

LEHMAN BROTHERS HOLDINGS INC.
Minutes of the Compensation and Benefits Committee
December 7, 2007

A telephonic 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 December 7, 2007 at 11:00 a.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

Messrs. Richard S. Fuld, Jr.
Joseph M. Gregory
Alan Johnson (Johnson Associates Inc.)
Ms. Tracy A. Binkley

Approval of Minutes

The first order of business was the approval of the Minutes of the meeting held on November 8th. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Minutes of the Compensation and Benefits Committee Meeting held on November 8, 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.

Compensation Committee Self-Assessment for 2007 and Review of Charter

The Committee then conducted their 2007 self-evaluation, which included a discussion of the questionnaire that each Committee member had completed prior to this meeting. The Committee also agreed to some minor changes to the Committee charter to reflect changes in the new proxy statement disclosure requirements, subject to the Board's approval. After discussion, upon motion duly made and seconded, it was unanimously

RESOLVED, that the Compensation and Benefits Committee hereby recommends to the Board of Directors the adoption of the amended Compensation and Benefits Committee Charter in the form presented at this meeting.

Certification of 2006-2007 Performance-Based RSUs

The Committee reviewed the final performance results and certified the shares earned pursuant to the performance RSUs originally awarded in December 2006. After discussion, upon motion duly made and seconded, it was unanimously resolved

WHEREAS, the Committee granted Performance-Based Restricted Stock Units ("RSUs") related to shares of the Corporation's common stock, par value \$.10 per share (the "Common Stock") on December 8, 2006 under the Corporation's 2005 Stock Incentive Plan to the individuals indicated and in such amounts as are indicated in the table below, subject to the awards being cancelled if the Company's Fiscal 2007 ROE¹ is below 10.0%, now therefore be it

RESOLVED, that the Performance-Based RSUs, set forth below, are hereby awarded to the individuals indicated, and in connection therewith the Committee hereby certifies the satisfaction of the performance goal, that the Corporation's Fiscal 2007 ROE exceeds 10.0%, and that the RSUs awarded shall be subject to the terms and conditions as originally approved by the Committee on December 8, 2006.

<u>Name</u>	<u>Performance -Based RSUs</u>
R. Fuld	97,366.47
J. Gregory	77,893.18
D. Goldfarb	68,620.18
T. Russo	32,455.49
J. Bhattal	27,818.99
M. Gelband	Forfeited
J. Isaacs	27,818.99
T. Janulis	27,818.99
H. McDade	27,818.99
H. McGee	27,818.99
R. Nagloff	27,818.99
G. Walker	27,818.99
Total	471,068.25

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, 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

¹ Fiscal 2007 ROE excluding any extraordinary items and changes in accounting principles.

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.

2008 Annual Incentive Formulas for Executives

The next item on the agenda was approval of the 2008 annual incentive compensation formulas for members of the Executive Committee and Executive Officers. The materials for this topic had been distributed to the Committee members and reviewed with each of them individually in advance, as preparation for this meeting. Mr. Johnson had also reviewed the material in advance of the meeting and advised that he was comfortable with the formulas. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Committee has determined to set performance standards for the payment of 2008 cash and equity-based compensation to the Corporation's Executive Officers and other members of the Lehman Brothers Executive Committee as listed in Exhibit A (the "Covered Executives"), now therefore be it

RESOLVED, that the Committee hereby provides to the Covered Executives the opportunity for "Special Bonuses" subject to and in accordance with the terms of the Short-Term Executive Compensation Plan (the "STEP") payable in (a) cash and/or (b) a number of RSUs, under and subject to the terms of the 2005 Stock Incentive Plan ("2005 SIP") or any successor plan, as amended, each of which awards will (i) be earned by the Covered Executives in accordance with the performance goals set forth on Exhibit A attached hereto for the performance period beginning on December 1, 2007 and continuing through November 30, 2008, (ii) be subject to the terms and conditions set forth on Exhibit A attached hereto, with such termination of employment and vesting provisions as shall be determined by the Committee prior to the completion of such performance period, and (iii) be subject to all provisions relating to the effect of a "Change in Control" (as defined in the 2005 SIP) on outstanding equity awards granted thereunder, provided that in the event of a Change in Control where equity is issued to the Corporation's shareholders as consideration for their shares of Common Stock, the RSUs shall be cancelled in exchange for the equity that is so issued, and shall not be cancelled in exchange for cash; and be it further

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 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.

