

**LEHMAN BROTHERS HOLDINGS INC.**  
**Minutes of the Compensation and Benefits Committee**  
**April 11, 2007**

A meeting of the Compensation and Benefits Committee (the "Committee") of the Board of Directors of Lehman Brothers Holdings Inc. (the "Corporation" or "Holdings" and collectively with its subsidiaries, the "Firm") was held on April 11, 2007 at 5:15 p.m., pursuant to written notice.

**PRESENT - COMPENSATION AND BENEFITS COMMITTEE MEMBERS**

Mr. John F. Akers (Chairman)  
Ms. Marsha Johnson Evans  
Sir Christopher Gent  
Mr. John D. Macomber

**ALSO PRESENT BY INVITATION**

Mr. Richard S. Fuld, Jr.  
Ms. Tracy A. Binkley

**Approval of Minutes**

Mr. Akers opened the meeting with the approval of the Minutes of the meeting held on January 30, 2007. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Minutes of the Compensation and Benefits Committee Meeting held on January 30, 2007 are hereby approved in the form submitted at this meeting, and that a copy of such Minutes be placed in the appropriate Minute Book of this Corporation.

**Director Compensation**

The Committee then discussed the compensation program for the Firm's non-employee Directors, as described in the materials distributed to the Committee members and reviewed with each of them individually in advance of the meeting. The Committee discussed competitors' compensation structures, the impact of changes in share price on the annual equity retainer, and whether or not to continue offering options as an element of the equity retainer. After discussion, upon motion duly made and seconded, the following resolutions were unanimously resolved.

WHEREAS, on an annual basis, each of the members of the board of directors (the "Board of Directors") of the Corporation who is not an employee of the Corporation (each such individual, a "Non-employee Director") has

historically been granted an award based on the common stock, par value \$.10 per share, of the Corporation (the "Common Stock"), at each annual meeting of the Corporation's shareholders (the "Annual Meeting");

WHEREAS, the Corporation intends to hold its Annual Meeting on April 12, 2007, and the Committee in its discretion has determined that it is in the best interests of the Corporation and its stockholders to continue to grant an award of either restricted stock units ("RSUs") or options to purchase shares of Common Stock ("Stock Options"), as applicable, to each of the Non-employee Directors (collectively, the "Annual Equity Retainers"), pursuant to the Lehman Brothers Holdings Inc. 2005 Stock Incentive Plan (the "SIP");

NOW, THEREFORE, BE IT RESOLVED, that the Committee recommends, and it hereby does so recommend, to the Board of Directors that: (i) an Annual Equity Retainer be granted to each Non-employee Director, in the form of RSUs or Stock Options, as applicable, and in each case on such number of shares of Common Stock and subject to the terms as set forth on Exhibit A attached to these minutes; (ii) the Annual Equity Retainer be granted in each case pursuant to, and subject to the terms and conditions of, the SIP and the applicable form of RSU or Stock Option award agreement filed on March 31, 2006 by the Corporation with the United States Securities and Exchange Commission under a Form 8-K ; and (iii) in accordance with the provisions of the SIP, the per share exercise price of any Stock Options granted hereunder be equal to the Fair Market Value (as such term is defined in the SIP) of one share of Common Stock on April 12, 2007; and further

RESOLVED, that, subject in all events to the approval of the grants of the Annual Equity Retainers described above by the Board of Directors, such grants are hereby approved by the Committee; and further

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to take such further action with respect to the foregoing plans and programs including, without limitation, preparing and distributing award agreements and/or statements, making adjustments for amounts due the Corporation by the award recipient, and executing such further documents and taking such further action as they may, with the advise of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions, or to comply with law; and with respect to those awards which are subject to the laws of any foreign jurisdiction, the officers of the Corporation are each hereby authorized and directed to determine the form of awards to employees who are personally residing outside the United States and to take such actions and to make such amendments including, without limitation, preparing and executing such trust instruments or other documents as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions and to achieve tax efficiency and to comply with the provisions of any

relevant local law or regulations in those territories, provided such actions do not result in an incremental material cost to the Corporation.

