

**LEHMAN BROTHERS HOLDINGS INC.**  
**Minutes of the Compensation and Benefits Committee**  
**September 3, 2008**

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 September 3, 2008 at 3:15 p.m., pursuant to written notice.

PRESENT - COMPENSATION AND BENEFITS COMMITTEE MEMBERS

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

ALSO PRESENT BY INVITATION

Mr. Richard S. Fuld, Jr.  
Mr. Thomas A. Russo  
Ms. Tracy A. Binkley  
Mr. Anthony J. Collerton

2008 Stock Component Summary Table

Mr. Fuld provided the Committee with an overview of a series of proposed changes to year-end compensation and described a proposal for special cash retention payments to key employees. The Committee discussed management's recommendation to adjust the percentage of year-end compensation awarded to employees in the form of equity. Mr. Collerton described the proposed change, which included reducing the percentage of total compensation awarded as equity from a maximum of 65% down to a maximum of between 40% and 50%. The material 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 approved:

WHEREAS, the Committee determined in action taken on July 1, 2008 that the amount of equity-based deferred compensation which may be granted to eligible employees as part of the 2008 Equity Award Program for the full fiscal year would be determined in accordance with the 2008 Stock Component

**LBEX-AM 003902**

Summary Table adopted by the Committee on such date (the "July Summary Table"); and

WHEREAS, the Committee currently intends to modify the 2008 Stock Component Summary Table (the "2008 Summary Table") to be used to determine the amount of equity-based deferred compensation which may be granted to bonus-eligible employees as part of the 2008 Equity Award Program for the full fiscal year; and

WHEREAS, the Committee desires to enable senior management to communicate in their discretion the expected overall deferral levels of the 2008 Equity Award Program as is currently anticipated at the present time without conferring any binding obligation on the part of Holdings or the Firm; now, therefore, be it

RESOLVED, that the Committee delegates the authority to the Chairman of the Committee to determine the percentages of 2008 Total Compensation (as defined in Exhibit C) included in the 2008 Summary Table to be delivered in equity-based deferred compensation; provided that the maximum percentage of equity-based deferred compensation to be included in year-end 2008 Total Compensation shall not be less than 40% or greater than 50% of 2008 Total Compensation; and be it further

RESOLVED, that the 2008 Summary Table will supersede the July Summary Table, except as expressly provided herein for Eligible Key Employees (as defined below); and be it further

RESOLVED, that nothing in the foregoing resolutions is intended to, and shall not, confer upon any employee any right to any discretionary bonus with respect to Holdings' fiscal year ending November 30, 2008 or any grant of any equity award; it being understood that the sole purpose of the foregoing resolutions regarding the 2008 Summary Table is to permit the communication of the overall deferral levels of the 2008 Equity Award Program as is currently anticipated at the present time to the Firm's employees without conferring any binding right or entitlement related thereto, and it being understood further that nothing in such resolutions shall limit the Committee's ability or authority to modify the levels so communicated up through and including such date as such levels shall be finally determined by the Committee during the fourth quarter of Holdings' 2008 fiscal year;

#### September 2008 Special Cash-Based Retention Awards

The Committee then discussed management's recommendation for special cash retention awards for 200 to 300 key employees. Mr. Collerton described the terms of the proposed awards, including termination provisions and processes and procedures in place

to recover funds owed to the Firm. 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 approved:

WHEREAS, the Committee desires to grant to senior management the discretion to grant special cash-based retention awards ("Awards") to facilitate the retention of selected key employees ("Key Employees"), with the understanding that such Awards will also recognize their levels of responsibility and leadership impact, performance and contributions through the date of such Awards, expected performance and contributions through the term of the Awards, and such other matters as senior management may deem appropriate, now, therefore, be it

RESOLVED, that the Committee delegates the authority to the Chairman of the Committee to determine whether to grant Awards to Key Employees and to direct any of the Chief Executive Officer, the President and Chief Operating Officer, and the Global Head of Human Resources (each, an "Authorized Officer") to make such Awards; and be it further

RESOLVED, that the Committee hereby authorizes each of the Authorized Officers to identify the Key Employees and to determine the amount of Awards granted to each Key Employee, provided that: (i) the Key Employees will not include any Executive Officer or member of the Firm's Executive Committee; (ii) the Awards will not be considered part of 2008 Total Compensation for the Key Employees; (iii) the aggregate amount of the Awards will not exceed \$750 million; and (iv) any Authorized Officer is authorized to structure such Awards as may be required in his or her discretion to satisfy tax or regulatory characteristics of the jurisdiction of which a recipient of Awards is a citizen or resident; and be it further