Special Equity Award for Senior Managing Directors

The Committee then reviewed management's recommendation for an incremental portion of 2007 compensation to be awarded in RSUs for the most highly compensated Managing Directors (other than the Executive Committee members). A discussion ensued regarding the future compensation expense, the retention value of the award, and the number of shares to be utilized for the award, including a revised recommendation from management on the portion of compensation to be paid in this form of incremental equity. Then, upon motion duly made and seconded, the following resolutions were unanimously approved:

WHEREAS the Committee in its discretion has determined to grant special RSU awards as a component of total compensation for eligible Managing Directors ("MDs") of the Corporation, now, therefore, be it

RESOLVED, that the Committee hereby grants to each of the MDs who meet the eligibility criteria described on Exhibit B, the number of special RSU awards under and subject to the terms and conditions of the 2005 Stock Incentive Plan, which special RSUs shall be computed in accordance with Exhibit C hereto and shall be subject to the terms and conditions set forth on Exhibits C and D, and the Change in Control provisions of the 2007 Equity Award Program adopted by the Committee on November 8, 2007, as such terms and conditions are incorporated in an award agreement to be provided to each such employee; and be it further

RESOLVED, that the Committee hereby establishes December 7, 2007 as the grant date (the "Grant Date") for such special RSU awards; and be it further

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 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.

Top Paid Employees

Additionally, the Committee reviewed the proposed 2007 compensation for the top 50 most highly-compensated individuals, excluding the Executive Committee and Executive Officers. The Committee directed questions to management about the form of payment for certain individuals, including proprietary traders. As the Firm's bonus process for 2007 was not yet final at this time, it was agreed that a final report of the top 50 most highly-compensated individuals would be reviewed by the Committee at its next meeting in January.

Form of 2007 Equity for Executive Committee and Executive Officers

The Committee then discussed the form of year-end 2007 equity awards for the Executive Committee members and Executive Officers. Materials regarding this topic had been distributed to the Committee members and reviewed with each of them individually in advance, as preparation for this meeting. It was noted that the proposed forms of RSUs provides greater retention of executives who are Full-Career eligible, shifts accounting expense to future years, and helps simplify and realign the compensation for proxy-named Executive Committee members. The Committee agreed to this form of equity as a component of the year-end compensation awards to be discussed later in the meeting. The Committee discussed that the effective vesting schedule of the awards granted to members of the Executive Committee is 20% vesting on November 30, 2008, 20% on November 30, 2009, and 60% on November 30, 2010.

Participation in the Supplemental Retirement Plan ("SRP")

At the Committee's request, management had conducted a review of executive retirement benefits with the goal of assessing the appropriateness of extending SRP benefits to two new members of the Executive Committee. Management had re-evaluated the program in light of market prevalence and trends, competitive benefit values, expense to the Firm, and internal parity, and their recommendation to the Committee was to suspend the addition of new participants. Material regarding this topic

had been distributed to the Committee members and reviewed with each of them individually in advance, as preparation for this meeting. The Committee members agreed with the recommendation.

Retention Equity Awards for Key Employees

Management recommended granting a special retention RSU award to four key employees, in addition to their participation in the Firm's equity award program. After discussion, upon motion duly made and seconded, it was unanimously resolved.

WHEREAS the Committee in its discretion has determined to grant RSUs in 2007 to facilitate the retention of key employees in the Investment Management and Fixed Income Divisions, now therefore be it

RESOLVED, that the Committee hereby grants to each of the employees set forth in Exhibit E hereto, the number of RSUs related to shares of the Corporation's Common Stock under and subject to the terms and conditions of the 2005 Stock Incentive Plan, which RSUs shall be computed in accordance with Exhibit E hereto and shall be subject to the terms and conditions set forth in Exhibits E and F hereto and the Change in Control provisions of the 2007 Equity Award Program adopted by the Committee on November 8, 2007, as such terms and conditions are incorporated in an award agreement to be provided to each such employee; and be it further

RESOLVED, that the Committee hereby establishes December 7, 2007 as the grant date (the "Grant Date") for such 2007 retention RSU awards; and be it further

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 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.

Special Separation Treatment for Key Departing Employees.

In light of the Firm's significant ownership interest in a start-up hedge fund to be run by David Sherr, a senior manager in Fixed Income and leader of the Firm's mortgage business, management recommended special treatment for the outstanding unvested equity awards held by select individuals who will be leaving the Firm to join the new hedge fund. After discussion, upon motion duly made and seconded, it was unanimously resolved

WHEREAS the Committee in its discretion has determined that certain equity awards for selected individuals be amended due to the proposed employment of these individuals by an entity in which the Firm will have a substantial ownership interest, now therefore be it

RESOLVED, that with respect to the portion of the outstanding awards identified next to the individuals listed on Exhibit G the vesting conditions of which have not been met as of the date hereof (the "Unvested RSUs"), notwithstanding any provision to the contrary in any award agreement governing such outstanding awards, the Committee shall treat the Unvested RSUs as vested as of the date that such individual's employment at the Firm is terminated, and that such RSUs will convert to Common Stock on the originally scheduled payment dates (the "Share Payment Date"), provided the individual (1) becomes employed by One William Street Capital Partners substantially contemporaneously with such individual's termination of employment with the Firm and at a reasonable interval following commencement of One William Street Capital Partners' operations; (2) does not engage in any Detrimental Activity on or prior to the Share Payment Date; and (3) does not engage in Competitive Activity (each such term herein shall have the meanings assigned to them in the applicable award agreement) through the earlier of (i) two years from the termination of employment from the Corporation or its subsidiaries or (ii) the Share Payment Date; and be it further

RESOLVED, that the Global Head of Human Resources shall have the sole discretion to determine whether the foregoing conditions have been satisfied for the acceleration of vesting and the delivery of the Unvested RSUs; and be it further

RESOLVED, that except as expressly provided herein, the terms and conditions of the awards listed on Exhibit G shall otherwise remain in full force and effect.