#### Stock Ownership of Executive Officers

The Committee then discussed materials regarding the stock ownership levels of the Firm's Executive Committee members as summarized in the materials distributed to the Committee members and reviewed with each of them individually in advance of the meeting. Ms. Binkley noted to the Committee the equity exposure of the Firm's executives in the Firm's Common Stock relative to competitors and the stock liquidity limits for 2007. The Committee agreed to give Mr. Fuld discretion to set the liquidity guideline for 2007 for the Firm's Executive Committee members between 15% and 20%.

#### Review of Tally Sheets

The Committee then reviewed tally sheets that had been prepared at their request, consistent with the format used in the prior year. The tally sheets gave the Committee a full, consolidated summary of all aspects of the compensation and benefit programs that are provided to executive officers named in the proxy, including an analysis of the year over year change in their total remuneration, a summary of their total equity holdings and an analysis of potential payouts under alternative termination scenarios. This material had been distributed to the Committee members and reviewed with each of them individually in advance, as preparation for this meeting.

#### RSU Awards to New Hires

The Committee also discussed equity awards to new hires. After discussion, upon motion duly made and seconded, it was unanimously resolved

WHEREAS, the Committee deems it appropriate to grant RSU awards to facilitate the hiring of key employees, and

WHEREAS, the Committee has delegated its authority to award RSUs to new employees to certain officers in the Firm's Human Resources division; now therefore be it

RESOLVED, that the Committee acknowledges and approves the grants of RSUs made under the Corporation 2005 Stock Incentive Plan as set forth on Exhibit B attached hereto, which RSUs will be subject to the terms and conditions (a) set forth on Exhibit B and (b) of the 2006 Stock Award Program, including but not limited to all Change in Control provisions adopted on November 24, 1994 and as amended through the date hereof; and

RESOLVED, that all actions previously taken by any officer, director, representative or agent of the Corporation, in the name or on behalf of the

Committee, in connection with the matters contemplated by the foregoing resolutions be, and each of the same hereby is, adopted, ratified, confirmed and approved in all respects as the act and deed of the Committee.

Approval of Delegation of Authority

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to take such further action with respect to the foregoing plans and programs including, without limitation, preparing and distributing award agreements and/or statements and executing such further documents and taking such further action as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions, or to comply with law; and with respect to those awards which are subject to the laws of any foreign jurisdiction, the officers of the Corporation are each hereby authorized and directed to determine the form of awards to employees who are personally residing outside the United States and to take such actions and to make such amendments including, without limitation, preparing and executing such trust instruments or other documents as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions and to achieve tax efficiency and to comply with the provisions of any relevant local law or regulations in those territories, provided such actions do not result in an incremental material cost to the Corporation.

Retention Equity Award for Mark Shafir

The Committee also discussed a special retention award for a senior-level investment banker. After discussion, upon motion duly made and seconded, it was unanimously resolved

WHEREAS the Committee in its discretion deems it appropriate to grant RSU awards from time to time to facilitate the retention of key employees, now therefore be it

RESOLVED, that the Committee hereby grants, as of the date hereof, to Mark Shafir 100,000 RSUs related to shares of the Corporation's Common Stock under and subject to the terms and conditions of the Corporation 2005 Stock Incentive Plan, which RSUs shall vest in four equal annual installments on March 1, 2008, March 1, 2009, March 1, 2010 and March 1, 2011, respectively, and be it further

RESOLVED, that such RSUs shall be subject to the terms and conditions (a) set forth in Exhibit C and (b) of the 2006 Stock Award Program including but not limited to all Change in Control provisions adopted on November 24, 1994 and as amended through the date hereof, as such terms and conditions are incorporated in an award agreement to be provided to Mr. Shafir, and be it further

