

**LEHMAN BROTHERS HOLDINGS INC.**  
**Minutes of the Compensation and Benefits Committee**  
**January 28, 2008**

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 January 28, 2008 at 4:30 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

The first order of business was the approval of the Minutes of the meeting held on December 7, 2007. Upon motion duly made and seconded, it was unanimously

RESOLVED, that the Minutes of the Committee Meeting held on December 7, 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 Review Process for Equity Research Personnel

Then, the Committee reviewed and approved the 2007 compensation process for lead equity research analysts. The Committee noted that the process continues to be rigorous and thorough, and they felt the examples of actual performance evaluations were helpful and informative. This material had been distributed to the Committee members and reviewed with each of them individually in advance, as preparation for this meeting. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Committee has previously implemented a comprehensive review process with respect to the compensation of "Lead Research Analysts", lead research analysts employed by Lehman Brothers Inc. as well as certain other equity research analysts employed by other subsidiaries of the Corporation (the "Research Analyst Compensation Review Process"), consistent with the terms of the equity research

settlement, as well as with applicable NYSE and NASD rules concerning the evaluation and compensation of equity research analysts, which process included the establishment of a Research Analyst Compensation Committee (the "RACC"), and

WHEREAS, the Committee has previously resolved to review and approve the compensation process for equity research personnel at least annually, and

WHEREAS, the Committee has received a presentation from the RACC concerning the Research Analyst Compensation Review Process for the fiscal year ended November 30, 2007 ("Fiscal 2007") and the compensation amounts to be paid to Lead Research Analysts for Fiscal 2007, as well as confirmation that the basis for each compensation decision with respect to members of Research management has been documented, the written portion of which presentation is attached hereto as Exhibit A, and has found such process to be satisfactory and consistent with the requirements of the equity research settlement, now therefore be it

RESOLVED, that the Committee hereby approves the Research Analyst Compensation Review Process for Fiscal 2007; and

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 review process 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.

#### 2007 Equity Award Program for LibertyView Employees

Ms. Binkley then described the year-end equity awards proposed for employees of LibertyView Capital Management ("LibertyView"), whose performance year ends on December 31 rather than November 30th. 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. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Committee in its discretion has determined to grant equity awards as a component of 2007 total compensation to employees of LibertyView, now therefore be it

RESOLVED, that the Committee hereby establishes January 28, 2008 as the grant date (the "Grant Date") for such 2007 equity awards in order to align the timing of such grants with the end of LibertyView's fiscal year; and be it further

#### 2007 Standard RSU Awards (Vice Presidents and Below)

RESOLVED, that the Committee hereby grants to each of the employees of LibertyView who meet the eligibility criteria described on Exhibit B, the number of Restricted Stock Units ("RSUs") related to shares of the Corporation's Common Stock, par value \$.10 per share ("Common Stock"), under and subject to the terms of the 2005

Stock Incentive Plan ("SIP"), which 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 set forth on Exhibit K; and be it further

#### 2007 Senior Vice President RSU Awards

RESOLVED, that the Committee hereby grants to each of the Senior Vice Presidents ("SVPs") of LibertyView who meet the eligibility criteria described on Exhibit E, the number of RSUs under and subject to the terms of the SIP, which Senior Vice President RSUs shall be computed in accordance with Exhibit F hereto and shall be subject to the terms and conditions set forth on Exhibits F and G, and the Change in Control provisions set forth on Exhibit K; and be it further

#### 2007 Managing Director RSU Awards

RESOLVED, that the Committee hereby grants to each of the Managing Directors ("MDs") of LibertyView who meet the eligibility criteria described on Exhibit H, the number of RSUs under and subject to the terms of the SIP, which Managing Director RSUs shall be computed in accordance with Exhibit I hereto and shall be subject to the terms and conditions set forth on Exhibits I and J, and the Change in Control provisions set forth on Exhibit K; 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 final 2007 compensation levels for the top 50 most highly-compensated employees, excluding the Executive Committee and Executive Officers. This report had been distributed to the Committee members and reviewed with each of them individually in advance, as preparation for this meeting. An earlier draft of this report had

also been discussed by the Committee at its December meeting. Pursuant to the Committee's request, management provided greater detail on the compensation payout for portfolio managers in the Asset Management business and distributed a summary document in the meeting that described the payout structure.

#### 2008 Objectives for Executive Officers

The Committee then discussed the draft of the goals for the Executive Committee members and Executive Officers (excluding Mr. Fuld's goals), which had been distributed to the Committee members and discussed with each of them individually in advance, as preparation for this meeting. Mr. Fuld noted that the goals were still subject to change in light of the economic environment expected in 2008 as well as continued changes in the Firm's 2008 new initiatives and capital plan. The Committee agreed and also noted that the current goals may change over the course of the year as a result of volatility in the market environment. It was agreed that Mr. Fuld's goals would be discussed with the Committee and the other members of the Board at a later date.

#### Compensation and Benefits Expense for 2008

A conversation then ensued regarding the expected compensation and benefits expense as a percent of net revenue ("comp ratio") for 2008. The Committee referenced a document on this topic that had been prepared at their request and distributed to them in advance, as preparation for this meeting. The material and topics of discussion included the advantages of continuing to invest in the Firm's growth in a downturn, the Firm's successful history as a counter-cyclical investor, competitors' comp ratios, and targeted growth opportunities by business. Mr. Fuld also discussed with the Committee his perspective on projected revenue performance for 2008, the risks in the current market environment, and his plans to partially self-fund new investments through staff reductions. The Committee directed questions to management about the potential scope of staff reductions, the process of redeploying resources, and the impact on the Firm's culture. The Committee was positively inclined to support increasing the Firm's comp ratio for the first quarter but asked for further dialogue on the topic before any decision would be finalized.

#### Amendment to 2005 Stock Incentive Plan

The Committee discussed the proposal to request approval from shareholders for additional shares under the SIP in the upcoming 2008 proxy statement. Ms. Binkley described that the number of shares to be requested was still under discussion and would be submitted to the Committee for approval in the next month. Mr. Fuld noted the challenge of achieving the required level of shareholder support for this request in a difficult market environment. A conversation ensued regarding factors impacting shareholder support, including the level of dilution experienced by the Firm's competitors, the Firm's expected share repurchases for 2008, the compensation ratio for the first quarter, and the proposed change in frequency to annual requests for shareholder approval.

