

LEHMAN BROTHERS

CHRISTINE THOMSON
VICE PRESIDENT

May 5, 2007, *Revised May 8, 2007*

Roy Salame
By Hand

Dear Roy:

Congratulations on receiving your offer to join Lehman Brothers Inc. (the "Firm") in the Fixed Income Division, reporting initially to Frank Napolitano. Your corporate title of Managing Director will be submitted for official approval by the Board of Directors as part of the next quarterly approval process. We expect your employment to commence as soon as your notice obligations to your current employer permit.

For the performance year 2007 (your start date 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 \$5,800,000, less applicable deductions, payable at the time the Firm pays its annual 2007 bonus distribution (on or about January 31, 2008).

For the performance year 2008 (December 1, 2007 November 30, 2008), 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 \$5,800,000, less applicable deductions, payable at the time the Firm pays its annual 2008 bonus distribution (on or about January 31, 2009).

The foregoing salary will be paid for all periods of your active employment with the Firm in performance years 2007 and 2008. The bonus amounts set forth above will be paid at the times and in the amounts stated except that such bonuses 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 dates of scheduled payment, you have resigned or have been terminated from the Firm because of (i) misconduct material to your employment, (ii) material breach of Firm policies or rules of which you have been made aware, (iii) dishonesty related to your employment, (iv) violation of laws or regulations material to your employment, or (v) gross negligence or repeated or persistent failure to follow the Firm's reasonable directives following 30 days' notice of such failure and your failure to cure within such 30 days (collectively or individually, "Cause"). The bonus amounts set forth above may be reduced in the event of an approved leave of absence during the applicable performance year. In the event your employment is terminated by the Firm without Cause before the payment, in full, of the minimum bonus for performance years 2007

and 2008, you will be paid any unpaid amount of such minimum bonuses for such years, entirely in cash, on the regularly scheduled bonus payment date(s). If, during your employment, you should die or become Disabled (as such is defined in the Firm's long-term disability plan) before the payment of the minimum bonus for fiscal years 2007 or 2008, your base salary payments will end (subject to any salary continuation rights you may have under the Firm's disability plans), and you or your estate, as the case may be, will be paid on the applicable bonus payment date a pro rata portion of the unpaid minimum bonus with respect to the fiscal year in which the death or Disability occurs.

At the Firm's discretion, a portion of your 2007, 2008, 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 with your position and corporate title. 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 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. Confirmation of the amount of the service credit will be provided to you upon your start date.

You have advised us that you will forfeit certain Goldman Sachs restricted stock units as a result of your separation from Goldman Sachs and subsequent employment by our Firm (the "Forfeited Restricted Stock Awards"). Provided we have received your executed offer letter and you satisfactorily meet all pre-employment requirements and 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 Restricted Stock Awards (currently estimated to be \$2,165,986, subject to change based on final documentation of number of share equivalents estimated at 10,397). 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 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 2006 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 also advised us that you may under certain circumstances also forfeit vested but undelivered restricted stock units (the "Contingent Forfeited Awards"). The Firm will make you an additional payment in the form of a cash bonus (the "Buyout Award") equal in value to the value of the Contingent Forfeited Awards as of the date Goldman Sachs implemented the forfeiture, assuming your continued employment through such date. The valuation of the Contingent Forfeited Shares will be at LBHI's reasonable discretion. The Buyout Award payment is contingent on the following representations: (i) you have complied with the Firm's instructions regarding your compliance with any notice, noncompetition, or nonsolicitation obligations you may owe Goldman Sachs; and (ii) you have not disclosed or used Goldman Sachs confidential or proprietary information in violation of any obligation you may owe Goldman Sachs. Furthermore, you agree (1) to undertake reasonable efforts to collect and provide to the Firm all available information concerning the basis of the forfeiture decision, and (2) to cooperate with the Firm's reasonable efforts to ensure (x) that Goldman Sachs' forfeiture decision is permissible under the plan and award documents related to the Contingent Forfeited Awards and (y) that the amount of any such forfeiture is no greater than that which is permissible. The Buyout Award will be payable to you within 30 days after the Firm's receipt of reasonably satisfactory documentation concerning the forfeiture(s). You agree to promptly reimburse the Firm for the full value of the Buyout Award if you resign or are terminated by the Firm with Cause on or before January 31, 2009. Should Goldman Sachs restore to you some or all of the Contingent Forfeited Awards, or settle a claim challenging such forfeiture, or satisfy a related judgment, by paying you an amount in cash or equity, you will be required promptly to repay to the Firm all or a portion of the Buyout Award equal to the value of the restored portion of the Contingent Forfeited Awards or the amount paid to settle or satisfy the claim. You agree not to settle any such claim without the consent of the Firm. If you violate any of your obligations under this paragraph, you agree to promptly repay to Lehman Brothers the full amount of the Buyout Award. If the representations above are false as of the date of the forfeiture, you agree to repay to Lehman Brothers the full amount of the Buyout Award. This Buyout Award 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 applicable payroll and income tax withholding and other applicable deductions. Your compensation for all periods after performance year 2008 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 discussed with you shortly after you commence employment.