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 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.

New Hire RSU Awards

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

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 2005 Stock Incentive Plan as set forth on Exhibit H attached hereto, which RSUs will be subject to the terms and conditions (a) set forth on Exhibit H and (b) of the 2006 Stock Award Program; 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.

Executive Committee and Executive Officer 2007 Annual Compensation

The last topic was 2007 compensation for the Lehman Brothers Executive Committee and Executive Officers. For this conversation, the Committee referred to certain documents regarding competitor compensation, 2007 Firm performance, the form of compensation disclosure in the proxy, and material regarding proposed 2007 compensation. This material had been distributed to the Committee members and reviewed with each of them individually in advance, as preparation for this meeting. Ms. Binkley reviewed with the Committee the historical information from competitors' proxy disclosures and the analysis containing recommendations for 2007 compensation, including the realignment of the December 2006 performance-based RSUs and other

previously granted option awards. The mechanics of the realignment and details of the calculations had been included in the material distributed to the Committee in advance of the meeting, had been discussed with each member of the Committee in advance, and was a topic on which their external compensation consultant, Mr. Johnson, had given input and advice. The Committee did not consider the performance-based RSUs granted in December 2006 or PSUs granted in previous years to be a component of 2007 compensation, but the Committee materials included information regarding those awards.

Mr. Fuld and Mr. Gregory discussed the compensation recommended for each individual, including adding commentary regarding individual performance, which encompassed performance relative to goals established at the beginning of the year. Mr. Gregory was then excused from the meeting, and Mr. Fuld discussed Mr. Gregory's 2007 performance and proposed level of compensation with the Committee.

Discussion of Compensation Trends

Mr. Johnson, the Committee's outside compensation consultant, was then added into the conference call. Mr. Akers welcomed him to the meeting and asked him about the competitive market, including his analysis regarding CEO compensation. Mr. Johnson described to the Committee his views on the overall market conditions for compensation and his specific expectations of CEO compensation at competitor companies, and Mr. Johnson advised that he had reviewed the executive compensation material prepared for this meeting and was comfortable with the approach and recommendations. Mr. Akers thanked him for his feedback, and Mr. Johnson left the conference call.

Mr. Fuld then made some additional comments about the Firm's overall performance, the disappointing stock price, and the impact on value to the Firm's shareholders. He also noted a desire to be sensitive to how the media and shareholders may react to executive compensation, in light of the depressed market value for the Firm's stock. The Committee then thanked Mr. Fuld and excused him from the meeting.

Private Session

The Committee continued a private session with Ms. Binkley. They discussed the compensation recommendations for the Executive Officers and a range of potential compensation scenarios for Mr. Fuld, which scenarios had been distributed to the Committee members in advance of the meeting. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the cash and RSUs related to the Corporation's Common Stock, set forth on Exhibit I hereto, are hereby awarded to the individuals indicated, and in connection therewith the Committee hereby certifies the satisfaction of the performance goals and other material terms for Special Bonus Awards under the Short-Term Executive Compensation Plan including RSUs, to be issued under the 2005 Stock Incentive Plan, which performance goals were established by the Committee on December 8, 2006 for certain individuals; and be it further

RESOLVED, that the RSUs awarded herein to Executive Committee members shall be subject to the vesting, termination, and Change in Control provisions set forth in Exhibit J; and be it further

RESOLVED, that all of the RSUs awarded herein to Christopher O'Meara, Ian Lowitt, and Scott Freidheim shall be subject to the vesting, termination, and Change in Control provisions for the 2007 Special Managing Director RSUs; and be it further

RESOLVED, that the Committee hereby establishes December 7, 2007 as the grant date (the "Grant Date") for such Executive Committee RSUs and 2007 Special Managing Director RSUs; and be it further

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, 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.