Amendments to the Short-Term Executive Compensation Plan

The next topic discussed was the proposed amendments to the Short-Term Executive Compensation Plan ("STEP"). 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. Ms. Binkley noted that the plan was last approved by shareholders in 2003, and must be re-approved every 5 years in order to comply with tax requirements. In addition, some administrative changes were proposed, including a change to the plan name and the addition of some new performance measures defined in the plan. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Compensation and Benefits Committee of the Board of Directors (the "Committee") generally seeks to preserve the corporate tax deductibility of compensation paid to the named executive officers under Section 162(m) of the Internal Revenue Code; now therefore be it

RESOLVED, that the Committee approves and adopts the Executive Incentive Compensation Plan (F/K/A Short-Term Executive Compensation Plan) in the form attached hereto as Exhibit L; and be it further

RESOLVED, that the Committee hereby recommends that the Board of Directors adopt of the Executive Incentive Compensation Plan, subject to the approval of the stockholders of Holdings; 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 the foregoing plans and programs including, without limitation, 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.

Separation Arrangement for Roger Nagioff

Ms. Binkley summarized the terms of Mr. Nagioff's separation agreement. The separation agreement and a summary of key terms had been distributed to the Committee members and reviewed with each of them individually in advance of the meeting. Ms. Binkley noted that management was recommending a change in the timing of payments relative to those noted in the materials, and the revised recommendation was to make two equal installments in August 2008 and February 2009. The Committee agreed with the timing of payments, and after discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, Roger Nagioff is a very experienced senior executive with valuable business skills and experience that the Corporation wishes to continue to leverage as a resource following his separation of employment, and the Corporation would face significant impact if Mr. Nagioff should following his separation of employment become employed by a competitor of the Corporation or any of its affiliates and/or solicit or hire away employees of the Corporation or its affiliates; and

WHEREAS, the Committee deems it appropriate for the Corporation to enter into a separation arrangement with Mr. Nagioff, now therefore be it

RESOLVED, that the Global Director of Human Resources is hereby authorized and directed to cause the Corporation to enter into a separation agreement between the Corporation and Mr. Nagioff on substantially the terms and conditions attached hereto as Exhibit M (with such changes therein as the Global Director of Human Resources shall approve), including but not limited to providing for cash payments of up to \$7.5 million; and be it further

RESOLVED, that the proper officers of the Corporation are each hereby authorized and directed to take or do any and all actions or things which any such officer deems necessary, appropriate or desirable to carry out the purpose and intent of the foregoing resolutions.

#### Chief Executive Officer 2007 Compensation

The Committee then thanked Mr. Fuld and excused him from the meeting. The Committee continued a private session with Ms. Binkley. They discussed potential compensation scenarios for Mr. Fuld, which had been developed at the direction of Mr. Akers and distributed to the Committee members in advance of the meeting. The Committee also referenced the Firm's 2007 performance, including information summarized in a document describing accomplishments and disappointments for the year, which had been distributed to the Committee and the members of the Board in advance of the meeting.

The Committee highlighted the importance of Mr. Fuld's success in positioning the Firm for strong financial results, diversifying and expanding the Firm's business across region and product, overseeing strong risk management in volatile markets, providing strong leadership and enhancing the Firm's culture.

In addition to the Firm's performance, the Committee also discussed other factors that impacted their decision on Mr. Fuld's compensation, including competitor compensation levels, shareholder perspective on executive compensation levels, and compensation for other members of the Firm's Executive Committee and Executive Officers. Ms. Binkley noted to the Committee updated information on projected 2007 CEO compensation levels for the Firm's competitors, which had been prepared by Alan Johnson, the Committee's external executive compensation consultant, and had been distributed to each of the Committee members in advance of the meeting.

The Committee reviewed all the components of Mr. Fuld's pay and discussed the value of the compensation as it would be reflected to shareholders in the Firm's 2008 proxy statement.

After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Compensation and Benefits Committee of the Board of Directors (the "Committee") of the Corporation has previously set performance standards for the

payment of fiscal 2007 compensation to the Firm's Chairman and Chief Executive Officer; it is therefore

RESOLVED, that the Committee hereby approves an award of \$4,250,000 cash bonus to Richard S. Fuld, Jr. for fiscal 2007 and in connection therewith hereby certifies the satisfaction of the performance goals and other material terms for Special Bonus Awards under the Short-Term Executive Compensation Plan (the "STEP"), which performance goals were established by the Committee on December 8, 2006 for certain individuals; and be it further

Delegation of Authority

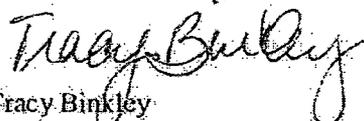
RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to take such further action with respect to the foregoing plans and programs including, without limitation, preparing and distributing award agreements and/or statements, making adjustments for amounts due 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.

Discussion of 2008 Proxy Disclosure

As the last topic, Ms. Binkley updated the Committee on the progress of drafting the Compensation, Discussion and Analysis ("CD&A") section of the Firm's 2008 proxy statement and distributed to the Committee members the current working draft of the CD&A and proxy compensation tables.

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

	Lead Research Analyst	Reviewing Manager	2007 Bonus (US\$)	2007 Total Compensation (excluding special awards) (US\$)	% Change in Total Comp. vs. 2006 (excluding special awards)	Diversity Award (US\$)
<i>Americas</i>						
1	Adler, Meredith	Linde, S	\$1,400,000	\$1,600,000	-3%	\$20,000
2	Annuth, Douglas	Meyers, W / Jayant, V	\$700,000	\$850,000	21%	
3	Baez, M. Gabriela	Meyers, W / Rothman, M	\$475,000	\$600,000	33%	\$20,000
4	Berg, Eric N.	Linde, S	\$400,000	\$600,000	-54%	
5	Bernstein, Jeffrey A.	Meyers, W / Adler, M	\$475,000	\$600,000	33%	
6	Birchénough, Jim	Linde, S	\$1,300,000	\$1,500,000	3%	
7	Bisbee, Gerald E.	Meyers, W / Lazar, A	\$825,000	\$1,000,000	25%	
8	Black, Jeff P.	Linde, S / Adler, M	\$450,000	\$600,000	0%	
9	Blackman, Mathew J.	Meyers, W / Marsh, L / Hopkins, B	\$155,000	\$260,000	8%	
10	Branca, Michael J.	Linde, S / Lazar, A	\$1,250,000	\$1,450,000	-6%	
11	Butler, Charles A.	Linde, S	\$1,400,000	\$1,600,000	7%	
12	Campbell Jr., Joseph F.	Linde, S / Cornell, R	\$1,050,000	\$1,250,000	-24%	
13	Chase, Garrett L.	Meyers, W / Cornell, R	\$1,025,000	\$1,200,000	33%	
14	Cheng, Yim C.	Meyers, W / Gross, II, R / Driscoll, T	\$700,000	\$900,000	-10%	
15	Churamani, Vikram	Meyers, W / Luke, T	\$170,000	\$275,000	10%	
16	Clapsis, Antonios	Meyers, W / Wallace, K	\$85,000	\$185,000	9%	
17	Copeland, Carter	Meyers, W / Cornell, R / Campbell, J	\$255,000	\$360,000	44%	
18	Cornell, Robert T.	Linde, S	\$1,600,000	\$1,800,000	-20%	
19	Crandell, James D.	Linde, S / Gross, II, R / Driscoll, T	\$1,350,000	\$1,550,000	0%	
20	Deshpande, Maneesh S.	Krishna, V	\$625,000	\$769,712	n/a	
21	Diclemente, Anthony	Meyers, W / Jayant, V	\$600,000	\$750,000	30%	
22	Drbul, Robert S.	Linde, S / Adler, M	\$1,700,000	\$1,900,000	-5%	
23	Driscoll, Thomas R.	Linde, S	\$1,200,000	\$1,400,000	0%	
24	Egan, David	Meyers, W / Luke, T	\$125,000	\$225,000	22%	
25	Ergin, Evren	Krishna, V	\$425,000	\$550,000	22%	
26	Feinstein, Adam T.	Linde, S / Marsh, L	\$1,650,000	\$1,850,000	0%	\$60,000
27	Feldman, Brett	Meyers, W / Jayant, V	\$295,000	\$400,000	45%	
28	Fischbeck, Kevin M.	Meyers, W / Marsh, L	\$185,000	\$300,000	-8%	
29	Ford, Daniel F.	Linde, S	\$3,400,000	\$3,600,000	6%	
30	Freeman, Roger A.	Meyers, W	\$450,000	\$600,000	20%	
31	Gelb, Jay	Meyers, W	\$1,050,000	\$1,250,000	25%	
32	Goldberg, Jason M.	Linde, S	\$2,050,000	\$2,250,000	5%	
33	Gross, II, Richard G.	Linde, S	\$1,700,000	\$1,900,000	3%	
34	Guido, Dana	Meyers, W / Ward, P	\$195,000	\$300,000	15%	