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to take such further action with respect to all the foregoing plans and programs including, without limitation, preparing and distributing award agreements and/or statements and executing such further documents and taking such further action as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions, or to comply with law; and with respect to those awards which are subject to the laws of any foreign jurisdiction, the officers of the Corporation are each hereby authorized and directed to determine the form of awards to employees who are personally residing outside the United States and to take such actions and to make such amendments including, without limitation, preparing and executing such trust instruments or other documents as they may, with the advice of counsel, deem necessary or desirable to carry out the purpose and intent of the foregoing resolutions and to achieve tax efficiency (including by awarding discounted options or using deferrals) and to comply with the provisions of any relevant local law or regulations in those territories, provided such actions do not result in an incremental material cost to the Corporation.

#### Changes in Executive Committee

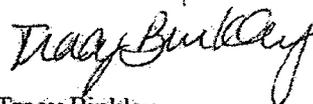
Mr. Fuld then discussed with the Committee some planned changes in senior management, including Mike Gelband leaving the Firm and Roger Nagloff replacing him as global head of Fixed Income. The Committee directed questions to Mr. Fuld regarding the separation arrangement for Mr. Gelband, the impact of the changes on the management team within Fixed Income, and the expected external perception of the management changes. Mr. Fuld advised the Committee that he expected to have a final recommendation on the terms of Mr. Gelband's separation arrangement for the Committee's approval in the next few weeks.

#### Private Session

Management was excused, and the Committee met in private session.

There being no further business to be conducted by the Committee at this meeting, upon motion duly made and seconded, the meeting was adjourned.

Respectfully submitted,



Tracy Binkley  
Secretary for the Meeting

EXHIBIT A

April 12, 2007 Equity Awards to Non-employee Directors

<u>Name</u>	<u>RSUs</u>	<u>Stock Options</u>
Ainslie, Michael	3,400	0
Akers, John	3,400	0
Berlind, Roger	3,400	0
Cruikshank, Thomas	3,400	0
Evans, Marsha Johnson	3,400	0
Gent, Sir Christopher	3,400	0
Hernandez, Roland	3,400	0
Kaufman, Henry	0	10,200
Macomber, John	<u>3,400</u>	<u>0</u>
<b>Total</b>	<b>27,200</b>	<b>10,200</b>

All RSUs vest immediately and are payable in Common Stock upon death, disability or termination of service. As of each date that a dividend is paid on Common Stock, each Non-employee Director holding RSUs is credited with a number of additional RSUs equal to the product of (A) the dividend paid on one share of Common Stock, multiplied by (B) the number of RSUs held by the Non-employee Director, divided by (C) the closing price of the Common Stock on the New York Stock Exchange on such date. Additional award terms and conditions are provided in the applicable award agreements evidencing these grants.

All Stock Options have an exercise price per share equal to the closing price of the Common Stock on the New York Stock Exchange on the date the award is made. Stock Options have a ten-year term and become exercisable in one-third increments on each of the first three anniversaries of the award date or, if sooner, upon a termination of service. Additional award terms and conditions are provided in the applicable award agreements evidencing these grants.