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 Brakley
Secretary for the Meeting

2008 Annual Incentive Formulas (Page 1 of 2)

Pursuant to the schedule below, each individual will be paid incentive compensation using a combination of cash bonus and equity awards for the 2008 performance year. The formulas establish the maximum incentive compensation levels based on a percentage of Holding's pre-tax income for the same period, with individual awards subject to negative discretion by the Committee. For purposes of determining this compensation, pre-tax income is Lehman Brothers Holdings Inc. consolidated income before taxes and dividends paid or payable, if any, for the performance period (i.e., December 1, 2007 through November 30, 2008) excluding the effect of any change in accounting principles and any extraordinary items pursuant to GAAP. Incentive compensation for performance between the specified pre-tax income levels will be determined by interpolation. RSUs, or other equity-based awards, will be deemed to be awarded at the end of the performance period and may be discounted (current discount is 30%), consistent with equity awards to Managing Directors. RSUs will vest and convert to Common Stock subject to conditions established by the Committee at the time of award.

Annual Incentives as a Percent of Pre-tax Income (\$mm)

	Less than or Equal to \$500	\$2,000	\$4,000	\$6,000	Greater than or Equal to \$10,000
Fuld	1.80%	1.00%	0.85%	0.75%	0.70%
Gregory	1.50%	0.80%	0.70%	0.65%	0.60%
Russo	1.40%	0.75%	0.60%	0.55%	0.50%
Callan	1.10%	0.40%	0.25%	0.20%	0.15%
Freidheim	1.10%	0.40%	0.25%	0.20%	0.15%
Lowitt	1.10%	0.40%	0.25%	0.20%	0.15%
Exec. Comm.*	1.40%	0.75%	0.60%	0.55%	0.50%

Note: Annual Compensation, including base salary pursuant to page 2 of this Exhibit A, will be awarded in cash and Lehman Brothers equity. We anticipate that no less than 50% of total compensation will be paid in the form of Lehman equity awards. However, the Committee, in its sole discretion, may adjust the mix of cash and equity provided that any substitution will be for economically equivalent value. The number of RSUs awarded will be based on the discounted stock price, if any, as described above.

* Other Executive Committee members include J. Bhattal, D. Goldfarb, J. Issacs, T. Janulis, S. Lessing, B. McDade, S. McGee, R. Nagloff and G. Walker.

EXHIBIT A
 (Page 1 of 2)

2008 Total Annual Compensation (Page 2 of 2)
 (\$000s)

Provided that performance criteria are met as specified on page 1, our formula for the maximum total annual pay (including base salary, cash bonus, and equity awards) will be as indicated below.

	<i>Addition for Base Salary</i>	<u>Pre-Tax Income (SMM)</u>					
		<u>\$500</u>	<u>\$2,000</u>	<u>\$4,000</u>	<u>\$6,000</u>	<u>\$8,000</u>	<u>\$10,000</u>
Fuld	\$750	\$9,750	\$20,750	\$34,750	\$45,750	\$58,250	\$70,750
Gregory	\$450	\$7,950	\$16,450	\$28,450	\$39,450	\$49,950	\$60,450
Russo	\$450	\$7,450	\$15,450	\$24,450	\$33,450	\$41,950	\$50,450
Callan	\$450	\$5,950	\$8,450	\$10,450	\$12,450	\$13,950	\$15,450
Freidheim	\$200	\$5,700	\$8,200	\$10,200	\$12,200	\$13,700	\$15,200
Lowitt	\$200	\$5,700	\$8,200	\$10,200	\$12,200	\$13,700	\$15,200
<u>Exec. Comm.*</u>	<u>\$450</u>	<u>\$7,450</u>	<u>\$15,450</u>	<u>\$24,450</u>	<u>\$33,450</u>	<u>\$41,950</u>	<u>\$50,450</u>
<i>Total</i>	<i>\$6,550</i>	<i>\$109,550</i>	<i>\$216,550</i>	<i>\$338,550</i>	<i>\$456,550</i>	<i>\$569,050</i>	<i>\$681,550</i>

* Other Executive Committee members including J. Bhattal, D. Goldfarb, J. Issacs, T. Janulis, S. Lessing, B. McDada, S. McGee, R. Nagioff and G. Walker.

Eligibility Criteria

The group of employees as defined below is eligible to receive special Managing Director RSU awards:

All active bonus-eligible employees with 2007 Compensation of \$5 million or greater and with a corporate title of Managing Director, Senior Managing Director, Vice Chairman, or such other corporate title equivalent to Managing Director of Holdings or Lehman Brothers Inc., (hereafter referred to collectively as "Managing Directors" or "MDs") and MDs on leaves of absence from the Corporation as of the Grant Date, excluding non-Board Executive Committee members, employees on long-term disability, employees notified prior to the Grant Date of their pending termination, employees who notify the Firm prior to the Grant Date of their termination with the Firm or their intent to terminate employment with the Firm, and individuals employed by the following subsidiaries: Aurora Loan Services (except corporate officers), Capital Crossing, Champion Energy Services, Campus Door (except selected corporate officers), Capstone Mortgage Services Limited (except corporate officers), ELQ Hypotheken (except corporate officers), Lehman Brothers Services India Private Ltd. (except corporate officers), Lehman Brothers Financial Services India Private Ltd. (except corporate officers), Liberty View (except selected executives), MNG Securities, and Small Business Finance (except selected corporate officers).