RESOLVED, that (i) the Awards will be considered to be "earned" and will cease to be subject to repayment upon certain termination events in one-third increments on each of November 30, 2009, 2010, and 2011, and (ii) the Awards will be subject to the termination provisions set forth on Exhibit A attached hereto, as such terms and conditions are incorporated in an award agreement to be provided to each Key Employee; and be it further

RESOLVED, that nothing in the foregoing resolutions is intended to, and shall not, confer upon any employee any right to any Award; it being understood that the sole purpose of the foregoing resolutions regarding the Awards is to grant to senior management the discretion to grant Awards to facilitate the retention of Key Employees without conferring any binding right or entitlement related thereto.

## 2008 Year-End Cash-Based Awards to Key Employees

The next topic for discussion was management's recommendation for a deferred compensation program, described as Interest Bearing Notes, to be awarded to the same 200 to 300 key employees, in lieu of cash compensation. Mr. Colleton described the terms of the proposed awards, including proposed returns and termination provisions. The material pertaining to 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 approved:

WHEREAS, the Committee has determined in its discretion that Key Employees who receive Awards, excluding any Key Employee who is a production-based employee or has 2008 guaranteed compensation and for whom the July Summary Table would have been inapplicable, who meet the eligibility requirements for a year-end equity award (the "Eligible Key Employees") will receive a portion of year-end 2008 Total Compensation in cash-based deferred compensation; now, therefore, be it

RESOLVED, that deferred compensation awarded to Eligible Key Employees as part of 2008 Total Compensation will consist of (i) equity-based deferred compensation to be determined in accordance with the 2008 Summary Table and (ii) cash-based deferred compensation as described herein, provided that the aggregate percentage of year-end deferred compensation for Eligible Key Employees, including equity-based deferred compensation and cash-based deferred compensation, will be the percentages set forth in the July Summary Table ; and be it further

RESOLVED, that the cash-based deferred compensation awarded to Eligible Key Employees will be in the form of interest-bearing notes ("Notes"); provided that: (i) the grant date for Notes will be the grant date determined by the Committee for 2008 year-end equity awards; (ii) the principal portion of the Notes and related accrued interest will become payable to Eligible Key Employees in one-third increments on each of November 2009, 2010, and 2011; (iii) the Notes will bear interest at the rate of LIBOR + 400 bps; and (iv) the Notes will be subject to the termination provisions set forth on Exhibit B attached hereto, as such terms and conditions are incorporated in an award agreement to be provided to each Eligible Key Employee; and be it further

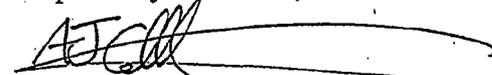
### Delegation of Authority

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.

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,



Anthony Collerton  
Secretary for the Meeting

**EXHIBIT A**

September Cash-Based Awards Termination Provisions

Awards will be considered to be “earned” and will cease to be subject to forfeiture in the circumstances below described below in one-third increments on each of November 30, 2009, 2010, and 2011.

Termination Event	Treatment of Awards
Voluntary Termination Involuntary Termination (with or without Cause*)	Repayment to the Firm of the unearned pre-tax portion of any Awards as of the termination date.
Death or Disability*	All Awards will be considered to be earned and will not be subject to repayment.

\* As defined in Exhibit C attached hereto

**EXHIBIT B**Year-End Notes Termination Provisions

The principal portion of the Notes and related accrued interest will become payable in one-third increments on each of November 2009, 2010, and 2011.

<b>Termination Event</b>	<b>Treatment of Awards</b>
Voluntary Termination	Forfeiture of any unpaid principal portion of the Notes, plus any accrued and unpaid interest.
Involuntary Termination without Cause*	Any unpaid principal portion of the Notes, plus any accrued and unpaid interest, will be payable within 30 days of termination, provided that the participant signs a Release Agreement as the Firm may require.
Involuntary Termination with Cause*	Forfeiture of any unpaid principal portion of the Notes, plus any accrued and unpaid interest.
Death or Disability*	Any unpaid principal portion of the Notes, plus any accrued and unpaid interest, will be payable within 30 days of termination.

\* As defined in Exhibit C attached hereto

**Definitions**

“2008 Total Compensation” means fiscal year 2008 salary earnings, bonus, cash flow, commissions, salary supplements, the value of 2008 car allowances, and housing allowances for local employees (i.e., non-expatriates) for employees.

“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 Holdings (or their respective designees).

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