April 11, 2007