	Lead Research Analyst	Reviewing Manager	2007 Bonus (US\$)	2007 Total Compensation (excluding special awards) (US\$)	% Change in Total Comp. vs. 2006 (excluding special awards)	Diversity Award (US\$)
35	Handler, Eric O.	Meyers, W / Jayant, V	\$285,000	\$400,000	23%	
36	Harmon, Jim	Meyers, W / Gross II, R / Driscoll, T	\$170,000	\$275,000	0%	
37	Harris, David B.	Meyers, W	\$350,000	\$500,000	-17%	
38	Harting, Bruce W.	Linde, S	\$1,300,000	\$1,500,000	-70%	
39	Hendrix, Felicia R.	Linde, S / Lazar, A	\$1,150,000	\$1,350,000	-7%	
40	Hernandez, Israel	Linde, S / Luke, T	\$400,000	\$600,000	-33%	\$5,000
41	Hopkins, Robert A	Linde, S / Marsh, L	\$2,400,000	\$2,600,000	4%	
42	Howland, Karen	Meyers, W / Adler, M	\$195,000	\$300,000	50%	
43	Huber, Craig A.	Meyers, W / Jayant, V	\$700,000	\$875,000	0%	
44	Jain, Sangita	Meyers, W / Cornell, R	\$235,000	\$350,000	-7%	
45	Jao, Andrea T.	Meyers, W	\$225,000	\$350,000	-18%	
46	Jayant, Vijay	Linde, S	\$1,900,000	\$2,100,000	5%	
47	Johnson, Brian A.	Linde, S / Cornell, R	\$900,000	\$1,100,000	22%	
48	Kaplowitz, Andrew A.	Meyers, W / Cornell, R	\$345,000	\$450,000	55%	
49	Kessler, Jeffrey T.	Meyers, W / Lazar, A	\$275,000	\$425,000	-23%	
50	Krapivin, Yuri Y.	Meyers, W / Luke, T	\$260,000	\$375,000	7%	
51	Krishna, Venu J.	Linde, S / Mattu, R	\$850,000	\$1,050,000	5%	
52	Kupferschmidt, Marcus L.	Meyers, W / Luke, T	\$210,000	\$325,000	0%	
53	Kvaal, Jeffrey T.	Meyers, W / Luke, T	\$550,000	\$700,000	17%	
54	Lafemina, Christopher M.	Norris, P / Meyers, W	\$450,000	\$600,000	20%	
55	Lasser, Michael	Meyers, W / Adler, M	\$260,000	\$375,000	25%	
56	Lazar, Andrew	Linde, S	\$1,900,000	\$2,100,000	-9%	
57	Lieberman, Lauren R.	Linde, S / Lazar, A	\$1,200,000	\$1,400,000	25%	
58	Luke, Timothy F.	Linde, S	\$3,800,000	\$4,000,000	-9%	
59	Mallick, Devapriya	Krishna, V	\$245,000	\$350,000	40%	
60	Marr, Charles R.	Meyers, W / Wallace, K	\$160,000	\$265,000	4%	
61	Marsh, Lawrence C.	Linde, S	\$1,700,000	\$1,900,000	-14%	
62	Muse, Christopher J.	Meyers, W / Luke, T	\$450,000	\$600,000	20%	
63	O'Callaghan, Shannon	Meyers, W / Cornell, R	\$450,000	\$600,000	20%	
64	Orrill, Gregg	Meyers, W	\$700,000	\$875,000	6%	
65	Postal, Steven M	Meyers, W / Marsh, L	\$110,000	\$215,000	5%	
66	Raskin, Joshua R.	Linde, S / Marsh, L	\$1,250,000	\$1,450,000	-6%	\$20,000
67	Robertson, Jeffrey W.	Meyers, W / Gross II, R / Driscoll, T	\$650,000	\$850,000	6%	
68	Rothman, Matthew S.	Mattu, R	\$1,400,000	\$1,600,000	7%	
69	Ruschmeier, Peter B.	Meyers, W / Cornell, R	\$700,000	\$900,000	0%	
70	Sabbagha, Caroline E.	Linde, S / Luke, T	\$580,000	\$700,000	-15%	
71	Sedita, Angeline M.	Meyers, W / Gross II, R / Driscoll, T	\$250,000	\$400,000	-43%	