"2007 Compensation" means fiscal year 2007 salary earnings, bonus, cash flow, commissions, salary supplements, the value of 2007 car allowances, and housing allowances for local employees (i.e., non-expatriates).

2007 Special Managing Director RSU Award Levels

All eligible MD employees will be awarded special RSUs under the SIP as of the Grant Date. The portion of compensation payable in special RSUs will be calculated as 12% of 2007 Compensation. The number of special RSUs awarded will be based on the closing price of the Common Stock on the Grant Date, discounted by 30%.

The special RSUs will vest 100% on November 30, 2009, unless otherwise provided in Exhibit D. Special RSUs will convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012, unless otherwise provided in Exhibit D.

Note: Amount of compensation awarded in special RSUs, as calculated above may be off-set by the pre-tax equivalent of participation in Private Equity investment vehicles established to align investment professionals with the funds they invest and manage.

Termination Provisions – Special Managing Director Restricted Stock Units

Event	Principal Portion (Undiscounted base portion of award, 70%)	Gross-up Portion (Portion related to discount, 30%)
Voluntary Termination	<p>Forfeit entire Principal Portion if termination occurs prior to November 30, 2009.</p> <p>If termination occurs after November 30, 2009, participant is entitled to all of the shares related to the Principal Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.</p>	<p>Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2009.</p> <p>If termination occurs after November 30, 2009, participant is entitled to all of the shares related to the Gross-Up Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.</p>
Involuntary Termination with Cause ²	Forfeit entire Principal Portion.	Forfeit entire Gross-up Portion.
Involuntary Termination without Cause	Participant is entitled to entire Principal Portion on the scheduled payment date, provided such participant signs a Release Agreement and does not engage in Detrimental Activity through the payment date of November 30, 2012.	Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2009. If termination occurs after November 30, 2009, participant is entitled to all of the shares related to the Gross-Up Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.
Death, Disability ³ , or Termination for Select Government Service ⁴	Entire Principal Portion immediately vests and shares are issued 30 days following the termination date.	Entire Gross-up Portion immediately vests, and shares are issued 30 days following the termination date.

EXHIBIT E

Eligibility, Award Levels, and Vesting Schedule

The three employees set forth below are eligible to receive 2007 Retention RSU awards in the amounts listed below:

<u>Employee</u>	<u>Corporate Title</u>	<u>Division</u>	<u>Amount in RSUs (US\$)</u>
1. Dorsey, Alan	MD	IMD	\$2,000,000
2. Lee, Wai	MD	IMD	\$3,000,000
3. McKinney, Richard S.	MD	FID	\$10,000,000
4. Amin, Kaushik	MD	FID	\$10,000,000
Total			\$25,000,000

The number of 2007 Retention RSUs for each employee set forth above shall be determined by dividing the award amount by the closing price of the Corporation's Common Stock on the New York Stock Exchange on December 7, 2007.

Unless otherwise provided in Exhibit F, these RSUs will vest 1/3 per year in years 3, 4 and 5 (on November 30, 2010, November 30, 2011, and November 30, 2012), and convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012 ("the Share Payment Date").

Termination Provisions

<u>Event</u>	<u>Treatment</u>
Voluntary Termination	All unvested RSUs will be immediately forfeited upon termination. Vested RSUs will convert to shares of Lehman Brothers common stock on the Share Payment Date, provided the employee does not engage in Detrimental Activity through that date
Involuntary Termination without Cause	20% of RSUs will vest for each full fiscal year of service following the Grant Date. Shares of Lehman Brothers common stock will be issued on the Share Payment Date, provided the employee does not engage in Detrimental Activity through that date.
Involuntary Termination with Cause	All RSUs will be immediately forfeited upon termination.
Termination Due to Death or Disability	100% of RSUs will immediately vest, and shares of Lehman Brothers common stock will be issued on the 30 th day following the termination date.

EXHIBIT G

Outstanding Unvested Restricted Stock Unit ("RSU") Awards

<u>Employee</u>	<u>Corp. Title</u>	<u>Number of Outstanding Unvested 2003 RSUs</u>	<u>Number of Outstanding Unvested 2004 RSUs</u>	<u>Number of Outstanding Unvested 2005 RSUs</u>	<u>Number of Outstanding Unvested 2006 RSUs</u>	<u>Total Unvested RSUs</u>
1. Kanaan, Khalil A.	SVP	1,185.48	3,878.18	5,172.95	23,836.47	34,073.08
2. Locher, Kurt A.	MD	18,325.76	26,593.00	29,022.37	22,451.40	96,392.53
3. Modukuri, Srinivas	MD	5,643.63	7,656.89	7,524.30	28,603.80	49,428.62
4. Prezioso, Frank C.	MD	1,445.76	9,049.03	32,247.11	28,046.22	70,788.12
5. Ziffer, Matthew J.	SVP	<u>751.72</u>	<u>1,515.58</u>	<u>3,224.65</u>	<u>10,687.08</u>	<u>16,179.03</u>
Total		27,352.35	48,692.68	77,191.38	113,624.97	266,861.38