## EXHIBIT B

## 2006 - 2007 NEW HIRES STOCK AWARDS

NAME	FUNCTION	DATE OF HIRE	TOTAL VALUE OF AWARD	NUMBER OF RSUs	Vesting Schedule
Ricci, Raffaele	MD, Sr Sales, Structured Solutions	9/18/2006	\$4,101,133	57,690	RSUs vest and convert to stock over 3 years beginning in 2007.
Cornelius, Guy	MD, CAO Executive Administration	12/1/2006	\$3,497,475	47,682	RSUs vest and convert to stock over 3 years beginning in 2007.
Belsher, Geoffrey S.	MD, Canada	7/3/2006	\$2,524,039	37,718	RSUs vest and convert to stock over 3 years beginning in 2006.
McCreavy, Nisha	MD, Retail/Transportation	6/8/2006	\$2,343,059	35,663	RSUs vest and convert to stock over 3 years beginning in 2007.
DeRosa, John	MD, Dir, CFO/Finance	1/22/2007	\$1,776,830	21,637	RSUs vest and convert to stock over 4 years beginning in 2007.
Deshpande, Maneesh	SVP, Sr Research Analyst, Equity Linked	1/23/2007	\$1,737,823	21,162	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Habib, Adam	MD, Desk Mgr, Structured	2/1/2007	\$1,601,175	18,844	RSUs vest over 5 years beginning in 2007. RSUs convert to stock over 5 years.
Mirza, Mazin	SVP, Sr Trader, Commodities	2/26/2007	\$1,496,827	19,232	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 1 year.
Schreiber, Russell	MD, Desk Mgr, Alternative Portfolio Solution	2/5/2007	\$1,318,312	15,455	RSUs vest and convert to stock over 3 years beginning in 2007.
Surtaydin, Kaan	SVP, Sr Portfolio Mgr, Principal Strategies	8/3/2006	\$1,062,690	16,060	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Bowmar, Paul	SVP, Sr Trader, Derivatives	12/20/2006	\$1,008,333	12,929	RSUs vest and convert to stock over 3 years beginning in 2008.
Onillon, Emmanuel	SVP, Sr Salesperson, Commodities	7/6/2006	\$880,397	13,386	RSUs vest over 5 years beginning in 2007. RSUs convert to stock over 5 years.
Kiechen, Taylor Timothy	MD, Canada	1/15/2007	\$840,804	10,162	RSUs vest and convert to stock over 3 years beginning in 2007.
Halpern, Jeffrey	SVP, Sr Research Analyst, Principal Strategies	1/22/2007	\$733,660	8,934	RSUs vest and convert to stock over 4 years beginning in 2007.
Herne, Mark	SVP, Sr Sales, Structured Solutions	1/18/2007	\$706,710	8,587	RSUs vest and convert to stock over 4 years beginning in 2007.
Brannan, Paul F	SVP, Professional Staff Mgr, Marketing	7/10/2006	\$648,612	10,056	RSUs vest over 4 years beginning in 2006. RSUs convert to stock over 4 years.
Balje, Ramon	SVP, Sr Sales, Structured Solutions	2/5/2007	\$497,811	5,836	RSUs vest and convert to stock over 1 year in 2007.
Wendel, Christopher	MD, Sr Mgr, Administration	7/3/2006	\$462,417	6,910	RSUs vest over 3 years beginning in 2006. RSUs convert to stock over 3 years.
Fothergill, Nicholas	MD, Sr Desk Specialist, Pan Europe Product	5/8/2006	\$444,472	6,008	RSUs vest and convert to stock over 3 years beginning in 2007.
Licm, Christopher	VP, Trader, Non-Japanese Product	11/1/2006	\$396,594	5,312	RSUs vest and convert to stock over 4 years beginning in 2007.
Granchi, Sophie	SVP, Sr Sales Person, Flow	6/22/2006	\$389,683	6,161	RSUs vest and convert to stock over 3 years beginning in 2007.
Idriss, Mohamed	SVP, Sr Salesperson, Structured	9/4/2006	\$369,670	5,817	RSUs vest over 4 years beginning in 2008. RSUs convert to stock over 2 years.
Cosgrove, Gerry	SVP, Consultant Relations Mgr, IAM	1/26/2007	\$314,957	3,885	RSUs vest and convert to stock over 5 years beginning in 2007.
Galeano, Luis	SVP, Retail/Transportation	3/1/2006	\$293,077	4,030	RSUs vest and convert to stock over 3 years beginning in 2007.
Fegelman, Peter	MD, Sr Structurer, Institutional Asset Mgmt	10/2/2006	\$265,223	3,561	RSUs vest and convert to stock over 3 years beginning in 2007.
Twombly, William	SVP, Sr Salesperson, Municipals	6/8/2006	\$240,856	3,666	RSUs vest and convert to stock over 3 years beginning in 2009.
Grabow, Thomas	SVP, Sr Trader, Energy	10/16/2006	\$225,596	2,872	RSUs vest and convert to stock over 3 years beginning in 2007.
Sheedy, Pauline	MD, IR, Private Inv. Mgmt	11/22/2006	\$200,906	2,583	RSUs vest and convert to stock over 4 years beginning in 2007.
Fennema, Rik	VP, Sr Research Analyst, High Grade	5/22/2006	\$197,268	2,988	RSUs vest over 4 years beginning in 2006. RSUs convert to stock over 3 years.
Prasad, Juhi	SVP, Debt Capital Markets	4/10/2006	\$188,927	2,514	RSUs vest and convert to stock over 4 years beginning in 2006.
Genmani, Marco	VP, Structurer, ABS	4/3/2006	\$183,308	2,541	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Du, Oliver	VP, Sr Research Analyst, Hong Kong	2/22/2007	\$178,005	2,170	RSUs vest over 2 years beginning in 2007. RSUs convert to stock after 2 years.
Tan, Allen	SVP, Sr Trader, High Yield	10/9/2006	\$176,603	2,361	RSUs vest and convert to stock over 1 year in 2007.
Fulton, Andrew R.	SVP, Business Mgr, Mortgage Capital	9/13/2006	\$171,753	2,416	RSUs vest and convert to stock over 4 years beginning in 2007.
Fujii, Tetsuya	SVP, Japan	7/21/2006	\$170,175	2,817	RSUs vest and convert to stock over 3 years beginning in 2006.
Barnes, Hobson	SVP, Mktg. Mgr, Absolute Return Strategies	11/2/2006	\$158,232	2,082	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.