	Lead Research Analyst	Reviewing Manager	2007 Bonus (US\$)	2007 Total Compensation (excluding special awards) (US\$)	% Change in Total Comp. vs. 2006 (excluding special awards)	Diversity Award (US\$)
72	Seitz, Thomas O.	Meyers, W / Jayant, V	\$725,000	\$900,000	20%	
73	Shah, Romit	Meyers, W / Luke, T	\$500,000	\$650,000	24%	
74	Silver, Richard B.	Meyers, W	\$400,000	\$600,000	33%	
75	Singh, Inder M.	Linde, S / Luke, T	\$1,200,000	\$1,284,615	n/a	
76	Swatland, Noelle A.	Meyers, W / Luke, T	\$160,000	\$275,000	-8%	
77	Talbott Mcgrath, Megan	Meyers, W / Jayant, V	\$235,000	\$350,000	8%	
78	Thomas, Bradley B	Meyers, W / Adler, M	\$195,000	\$300,000	40%	
79	Tiss, Joel G.	Linde, S / Cornell, R	\$450,000	\$650,000	-43%	\$5,000
80	Toti, David	Meyers, W / Harris, D	\$170,000	\$275,000	8%	\$5,000
81	Tsao, Douglas D.	Meyers, W / Marsh, L	\$100,000	\$200,000	14%	
82	Vasnetsov, Sergey A.	Linde, S / Gross II, R / Driscoll, T	\$1,000,000	\$1,200,000	-20%	
83	Wallace, Kim N.	Linde, S	\$750,000	\$950,000	-10%	\$5,000
84	Ward, Peter D.	Linde, S	\$1,500,000	\$1,700,000	0%	
85	West, James C.	Meyers, W / Gross II, R / Driscoll, T	\$400,000	\$525,000	31%	
86	Whang, Sungha Daniel	Meyers, W / Cornell, R	\$135,000	\$250,000	-18%	
87	Willens, Robert	Meyers, W	\$200,000	\$400,000	-20%	
<i>Europe</i>						
88	Belaunde, David	Norris P / Shackleton, J	\$181,048	\$350,000	-17%	
89	Gardner, Philippa Jola	Norris P / Walton, J / Weston, M	\$50,686	\$166,965	7%	
90	Hellmuth, Dorothee Hanna	Norris P / Will, C	\$350,924	\$500,000	34%	
91	Jeffrey, Smart A	Norris, P	\$431,664	\$700,000	17%	
92	Walker, Matthew J	Norris, P / Tennant, C	\$306,664	\$575,000	-23%	
93	Welford, Peter	Norris, P / Walton, J / Weston, M	\$281,048	\$450,000	11%	
<i>Asia</i>						
94	Bihani, Sundeep	Chan, K / Wuh, P / He, H	\$416,149	\$625,000	39%	
95	Choy, Tsun Kit	Chan, K / Louie, P / He, H	\$74,924	\$140,943	54%	
96	Chu, Danny Wai Kit	Chan, K / He, H	\$178,277	\$300,000	14%	
97	Du, Yanyi	Chan, K / Ho, H / He, H	\$509,000	\$694,681	n/a	
98	Feng, Zhe	Chan, K / Ho, H / He, H	\$461,650	\$650,000	86%	
99	Hou, Yankun	Chan, K / Ho, H / He, H	\$121,723	\$256,259	25%	
100	Hsu, Chung Wei John	Leu, A / Chan, K / He, H	\$278,541	\$400,000	45%	
101	Huang, Jiaying	Chan, K / Ho, H / He, H	\$83,284	\$144,181	n/a	
102	Hung, Yueh Chuan	Leu, A / He, H	\$136,132	\$250,000	51%	
103	Kerr, Naitwen	Leu, A / Chan, K / He, H	\$133,359	\$270,000	-17%	
104	Khao, Chiew Cheng	He, H	\$1,265,552	\$1,550,000	15%	\$15,000

	Lead Research Analyst	Reviewing Manager	2007 Bonus (US\$)	2007 Total Compensation (excluding special awards) (US\$)	% Change in Total Comp. vs. 2006 (excluding special awards)	Diversity Award (US\$)
105	Kim, James Jisung	Koo, Z / Chan, K / He, H	\$735,062	\$950,000	28%	
106	Koo, Zayong	Chan, K / He, H	\$585,062	\$800,000	14%	
107	Lee, Andrew Kam Wing	Chan, K / He, H	\$171,694	\$256,115	n/a	
108	Lee, Ming Kwong Ivan	Chan, K / He, H	\$962,960	\$1,200,000	71%	
109	Leu, Abraham	Chan, K / He, H / Mattu, R	\$0	\$258,100	-74%	
110	Lo, Man Chuen Benjamin	Chan, K / He, H	\$251,890	\$349,714	n/a	
111	Lo, Michael	Chan, K / Khoo, C / He, H	\$122,777	\$244,500	15%	
112	Louie, Paul	Chan, K / He, H	\$589,838	\$750,000	30%	
113	Peng, Yan Yan	Chan, K / Ho, H / He, H	\$64,065	\$121,723	12%	
114	Por, Yong Liang	Chan, K / Khoo, C / He, H	\$168,277	\$290,000	20%	
115	Schulte, Paul	Chan, K / He, H	\$300,000	\$392,395	n/a	
116	Siu, Michael	Chan, K / He, H	\$261,149	\$470,000	0%	
117	Wang, Yolanda Yu Ya	Leu, A / He, H	\$213,359	\$350,000	13%	
118	Wong, Man Yin	Chan, K / He, H	\$209,503	\$345,000	n/a	
119	Wong, Pui Wing Perven	Chan, K / Lo, M / He, H	\$65,987	\$123,663	n/a	
120	Wuh, Paul	Chan, K / He, H	\$362,960	\$600,000	11%	\$15,000
121	Yang, Chun Han	Leu, A / Chan, K / He, H	\$263,359	\$400,000	23%	
122	Yang, Stanley Sung Uk	Koo, Z / Chan, K / He, H	\$228,049	\$400,000	8%	
123	Yoneshima, Keiichi	Chiwata, K / He, H	\$154,781	\$285,000	-1%	
<i>India</i>						
124	Agarwal, Ankur	Kaushik, S / Invernizzi, S	\$64,840	\$102,160	96%	
125	Garg, Rahul	Kaushik, S / Randall, L	\$29,650	\$52,268	79%	
<i>Grand Total</i>			<i>\$78,855,887</i>	<i>\$98,302,995</i>		<i>\$170,000</i>

Eligibility Criteria

The group of employees as defined below is eligible to receive Standard RSU Awards:

All active LibertyView employees or LibertyView employees on leaves of absence, as of the Grant Date, excluding all Managing Directors, Senior Vice Presidents, employees on long-term disability on the Grant Date or 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 part-time hourly employees.

Furthermore, if the number of RSUs calculated in accordance with Exhibit C results in fewer than five RSUs being awarded for an eligible participant, then such a participant will no longer be considered eligible to receive an RSU award. Bonus-eligible employees who do not receive a bonus will not receive an equity award.

2007 Standard RSU Award Levels

All eligible employees will be awarded RSUs under the SIP as of the Grant Date. The portion of compensation payable in RSUs will be the value determined using 2007 Compensation as defined below and the Standard 2007 Stock Component Summary Table below. The number of RSUs awarded will be based on the closing price of the Common Stock on the Grant Date, discounted by 25%.

These RSUs will vest 75% on November 30, 2009 and 25% on November 30, 2012, unless otherwise provided in Exhibit D. RSUs will convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012, unless otherwise provided in Exhibit D or Exhibit K.