2007 NEW HIRES STOCK AWARDS

NAME	FUNCTION	DATE OF HIRE	TOTAL VALUE OF AWARD	NUMBER OF RSUs	Vesting Schedule
Rowe, Stanley	MD, Sr Mgr, Administration	9/26/2007	\$3,928,168	57,702	RSUs vest and convert to stock over 4 years beginning in 2008.
Schäpfer, Paul Sheidan	MD, Sr Banker, Real Estate IBD	10/15/2007	\$2,685,613	43,687	RSUs vest and convert to stock over 3 years beginning in 2008.
Bainfield, Colin	MD, Global M & A	8/17/2007	\$2,043,376	34,858	RSUs vest and convert to stock over 4 years beginning in 2008.
Matsu, Hiroyasu	MD, Desk Mgr, Generalist	9/19/2007	\$1,875,218	29,250	RSUs vest and convert to stock over 4 years beginning in 2008.
Ahrens, Nikolai	MD, Natural Resources	5/16/2007	\$1,692,899	22,658	RSUs vest and convert to stock over 4 years beginning in 2008.
Hakanoglu, Eric	MD, Global Finance Analytics	10/15/2007	\$1,158,969	18,552	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Ruffini, Ronald	SVP, Sr Salesperson, Commodities	10/16/2007	\$1,004,877	16,553	RSUs vest and convert to stock over 3 years beginning in 2008.
Giovanelli, Corrado	MD, Desk Mgr, Governments	4/9/2007	\$857,226	13,399	RSUs vest and convert to stock over 4 years beginning in 2008.
Grafach, Christian	MD, Corporate Finance Team	9/20/2007	\$878,883	14,105	RSUs vest and convert to stock over 3 years beginning in 2008.
Lesch, Alexander	SVP, Sr Trader, Commodities	10/15/2007	\$870,541	13,677	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Sun, George	MD, Sr Mgr, High Grade	7/27/2007	\$659,805	10,897	RSUs vest and convert to stock over 3 years beginning in 2008.
Jamgo, Elton	SVP, Sr Trader, Equity Strategies	7/1/2007	\$626,747	8,321	RSUs vest and convert to stock over 5 years beginning in 2007.
Carveron, Ray	MD, Marketing Mgr, Account Mgmt	8/21/2007	\$615,808	10,704	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 3 years.
Adair, John	MD, Desk Mgr, Administration	9/1/2007	\$671,319	10,119	RSUs vest over 1 years beginning in 2006. RSUs convert to stock over 3 years.
Haji, Stephen	SVP, IR, Private Investment Mgmt	4/16/2007	\$444,335	6,855	RSUs vest and convert to stock over 3 years beginning in 2008.
Harris, Richard	SVP, Sr Salesperson, Non-Japanese Product	6/21/2007	\$394,336	4,979	RSUs vest and convert to stock over 4 years beginning in 2008.
Eestrop, Julian	MD, Sr Research Analyst, Spec./Spec. Situations	9/17/2007	\$388,344	6,113	RSUs vest and convert to stock over 3 years beginning in 2008.
Weller, Jonathan	SVP, Sr Marketer, Structured	10/16/2007	\$336,712	5,451	RSUs vest and convert to stock over 4 years beginning in 2008.
Harzo, Massimo	MD, Sr Research Analyst, Administration	10/3/2007	\$328,628	5,130	RSUs vest and convert to stock over 3 years beginning in 2007.
Wittwer, Boal	SVP, Sr Salesperson, Foreign Exchange	11/8/2007	\$272,695	4,660	RSUs vest and convert to stock over 2 years beginning in 2007.
Dorfand, Christopher	SVP, Sr Trader, Commodities	9/12/2007	\$283,538	4,617	RSUs vest and convert to stock over 4 years beginning in 2007.
Logmann, Frederic	SVP, Financial Services	9/17/2007	\$248,428	4,255	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Druman, Brian	MD, Head of Analytics, Asset Mgmt	9/10/2007	\$246,856	4,586	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 3 years.