EXHIBIT B

2006 - 2007 NEW HIRES STOCK AWARDS

NAME	FUNCTION	DATE OF HIRE	TOTAL VALUE OF AWARD	NUMBER OF RSUs	Vesting Schedule
Konagami, Yasufumi	VP, Mgr. Finance	10/16/2006	\$155,293	1,977	RSUs vest and convert to stock over 3 years beginning in 2007.
Tamamizu, Junzo	SVP, Sr Salesperson, Energy	5/3/2006	\$145,213	2,025	RSUs vest and convert to stock over 3 years beginning in 2007.
Tudor, Jason	MD, Desk Mgr, Energy	12/4/2006	\$142,203	1,880	RSUs vest and convert to stock over 3 years beginning in 2007.
Shome, Surojit	MD, India	1/1/2007	\$141,788	1,815	RSUs vest and convert to stock over 4 years beginning in 2007.
Chicca, Antonio	SVP, Sr Sales Person, Generalist	4/18/2006	\$134,568	1,737	RSUs vest and convert to stock over 2 years beginning in 2007.
Lithander, Carl	SVP, Sr. Salesperson, Generalist	7/19/2006	\$115,565	1,830	RSUs vest and convert to stock over 1 year in 2010.
Kumler, Leslie	SVP, Team Leader, IAM	8/8/2006	\$114,434	1,726	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Feddersen, Bjorn	VP, Salesperson, Structured	7/1/2006	\$111,154	1,661	RSUs vest and convert to stock over 3 years beginning in 2007.
Lee, Sue	VP, Equity Capital	11/27/2006	\$107,983	1,462	RSUs vest and convert to stock over 3 years beginning in 2007.
Tinworth, Mark	VP, Salesperson, Governments	2/19/2007	\$102,593	1,254	RSUs vest over 3 years beginning in 2008. RSUs convert to stock after 3 years.
Fortuna, Terri	SVP, Dir, Prod. & Process Improvement	3/1/2007	\$102,316	1,397	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 3 years.
Wong, Vienna	VP, Retail/Transportation	3/1/2006	\$98,042	1,339	RSUs vest and convert to stock over 2 years beginning in 2008.
Crosswell, Nigel	SVP, Germany	1/1/2007	\$93,139	1,192	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Bernfeld, Barry	SVP, Sr Trader, Energy	11/7/2006	\$91,506	1,212	RSUs vest and convert to stock over 3 years beginning in 2007.
O'Connor, Edward J.	SVP, Global Finance Administration	1/4/2007	\$87,444	1,138	RSUs vest and convert to stock over 2 years beginning in 2007.
Kelly, Sean	SVP, Sr Salesperson, High-Yield	7/3/2006	\$83,048	1,241	RSUs vest and convert to stock over 3 years beginning in 2007.
Yano, Yuzuru	SVP, Director, Finance	10/16/2006	\$81,064	1,032	RSUs vest and convert to stock over 2 years beginning in 2007.
Ruiz, Juan	SVP, Strategist, Strategy Planning & Analysis	1/16/2007	\$72,626	880	RSUs vest and convert to stock over 3 years beginning in 2008.
Multadi, Yannis	Associate, Quantitative Trading	1/29/2007	\$63,011	781	RSUs vest over 7 years beginning in 2008. RSUs convert to stock over 7 years.
Rabitz, Steven	VP, Attorney, Corporate Advisory	11/13/2006	\$57,229	780	RSUs vest over 3 years beginning in 2006. RSUs convert to stock over 3 years.
Yamada, Katsuji	SVP, Sr. Salesperson, Generalist	7/16/2007	\$54,219	904	RSUs vest over 4 years beginning in 2006. RSUs convert to stock over 3 years.
57			\$33,961,426	460,990	