*Standard 2007 Stock Component Summary Table*

Compensation Range	Amount of 2007 Compensation Awarded in RSUs
\$0 - \$74,999	1.15% of 2007 Compensation
\$75,000 - \$99,999	2.3% of 2007 Compensation
\$100,000 - \$199,999	\$2,300 plus 6.9% of 2007 Compensation over \$100,000
\$200,000 - \$299,999	\$9,200 plus 11.5% of 2007 Compensation over \$200,000
\$300,000 - \$499,999	\$20,700 plus 17.25% of 2007 Compensation over \$300,000
\$500,000 - \$749,999	\$55,200 plus 23% of 2007 Compensation over \$500,000
\$750,000 - \$999,999	\$112,700 plus 28.75% of 2007 Compensation over \$750,000
\$1,000,000 - \$1,499,999	\$192,600 plus 36% of 2007 Compensation over \$1.0 million
\$1,500,000 - \$1,999,999	\$372,600 plus 42% of 2007 Compensation over \$1.5 million
\$2,000,000 - \$2,499,999	\$582,600 plus 48% of 2007 Compensation over \$2.0 million
\$2,500,000 and up	\$822,600 plus 54% of 2007 Compensation over \$2.5 million up to a maximum of 36% of 2007 Compensation

EXHIBIT D

Termination Provisions - Standard Restricted Stock Units

Event	Principal Portion (Undiscounted base portion of award, 75%)	Gross-up Portion (Portion related to discount, 25%)
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, 2012.</p>
Involuntary Termination with Cause <sup>3</sup>	<p>Forfeit entire Principal Portion.</p>	<p>Forfeit entire Gross-up Portion.</p>
Involuntary Termination without Cause	<p>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.</p>	<p>Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2012.</p>
Full Career Termination <sup>4</sup>	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Principal Portion, provided no Competitive Activity<sup>5</sup> through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p>	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Competitive Activity through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p>
	<p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Principal Portion, provided no Detrimental Activity through the payment date.</p>	<p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Detrimental Activity through the payment date.</p>
	<p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>	<p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>
Death, Disability <sup>6</sup> , or Termination for Select Government Service <sup>7</sup>	<p>Entire Principal Portion immediately vests and shares are issued 30 days following the termination date.</p>	<p>Entire Gross-up Portion immediately vests, and shares are issued 30 days following the termination date.</p>

Eligibility Criteria

The group of employees as defined below is eligible to receive Senior Vice President RSUs:

All active LibertyView employees with a corporate title of Senior Vice President or such other corporate title equivalent to Senior Vice President of Holdings or Lehman Brothers Inc., as determined by Holdings or Lehman Brothers Inc. (hereafter referred to collectively as "Senior Vice Presidents" or "SVPs") and LibertyView SVPs on leaves of absence as of the Grant Date, excluding employees on long-term disability on the Grant Date or notified prior to the Grant Date of their pending termination, and 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.

Furthermore, if the number of RSUs calculated in accordance with Exhibit F results in fewer than five RSUs being awarded for an eligible participant, then such a participant will no longer be considered eligible to receive an RSU award. Bonus-eligible employees who do not receive a bonus will not receive an equity award.

2007 Senior Vice President Award Levels

All eligible SVP employees will be awarded RSUs under the SIP as of the Grant Date. The portion of compensation payable in RSUs will be the value determined using 2007 Compensation and the 2007 SVP Stock Component Summary Table below. The number of SVP RSUs awarded will be based on the closing price of the Common Stock on the Grant Date, discounted by 25%. The SVP RSUs will vest 75% on November 30, 2009 and 25% on November 30, 2012, unless otherwise provided in Exhibit G. RSUs will convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012, unless otherwise provided in Exhibit G or Exhibit K.

*2007 SVP Stock Component Summary Table*

Compensation Range	Amount of 2007 Compensation Awarded in RSUs
\$0 - \$99,999	2.3% of 2007 Compensation
\$100,000 - \$199,999	\$2,300 plus 6.9% of 2007 Compensation over \$100,000
\$200,000 - \$299,999	\$9,200 plus 11.5% of 2007 Compensation over \$200,000
\$300,000 - \$499,999	\$34,500 plus 18.6875% of 2007 Compensation over \$300,000
\$500,000 - \$749,999	\$71,875 plus 23% of 2007 Compensation over \$500,000
\$750,000 - \$999,999	\$129,375 plus 40.25% of 2007 Compensation over \$750,000
\$1,000,000 - \$1,499,999	\$240,000 plus 42% of 2007 Compensation over \$1.0 million
\$1,500,000 - \$1,999,999	\$450,000 plus 54% of 2007 Compensation over \$1.5 million
\$2,000,000 - \$2,499,999	\$720,000 plus 66% of 2007 Compensation over \$2.0 million
\$2,500,000 and up	42% of 2007 Compensation

**EXHIBIT G**

Termination Provisions - Senior Vice President Restricted Stock Units

Event	Principal Portion (Undiscounted base portion of award, 75%)	Gross-up Portion (Portion related to discount, 25%)
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, 2012.</p>
Involuntary Termination with Cause	<p>Forfeit entire Principal Portion.</p>	<p>Forfeit entire Gross-up Portion.</p>
Involuntary Termination without Cause	<p>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.</p>	<p>Forfeit entire Gross-up Portion if termination occurs prior to November 30, 2012.</p>
Full Career Termination	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Principal Portion, provided no Competitive Activity through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p>	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Competitive Activity through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p>
	<p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Principal Portion, provided no Detrimental Activity through the payment date.</p>	<p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Detrimental Activity through the payment date.</p>
	<p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>	<p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>
Death, Disability, or Termination for Select Government Service	<p>Entire Principal Portion immediately vests and shares are issued 30 days following the termination date.</p>	<p>Entire Gross-up Portion immediately vests, and shares are issued 30 days following the termination date.</p>

Capitalized terms not defined in this Exhibit G have the meaning assigned to them on Exhibit D.

Eligibility Criteria

The group of employees as defined below is eligible to receive Managing Director RSUs:

All active LibertyView employees 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., as determined by Holdings or Lehman Brothers Inc. (hereafter referred to collectively as "Managing Directors" or "MDs") and LibertyView MDs on leaves of absence from the Firm as of the Grant Date, excluding non-Board Executive Committee members and Executive Officers as required for SEC reporting purposes; employees on long-term disability on the Grant Date or notified prior to the Grant Date of their pending termination, and 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.

Furthermore, if the number of RSUs calculated in accordance with Exhibit I results in fewer than five RSUs being awarded for an eligible participant, then such a participant will no longer be considered eligible to receive an RSU award. Bonus-eligible employees who do not receive a bonus will not receive an equity award.