Day, Charles	SVP, Sr Trader, Synthetics Trading	6/4/2007	\$242,753	3,238	RSUs vest and convert to stock over 2 years beginning in 2008.
Mittal, Ashok	MD, India	10/24/2007	\$223,421	3,851	RSUs vest and convert to stock over 3 years beginning in 2008.
Giacone, Peter	SVP, Director, Finance	10/26/2007	\$221,543	3,530	RSUs vest and convert to stock over 3 years beginning in 2008.
Rutherford, Alastair	VP, Sr Mgr, Support & Control	7/1/2007	\$205,642	2,770	RSUs vest and convert to stock over 2 years beginning in 2008.
King, Richard Yun-Zing	SVP, Sr Banker, Real Estate IBD	9/17/2007	\$184,832	3,310	RSUs vest and convert to stock over 3 years beginning in 2008.
Geary, James	SVP, Equity Capital	10/1/2007	\$181,721	2,855	RSUs vest and convert to stock over 3 years beginning in 2008.
Goldschild, Alain	VP, IR, Private Investment Mgmt	10/1/2007	\$172,426	2,709	RSUs vest and convert to stock over 2 years beginning in 2008.
DeLaVolpe, Brett	SVP, Director, Finance	11/15/2007	\$189,011	2,884	RSUs vest and convert to stock over 3 years beginning in 2008.
Carwright, Neil	SVP, Sr Desk Specialist, Pan-European Product	3/15/2007	\$162,279	2,964	RSUs vest and convert to stock over 2 years beginning in 2008.
Fletcher, Luke	VP, Salesperson, Flow	5/25/2007	\$141,818	2,224	RSUs vest and convert to stock over 2 years beginning in 2007.
Raynaud, Jean-Michel	VP, Trader, Alternative Portfolio Solutions	7/23/2007	\$146,308	2,125	RSUs vest and convert to stock over 4 years beginning in 2008.
Kallapani, Coşkun	VP, Industrial	8/24/2007	\$143,666	2,350	RSUs vest and convert to stock over 3 years beginning in 2008.
Corpus, June	SVP, Sr Project Mgr, Risk Mgmt	9/3/2007	\$143,216	2,512	RSUs vest and convert to stock over 1 year in 2008.
Cyrot, Benjamin	VP, Salesperson, Structured	4/18/2007	\$141,690	1,871	RSUs vest over 4 years beginning in 2007. RSUs convert to stock over 2 years.
Senghvi, Chirag	VP, Sr Research Analyst, India Equities	9/3/2007	\$141,845	2,587	RSUs vest and convert to stock over 2 years beginning in 2007.
Lee, Victoria	VP, Sr Research Analyst, Spec./Spec. Situations	9/17/2007	\$130,857	2,234	RSUs vest and convert to stock over 3 years beginning in 2008.
Wolfe, Bruce	SVP, Project Manager, Analytics	3/6/2007	\$108,809	1,633	RSUs vest and convert to stock over 4 years beginning in 2008.
Stefani, John	SVP, Sr Mgr, Mortgage Capital Division	9/10/2007	\$93,591	1,738	RSUs vest and convert to stock over 3 years beginning in 2008.
Rizzo, Andrea	SVP, Trader, Governments	8/27/2007	\$90,818	1,192	RSUs vest and convert to stock over 1 year in 2010.
Wong, Carman	SVP, Asia Ex-Japan Mgmt	10/1/2007	\$78,117	1,243	RSUs vest over 3 years beginning in 2007. RSUs convert to stock over 3 years.
Wolf, Joseph	SVP, Sr Research Analyst, Emerging Markets	8/17/2007	\$77,172	875	RSUs vest and convert to stock over 3 years beginning in 2008.
Reed, Paul	VP, Mgr, Finance	3/14/2007	\$68,200	1,209	RSUs vest and convert to stock over 4 years beginning in 2008.
Schwarz, Christoph	VP, Banker, ABS	4/10/2007	\$55,480	789	RSUs vest and convert to stock over 3 years beginning in 2008.
TOTAL	46		\$25,413,386	402,671	