While the foregoing compensation commitments will be honored on the terms outlined above, 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. 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. You have advised us of certain restrictions with respect to proprietary information about Goldman Sachs and its customers and with respect to your solicitation of customers and employees of Goldman Sachs as set forth in your agreement with Goldman Sachs dated November 4, 2002.

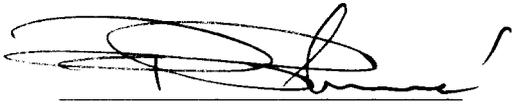
Please understand that the terms and conditions of your employment by our Firm are governed by standard Firm policies. Among other things, this means that this offer of employment is conditional upon the successful completion of a background investigation, including reference, credit, criminal and other 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. If you are unable to satisfy these pre-employment requirements, including all requirements regarding your eligibility to work in the United States, this offer of employment shall be void. This also means that you must have and maintain in good standing all applicable licenses and registrations. If you are not registered at this time, we expect you to be registered at the earliest practical time, but in no event later than six (6) months following your date of employment. Shortly, you will receive a memo indicating how to schedule pre-employment and complete any necessary paperwork. If you have any questions, please contact Christina Oh at 212-526-0246.

Roy, we are enthusiastic and pleased that you are going to be a part of our organization. Please confirm your agreement to the above by signing a copy of this letter in the space provided below, and returning it to Christina in the enclosed envelope. An additional copy of this letter is enclosed for your files. Please contact me at 212-526-0246 if you have any additional questions or concerns.

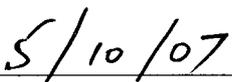
Sincerely,


Christine Thomson
Vice President
Fixed Income Human Resources

Agreed to and accepted:



Roy Salame



Date

May 9, 2007

Roy Salame
By Hand

Dear Roy:

This is to supplement my offer letter to you of May 5, 2007, *Revised May 8, 2007* (the "Offer Letter").

You have represented to Lehman Brothers as follows that (a) 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 following the commencement of your employment with the Lehman Brothers, (b) except as previously disclosed with respect to the non-solicitation and non-competition provisions of the employment agreement with Goldman Sachs, 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 the Offer Letter, and (c) you will not use or disclose to Lehman Brothers or its affiliates or clients any trade secrets, proprietary information or other information as to which you owe an obligation of confidentiality to your prior employer.

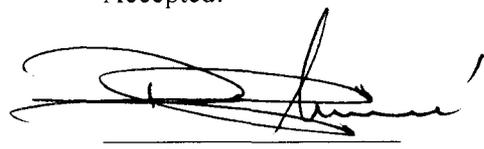
Based on these representations, Lehman Brothers Inc. (the "Firm") will provide you with counsel of the Firm's choice and indemnify you and hold you harmless for any amounts for which you are determined to be liable and for reasonable attorneys' fees and disbursements incurred by you, in connection with any lawsuit or arbitration commenced by Goldman Sachs or its affiliated companies relating to your employment with Lehman Brothers as contemplated by the Offer Letter.

The Firm's indemnity set forth in this letter is conditional on your reasonable good faith cooperation with the Firm in connection with: (a) the defense of any claim of the type described above; and (b) the Firm's recommendations with respect to reduction of the Firm's exposure under this letter, including the Firm's recommendations with respect to the commencement of your employment and your conduct while employed by the Firm.

Sincerely,


Christine Thomson

Accepted:


Roy Salame

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