2007 Managing Director Award Levels

All eligible MD employees will be awarded RSUs under the SIP as of the Grant Date. The portion of compensation payable in MD RSUs will be calculated based on 2007 Compensation and the 2007 MD Stock Component Summary Table. The number of MD RSUs awarded will be based on the closing price of the Common Stock on the Grant Date, discounted by 30%. The MD RSUs will vest 35% on November 30, 2010 and 65% on November 30, 2012, unless otherwise provided in Exhibit J. RSUs will convert to shares of Common Stock, which will be issued without restrictions on November 30, 2012, unless otherwise provided in Exhibit J or Exhibit K.

2007 MD Stock Component Summary Table

Compensation Range	Amount of 2007 Compensation Awarded in RSUs
\$0 - \$99,999	2.3% of 2007 Compensation
\$100,000 - \$199,999	\$2,300 plus 6.9% of 2007 Compensation over \$100,000
\$200,000 - \$299,999	\$9,200 plus 11.5% of 2007 Compensation over \$200,000
\$300,000 - \$499,999	\$34,500 plus 18.6875% of 2007 Compensation over \$300,000
\$500,000 - \$749,999	\$71,875 plus 23% of 2007 Compensation over \$500,000
\$750,000 - \$999,999	\$129,375 plus 40.25% of 2007 Compensation over \$750,000
\$1,000,000 - \$1,499,999	\$240,000 plus 52.8% of 2007 Compensation over \$1.0 million
\$1,500,000 - \$1,999,999	\$504,000 plus 67.2% of 2007 Compensation over \$1.5 million
\$2,000,000 - \$2,499,999	\$840,000 plus 72% of 2007 Compensation over \$2.0 million
\$2,500,000 and up	\$1,200,000 plus 75% of 2007 Compensation over \$2.5 million to a max of 50% of 2007 Compensation

Termination Provisions - 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, 2010.</p> <p>If termination occurs after November 30, 2010, participant is entitled to 50% 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, 2012.</p>
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, 2012.
Full Career Termination	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Principal Portion, provided no Competitive Activity through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p> <p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Principal Portion, provided no Detrimental Activity through the payment date.</p> <p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>	<p><u>Voluntary Termination</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Competitive Activity through the end of the fiscal quarter one year following the termination date and no Detrimental Activity through the payment date.</p> <p><u>Involuntary Termination without Cause</u></p> <p>Participant is entitled to entire Gross-Up Portion, provided no Detrimental Activity through the payment date.</p> <p>For both voluntary and involuntary terminations, the payment date is November 30, 2012.</p>
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.

Capitalized terms not defined in this Exhibit J have the meaning assigned to them on Exhibit D.

Change in Control ProvisionsVesting of RSUs

Following a Change in Control (as defined in the SIP), except to the extent that, and without limiting the provisions under the terms of the RSU Award Agreement 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 the RSU Award 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 under the terms of the RSU Award Agreement that specify that, shares would otherwise be delivered earlier thereunder or RSUs are forfeited due to engagement in Detrimental Activity, Termination with Cause or voluntary termination or otherwise under the terms of the RSU Award Agreement, 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 K, "Fiscal Year" shall mean December 1 through November 30 of the relevant calendar year.

**LEHMAN BROTHERS HOLDINGS INC. EXECUTIVE INCENTIVE COMPENSATION PLAN (F/K/A SHORT-TERM EXECUTIVE COMPENSATION PLAN) (AS PROPOSED)**

1. **PURPOSE.** The purpose of the Executive Incentive Compensation Plan (the "Plan") is to advance the interests of Lehman Brothers Holdings Inc., a Delaware corporation (the "Company"), and its stockholders by providing incentives in the form of periodic bonus awards to certain employees of the Company and any of its subsidiaries or other related business units or entities ("Affiliates") including those who contribute significantly to the strategic and long-term performance objectives and growth of the Company and its Affiliates.

2. **ADMINISTRATION.** The Plan shall be administered by the Compensation and Benefits Committee of the Board of Directors (the "Committee"), as such committee is from time to time constituted. The Committee may delegate its duties and powers in whole or in part (i) to any subcommittee thereof consisting solely of at least two "outside directors," as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), or (ii) to the extent consistent with Section 162(m) of the Code, to any other individual or individuals.

The Committee has all the powers vested in it by the terms of the Plan set forth herein, such powers to include the exclusive authority to select the employees to be granted bonus awards ("Bonuses") under the Plan, to determine the size and terms of the Bonus to be made to each individual selected (subject to the limitation imposed on "Performance Bonuses," as defined below), to modify the terms of any Bonus that has been granted (except with respect to any modification which would increase the amount of compensation payable to a "Covered Employee," as such term is defined in Section 162(m) of the Code), to determine the time when Bonuses will be awarded, to establish performance objectives in respect to Bonuses and to certify that such performance objectives were attained. The Committee is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable to carry it into effect. Any decision of the Committee in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned. No member of the Committee and no officer of the Company shall be liable for anything done or omitted to be done by him or her, by any other member of the Committee or by any officer of the Company in connection with the performance of duties under the Plan, except for his or her own willful misconduct or as expressly provided by statute.

3. **PARTICIPATION.** The Committee shall have exclusive power (except as may be delegated as permitted herein) to select the employees of the Company and its Affiliates who may participate in the Plan and be granted Bonuses under the Plan ("Participants"); provided, however, that Performance Bonuses (as defined below) may only be granted to members of the Company's Executive Committee (or any successor entity of such committee in accordance with subsection (c) below) and other Managing Directors of the Company.

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#### 4. BONUSES UNDER THE PLAN.

(a) In General. The Committee shall determine the amount of a Bonus to be granted to each Participant in accordance with subsections (b) and (c) below.

(b) Standard Bonuses. The Committee may in its discretion grant to a Participant a cash Bonus (a "Standard Bonus") in the amount, and payable at the time, determined by the Committee or its delegate in its discretion. The amount of a Participant's Standard Bonus may be based upon any criteria the Committee wishes to consider, including but not limited to the objective or subjective performance of the Participant, the Company or any subsidiary or division thereof.

(c) Performance Bonuses.

(i) The Committee may in its discretion award a Bonus to a Participant who it reasonably believes may be or may become a Covered Employee (a "Performance Bonus") for the taxable year of the Company in which such Bonus would be deductible, under the terms and conditions of this subsection (c). Subject to clause (iv) of this Section 4(c), the amount of a Participant's Performance Bonus shall be an amount determinable from written performance goals approved by the Committee while the outcome is substantially uncertain and no more than 90 days after the commencement of the period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period. The maximum amount of any Performance Bonus that may be granted in any given fiscal year shall be 2.0% of the consolidated income of the Company and its subsidiaries before taxes (as stated in the Company's audited financial statements) for the fiscal year in respect of which the Performance Bonus is to be paid.