* Additional grant to true-up original buyout award; date of grant is based on date of notification.

** Date of re-hire

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 BY LEHMAN BROTHERS HOLDINGS INC.

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2007 EXECUTIVE COMMITTEE AND EXECUTIVE OFFICER CASH BONUS AND RSUs

(\$000s)

	<i>For Reference</i>		<i>For Reference</i>	<i>For Reference</i>			<i>For Reference</i>
	Salary	Cash Bonus	Total Cash	RSU Bonus	Total Special Bonus	Number of Year-end RSUs*	Total Cash + RSUs
Fuld Jr., Richard S.	\$750			\$24,500		551,441.63	
Gregory, Joseph	\$450	\$4,550	\$5,000	\$20,300	\$24,850	456,908.78	\$25,300
McDade III, Herbert	\$450	\$9,550	\$10,000	\$18,000	\$27,550	405,140.79	\$28,000
Callan, Erin	\$200	\$2,650	\$2,850	\$4,650	\$7,300	104,661.37	\$7,500
McCee III, Hugh	\$450	\$8,550	\$9,000	\$14,000	\$22,550	315,109.50	\$23,000
Janulis, Theodore	\$450	\$4,550	\$5,000	\$5,000	\$9,550	112,539.11	\$10,000
Walker, George	\$450	\$7,050	\$7,500	\$10,500	\$17,550	236,332.13	\$18,000
Goldfarb, David	\$450	\$7,550	\$8,000	\$15,500	\$23,050	348,871.23	\$23,500
Lassing, Stephen	\$450	\$4,550	\$5,000	\$10,000	\$14,550	225,078.21	\$15,000
Isaacs, Jeremy	\$579	\$8,421	\$9,000	\$13,000	\$21,421	292,601.68	\$22,000
Nagioff, Roger	\$579	\$8,421	\$9,000	\$13,000	\$21,421	292,601.68	\$22,000
Bhattal, Jasjit	\$450	\$7,050	\$7,500	\$12,500	\$19,550	281,347.77	\$20,000
Russó, Thomas	\$450	\$4,550	\$5,000	\$6,300	\$10,850	141,799.28	\$11,300
O'Meara, Christopher	\$200	\$2,650	\$2,850	\$4,650	\$7,300	104,661.37	\$7,500
Lowitt, Ian	\$200	\$2,650	\$2,850	\$4,650	\$7,300	104,661.37	\$7,500
Freidheim, Scott	\$200	\$2,650	\$2,850	\$4,650	\$7,300	104,661.37	\$7,500
TOTAL	\$6,008	\$85,392	\$91,400	\$181,200	\$242,092	4,078,417.27	\$248,100

*Number of RSUs calculated using a price of \$44.429 (\$63.47 NYSE closing stock price on Dec. 7, 2007, less a 30% discount).

2007 Executive Committee Restricted Stock Unit Awards

Unless otherwise provided in this Exhibit J, Principal RSUs will vest 29% on November 30, 2008, 29% on November 30, 2009, and 42% on November 30, 2010 and 100% of Gross-up RSUs will vest on November 30, 2010. All such vested RSUs will convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012, unless otherwise provided in this Exhibit B.

Termination Provisions – Executive Committee Restricted Stock Units

Event	Principal Portion (Undiscounted base portion of award, 70%)	Gross-up Portion (Portion related to discount, 30%)
Voluntary Termination	Participant is entitled to all vested shares related to the Principal Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.	Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2010. If termination occurs after November 30, 2010, participant is entitled to all of the shares related to the Gross-Up Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.
Involuntary Termination with Cause	Forfeit entire Principal Portion.	Forfeit entire Gross-up Portion.
Involuntary Termination without Cause	Participant is entitled to entire Principal Portion on the scheduled payment date, provided such participant signs a Release Agreement and does not engage in Detrimental Activity through the payment date of November 30, 2012.	Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2010. If termination occurs after November 30, 2010, participant is entitled to all of the shares related to the Gross-Up Portion on the scheduled payment date, provided no Detrimental Activity through the payment date of November 30, 2012.
Death, Disability, or Termination for Select Government Service	Entire Principal Portion immediately vests and shares are issued 30 days following the termination date.	Entire Gross-up Portion immediately vests, and shares are issued 30 days following the termination date.

Change in Control Provisions

Vesting of RSUs

Following a Change in Control (as defined in the 2005 Stock Incentive Plan), except to the extent that, and without limiting the provisions hereunder that specify that, RSUs would otherwise vest earlier or be forfeited in the event of Detrimental Activity, Termination with Cause or voluntary termination or otherwise under this Agreement, all RSUs (Principal and Discount portions) shall vest upon the later of (x) the 18 month anniversary date following a Change in Control or (y) a date determined by the Committee that is within 15 days of the November 30 of the Fiscal Year immediately following the Fiscal Year in which the Change in Control occurs (such later date, the "Change in Control Vesting Date").

Additionally, all RSUs shall become immediately vested in the event of any involuntary Termination without Cause following a Change in Control occurring prior to the Change in Control Vesting Date.

Delivery of Shares

Following a Change in Control, except to the extent that, and without limiting the provisions hereunder that specify that, shares would otherwise be delivered earlier hereunder or RSUs are forfeited due to engagement in Detrimental Activity, Termination with Cause or voluntary termination or otherwise hereunder, shares with respect to RSUs will be delivered on the Change in Control Vesting Date; provided that in the event of Termination for any reason other than death or Disability occurring after a Change in Control but prior to the Change in Control Vesting Date, shares with respect to then vested RSUs will be delivered upon the earlier of (x) the end of the fiscal quarter one year following the termination date or (y) the Change in Control Vesting Date.

For purposes of this Exhibit J, "Fiscal Year" shall mean December 1 through November 30 of the relevant calendar year.

Footnotes:

¹ "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).

² "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).

³ "Disability" means a disability under both the Long-Term Disability Insurance Plan and Social Security Act.

⁴ In the event of a termination for select government service, shares will be issued as soon as practicable following the date of termination, subject to the provisions of Code Section 409A(a)(1).