\*Date of re-hire

**EXHIBIT C**

Termination Provisions

<u>Event</u>	<u>Treatment</u>
Involuntary Termination with Cause: <sup>1</sup>	All RSUs will be immediately forfeited upon termination.
All Other Termination Events:	Unvested RSUs will be forfeited upon termination. Vested RSUs, which have not yet been issued, will be issued as soon as practicable, provided the participant does not engage in Detrimental Activity <sup>2</sup> .
Termination due to Death or Disability:	RSUs will immediately vest and shares of Lehman Brothers common stock will be issued on the 30 <sup>th</sup> day following the termination date, provided the participant does not engage in Detrimental Activity through that date.

<sup>1</sup> "Cause" means a material breach by a person of an employment contract between the person and Holdings or any subsidiary, failure by a person to devote substantially all business time exclusively to the performance of his or her duties for Holdings or any subsidiary, willful misconduct, dishonesty related to the business and affairs of Holdings or any subsidiary, conviction of a felony or of a misdemeanor constituting a statutory disqualification under U.S. securities laws (or failure to contest prosecution for a felony or such a misdemeanor), habitual or gross negligence in the performance of a person's duties, solicitation of employees of Holdings or any subsidiary to work at another company, improper use or disclosure of confidential information, the violation of policies and practices adopted by Holdings or any subsidiary, including but not limited to the Code of Conduct, or a material violation of the conflict of interest, proprietary information or business ethics policies of Holdings or any subsidiary, or such other circumstances as may be determined in the sole discretion of the Chief Executive Officer or Chief Operating Officer of Lehman Brothers Holdings Inc. (or their respective designees).

<sup>2</sup> "Detrimental Activity" means (i) using information received during a person's employment with Holdings or any of its subsidiaries related to the business affairs of Holdings or any of its subsidiaries, affiliates or their clients, in breach of such person's undertaking to keep such information confidential; (ii) directly or indirectly persuading or attempting to persuade, by any means, any employee of Holdings or any of its subsidiaries or affiliates to terminate employment with any of the foregoing or to breach any of the terms of his or her employment with the foregoing; (iii) directly or indirectly making any statement that is, or could be, disparaging of Holdings, its subsidiaries or affiliates, or any of their employees (except as necessary to respond truthfully to any inquiry from applicable regulatory authorities or to provide information pursuant to legal process); or (iv) directly or indirectly engaging in any activity that is, or could be, substantially injurious to the financial condition, reputation, or goodwill of Holdings or its subsidiaries or affiliates, in each case as determined in the sole discretion of the Chief Executive Officer or Chief Operating Officer of Lehman Brothers Holdings Inc. (or their respective designees).