(ii) The amount of any Performance Bonus will be based on objective performance goals established by the Committee using one or more performance factors. The performance criteria for Performance Bonuses made under the Plan will be based upon one or more of the following criteria: (A) before or after tax net income; (B) earnings per share; (C) book value per share; (D) stock price; (E) return on Stockholders' equity (or tangible equity); (F) expense management; (G) return on investment; (H) improvements in capital structure; (I) profitability of an identifiable business unit or product; (J) before or after tax profit margins; (K) budget comparisons; (L) total return to Stockholders; (M) economic value added; (N) revenues, sales or net revenues; (O) operating income; (P) costs; (Q) cash flow; (R) working capital or (S) return on assets. The foregoing criteria may relate to the Company, one or more of its subsidiaries or one or more of its divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code, the performance goals may be calculated without regard to extraordinary items.

(iii) The Committee shall determine whether the performance goals have been met with respect to any affected Participant and, if they have, so certify and ascertain the amount of the applicable Performance Bonus. No Performance Bonuses will be paid until such certification is made by the Committee. Payment of Performance Bonuses shall be made in cash

and/or in the form of equity-based awards under one of the Company's equity incentive plans, as determined by the Committee in its discretion:

(iv) The provisions of this Section 4(c) shall be administered and interpreted in accordance with Section 162(m) of the Code to ensure the deductibility by the Company or its affiliates of the payment of Performance Bonuses.

5. **DESIGNATION OF BENEFICIARY BY PARTICIPANT.** The Committee or its delegate shall create a procedure whereby a Participant may file, on a form to be provided by the Committee, a written election designating one or more beneficiaries with respect to the amount, if any, payable in the event of the Participant's death. The Participant may amend such beneficiary designation in writing at any time prior to the Participant's death, without the consent of any previously designated beneficiary. Such designation or amended designation, as the case may be, shall not be effective unless and until received by the duly authorized representatives of the Committee or its delegate prior to the Participant's death. In the absence of any such designation, the amount payable, if any, shall be delivered to the legal representative of such Participant's estate.

6. **MISCELLANEOUS PROVISIONS.**

(a) No employee or other person shall have any claim or right to be paid a Bonus under the Plan. Determinations made by the Committee under the Plan need not be uniform and may be made selectively among eligible individuals under the Plan, whether or not such eligible individuals are similarly situated. Neither the Plan nor any action taken hereunder shall be construed as giving any employee or other person any right to continue to be employed by or perform services for the Company or any Affiliate, and the right to terminate the employment of or performance of services by any Participant at any time and for any reason is specifically reserved to the Company and its Affiliates.

(b) Except as may be approved by the Committee, a Participant's rights and interest under the Plan may not be assigned or transferred, hypothecated or encumbered in whole or in part either directly or by operation of law or otherwise (except in the event of a Participant's death) including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner; provided, however, that, subject to applicable law, any amounts payable to any Participant hereunder are subject to reduction to satisfy any liabilities owed to the Company or any of its Affiliates by the Participant.

(c) The Committee shall have the authority to determine in its sole discretion the applicable performance period relating to any Bonus; provided, however, that any such determination with respect to a Performance Bonus shall be subject to any applicable restrictions imposed by Section 162(m) of the Code.

(d) The Company and its Affiliates shall have the right to deduct from any payment made under the Plan any federal, state, local or foreign income or other taxes required by law to be withheld with respect to such payment.

(e) The Company is the sponsor and legal obligor under the Plan, and shall make all payments hereunder, other than any payments to be made by any of the Affiliates, which shall be:

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made by such Affiliate, as appropriate. Nothing herein is intended to restrict the Company from charging an Affiliate that employs a Participant for all or a portion of the payments made by the Company hereunder. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any amounts under the Plan, and rights to the payment hereunder shall be no greater than the rights of the Company's unsecured, subordinated creditors, and shall be subordinated to the claims of the customers and clients of the Company. All expenses involved in administering the Plan shall be borne by the Company.

(f) The validity, construction, interpretation, administration and effect of the Plan and rights relating to the Plan and to Bonuses granted under the Plan shall be governed by the substantive laws, but not the choice of law rules, of the State of Delaware.

(g) Any controversy or dispute arising in connection with the Plan shall be resolved by arbitration pursuant to the Constitution and rules of the New York Stock Exchange, Inc. or the National Association of Securities Dealers, Inc.

(h) The Plan shall be effective as of [April 15, 2008], subject to the affirmative vote of the holders of a majority of all shares of Common Stock of the Company present in person or by proxy at the Annual Meeting of the Company to be held on [April 15, 2008].

7. **PLAN AMENDMENT OR SUSPENSION.** The Plan may be amended or suspended in whole or in part at any time and from time to time by the Committee.

8. **PLAN TERMINATION.** This Plan shall terminate upon the adoption of a resolution of the Committee terminating the Plan.

9. **ACTIONS AND DECISION REGARDING THE BUSINESS OR OPERATIONS OF THE COMPANY AND/OR ITS AFFILIATES.** Notwithstanding anything in the Plan to the contrary, neither the Company nor any of its Affiliates nor their respective officers, directors, employees or agents shall have any liability to any Participant (or his or her beneficiaries or heirs) under the Plan or otherwise on account of any action taken, or not taken, in good faith by any of the foregoing persons with respect to the business or operations of the Company or any Affiliates.

10. **SUBORDINATED CAPITAL STATUS.** Notwithstanding any other provision of this Plan, any amounts due to Participants hereunder may be treated, in the Committee's sole discretion, to the extent that the Company accrues a liability in respect thereof, as subordinated capital of the Company in calculating the Company's net capital for regulatory purposes, and the terms of the Plan applicable to such amounts shall include (and, may be amended to add) such provisions as the Committee determines are necessary or appropriate in order to secure such treatment, including without limitation, provisions for the suspension of any payment obligation under the Plan under certain prescribed circumstances.

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## LEHMAN BROTHERS

TRACY BINKLEY  
MANAGING DIRECTOR

January 23, 2008  
*Revised January 28, 2008.*

Roger Nagloff  
26 Loom Lane  
Radlett  
Hertfordshire  
WD7 8AD  
GREAT BRITAIN

Dear Roger:

This letter agreement will confirm our understanding with respect to your resignation from employment with Lehman Brothers and its subsidiaries and affiliates (the "Firm"). This letter is subject to approval by the Compensation and Benefits Committee of the Board of Directors of Lehman Brothers Holdings Inc.

1. Effective as of February 29, 2008, you will resign your position as Managing Director and all committee memberships and other positions you hold with the Firm (your "Separation Date").
2. For your information, you are eligible to receive the cash portion of your 2007 bonus as set forth in your 2007 Total Compensation Statement, to be paid on January 31, 2008. You are not entitled to the equity portion of your 2007 bonus award.
3. Provided you do not engage in Competitive Activity or Detrimental Activity (each as defined on Exhibit A), and otherwise abide by your obligations under this letter agreement, you will be eligible for the following special separation payments on the following dates, or as soon as administratively practicable thereafter:
  - \$3,750,000 on August 29, 2008
  - \$3,750,000 on February 27, 2009

If you engage in Competitive Activity or Detrimental Activity at any time through August 28, 2009, or if you at any time materially breach any obligation you have under this letter agreement (including the obligation to provide assistance as described in paragraph 7 below), you will forfeit any right to future payments under this paragraph and will be required to repay to the Firm any special separation payments already paid to you. These special separation payments will be paid on an all-cash basis and will be subject to applicable tax withholding.

4. Your outstanding equity awards will be treated per the terms and conditions of the applicable award agreements and plan documents, under the circumstances of a resignation. (Note that you are not "full career" under the terms of your outstanding equity awards.) For your information, a summary of your equity award holdings has been provided to you.
5. With respect to your participation in any investment partnerships, the terms and conditions of your continued participation as a limited partner will be determined per the applicable partnership agreements. For your information, a summary of your partnership interests will be provided to you with this letter.
6. You are eligible to receive an accrued annual retirement benefit, subject to the terms and conditions of Lehman Brothers Holdings Inc.'s Supplemental Retirement Plan ("SERP"). Your accrued annual benefit, projected to your Separation Date, is \$285,385 (subject to applicable tax withholding). As more fully described in the controlling plan document, you will be eligible for up to 25 annual payments, commencing at age 60, provided that you have not engaged in Competitive Activity or Detrimental Activity through the applicable payment dates.
7. Except as otherwise provided by the terms of the applicable plans or programs or by this letter agreement, you will not be eligible for any continuing coverage or participation under the Firm's employee benefit or compensation plans or programs after your Separation Date. For further information concerning post-separation medical plan coverage, please contact Sarah Lewis at 44 (20) 710 22089.
8. As a departing member of the Firm's Executive Committee, and in consideration of the terms of this agreement, including the special separation payments:
  - a) you will cooperate with the Firm with respect to matters relating to your responsibilities while employed by the Firm, including but not limited to any business-related litigations, arbitrations or investigations;
  - b) through August 28, 2009, you will be available from time to time to the Firm's CEO, President, and CEO for Europe, as well as their designees, to advise on general business matters, including matters related to the Firm's plans and activities in emerging markets, including the Middle East and Russia;
  - c) you will maintain in strictest confidence all confidential or proprietary information concerning or relating to the Firm and/or its clients and not disclose or provide access to or copies of such information, directly or indirectly, to any other person or entity without the Firm's prior written consent; and
  - d) through August 28, 2009, you will not engage in any Competitive Activity or Detrimental Activity, subject to the continuing obligation after such date not to engage in Competitive Activity or Detrimental Activity with respect to any particular benefit (including any SERP benefit).
9. In consideration of the benefits described in this agreement, you agree to forever release the Firm, including all affiliated companies, past and present parents, subsidiaries and divisions and present and former employees, officers, directors, successors and assigns, from all claims you may now have based on your employment with the Firm, or your separation from employment, to the

maximum extent permitted by law. This release covers both claims that you know about and those you may not know about.

10. Notwithstanding the foregoing release and the other terms of this agreement, you will remain eligible for indemnification pursuant to the corporate charter and by-laws with respect to your employment through your Separation Date.
11. All payments described in this letter are subject to applicable tax withholding.
12. You will keep this letter and its terms in strictest confidence and will not disclose information concerning it to anyone other than your immediate family or professional advisors without prior written consent of the Firm, except as required by law. Notwithstanding the foregoing, you may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure.
13. This letter constitutes the entire agreement between you and the Firm and supersedes any other written or unwritten agreement between you and the Firm with respect to your employment or your separation from employment. This letter may only be amended or terminated by a written agreement signed by you and by me or the Firm's Chairman or Chief Legal Officer. This letter will be binding on the Firm and its successors and assigns, once it has been approved by the Compensation and Benefits Committee of the Board of Directors of Lehman Brothers Holdings Inc.

If this letter accurately reflects our understanding, please sign in the space indicated below and return the signed copy to me.

Very truly yours,

Tracy Binkley  
Global Director of Human Resources

Accepted and Agreed:

\_\_\_\_\_  
Roger Nagioff

\_\_\_\_\_  
Date

Exhibit A

"Competitive Activity" means involvement (whether as employee, proprietor, consultant or otherwise) with any person or entity (including any company and its affiliates) engaged in any business activity which is materially competitive with any business carried on by Holdings or any of its subsidiaries or affiliates on the date of termination of a person's employment with Holdings and any of its subsidiaries, as determined in the sole discretion of an Appropriate Officer.

"Detrimental Activity" means at any time (i) using information received during a person's employment with Holdings or any of its subsidiaries relating to the business affairs of Holdings or any of its subsidiaries, affiliates or 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 affiliates (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 an Appropriate Officer.

For purposes of this Exhibit A, "Holdings" means Lehman Brothers Holdings Inc., and "Appropriate Officer" means the Chief Executive Officer or Chief Operating Officer of Holdings (or their respective designees).

\* For avoidance of doubt, "Competitive Activity" does not include the sort of independent company that you have indicated you may start up in at some point in the future, where such company does not compete with Holdings for clients or investments. If your plans change such that you intend to become associated with another firm, or such that your independent activities may entail competition with Holdings for clients or investments, you agree to consult with the Firm in advance to determine whether such activities constitute "Competitive Activity" within the meaning of this agreement and applicable plan documents.

**FOOT NOTES - defined terms:**

<sup>1</sup> "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).

<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).

<sup>3</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>4</sup> "Full Career Termination" means a termination of employment when (i) a person has at least 20 years of service; or (ii) a person meets all of the following criteria: (a) the person's age plus years of service equals at least 55, (b) the person is at least 45 years old, and (c) the person has at least 10 years of service; or (iii) a person meets all of the following criteria: (a) the person is at least 50 years old, and (b) the person has at least 5 years of service.

<sup>5</sup> "Competitive Activity" means involvement (whether as an employee, proprietor, consultant or otherwise) with any person or entity (including any company and its affiliates) engaged in any business activity which is materially competitive with any business carried on by Holdings or any of its subsidiaries or affiliates on the date of termination of a person's employment with Holdings and any of its subsidiaries, as determined in the sole discretion of the Chief Executive Officer or Chief Operating Officer of Lehman Brothers Holdings Inc. (or their respective designees).

<sup>6</sup> "Disability" means a disability under both the Long-Term Disability Insurance Plan and Social Security Act.

<sup>7</sup> 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).